

What we achieve will speak for itself

Balancing the scales through social dialogue



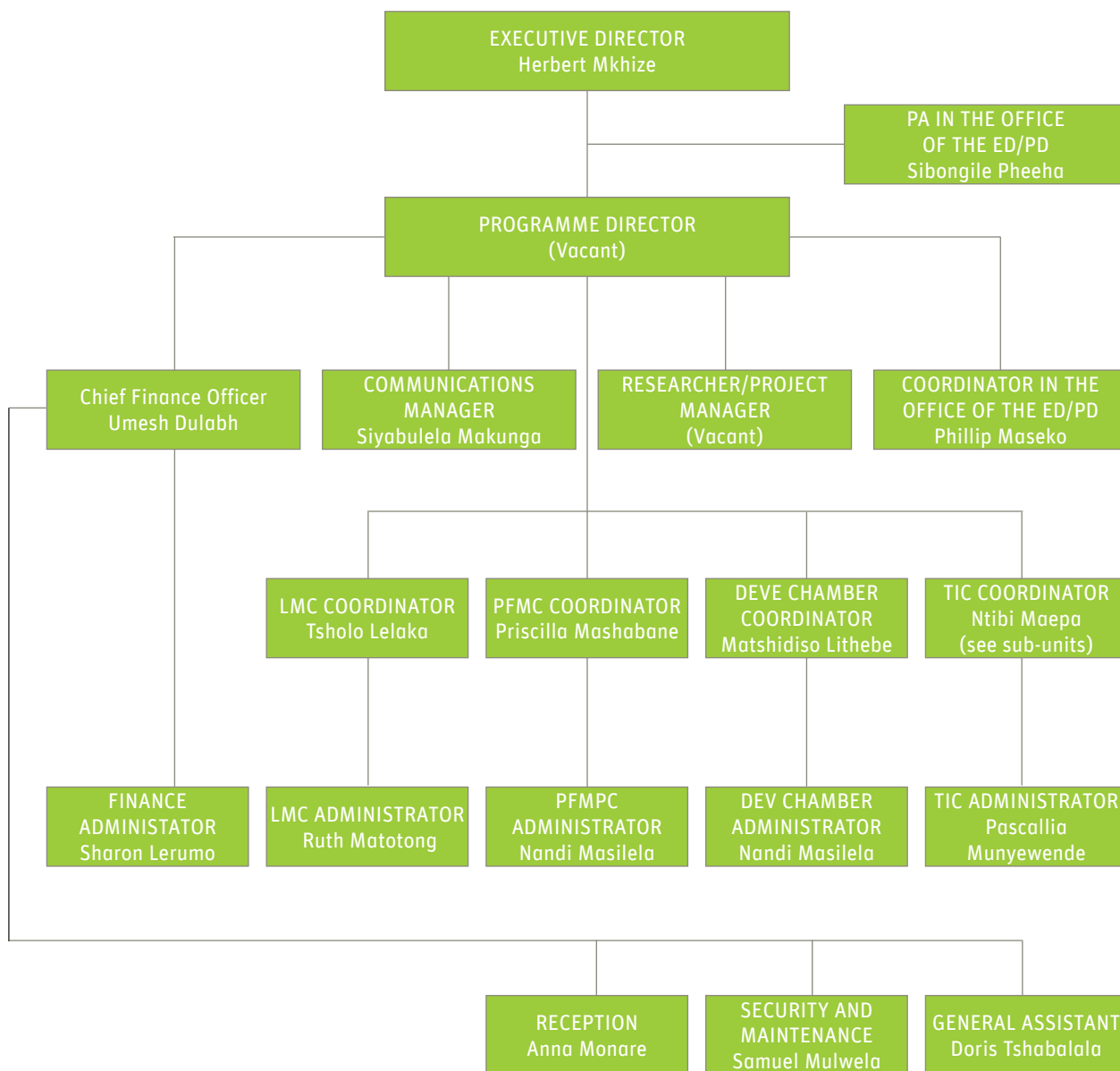


Enabling talk that
levels the playing field
for all South Africans.



Nedlac Secretariat Organogram

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.



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
Management Total	1		1								
Staff	3	13									16
Nedlac Total	4	13	1								18
Nedlac % Rep.	22%	72%	6%								100%
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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.

