

# **MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC**

**(Registration Number 2001/004871/08)**

**(Association classified as a non-profit company under the Companies Act of South Africa,  
71 of 2008)**

**Trading as Motor Industry Ombudsman of South Africa**

**Annual Financial Statements  
for the year ended 28 February 2018**

# **MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC**

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

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# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## GENERAL INFORMATION

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<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	To administer dispute resolution between consumers and participants in the motor and related industries
<b>DIRECTORS</b>	AA Bezuidenhout JL Krause MN Phosa JHL van Vreden
<b>REGISTERED OFFICE</b>	Meiring Naude Road Scientia 627-Jr Pretoria 0184
<b>BANKERS</b>	First National Bank
<b>AUDITORS</b>	Mufaudzi Gouws and Partners Chartered Accountants Incorporated Chartered Accountants (SA) Registered Auditors 8 Rosemary Road Faerie Glen Pretoria 0081
<b>LEVEL OF ASSURANCE</b>	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
<b>PREPARER</b>	The financial statements were independently compiled by: E du Plooy & Associates Chartered Accountants (SA) Registered Auditors



8 Rosemary Road, Faerie Glen, Pretoria, 0081

Tel: 012 345 6789

Fax: 086 274 5640

www.mginco.co.za

## Independent Auditors' Report

To the members of Motor Industry Ombudsman of South Africa NPC

### Opinion

We have audited the Annual Financial Statements of Motor Industry Ombudsman of South Africa NPC set out on pages 5-14, which comprise the Statement of Financial Position as at 28 February 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Annual Financial Statements, including a summary of significant accounting policies.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Motor Industry Ombudsman of South Africa NPC as at 28 February 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the Annual Financial Statements and our auditor's report thereon.

Our opinion on the Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

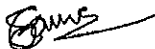
#### **Auditor's responsibilities for the audit of the Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Required when describing the auditor's responsibility in a group audit engagement, in terms of ISA 600:
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Mulaudzi Gouws and Partners Chartered Accountants Incorporated**  
**E Gouws CA(SA)**  
**Partner**  
**Registered Auditors**

**23 March 2018**

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## **Directors' Responsibilities and Approval**

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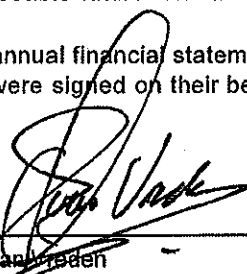
The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors 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 going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The annual financial statements as set out on pages 7 to 14 were approved by the board on 26 March 2018 and were signed on their behalf by:

  
\_\_\_\_\_  
JHL van Breda

# **MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC**

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## **Directors' Report**

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The directors present their report for the year ended 28 February 2018.

### **1. Review of activities**

#### **Main business and operations**

The principal activity of the company is to administer dispute resolution between consumers and participants in the motor and related industries and there were no major changes herein during the year.

The operating results and statement of financial position of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

### **2. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Events after reporting date**

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect of the financial position of the company.

### **4. Directors**

The directors of the company during the year and to the date of this report are as follows:

AA Bezuidenhout

JL Krause

MN Phosa

JHL van Vreden

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements as at 28 February 2018

## Statement of Financial Position

Figures in R	Note(s)	2018	2017
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3	19 566 116	18 687 076
Cash and cash equivalents	4	639 805	10 000
		<u>20 205 921</u>	<u>18 697 076</u>
<b>Total Assets</b>		<u>20 205 921</u>	<u>18 697 076</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained earnings		<u>17 222 248</u>	<u>17 726 490</u>
<b>Current Liabilities</b>			
Trade and other payables	5	<u>2 983 673</u>	<u>970 586</u>
<b>Total Equity and Liabilities</b>		<u>20 205 921</u>	<u>18 697 076</u>



# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Statement of Comprehensive Income

14 months

Figures in R	2018	2017
Revenue	31 715 369	31 363 854
Other income	33 440	-
Operating costs	(32 318 688)	(19 537 173)
<b>Operating (deficit)/surplus</b>	<b>(569 879)</b>	<b>11 826 681</b>
Finance income	79 335	-
Finance costs	(13 698)	-
<b>(deficit)/surplus for the year</b>	<b>(504 242)</b>	<b>11 826 681</b>

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Statement of Changes in Equity

Figures in R	Retained earnings	Total
<b>Balance at 1 January 2015</b>	5 899 809	5 899 809
<b>Total comprehensive income for the year</b>		
Surplus for the year	11 826 681	11 826 681
<b>Balance at 28 February 2017</b>	<b>17 726 490</b>	<b>17 726 490</b>
<b>Balance at 1 March 2017</b>	17 726 490	17 726 490
<b>Total comprehensive income for the year</b>		
Deficit for the year	(504 242)	(504 242)
<b>Balance at 28 February 2018</b>	<b>17 222 248</b>	<b>17 222 248</b>

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Statement of Cash Flows

14 months

Figures in R	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
(Deficit)/Surplus for the year		(504 242)	11 826 681
<i>Adjustments for:</i>			
Finance costs		13 698	-
Investment income		(79 335)	-
<b>Operating cash flow before working capital changes</b>		(569 879)	11 826 681
<i>Working capital changes</i>			
Increase in trade and other receivables		(879 040)	(12 575 646)
Increase in trade and other payables		2 013 087	758 965
<b>Cash generated by operating activities</b>		564 188	10 000
Interest received		79 335	-
Finance costs		(13 698)	-
<b>Net cash from operating activities</b>		<b>629 805</b>	<b>10 000</b>
Increase in cash and cash equivalents		629 805	10 000
Cash and cash equivalents at beginning of the year		10 000	-
<b>Cash and cash equivalents at end of the year</b>	4	<b>639 805</b>	<b>10 000</b>

# **MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC**

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## **Accounting Policies**

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### **1. General information**

Motor Industry Ombudsman of South Africa NPC is a non profit company incorporated in South Africa.

