



**BUDDING GROWTH ENABLED  
THROUGH DIALOGUE.**

*Seizing the opportunities*





## DISPUTE RESOLUTION AND SUPPORT FUNCTIONS

### SECTION 77

#### TERMS OF REFERENCE

Section 77 of the Labour Relations Act gives workers the right to take part in protest action to promote or defend their socio-economic interests. The Act gives Nedlac the task of bringing the parties to a Section 77 notice together to attempt to resolve the reasons for the protest action.

#### APPLICATIONS FILED DURING THE YEAR UNDER REVIEW

Only one (1) Section 77 Notice was filed with Nedlac in the period under review. This could in part be attributed to the fact that most of the issues that were the main triggers of Section 77 notices in the recent past were gradually finding their way into the collective bargaining processes.

The Motor Transport Workers union (the Applicant) filed a Section 77 Notice citing the employers in the Cash in Transit sector, the Safety and Security Minister and the South African National Defence Force. The Applicant's key concern was the increasing number of incidents where civilians were getting killed during cash in transit robberies.

The matter is still being considered by the Nedlac Section 77 Standing Committee. Efforts to resolve the Applicant's concerns are being addressed through various initiatives by government and the key players in the cash in transit sector.

#### MEMBERS OF THE SECTION 77 STANDING COMMITTEE

BUSINESS	LABOUR	GOVERNMENT	COMMUNITY
K Moyane E Nwedo	M Mbongwe R Dicks	T Mkalipi J Crouse	S Mapaila I Steyn

# DEMARCATATION

## TERMS OF REFERENCE

The Demarcation Standing Committee consider and finalise applications for the establishment of a Bargaining Council, or the variation of Bargaining Councils.

## APPLICATIONS FILED AND CONSIDERED DURING THE YEAR UNDER REVIEW

- Richard's Rentals and National Bargaining Council for the Road Freight Industry (NBCRFI)
- Imperilog Holdings and National Bargaining Council for the Road Freight Industry
- Northern Catering Equipment and Metal and Engineering Industries Bargaining Council (MEIBC)
- Numsa and Henred Freuhauff (Pty) Ltd
- Samwu and Phambili Wasteman and Skip Waste
- Security and General Allied Workers Union and Green Perspective formally Collins Top Turf
- Complete Office Furniture
- Workforce Group Holdings (Pty) Ltd and NBCRFI
- Chemical Energy Paper Printing Wood Allied Union
- Application for the variation of scope of the Bargaining Council for the Restaurant, Catering and Allied Trades
- ASA Metals (Pty) Ltd and Metal and Engineering Industries Bargaining Council
- Steel Mining and Commercial Workers Union (STEMCU) and Fika Cleancor
- Furniture, Bedding and Upholstery Bargaining Council (FBUBC) versus National Bargaining Council for Chemical Industries (NBCCI)
- Ceppwawu and Johnson Matthey Catalysts/Motor Industries Bargaining Council versus NBCCI
- Ceasar obo Superspar, Three Rivers versus National Department of Labour

## MEMBERS OF THE STANDING COMMITTEE

BUSINESS	LABOUR	GOVERNMENT
D Carson G Bezuidenhout	T Mkalipi J Crouse	R Dicks M Mbongwe L Gobbler

## RESEARCH

Research activities for the period under review covered two areas, namely;

RESEARCH AREA	OBJECTIVE	STATUS
Employment trends in Agriculture.	To establish the main drivers of jobs decline in Agriculture in order to explore steps that could be taken to address them.	Completed
SETAs	To identify the key challenges around the functioning and performance of SETAs in order to explore steps that could be taken to address them.	Still underway

# COMMUNICATIONS

## TERMS OF REFERENCE

To provide support and strategic communication services to Nedlac, while raising awareness on the role of Nedlac in the transformation of South Africa's socio-economic landscape.

## PROGRAMME PERFORMANCE

### PUBLICATIONS

During the period under review, we produced 1 000 copies of the *Protocol for Tabling and consideration of Issues at Nedlac*.

2 000 copies of the Annual Report were printed and distributed to targeted institutions including public libraries and other statutory bodies.

### WEBSITE

The Nedlac website continued to attract diverse visitors during the 2006/7 financial year. Records show a total of 94 281 visits during this period with an average of 3 143 hits per day. (*source: Unwembi communications*). Most visitors clicked on inter alia, the Nedlac reports Nedlac Agreements, the Annual Summit, Nedlac Annual Report, Research information and contact information.

### PUBLIC INFORMATION

Nedlac publications, media coverage and the website, continues to generate a large number of enquiries domestically and internationally. Out of all these requests our records show that all of them were granted in full, in terms of the regulations of the Promotion of Access to Information Act (Act. No. 2 of 2000). Requests from South Africa's Legal Deposits and other public information institutions for Nedlac publications have also been granted in full.