GROUPINGS	AFRICAN		ASIAN		COLOURED		DISABLED		WHITE		STAFF TOTAL
	M	F	M	F	M	F	M	F	M	F	
Number of employees recruited in 2007/2008	1	1									2
Number of employees promoted in 2007/2008											
Number of employees' services terminated in 2007/2008	1			2							3

There are no foreign employees.

As Nedlac is a relatively small organisation, upward mobility is restricted within posts (except for annual increases determined by the average CPI). 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	
1. 20 – 40 000		1									1
2. 40 – 60 000	1	1									2
3. 60 – 80 000		1									1
4. 80 – 100 000	1	1									2
5. 100 – 120 000											
6. 120 – 140 000		1									1
7. 140 – 160 000											
8. 160 – 180 000											
9. 180 – 200 000		4									4
10. 200 – 220 000											
11. 220 – 270 000	1	3									4
12. 300 – 400 000		1	1								2
13. 440 – 500 000											
14. 500 – 700 000	1										1
TOTAL	4	13	1								18

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	1 *
The average number of days sick leave taken by employees	3.56
The total number of days sick leave taken by employees	64
The number of employees who took more than 15 continuous days sick leave	1
The number of employees discharged due to ill health	0

DISCIPLINARY STEPS

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

M = Male; F = Female

** A female staff member burnt her arm after opening a food container which exploded after being heated in the microwave oven.*

We will walk our talk

Social dialogue is a tool to enable delivery
for public good





Facilitating social
dialogue to ensure
a prosperous harvest
for the good of the
nation.



COMMUNICATIONS 2007/8

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; 1 000 copies of the GDS; 1 000 copies of the Nedlac Bulletin; 1 000 copies of pocket size Labour Laws.

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 2007/8 reporting year. Records show that the visits to our website during this period was at an average of 3 822 hits per day, 679 hits up from the previous reporting period. 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, 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 3 004 news articles that featured in South Africa's leading print media houses during this period. About 45% of the media reports scanned represent issues discussed at the Nedlac Trade and

Industry Chamber, with 30% on issues in the Labour Market, 10% of the issues were Fiscal and Monetary Policy related issues. About 25% of the articles were mainly press briefings by the Minister of Labour and the Overall Convenor of Business Professor Raymond Parsons.

The issues that generated media interest included:

- National Industrial Policy Framework
- Clothing and Textile China Quotas
- Power Outages and Load Shedding
- National Poverty Line
- WTO Geneva processes
- Eskom's Application for Tariffs increases
- Visit by Michael Spence and the Panel
- Visit by the WTO Director General, Pascal Lamy
- Budget Speech and the subsequent Nedlac engagements
- Fifa 2010.

Whilst there was noticeable improvements in the projection of Nedlac in the media, there is however still a long way to go.

RESEARCH

FUND FOR RESEARCH INTO INDUSTRIAL DEVELOPMENT, GROWTH AND EQUITY (FRIDGE)

Fridge is funded by the Department of Trade and Industry and administered by the IDC on behalf of the Chamber.

The key objectives of the sub-committee are to focus on sectors or industry clusters involved in the production of tradable goods and services, as well as crosscutting issues with the purpose of providing implementable policies and recommendations. The period 2007/08 has indeed advanced those objectives. The performance of this structure has always been positive and effective.

GOVERNMENT	LABOUR	BUSINESS	COMMUNITY
K Sikhitha (dti)	E Watkinson	L Lotter	
F Adams (dti)	T Tengela	M McDonald	
S Roro (dti)	B Ndebele		
	J Mosia		

CONSTITUENCY REPRESENTATION IN THE FUND

GOVERNMENT	LABOUR	BUSINESS	INDUSTRIAL DEVELOPMENT CORPORATION (IDC)
S Roro	E Watkinson	L Lotter	M Monyeke
F Adams	T Tengela	M McDonald	R Mosuwe
K Sikhitha	B Ndebele		

BELOW IS A LIST OF ALL THE RESEARCH STUDIES THAT WERE CONCLUDED IN THE PERIOD 1 APRIL 2007–31 MARCH 2008:

