

South Africa Board for Sheriffs - Fidelity Fund
Annual Financial Statements
for the year ended 28 February 2010

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Fidelity Fund
Board members	N. Erasmus C. Mabuza P.B. Mantame H. Tau G. Solomons (Passed away) M. Tayob N. Nxumalo H.J. Choma B. Rose-Innes T.F. Seboka P. Roodt J.B. Skosana
Registered office	C. America (Executive Manager) No. 4 Church Square Cnr Spin & Parliament Street Cape Town 8000
Postal address	P.O.Box 5454 Cape Town 8000
Auditors	Ngubane & Co Chartered Accountants (S.A.) Registered Auditors

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

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

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Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Fidelity Fund as at February 28, 2010, 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.

Supplementary Information

We draw your attention to the fact that the supplementary information set out on pages 16 & 17 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Ngubane & Co.

Ngubane & Co. Inc.
Chartered Accountants (SA)
Registered Auditors

Cape Town
25 February 2011

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Statement of Responsibility and Approval

The board members are required in terms of the section 21 of the Sheriffs Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Fidelity Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Fidelity Fund and place considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fidelity Fund and all employees are required to maintain the highest ethical standards in ensuring the Fidelity Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fidelity Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fidelity Fund. While operating risk cannot be fully eliminated, the Fidelity Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.


The board members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

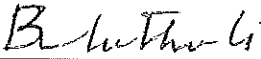
The board members have reviewed the entity's cash flow forecast for the year to 28 February 2011 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 3 to 4.

The annual financial statements set out on pages 6 to 17, which have been prepared on the going concern basis, were approved by the Board on 25 February 2011 and were signed on its behalf by:


Mrs C Mabuza (Deputy Chairperson)


Mr Mahler Tayob (Finance & HR Committee Chair)


Mr B Luthuli (Acting Executive Manager)

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Non-Current Assets			
Property, plant and equipment	2	3,828,849	3,905,366
Listed Shares	3	695,116	462,930
Investec Portfolio		8,057,353	7,401,993
		12,581,318	11,770,289
Current Assets			
Accrued interest		340,839	-
Current Account - South African Board for Sheriffs	4	458,755	274,079
Insurance Policies	5	453,367	429,616
Cash and cash equivalents	6	49,721,152	31,474,802
		50,974,113	32,178,497
Total Assets		63,555,431	43,948,786
Reserves and Liabilities			
Reserves			
Reserves		124,169	124,169
Retained income		63,282,796	43,670,063
		63,406,965	43,794,232
Liabilities			
Current Liabilities			
Trade and other payables		148,466	154,554
Total Reserves and Liabilities		63,555,431	43,948,786

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

Statement of Comprehensive Income

Figures in Rand	Note(s)	2010	2009
Revenue	7	22,001,080	9,271,862
Other income		145,000	288,392
Operating expenses		(5,984,926)	(4,601,173)
Operating surplus		16,161,154	4,959,081
Investment revenue	8	3,219,393	4,247,996
Fair value adjustments	9	232,186	(73,261)
Surplus for the year		19,612,733	9,133,816
Other comprehensive income		-	-
Total comprehensive income		19,612,733	9,133,816

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

Statement of Changes in Reserves

	Fair value adjustment assets- available-for- sale reserve	Retained income	Total Reserves
Figures in Rand			
Balance at 01 March 2008	-	34,536,247	34,536,247
Revaluation of buildings	124,169	9,133,816	9,257,985
Total changes	124,169	9,133,816	9,257,985
Balance at 01 March 2009	124,169	43,670,063	43,794,232
Total comprehensive income for the year	-	19,612,733	19,612,733
Total changes	-	19,612,733	19,612,733
Balance at 28 February 2010	124,169	63,282,796	63,406,965

Note(s)

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

Statement of Cash Flows

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Cash generated from operations	10	16,231,583	5,127,270
Interest income		3,219,393	4,247,996
Net cash from operating activities		19,450,976	9,375,266
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(3,825,832)
Sale of property, plant and equipment	2	-	3,570,000
Sale of insurance policies		-	325,617
Purchase of investec portfolio		(996,199)	(7,401,993)
Movement in current account with the Board for Sheriffs		(184,676)	(200,590)
Movement in Insurance Policies		(23,751)	-
Net cash from investing activities		(1,204,626)	(7,532,798)
Cash flows from financing activities			
Movement in trust account balances		-	(57,417)
Total cash movement for the year		18,246,350	1,785,051
Cash at the beginning of the year		31,474,802	29,689,751
Total cash at end of the year	6	49,721,152	31,474,802

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

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, and the section 21 of the Sheriffs Act. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Fidelity Fund; and
- the cost of the item can be measured reliably.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in reserves. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Item	Average useful life
Buildings	50 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the

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Annual Financial Statements for the year ended 28 February 2010

Accounting Policies

1.2 Financial Instruments (continued)

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.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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 Impairment of assets

The Fidelity Fund assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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Accounting Policies

1.3 Impairment of assets (continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.4 Revenue

Revenue consists of interest earned on sheriffs' trust accounts and the issuing of Fidelity Fund Certificates. Interest earned is accounted for based on declarations received from sheriffs.