### MEDIA COVERAGE

Nedlac continues to enjoy growing media coverage on the print media. Research shows a massive 1 066 news articles featured in South Africa's leading print media houses. About 55% of the media reports scanned represent issues discussed at the Nedlac Labour Market Chamber, with 25% on issues of Economic Growth and Sustainable Development, 15% on Trade and Industry policy matters, and 5% on Public Finance and Monetary Policy. Issues that have dominated the news reporting this financial year include the following:

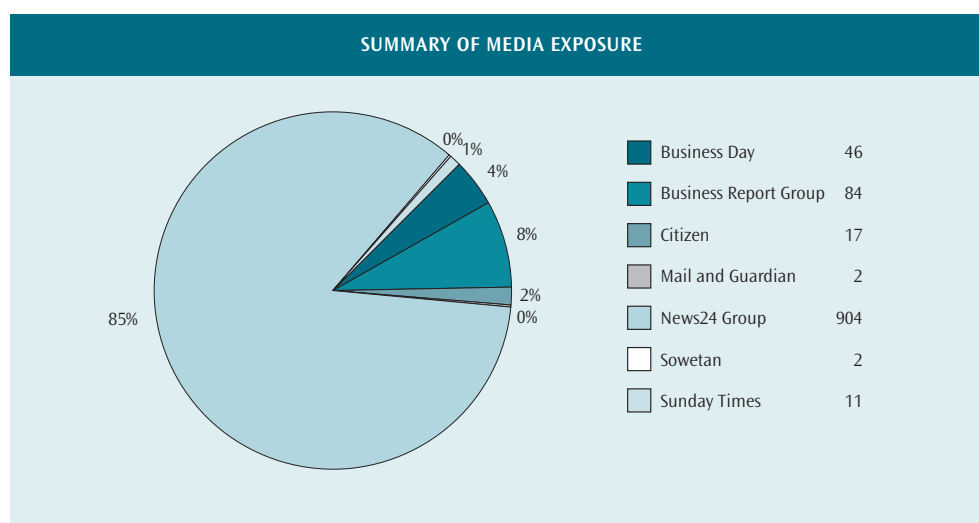
- Cash in transit Section 77 Notice;
- Consawu Court Application;
- Section 77 application by SATAWU;
- Labour Market Policies and the proposed review;
- Industrial Action;
- National Strategic Plan on HIV/AIDS;
- The proposed Single Public Service Bill;
- Pharmaceutical;

- Nedlac Review;
- Social Security Policy Reform;
- Inflation Rates;
- Financial Sector Charter;
- National Industrial Policy Framework;
- Skills Development and SETAs;
- WTO Doha Round NAMA negotiations;
- Nedlac Annual Summit;
- Cooperatives Banks Bill; and
- Companies Bill

Broadcast media coverage show notable signs of frequency and expansion. This has been evidenced by broadcast media coverage of the Nedlac Annual Summit, Social Partners engagements with the Minister of Finance and member of the Nedlac Executive Council Trevor Manuel, Progress on the Industrial Policy, Framework Agreement on the FIFA 2010 World Cup, National Policy Position on NAMA 11 negotiations as well as engagements with Parliament on the work programme of Nedlac.

### SUMMARY OF MEDIA EXPOSURE

MEDIA HOUSES	
Business Day	46
Business Report Group	84
Citizen	17
Mail and Guardian	2
News24 Group	904
Sowetan	2
Sunday Times	11
<b>TOTAL OF NEWS ARTICLES</b>	<b>1 066</b>