COMPLETED STUDIES	COMPLETION DATE	COST ZAR
Proposed Drafting of National Strategy to support Exporters to overcome Non-Tariff Barriers	April 2007	R62.000
Preliminary National Position on the Relationship between Multilateral Environmental Agreements (MEAS) with Trade Obligations and World Trade Organisation (WTO) rules	May 2007	R62.000
Preliminary Approach to Reduction and Elimination of Tariffs and non-Tariff Barriers in the Environmental Goods (EGS) and Services	November 2007	R28.5000
Study to develop an approach in attracting investors in Polypropylene Beneficiation	January 2008	R 481.000

COMMISSIONED STUDIES

KEY FOCUS AREA	KEY RESULT AREA	PROGRAMME OBJECTIVES	STATUS
Pricing Practices in the South African Chemicals Sector – Import Parity Pricing	A research report that complies with the agreed ToR (Terms of Reference) to contribute to the broad principles of the fund (Fridge)	Investigation of Pricing Practices in the South African Chemicals Sector	Underway.
GDS Performance and Output Indicators	A research report that complies with the agreed ToR to contribute to the broad principles of the fund (Fridge)	Development of Growth and Development Summit Performance and Output Indicators	Underway.
Organic Value Chain Strategy for Sustainable Development and Growth of Organic Agriculture	A research report that complies with the agreed ToR to contribute to the broad principles of the fund (Fridge)	To investigate the Organic Value Chain Strategy for Sustainable Development and Growth of Organic Agriculture	Underway.
Fisheries Sector Research and Strategy Development	A research report that complies with the agreed ToR to contribute to the broad principles of the fund (Fridge)	The study is envisaged to cover both the research process as well as the design of the industry development strategy. The study is expected to review all existing studies, conduct primary research and on the basis of that, formulate an inclusive development strategy that must see the levels, investment, competitiveness and its general contribution to the society's health and well-being.	Underway.

NEW APPROVED STUDIES TO COMMENCE DURING THE 2007/8 FINANCIAL YEAR

Study into the relationship between Trade & Industrial Policies	A research report that complies with the agreed ToR to contribute to the broad principles of the fund (Fridge)	To determine how trade policies can be used to support the objectives of the National Industrial Policy Framework (NIPF) and AsgiSA.	Underway.
Regional Investment & Development: The role of SA investors in the rest of Africa	A research report that complies with the agreed ToR to contribute to the broad principles of the fund (Fridge)	The study is envisaged to cover both research and development of recommendations. The study is expected to bring together and objectively review all existing studies.	Underway.

When all is said and done

Social dialogue in action is journey not a destination





Talk is where
journeys begin.

Action and delivery

is how we judge
their success.



CHALLENGES AND KEY PRIORITIES FOR THE YEAR AHEAD

CHALLENGES

- Government departments tabling issues at Nedlac late or not at all.
- Allowing short time-frames for the Nedlac due process to run its course.
- Poor working relationship between Nedlac and government departments outside of Trade and Industry; national Treasury; Public Works and Labour.
- Skewed interpretation of the Nedlac Act when it comes to tabling of proposed policies in Nedlac.
- The perception that Nedlac is an irritation that must be avoided at all cost.
- Non involvement of Nedlac in policy- making cycle from conceptual to implementation stages.
- Problematic sequencing of policy formulation. (Should the conceptual policy framework and or Green Papers be tabled in Nedlac before being signed off by Cabinet?)
- Lack of synergy between the role of Nedlac and the rules of Parliament.

INTERVENTIONS

- Secure a commitment from all government departments to adhere to the agreed protocol for tabling and consideration of issues in Nedlac.
- Engage parliament with a view to reach some understanding and/or an MOU on how to manage Bills that are before Parliament.
- Seek involvement in policy formulation from conceptual to implementation and monitoring stages.
- Demonstrate the value that social dialogue brings to the policy-making processes.

KEY PRIORITIES GOING FORWARD

- Leveraging the existing policies and developing new policies where appropriate in order to address the socio-economic deficit in the country.
- Continue to tackle the stubborn challenge of unemployment and poverty.
- Conclude the Decent Work Country Programme for South Africa.
- Comprehensive Social Security and Broad Social Reforms
- Craft policies and strategies to accelerate the provision of basic needs including, but not limited to: Public Transport; Health; Education; Water and Sanitation; Housing; Youth Development; Land and Agrarian Development and Women.
- Addressing the challenge of globalisation, growth and development.
- Strengthening social dialogue.

The value of dialogue will be seen in generations to come

The country belongs to the children of tomorrow





Time, money and
effort we spend

today must realise

a profit for the

benefit of tomorrow.



NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

INDEX

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

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Cash Flow Statement	109
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The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Statement of Financial Performance	117
Nedlac Audit Committee Report	118

Report of the Independent Auditors

TO THE MEMBERS OF THE NATIONAL ECONOMIC DEVELOPMENT AND LABOUR COUNCIL

We have audited the annual financial statements of the National Economic Development and Labour Council, which comprise the report of the Executive Council, the balance sheet as at 31 March 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 104 to 116.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Executive Council is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practice, South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Public Finance Management Act, 1999, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing read with General Notice 645 and 646 of 2008, issued in the Government Gazette no. 29919 of 25 May 2008. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Council as of 31 March 2008, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, South African Statements of Generally Recognised Accounting Practice, and in the manner required by the Public Finance Management 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 the National Economic Development and Labour Council, as determined by the law or otherwise.

OTHER REPORTING RESPONSIBILITIES

We have reviewed the performance information as indicated in the financial statements.

Report of the Independent Auditors continued

COUNCIL MEMBERS' RESPONSIBILITY FOR PERFORMANCE INFORMATION

The Council members have additional responsibilities as required by section 55(2) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the entity.

AUDITORS' RESPONSIBILITY FOR PERFORMANCE INFORMATION

We conducted our review in accordance with section 13 of the Public Audit Act, 2004 read with General Notice 645 and 646 of 2008, issued in the Government Gazette no. 29919 of 25 May 2008. In terms of the foregoing our examination included performing procedures to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures.

Our procedures included:

- Obtaining an understanding of the internal controls relating to performance information.
- Documenting system descriptions for the systems relevant to reporting on performance information.
- The system descriptions were verified by means of walk through tests.
- Determining the stage of performance reporting by evaluating whether the objectives were specific, measurable and time bound and whether the objectives were consistently recorded in the strategic plan, budget, quarterly reports and annual report.
- Comparing reported achievement of performance against objectives to the information sources and conducting limited substantive procedures on the information.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

AUDIT FINDINGS

The results of the audit tests were satisfactory except for the following audit finding:

There were deviations of the objectives from the strategic plan to that of what was recorded in the quarterly reports and the annual report. The deviation of the performance objectives as stated in the strategic plan from that of the quarterly report and the annual report are disclosed in note 6 of the Report of the Executive Council.

SUPPLEMENTARY INFORMATION

We draw your attention to the fact that the supplementary information set out on page 117 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

**Per: Denas Hansjee
Johannesburg
26 August 2008**

Report of the Executive Council

The Executive Council presents their report for the year ended 31 March 2008. 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 negotiations, 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 Public Finance Management Act, 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 and Generally Accepted Accounting Practice (GAAP).

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 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 a 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;

Report of the Executive Council continued

- consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
- encourage and promote the formulation of coordinated policy on social and economic matters.

4. OPERATING RESULTS

During the period under review, the Council had a deficit of R1,260,762 (2007: surplus R484,064).

5. REVIEW OF FINANCIAL POSITION

During the period under review the Council purchased assets at a cost of R242,870 (2007: R394,411).

The capital and reserves/net assets of the council at year end amounted to R6,844,419 (2007: R8,105,181).

6. PERFORMANCE OBJECTIVES

The following performance objectives as stated in the strategic plan were elevated to the Trade and Industry Chamber biannual strategic sessions:

1. Enhancing the role of women in business (coordinate a process to assess the impact of BEE).
2. Infrastructure development (examines the linkages between infrastructure development and manufacturing growth, logistics, reducing the cost of business, regional development, State Owned Enterprise activities).
3. Industrial Policy & Strategy (the process to finalise the country's Industrial Policy and Strategy is fast tracked).
4. Trade and Industrial Policy (coordinate a process to strengthen links between the Trade and Industrial Policy is set in motion).
5. B-BBEE (setup a process to examine cross-cutting issues that impacts on SMMEs and Cooperatives).
6. Promotion of SMMEs (investigate obstacles to SMMEs development and examine ways to address them).
7. Enhancing the role of women in business.

The Trade and Industry Chamber launched a process of biannual strategic sessions in 2006. The sessions are chaired by the Deputy Minister of Trade & Industry, R Davies. The strategic sessions engage in high-level dialogue on trade and industrial policy and sometimes the priorities of the strategic plan objectives may be amended or re-prioritised.