### **2. Summary of significant accounting policies**

These annual financial statements have been prepared in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention and are presented in South African Rands.

#### **2.1 Revenue recognition**

The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities, as described below:

##### **2.1.1 Services revenue**

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the reporting date.

##### **2.2 Trade and other receivables**

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

##### **2.3 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown under current liabilities on the statement of financial position.

##### **2.4 Trade payables**

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Notes to the Annual Financial Statements

Figures in R	2018	2017
<b>3. Trade and other receivables</b>		
Trade debtors	19 353 626	13 481 345
Other receivables	212 490	5 205 731
	<u>19 566 116</u>	<u>18 687 076</u>
<b>4. Cash and cash equivalents</b>		
Cheque account	357 214	10 000
Savings accounts	282 591	-
	<u>639 805</u>	<u>10 000</u>
<b>5. Trade and other payables</b>		
Trade creditors	374 186	396 632
Value Added Taxation	2 609 487	573 954
	<u>2 983 673</u>	<u>970 586</u>
<b>6. Directors' emoluments</b>		
Name	Salary	Salary
<b>Executive directors:</b>		
JL Krause	1 301 596	2 160 000
JHL van Vreden	2 193 134	1 080 000
<b>Non-executive directors:</b>		
AA Bezuidenhout	399 676	-
	<u>3 894 406</u>	<u>3 240 000</u>

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Notes to the Annual Financial Statements

Figures in R	2018	2017
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### 7. Related party balances and transactions

Related parties	Relationships
Ombudsman Schemes Administrators (Pty) Ltd	Common Directors
MN Phosa	Director

#### Related party balances and transactions with:

- entities with control, joint control or significant influence over the company; and/or
- entities over which the company has control, joint control or significant influence; and /or
- key management personnel of the company

#### Related party balances

##### Trade receivables / (Trade payables) - Owing (to) by related parties

Ombudsman Schemes Administrators (Pty) Ltd	(374 186)	5 205 731
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#### Related party transactions

##### Collection fee in regards to contributions from related parties

Ombudsman Schemes Administrators (Pty) Ltd	4 155 460	3 136 385
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##### Ombudsman scheme administration expenses from related parties

Ombudsman Schemes Administrators (Pty) Ltd	-	16 400 788
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##### Chairman fees paid to (received from) related parties

MN Phosa	120 000	120 000
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# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Notes to the Annual Financial Statements

Figures in R	2018	2017
<b>8. Ombudsman scheme administration expenses consists of the following:</b>		
Accounting fees	-	244 027
Advertising and branding costs	-	42 597
Chairman fees	-	120 000
Computer costs and website development	-	463 917
Consulting fees	-	22 359
Courier and postage fees	-	20 545
Emoluments - Directors	6	3 240 000
Employment costs	-	9 770 487
Insurance costs	-	60 009
Lease rentals of premises	-	597 941
Legal costs	-	147 938
Motor vehicle inspection costs	-	64 212
Office furniture, infrastructure and running costs	-	573 905
Printing, stationery and hire of printers	-	412 725
Security costs	-	31 118
Storage and archiving costs	-	37 544
Subscriptions	-	47 315
Telephone and communication costs	-	354 804
Training costs	-	27 443
Travel and accommodation costs	-	121 903
	-	<b>16 400 788</b>

# MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA NPC

(Registration Number 2001/004871/08)

Annual Financial Statements for the year ended 28 February 2018

## Detailed Income Statement

14 months

Figures in R	2018	2017
<b>Gross Revenue</b>		
Contributions	31 715 369	31 363 854
	<u>31 715 369</u>	<u>31 363 854</u>
<b>Other Income</b>		
Interest received	79 335	-
Sundry income	33 440	-
	<u>112 775</u>	<u>-</u>
	<u><b>31 828 144</b></u>	<u><b>31 363 854</b></u>
<b>Expenditure</b>		
Advertising	148 582	-
Auditors' remuneration	98 175	-
Bad debts	503 963	-
Bank charges	120 198	-
Chairman fees	120 000	-
Collection fee in regards to contributions	4 155 460	3 136 385
Computer expenses	228 798	-
Consulting and professional fees	142 908	-
Emoluments - Directors	6 3 894 406	-
Employee costs	16 243 980	-
Expansion cost	3 345 110	-
Finance costs	13 698	-
Insurance	328 364	-
Lease rental on operating lease	1 352 309	-
Legal expense	289 542	-
Motor vehicle expense	364 870	-
Ombudsman scheme administration expenses	8 -	16 400 788
Postage	44 495	-
Printing and stationery	496 784	-
Repairs and maintenance	(175 818)	-
Storage and Archiving	37 895	-
Subscriptions	115 250	-
Telephone and fax	384 861	-
Training	2 600	-
Travel - local	75 956	-
	<u>32 332 386</u>	<u>19 537 173</u>
<b>(Deficit)/Surplus before taxation</b>	<u><b>(504 242)</b></u>	<u><b>11 826 681</b></u>

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