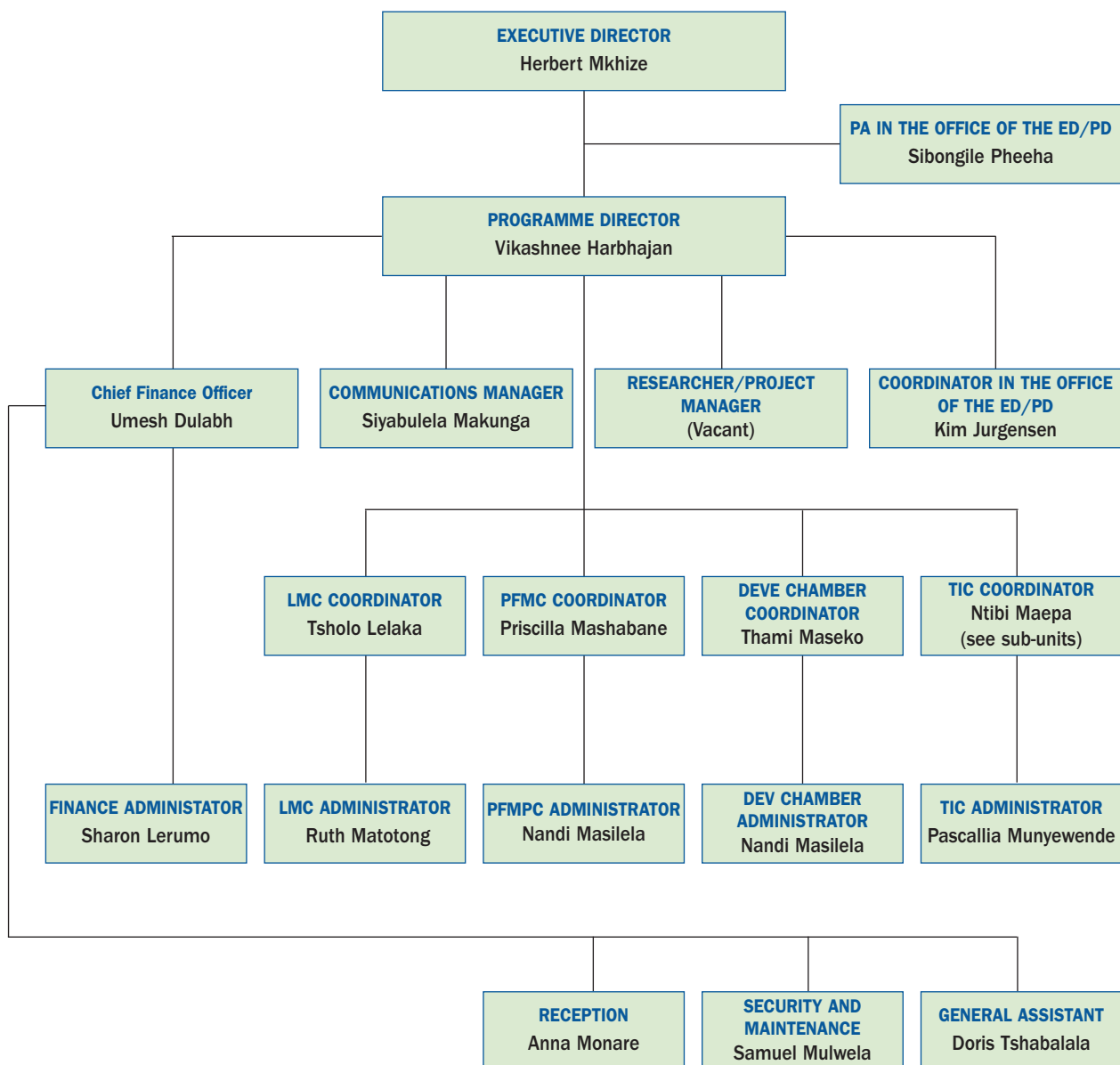




# HUMAN RESOURCES

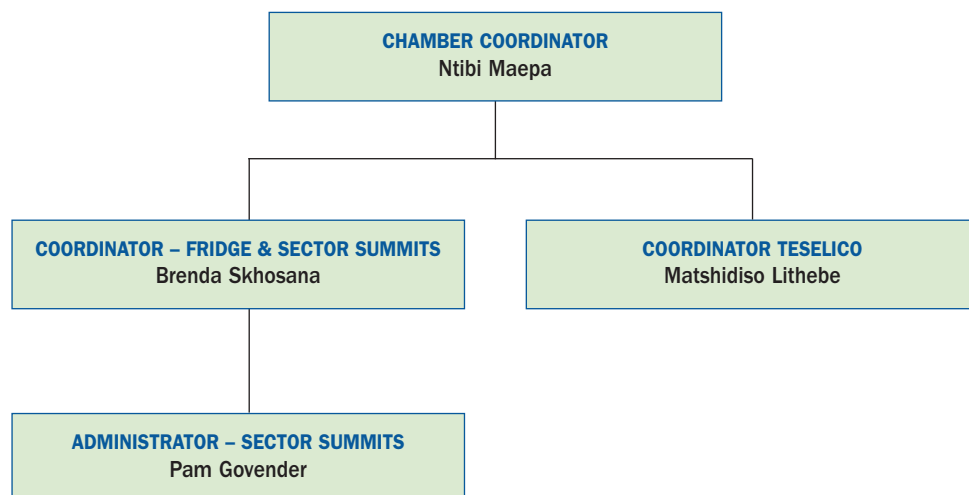
## STRUCTURE OF THE SECRETARIAT

Nedlac is an affirmative action employer and has a recruitment evaluation system that allocates points accordingly. Nedlac is currently fully compliant with the affirmative action guidelines.





## TIC SUB-WORKSTREAMS



### Nedlac's Employment Diversity

GROUPINGS	AFRICAN		ASIAN		COLOURED		DISABLED		WHITE		STAFF TOTAL
	M	F	M	F	M	F	M	F	M	F	
Executive Team	1										1
Executive Total											1
Management Team			1	1							2
Management Total			1	1							2
Staff	6	13		2						1	19
Nedlac Total	7	13	1	2						1	24
<b>Nedlac % Rep.</b>	<b>29%</b>	<b>54%</b>	<b>4%</b>	<b>9%</b>						<b>4%</b>	<b>100%</b>

There are no foreign employees.

### STAFF MOVEMENTS

GROUPINGS	AFRICAN		ASIAN		COLOURED		DISABLED		WHITE		STAFF TOTAL
	M	F	M	F	M	F	M	F	M	F	
Number of employees recruited in 2006/2007	2	2		1							5
Number of employees promoted in 2006/2007											
Number of employees' services terminated in 2006/2007	3	1								1	5

As Nedlac is a relatively small organisation, upward mobility is restricted within posts. If posts become vacant however, employees have the opportunity to apply internally prior to the post being advertised externally.

## Remuneration and Job Evaluation

PERSONNEL COSTS	AFRICAN		ASIAN		COLOURED		DISABLED		WHITE		STAFF TOTAL
	M	F	M	F	M	F	M	F	M	F	
20 – 40 000		1									<b>1</b>
40 – 60 000	1	1									<b>2</b>
60 – 80 000		2									<b>2</b>
80 – 100 000											
100 – 120 000											
120 – 140 000		1									<b>1</b>
140 – 160 000		1		1							<b>2</b>
160 – 180 000		1									<b>1</b>
180 – 200 000		1									<b>1</b>
200 – 220 000	1	1									<b>2</b>
220 – 270 000	1	2									<b>3</b>
280 – 320 000		1	1								<b>2</b>
440 – 500 000				1							<b>1</b>
500 – 650 000	1										<b>1</b>
<b>TOTAL</b>	<b>4</b>	<b>12</b>	<b>1</b>	<b>2</b>							<b>19</b>