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.

9. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The members of Council are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in Annual Financial Statements, which significantly affect the financial position of the Council or the results of its operations.

The annual financial statements set out on pages 104 to 117, which have been prepared on a going concern basis, were approved by the board on 26 August 2008 and were signed on its behalf by:

Director



Johannesburg
26 August 2008

Statement of Financial Position

	2008 R	2007 R
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	2,568,980	2,276,594
CURRENT ASSETS		
Trade and other receivables	690,623	1,545,091
Cash and cash equivalents	4,197,518	5,329,674
	4,888,141	6,874,765
TOTAL ASSETS	7,457,121	9,151,359
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES/NET ASSETS		
Constituency Capacity funds	801,196	1,486,771
Accumulated funds	6,043,223	6,618,410
	6,844,419	8,105,181
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	466,492	938,682
Provisions	146,210	107,496
	612,702	1,046,178
TOTAL EQUITY AND LIABILITIES	7,457,121	9,151,359

Statement of Financial Performance

	2008 R	2007 R
Grants received	13,348,000	12,712,000
Other income	408,000	363,000
Operating expenses	(15,289,247)	(12,646,116)
OPERATING DEFICIT	(1,533,247)	428,884
Investment revenue	272,485	55,180
(DEFICIT) SURPLUS FOR THE YEAR	(1,260,762)	484,064
FUNDS TRANSFERRED FROM (TO)	(685,574)	(15,661)
Community constituency fund	5,519	(2,793)
Labour constituency fund	(539,699)	(6,456)
Business constituency fund	(151,394)	(6,412)
NET SURPLUS (DEFICIT) FOR THE YEAR	(1,946,336)	468,403

Statement of Changes in Net Assets

	Accumulated funds R
BALANCE AT 01 APRIL 2006	6,150,007
Changes in equity	
Surplus for the year	484,064
Movement of constituency funds	(15,661)
Total changes	468,403
BALANCE AT 01 APRIL 2007	6,618,410
Changes in equity	
Deficit for the year	(1,260,762)
Movement of constituency funds	685,575
Total changes	(575,187)
BALANCE AT 31 MARCH 2008	6,043,223

Cash Flow Statement

	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in) generated from operations	(1,161,773)	1,414,669
Interest income	272,485	55,180
NET CASH FROM OPERATING ACTIVITIES	(889,288)	1,469,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(242,868)	(394,411)
TOTAL CASH MOVEMENT FOR THE YEAR	(1,132,156)	1,075,438
Cash at the beginning of the year	5,329,674	4,254,236
TOTAL CASH AT END OF THE YEAR	4,197,518	5,329,674

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

<i>Standard of GRAP</i>	<i>Replaced Statement of GAAP</i>
GRAP 1: Presentation of financial statement	AC101: Presentation of financial statement
GRAP 2: Cash flow statements	AC118: Cash flow statement
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in counting 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.

Paragraphs 11 to 15 of GRAP 1 have 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.

<i>Item</i>	<i>Average useful life</i>
Buildings	5%
Furniture and fixtures	8.33%
Office equipment	33.33%
IT equipment	33.33%

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

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.

Land is not depreciated as it has an indefinite useful life.

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.

Accounting Policies continued

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

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. 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.

Trade and other receivables are carried at amortised cost less 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 Annual Financial Statements

	2008 R			2007 R		
2. PROPERTY, PLANT AND EQUIPMENT						
	2008			2007		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	1,570,960	–	1,570,960	1,507,993	–	1,507,993
Buildings	–	(503,944)	(503,944)	–	(378,010)	(378,010)
Furniture and fixtures	1,508,676	(368,461)	1,140,215	1,505,717	(656,948)	848,769
Office equipment	256,842	(41,167)	215,675	152,370	(94,055)	58,315
IT equipment	397,953	(262,982)	134,971	438,449	(214,978)	223,471
Computer software	40,835	(29,732)	11,103	33,054	(16,998)	16,056
Total	3,775,266	(1,206,286)	2,568,980	3,637,583	(1,360,989)	2,276,594