1.5 Administration and management fees

In terms of Section 27 of the Act, the Board is empowered to utilise administration fees for the control and management of the Fidelity Fund. The amounts are determined by the Finance Committee and approved by the Board on an annual basis. The current determination is 7.5%.

South Africa Board for Sheriffs - Fidelity Fund

Annual Financial Statements for the year ended 28 February 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	3,905,366	(76,517)	3,828,849	3,950,001	(44,635)	3,905,366

Reconciliation of property, plant and equipment - 2010

	Opening balance	Depreciation	Total
Buildings	3,905,366	(76,517)	3,828,849

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Fair value adjustments	Depreciation	Total
Buildings	3,570,000	3,825,832	(3,570,000)	124,169	(44,635)	3,905,366

Other information

The building purchased in June 2008, is held under Sectional Plan No SS 175/95 in the scheme known as 4 Church Square.

3. Listed Shares

At fair value through profit or loss - designated

Listed shares	695,116	462,930
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The fair values of the financial assets were determined as follows:

- The fair values of listed investments are based on the quoted market price.

Fair values are determined annually at reporting date.

Non-current assets

At fair value through profit or loss - designated	695,116	462,930
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4. Balances with related entities

South Africa Board for Sheriffs

Balances with South Africa Board for Sheriffs

Current assets	458,755	274,079
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5. Insurance policies

Liberty Life	453,367	429,616
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The insurance policies relate to life policies taken out by the entity on former board members. It is management's intention to liquidate the insurance policies in the next financial year.

The insurance policies have been measured at fair value.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	7,078,003	6,992,527
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South Africa Board for Sheriffs - Fidelity Fund

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Notes to the Annual Financial Statements

Figures in Rand	2010	2009
6. Cash and cash equivalents (continued)		
Short-term deposits	42,643,149	24,482,275
	49,721,152	31,474,802
7. Revenue		
Interest on sheriffs' trust accounts	21,517,404	9,133,057
Fidelity Fund Certificates	483,676	138,805
	22,001,080	9,271,862
8. Investment revenue		
Interest revenue		
Other financial asset	3,219,393	4,247,996
9. Fair value adjustments		
Other financial assets	232,186	(73,261)
10. Cash generated from operations		
Profit before taxation	19,612,733	9,133,816
Adjustments for:		
Depreciation and amortisation	76,517	44,635
Interest received	(3,219,393)	(4,247,996)
Fair value adjustments	(232,186)	73,261
Changes in working capital:		
Trade and other payables	(6,088)	123,554
	16,231,583	5,127,270

11. Contingencies

As at 28 February 2010, claims amounting to R1,191,364 (2009: R 3,675,605) are under litigation against the Fidelity Fund, in respect of certain sheriffs, with a probable loss amounting to R147,920, the outcome of which was uncertain at the date of issuing these financial statements.

Should the action be successful the Fidelity Fund does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R 6,000,000.

12. Related parties

Relationships
Related entity

South African Board for Sheriffs

Related party transactions

Rent paid to (received from) related parties

South African Board for Sheriffs	(145,000)	(132,000)
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Administration fees and management fees paid to related parties

South African Board for Sheriffs	4,415,320	3,110,939
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13. Risk management

Liquidity risk

The fund's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk

South Africa Board for Sheriffs - Fidelity Fund

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Notes to the Annual Financial Statements

Figures in Rand

2010

2009

13. Risk management (continued)

through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the fund has significant interest-bearing assets, the fund's income and operating cash flows are substantially dependent of changes in market interest rates.

Credit risk

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

South Africa Board for Sheriffs - Fidelity Fund

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Detailed Statement of Comprehensive Income

Figures in Rand	Note(s)	2010	2009
Revenue			
Interest earned on sheriffs' trust accounts		21,517,404	9,133,057
Fidelity Fund Certificates		483,676	138,805
	7	22,001,080	9,271,862
Gross profit			
		22,001,080	9,271,862
Other income			
Rental income		145,000	151,200
Recoveries		-	57,417
Profit on sale of investment property		-	79,775
Interest received	8	3,219,393	4,247,996
Fair value adjustments	9	232,186	-
		3,596,579	4,536,388
Expenses (Refer to page 17)			
		(5,984,926)	(4,601,173)
Operating surplus			
		19,612,733	9,207,077
Fair value adjustments	9	-	(73,261)
Surplus for the year			
		19,612,733	9,133,816

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Detailed Statement of Comprehensive Income

Figures in Rand	Note(s)	2010	2009
Operating expenses			
Administration and management fees		(4,415,320)	(3,110,939)
Advertising		(26,970)	(42,705)
Bank charges		(260)	-
Depreciation		(76,517)	(44,635)
Disciplinary inquiries		(113,982)	(133,841)
Inspections		(97,052)	(224,960)
Insurance		(196,524)	(199,849)
Legal expenses		(511,190)	(273,331)
Levies		(81,796)	(37,752)
Repairs and maintenance		(82,178)	(24,348)
Training		(335,190)	(442,371)
Utilities		(47,947)	(63,021)
Valuation of building		-	(3,421)
		(5,984,926)	(4,601,173)