## Injury, Illness and Death/Sick Leave/Ill Health

INCIDENT	NO. OF DAYS
The number and nature of incidents of injury, illness and death resulting from official duty or the work environment	<b>0</b>
The average number of days sick leave taken by employees per month	<b>2.05</b>
The total number of days sick leave taken by employees	<b>39</b>
The number of employees who took more than 15 continuous days sick leave	<b>0</b>
The number of employees discharged due to ill health	<b>0</b>

## Disciplinary Steps

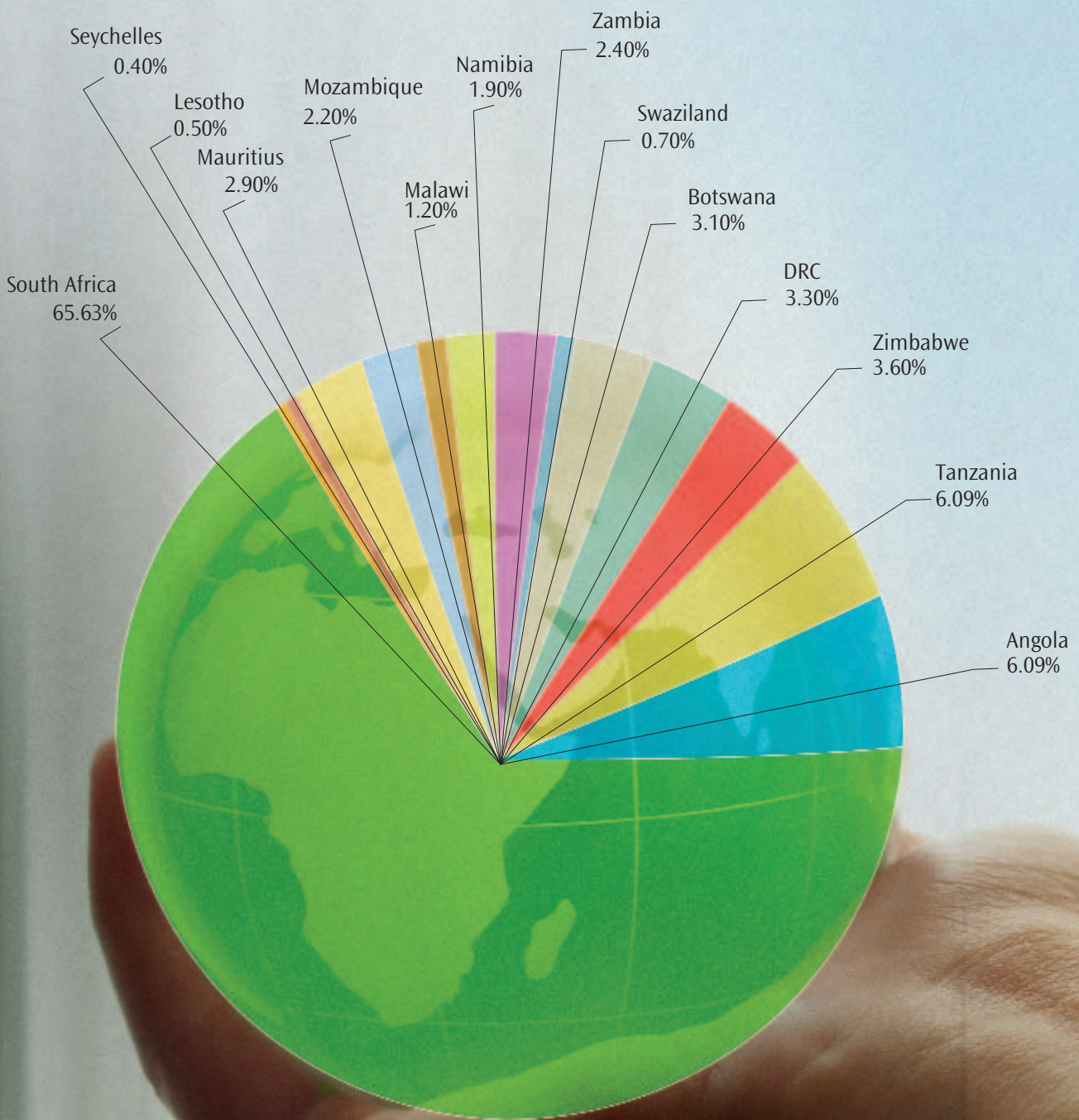
DISCIPLINARY STEPS	NO. OF STAFF
Disciplinary steps taken against employees for, <i>inter alia</i> , unauthorised, irregular and fruitless and wasteful expenditure	<b>0</b>



**“WE NEED TO, TOGETHER TACKLE URGENT  
CHALLENGES – INTERVENTIONS WE CAN  
MAKE JOINTLY THAT HAVE THE POTENTIAL  
TO MAKE THE BIGGEST IMPACT IN THE  
SHORTEST POSSIBLE TIME”**

**(President Thabo Mkebi, Growth and Development  
Summit, 2003)**





**SOUTH AFRICA IS THE LARGEST  
ECONOMY IN THE REGION IN TERMS  
OF GDP:** *source: SADC Statistics*



## CHALLENGES AND KEY PRIORITIES FOR THE YEAR AHEAD

- Government Departments other than Labour, Trade and Industry, Public Works, and National Treasury continue to by-pass Nedlac on certain key policy issues.
- Poor relationship with Parliamentary Portfolio Committees outside of Labour, Trade, Public Works and Finance.
- Late tabling of issues at Nedlac and in some cases, not at all.
- Mandates obtained from Cabinet often too tight to allow space for meaningful engagements in Nedlac which at times give an impression that issues are tabled as mere fait accompli.
- Difficulty in getting certain Cabinet Ministers to lead policy sessions in the Nedlac Executive Council.
- Some government departments renege on Nedlac agreements despite having been part of the negotiations and the agreements emanates from such negotiations.
- Non adherence to the protocol for tabling and consideration of issues at Nedlac.