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2008

	Opening Balance	Additions	Transfers	Depreciation	Total
Land	1,507,993	–	62,967	–	1,570,960
Buildings	(378,010)	–	(62,967)	(62,967)	(503,944)
Furniture and fixtures	848,769	2,960	–	288,486	1,140,215
Office equipment	58,315	191,252	–	(33,892)	215,675
IT equipment	223,471	40,875	–	(129,375)	134,971
Computer software	16,056	7,781	–	(12,734)	11,103
	2,276,594	242,868	–	49,518	2,568,980

Total cost of Land and Buildings	11,399,270	11,399,270
Less: Grant Received	(10,000,000)	(10,000,000)

Net cost of Land and Buildings **1,399,270** **1,399,270**

3. TRADE AND OTHER RECEIVABLES

Prepayments	690,623	1,124,180
Rent receivable from Proudly South African	836,111	420,911
Provision for bad debt	(836,111)	–

690,623 **1,545,091**

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	4,197,518	5,329,674
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Notes to the Annual Financial Statements continued

	2008 R	2007 R
5. CONSTITUENCY CAPACITY FUNDS		
5.1. COMMUNITY CONSTITUENCY		
Balance at the beginning of the year	(103,767)	(106,560)
Movement during the year:	–	–
Grant received	573,000	437,950
Utilised	(567,481)	(435,157)
Balance at end of year	(98,248)	(103,767)
5.2. LABOUR CONSTITUENCY		
Balance at the beginning of the year	1,234,594	1,228,138
Movement during the year:	–	–
Grant received	573,000	437,950
Utilised	(1,112,699)	(431,494)
Balance at the end of year	694,895	1,234,594
5.3. BUSINESS CONSTITUENCY		
Balance at the beginning of the year	355,944	349,532
Movement during the year:	–	–
Grant received	300,000	218,975
Utilised	(451,394)	(212,663)
Balance at end of year	204,550	355,944
Total Constituency Capacity funds	801,196	1,486,771
6. TRADE AND OTHER PAYABLES		
Trade payables	336,492	838,682
Accrued expense	130,000	100,000
	466,492	938,682

7. PROVISIONS

Reconciliation of provisions 2008

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	107,496	76,406	(37,692)	146,210

Notes to the Annual Financial Statements continued

	2008 R	2007 R
8. GRANTS RECEIVED		
Community Constituency	573,000	437,950
Labour Constituency	573,000	437,950
Business Constituency	300,000	218,975
Operating Expenses	11,902,000	11,617,125
	13,348,000	12,712,000
9. OPERATING DEFICIT		
Operating deficit for the year is stated after accounting for the following:		
OPERATING LEASE CHARGES		
Equipment		
• Contractual amounts	420,239	337,552
Depreciation on property, plant and equipment	(49,518)	417,529
Employee costs	4,318,421	3,932,183
Research and development	292,406	655,854
10. INVESTMENT REVENUE		
INTEREST REVENUE		
Other interest	272,485	55,180
11. DIRECTORS' EMOLUMENTS		
Herbert Mkhize (Executive director)	650,690	613,748
12. TAXATION		
No provision is made for taxation as the council is exempt from taxation.		
13. AUDITORS' REMUNERATION		
Audit Fees External	130,000	100,000
Audit Fees Internal	31,350	20,000
Audit fee prior year under provision	30,587	1,608
	191,937	121,608

Notes to the Annual Financial Statements continued

	2008 R	2007 R
14. CASH (USED IN) GENERATED FROM OPERATIONS		
(Deficit) surplus before taxation	(1,260,762)	484,064
ADJUSTMENTS FOR:		
Depreciation and amortisation	(49,518)	417,529
Interest received	(272,485)	(55,180)
Movements in provisions	38,714	57,321
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	854,468	616
Trade and other payables	(472,190)	510,319
	(1,161,773)	1,414,669
15. COMMITMENTS		
OPERATING LEASES – AS LESSEE (EXPENSE)		
<i>Minimum lease payments due</i>		
within one year	196,700	419,338
in second to fifth year inclusive	–	872,177
	196,700	1,291,515

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.