### LABOUR MARKET CHAMBER

KEY FOCUS AREA	STRUCTURE	STATUS
Companies Bill: Ch 6 Business Rescue Model	Insolvency Technical Task Team	
Insolvency Bill	Insolvency Technical Task Team	
Changing Nature of Work	Manco Atypical Forms of Employment Task Team	
Social Plan Review	Social Plan Review Task Team	
Labour Market Policy Review	Labour Market Policy Review Task Team	
Superior Courts Bill	Manco Task Team on Superior Courts Bill	
Enhancing the role of women in business	Teselico and the Chamber	
Infrastructure development	Teselico and the Chamber	

### TRADE AND INDUSTRY CHAMBER

KEY FOCUS AREA	STRUCTURE	STATUS
BBBEE	Task Team	
Promotion of SMME's	Task Team	
Services	Teselico Task Team on Services	
WTO-NAMA	The Standing Committee on Trade	
SACU negotiations with EFTA	The Standing Committee on Trade	
SADC mid-term review	The Standing Committee on Trade	
SA-EU-TDCA	The Standing Committee on Trade	
SACU-India	The Standing Committee on Trade	
SACU-China	The Standing Committee on Trade	
ICT Sector	ICT Sector Summit Steering Committee	
National Industrial Policy Framework POA	Policy sessions with the Minister and Deputy Minister Davies and the Chamber	

## DEVELOPMENT CHAMBER

KEY FOCUS AREA	STRUCTURE	STATUS
Comprehensive Social Security	Manco Task Team	
Housing	Task Team	
Transport	Chamber	
Social Security and Retirements Fund Reform	Manco Task Team*	
FET Bill	Chamber	

## PUBLIC FINANCE AND MONETARY POLICY CHAMBER

KEY FOCUS AREA	STRUCTURE	STATUS
Budgetary Processes including MTEFP	Chamber	
Performance of SETAs	Chamber	
Cooperatives Banks Bill	Chamber	
Administered Pricing	Chamber	
Retirement Funds Legislative Reforms	Manco Task Team	
Social Security and Retirements Funds	Manco Task Team*	

## EXECUTIVE COUNCIL

KEY FOCUS AREA	STRUCTURE	STATUS
Review of the Growth and Development Agreements	Executive Council	
Review of SETAs	Task Team	
Nedlac Review	Nedlac Review Steering Committee	
Decent Work Country Programme (DWCP) for South Africa	DWCP Steering Committee	
Labour Market Policy Review	Labour Market Policy Review Steering Committee	
Building sound working relationships with Government Departments and Parliament	Executive Director and the Overall Convenors	
Poverty Measures	Manco Task Team	



**SOCIAL DIALOGUE BEARS THE  
FRUITS OF OUR LABOUR.**

*A beneficial reward for all South Africans*







**Nedlac's core activities are funded by government through the Department of Labour's budget. Nedlac is also entitled to receive monies from private and public bodies other than the state.**

## FINANCIAL COMMITTEE

Nedlac's financial affairs are overseen by the Financial Committee, which is composed of representatives of the Nedlac constituencies and is a sub-committee of the Management Committee. This structure meets monthly to ensure that Nedlac's resources are used appropriately in pursuit of the institution's goals.

Operational budgets are prepared annually by the Nedlac secretariat and overseen by the Finance Committee. Budgets are taken to the Management Committee for their recommendation, and to the Executive Council for final approval. Audited financial statements are produced annually, and follow the same route of reporting, before being presented to the Minister of Labour for final approval and submission, with the Annual Report, to Parliament.

The Financial Committee met quarterly during the course of the financial year.

## FINANCE COMMITTEE DELEGATES

### GOVERNMENT

Chris van der Merwe

### LABOUR

Moose Burger

### BUSINESS

Nico Vermeulen

### COMMUNITY

Gerry Tshitangano

# NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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

Report of the Independent Auditors	89
Report of the Executive Council	90
Statement of Financial Position	92
Statement of Financial Performance	93
Statement of Changes in Net Assets	94
Cash Flow Statement	95
Accounting Policies	96
Notes to the Financial Statements	98

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

Detailed Statement of Financial Performance	102
Nedlac Audit Committee Report	103

# REPORT OF THE INDEPENDENT AUDITORS

## TO THE MEMBERS OF NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

We have audited the annual financial statements of National Economic Development and Labour Council set out on pages 90 to 101 for the year ended 31 March 2007. These annual financial statements are the responsibility of the Executive Council. Our responsibility is to express an opinion on these annual financial statements based on our audit.

### SCOPE

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. The audit was also planned and performed to obtain reasonable assurance that our duties in terms of sections 27 and 28 of the Public Audit Act, 25 of 2004, have been complied with. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Council at 31 March 2007 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Public Finance Management Act, Act 1 of 1999 as amended and the Public Audit Act 28 of 2004.

The transactions of the National Economic Development and Labour Council that had come to our attention during our audit were in all material respects in accordance with the mandatory function of National Economic Development and Labour Council, as determined by law or otherwise.

### SUPPLEMENTARY INFORMATION

We draw your attention to the fact that the supplementary information set out on page 102 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.



**GOBODO INCORPORATED**  
**CHARTERED ACCOUNTANTS (S.A.)**

**PER: DENAS HANSJEE**

**JOHANNESBURG**  
**22 AUGUST 2007**

# REPORT OF THE EXECUTIVE COUNCIL

The Executive Council presents their report for the year ended 31 March 2007. This report forms part of the audited financial statements.

## 1. INCORPORATION

Nedlac, a statutory body, is South Africa's primary institution for Social Dialogue. Nedlac was launched on 18 February 1995 to bring together government, business, labour and community interests, to, through negotiation, reach consensus on all labour legislation, and all significant changes to social and economic policy.

The Nedlac Act was passed in 1994 with unanimous support from all political parties.

Nedlac is listed as a national public entity under Schedule 3A of the Public Finance Management Act (Act No. 1 of 1999), (PFMA) as amended.

The Executive Council acts as the accounting authority in terms of the PFMA.

## 2. STATEMENT OF RESPONSIBILITY

The Executive Council is responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with International Auditing Standards. The financial statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice.

The Executive Council is also responsible for the Council's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Executive Council 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 Executive Council has every reason to believe that the Council has adequate resources in place to continue in operation for the foreseeable future.

### Organisational Structure

The Council is composed of:

- An Executive Council, which is the governing body of the Council;
- Four chambers, namely:
  - (a) the Public Finance and Monetary Policy Chamber;
  - (b) the Trade and Industry Chamber
  - (c) the Labour Market Chamber
  - (d) the Development Chamber
- A Management Committee; and
- A Secretariat.



### 3. COUNCIL PRINCIPAL ACTIVITIES

The Council shall:

- strive to promote the goals of economic growth, participation in economic decision-making and social equity;
- seek to reach consensus and conclude agreements on matters pertaining to social and economic policy;
- consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
- encourage and promote the formulation of co-ordinated policy on social and economic matters.

### 4. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The members of the Council are not aware of any matters or circumstances 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 Council or the results of its operations.

### 5. OPERATING RESULTS

During the period under review, the Council had a surplus of R484 064 (2006: surplus R438 627).

### 6. REVIEW OF FINANCIAL POSITION

During the period under review the Council purchased assets at a cost of R394 411 (2006: R666 166).

The capital and reserves/net assets of the Council at year end amounted to R8 105 181 (2006: R7 621 115).

### 7. FRUITLESS AND WASTEFUL EXPENDITURE

No material fruitless and wasteful expenditure were incurred during the period under review.

### 8. AUDITORS

Gobodo Incorporated will continue in office for the next financial period.

The financial statements set out on pages 90 to 102, which have been prepared on the going concern basis, were approved by the board on 22 August 2007 and were signed on its behalf by:



**HERBERT MKHIZE**

**JOHANNESBURG**

**22 AUGUST 2007**

# STATEMENT OF FINANCIAL POSITION

	Notes	2007 R	2006 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	2,276,593	2,299,710
<b>Current Assets</b>			
Trade and other receivables	3	1,545,091	1,545,707
Cash and cash equivalents	4	5,329,674	4,254,236
		6,874,765	5,799,943
<b>Total Assets</b>		<b>9,151,358</b>	<b>8,099,653</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves/Net Assets</b>			
Constituency Capacity funds	5	1,486,771	1,471,110
Accumulated funds		6,618,410	6,150,007
		8,105,181	7,621,117
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	6	938,681	428,361
Provisions	7	107,496	50,175
		1,046,177	478,536
<b>Total Equity and Liabilities</b>		<b>9,151,358</b>	<b>8,099,653</b>

## STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2007 R	2006 R
Grants Received	8	12,712,000	11,551,000
Other income		363,000	330,000
Operating expenses		(12,646,116)	(11,612,204)
<b>Operating surplus</b>	9	<b>428,884</b>	268,796
Investment revenue	10	55,180	172,454
Finance costs	11	-	(2,623)
<b>Surplus for the year</b>		<b>484,064</b>	438,627
<b>Funds transferred from(to)</b>		<b>(15,661)</b>	234,448
Community constituency fund		(2,793)	166,290
Labour constituency fund		(6,456)	(9,448)
Business constituency fund		(6,412)	77,606
<b>Net surplus for the year</b>		<b>471,885</b>	673,076

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated funds
<b>Balance at 01 April 2005</b>	<b>5,476,932</b>
Changes in equity	
Surplus for the year	438,627
Movement of constituency funds	234,448
Total changes	673,075
<b>Balance at 01 April 2006</b>	<b>6,150,007</b>
Changes in equity	
Surplus for the year	484,064
Movement of constituency funds	(15,661)
Total changes	468,403
<b>Balance at 31 March 2007</b>	<b>6,618,410</b>



## CASH FLOW STATEMENT

	Notes	2007 R	2006 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	1,414,669	1,943,349
Interest income		55,180	172,454
Finance costs		-	(2,623)
<b>Net cash from operating activities</b>		<b>1,469,849</b>	<b>2,113,180</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(394,411)	(666,166)
Sale of property, plant and equipment	2	-	11,359
<b>Net cash from investing activities</b>		<b>(394,411)</b>	<b>(654,807)</b>
<b>Total cash movement for the year</b>		<b>1,075,438</b>	<b>1,458,373</b>
Cash at the beginning of the year		4,254,236	2,795,863
<b>Total cash at end of the year</b>	4	<b>5,329,674</b>	<b>4,254,236</b>

# ACCOUNTING POLICIES

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP-Replaced Statement of GAAP

GRAP 1: Presentation of financial statements-AC101: Presentation of financial statements

GRAP 2: Cash flow statements-AC118: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors-AC103: Accounting policies, changes in accounting estimates and errors.