16. RELATED PARTIES

Tenant	Proudly South African
Founder of Nedlac	Department of Labour
Director on Proudly South African's board and key management at Nedlac	Herbert Mkhize

RELATED PARTY TRANSACTIONS

<i>Rent paid to (received from) related parties</i>		
Proudly South African	(408,000)	(363,000)
<i>Grant paid to (received from) related parties</i>		
Department of Labour	(13,348,000)	(12,712,000)
<i>Compensation to director and other key management</i>		
Short-term employee benefits	650,690	613,748

Notes to the Annual Financial Statements continued

2008
R

2007
R

17. RISK MANAGEMENT

INTEREST RATE RISK

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

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Detailed Statement of Financial Performance

	2008 R	2007 R
Revenue		
Grant received	13,348,000	12,712,000
Other income		
Rental income	408,000	363,000
Interest received	272,485	55,180
	680,485	418,180
Operating expenses		
Advertising	(120,051)	(179,174)
Auditors' remuneration	(191,937)	(121,608)
Bank charges	(20,757)	(23,254)
Constituency expenses	(2,131,575)	(1,014,188)
Depreciation, amortisation and impairments	49,518	(417,529)
Electricity and Water	(265,146)	(257,251)
Employee costs	(4,318,421)	(3,932,183)
Growth and Development Summit Process	(649,168)	(397,701)
Insurance	(76,695)	(67,907)
Lease rentals on operating lease	(420,239)	(337,552)
Meetings and Events	(1,374,259)	(1,479,840)
Other expenses	(19,479)	(35,214)
Postage	(38,493)	(53,900)
Printing and stationery	(727,110)	(349,535)
Professional fees	(226,289)	(683,082)
Provision for bad debts	(836,111)	–
Repairs and maintenance	(127,121)	(321,709)
Research and development costs	(292,406)	(655,854)
Security	(8,119)	(24,500)
Staff welfare	(40,271)	(66,052)
Subscriptions	(60,949)	(32,509)
Telephone and fax	(321,646)	(317,454)
Training	(62,358)	(40,603)
Travel local	(3,010,165)	(1,837,517)
	(15,289,247)	(12,646,116)
(Deficit) surplus for the year	(1,260,762)	484,064

The supplementary information presented does not form part of the Annual Financial Statements and is unaudited.

Nedlac Audit Committee Report

FOR THE YEAR ENDED 31 MARCH 2008

A. AUDIT COMMITTEE COMPOSITION AND FUNCTIONS

At 31 March 2008 the Nedlac Audit Committee comprised of the following members:

Nico MW Vermeulen (Business)

Gerry Tshitangano (Community)

Chris Van Der Merwe (Government) – Resigned 31 March 2008

Moose Burger (Labour)

The Audit Committee performs its function in line with its approved Charter. The Audit Committee functions as a sub-committee 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 and 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 2008, in accordance with the South African Statement of Generally Accepted Accounting Practice, South African Statements of Generally Recognised 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 recommendations 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.

Nedlac's engine room

DEVELOPMENT CHAMBER

Business Convenor
Anna Maistry



011 575 6600
annama@jv.adcorp.co.za

Community Convenor
Lulama Nare



011 339 3621
lulama@sacp.org.za

Government Convenor
Deven Pillay



012 337 2351
deven.pillay@dpw.gov.za
(Director of Nedlac
and Stakeholders)

Labour Convenor
Noluthando Mayende-Sibiya



011 833 2902
tseleng@nehawu.org.za

LABOUR MARKET CHAMBER

Business Convenor
Dr Elize Strydom



011 498 7409
estrydom@bullion.org.za

Government Convenor
Les Kettledas



012 309 4547
les.kettledas@labour.gov.za

Labour Convenor
Mduduzi Mbongwe



011 403 8333
noel@saccawu.org.za

PUBLIC FINANCE AND MONETARY POLICY CHAMBER

Business Convenor
Prince Maluleke



011 295 6435
pricem@banking.org.za

Government Convenor
Nkosana Mashiya



012 315 5825
nkosana.mashiya@treasury.gov.za

Labour Convenor
Jan Mahlangu



011 339 4911
Mahlangu@cosatu.org.za

TRADE AND INDUSTRY CHAMBER

Business Convenor
Dr Lorraine Lotter



011 301 4648
caia@iafrica.com

Government Convenor
Ravi Naidoo



012 310 1239
ravi@thedti.gov.za

Labour Convenor
Tony Ehrenreich



021 448 0045
elma@cosatu.org.za or
cosatu@webmail.co.za

www.nedlac.org.za



14 A Jellicoe Avenue, Rosebank, Johannesburg
Telephone: +27 11 328 4200
Fax: +27 11 447 2089