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements.

Paragraph 11 to 15 of GRAP has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

### 1.1 Property, plant and equipment

Costs include costs incurred initially to acquire or construct an item of property, plant 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, plant and equipment, the carrying amount of the replaced part is derecognised.

Item	Average useful life
Buildings	5 %
Furniture and fixtures	14,29 %
Office equipment	33,33 %
Computer equipment	33,33 %

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

### 1.2 Financial instruments

#### *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.

Financial assets and financial liabilities are recognised on the Council's Statement of Financial Position when the Council becomes party to the contractual provisions of the instrument.

#### *Trade and other receivables*

Trade and other receivables are carried at amortised cost less any accumulated impairment.

#### *Trade and other payables*

Trade and other payables are carried at amortised cost.

### *Cash and cash equivalents*

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.

### 1.3 Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

### 1.4 Provisions and contingencies

Provisions are recognised when:

- the Council has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised.

### 1.5 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Council will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. PROPERTY, PLANT AND EQUIPMENT

	2007			2006		
	Cost /Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	1,238,706	-	1,238,706	1,399,270	-	1,399,270
Buildings	-	(108,723)	(108,723)	-	(206,322)	(206,322)
Furniture and fixtures	848,769	-	848,769	1,313,563	(455,786)	857,777
Office equipment	58,314	-	58,314	93,993	(59,757)	34,236
Computer equipment	223,471	-	223,471	296,963	(106,415)	190,548
Computer software	16,056	-	16,056	30,655	(6,454)	24,201
Total	2,385,316	(108,723)	2,276,593	3,134,444	(834,734)	2,299,710

### Reconciliation of property, plant and equipment-2007

	Opening Balance	Additions	Transfers	Depreciation	Total
Land	1,399,270	-	(160,564)	-	1,238,706
Buildings	(206,322)	-	160,564	(62,965)	(108,723)
Furniture and fixtures	857,777	192,153	-	(201,161)	848,769
Office equipment	34,236	58,377	-	(34,299)	58,314
Computer equipment	190,548	141,482	-	(108,559)	223,471
Computer software	24,201	2,399	-	(10,544)	16,056
	2,299,710	394,411	-	(417,528)	2,276,593

	2007 R	2006 R
Total cost of land and building	11,399,270	11,399,270
Less: Grant received	(10,000,000)	(10,000,000)
Net cost of land and building	1,399,270	1,399,270

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Council.

## 3. TRADE AND OTHER RECEIVABLES

Trade receivables	-	322,045
Prepayments	1,124,180	1,124,180
Loan receivable from Proudly South African	420,911	99,482
	1,545,091	1,545,707

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	5,329,674	4,254,236
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	2007 R	2006 R		
5. CONSTITUENCY CAPACITY FUNDS				
5.1. Community Constituency				
Balance at the beginning of the year	(106,560)	59,730		
Movement during the year:				
Grant received	437,950	398,136		
Utilised	(435,157)	(564,426)		
Balance at end of year	(103,767)	(106,560)		
5.2. Labour Constituency				
Balance at beginning of the year	1,228,138	1,218,690		
Movement during the year:				
Grant received	437,950	398,136		
Utilised	(431,494)	(388,688)		
Balance at end of year	1,234,594	1,228,138		
5.3. Business Constituency				
Balance at beginning of the year	349,532	427,138		
Movement during the year:				
Grant received	218,975	199,068		
Utilised	(212,663)	(276,674)		
Balance at end of year	355,944	349,532		
Total Constituency Capacity Funds	1,486,771	1,471,110		
6. TRADE AND OTHER PAYABLES				
Trade payables	838,681	343,361		
Accrued expense	100,000	85,000		
	938,681	428,361		
7. PROVISIONS				
Reconciliation of provisions-2007				
	Opening Balance	Raised	Reversed during the year	Total
Leave-Pay provision	50,175	107,496	(50,175)	107,496
8. GRANTS RECEIVED				
Community Constituency	437,950	398,136		
Labour Constituency	437,950	398,136		
Business Constituency	218,975	199,068		
Operating Expenses	11,617,125	10,555,660		
	12,712,000	11,551,000		

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2007 R	2006 R
<b>9. OPERATING SURPLUS</b>		
Operating surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	337,552	247,065
Depreciation on property, plant and equipment	417,529	121,472
Employee costs	3,932,183	3,293,227
Research and development	655,854	348,348
<b>10. INVESTMENT REVENUE</b>		
<b>Interest revenue</b>		
Other interest	55,180	172,454
<b>11. FINANCE COSTS</b>		
Other interest paid	-	2,623
<b>12. EMOLUMENTS</b>		
<b>Directors' – Executive</b>		
Herbert Mkhize (Salary)	613,748	514,703
<b>13. TAXATION</b>		
No provision is made for taxation as the council is exempt from taxation		
<b>14. AUDITORS' REMUNERATION</b>		
Audit Fees	120,000	85,000
Audit fee - prior year underprovision	1,608	6,698
	121,608	91,698
<b>15. CASH GENERATED FROM OPERATIONS</b>		
Surplus before taxation	484,064	438,627
<b>Adjustments for:</b>		
Depreciation and amortisation	417,529	121,472
Interest received	(55,180)	(172,454)
Finance costs	-	2,623
Movements in provisions	57,320	(8,669)
<b>Changes in working capital:</b>		
Trade and other receivables	616	1,567,676
Trade and other payables	510,320	(5,926)
	1,414,669	1,943,349



	2007 R	2006 R
<b>16. COMMITMENTS</b>		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	419,338	270,913
– in second to fifth year inclusive	872,177	501,383
	<b>1,291,515</b>	<b>772,296</b>

Operating lease payments represent rentals payable by the Council for certain of its office equipment. Leases are negotiated for an average term of five years.

## 17. RELATED PARTIES

### Related party transactions

#### Rent paid to (received from) related parties

Proudly South African	(363,000)	(330,000)
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#### Grants paid to (received from) related parties

Department of Labour	(12,712,000)	(11,551,000)
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## 18. RISK MANAGEMENT

### 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 counterparty.

# DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2007 R	2006 R
<b>Revenue</b>			
Grants Received		12,712,000	11,551,000
<b>Other income</b>			
Rental income		363,000	330,000
Interest received	10	55,180	172,454
		418,180	502,454
<b>Operating expenses</b>			
Advertising		179,174	152,109
Auditors remuneration	14	121,608	91,698
Bank charges		23,254	25,653
Constituency Expenses		1,014,188	1,229,788
Depreciation, amortisation and impairments		417,529	121,472
Electricity and Water		257,251	221,853
Employee costs		3,932,183	3,293,227
Growth and Development Summit Process		397,701	758,887
Insurance		67,907	68,367
Lease rentals on operating lease		337,552	247,065
Meetings and Events		1,479,840	2,067,420
Other expenses		35,214	42,763
Postage		53,900	26,067
Printing and stationery		349,535	514,191
Professional fees		683,082	103,781
Repairs and maintenance		321,709	279,355
Research and development costs		655,854	348,348
Security		24,500	38,491
Staff welfare		66,052	44,913
Subscriptions		32,509	15,269
Telephone and fax		317,454	333,993
Training		40,603	66,526
Travel-local		1,837,517	1,520,968
		12,646,116	11,612,204
<b>Operating surplus</b>	9	484,064	441,250
Finance costs	11	-	(2,623)
<b>Surplus for the year</b>		484,064	438,627

## NEDLAC AUDIT COMMITTEE REPORT

### FOR THE YEAR ENDED 31 MARCH 2007

#### A. AUDIT COMMITTEE COMPOSITION AND FUNCTIONS

At 31 March 2007 the Nedlac Audit Committee comprised of the following members:

Nico M.W. Vermeulen (Business)

Gerry Tshitangano (Community)

Chris Van Der Merwe (Government)

Moose Burger (Labour)

The Audit Committee performs its function in line with its approved Charter. The Audit Committee functions as a subcommittee of and is responsible to the Management Committee and has an oversight function which includes:

- Financial management and other reporting practices;
- Internal controls and the management of risks;
- Compliance with laws, regulations and good ethical practices and
- The internal audit function.

#### B. AUDIT COMMITTEE REPORT ON INTERNAL CONTROL AND FINANCIAL REPORTING

This report has been prepared in terms of the Treasury Regulations 3.1.13(a) and (c) of the Public Finance Management Act, 1 of 1999.

The Audit Committee wishes to report that:

- i. The charter of the committee and that of internal audit permit effective audit committee oversight and independent internal audit assurances on risk management, governance and control;
- ii. Periodic assurances had been obtained from management that major risks are being properly managed;
- iii. The Audit Committee has reviewed the annual financial statements and is satisfied that these statements fairly reflect in all material respects, the financial position of the National Economic Development and Labour Council (Nedlac) as at 31 March 2007, in accordance with the South African Statement of Generally Accepted Accounting Practice and in a manner required by the Public Finance Management Act, 1 of 1999.
- iv. The Committee is generally satisfied that the Nedlac Internal Audit Unit is functioning well, particularly with regard to identifying internal control weaknesses and in recommending effective control remedies. Nedlac Management, in turn responded to reported weaknesses and implemented the recommendation made to ensure more effective and efficient internal controls.

Based on the foregoing report, the audit committee is satisfied that the overall internal control system is adequate.

## LIST OF ABBREVIATIONS

<b>Dti</b>	Department of Trade and Industry
<b>EFTA</b>	European Free Trade Association. Members to the association include Norway; Switzerland, Iceland and Liechtenstein
<b>EUTDCA</b>	European Union Trade Development Cooperation Agreement
<b>FTA</b>	Free Trade Agreement
<b>EPA</b>	Economic Partnership Agreement
<b>Mercosur</b>	A South American trade block comprising of the Argentine Republic, Federative Republic of Brazil, Republic of Paraguay and the Republic of Uruguay. The term Mercosur is an abbreviation of the south cone common market (translated in English)
<b>NAMA</b>	Non-Agricultural Market Access
<b>NTMs</b>	Non-Tariff Measures
<b>PTA</b>	Preferential Trade Agreement
<b>SACU</b>	Southern Africa Customs Union
<b>SADC</b>	Southern Africa Development Community
<b>Teselico</b>	Technical and Sectoral Liaison Sub-committee. A permanent subcommittee of the Trade and Industry chamber
<b>TPF</b>	Trade Policy Framework
<b>USA</b>	United States of America
<b>WTO</b>	World Trade Organisation. A multilateral trade forum



## *Nedlac's engine room*

### **DEVELOPMENT CHAMBER**

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(Director of Nedlac  
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