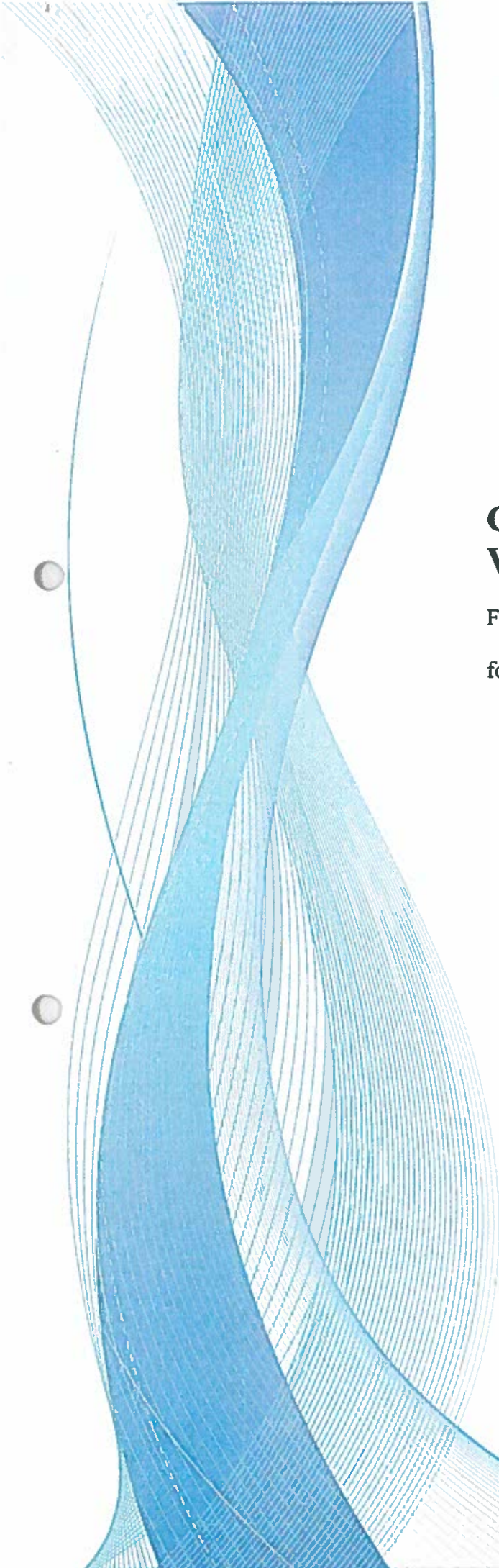




Chemical, Energy, Paper, Printing Wood and Allied Workers' Union

Financial Statements

for the year ended 31 December 2011

**Chemical, Energy, Paper, Printing, Wood and
Allied Workers' Union**
(Reg. No. LR2/6/2/833)

Financial Statements
for the year ended 31 December 2011

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

National Executive Committees' responsibility statement

The National Executive Committee is responsible for the preparation and fair presentation of the financial statements of Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union, comprising the statement of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice.

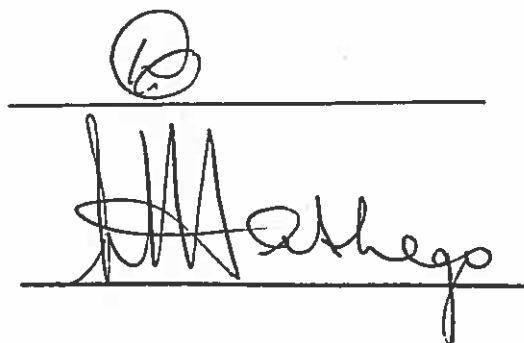
The National Executive Committee is also responsible for such internal control as the National Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The National Executive Committee have made an assessment of the union's ability to continue as a going concern and there is no reason to believe the union will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements for the year ended 31 December 2011 set out on pages 5 to 28 were approved by the National Executive Committee on 16 January 2016 and are signed on its behalf by –

A handwritten signature in black ink, consisting of several sharp, upward-pointing strokes, positioned above a horizontal line.A handwritten signature in black ink, featuring a circular mark at the top and a series of vertical strokes below, positioned above a horizontal line. Below this line is another signature, "M. Mathego", written in a cursive style.



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Independent auditor's report

To the members of Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Report on the financial statements

We have audited the financial statements of Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union, which comprise the statement of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 26.

National Executive Committees' responsibility for the financial statements

The National Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and for such internal control as the committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

In common with similar organisations it is not feasible for the union to institute accounting controls over cash collections from subscriptions, sponsorships and donations, included in revenue, prior to initial entry of the collection in the accounting records. Accordingly it was impractical for us to extend our examination beyond the receipts actually recorded.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543/21

Policy Board:
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,
M Oddy, CAT Smit

Other Directors: ZA Besob, LP Fourie, N Fubu,
AH Jaffer (Chairman of the Board), FA Karreem,
ME Magondo, F Mall, GM Pickering,
JH Pierce

The company's principal place of business is at KPMG Crescent,
85 Empire Road, Parktown, where a list of the directors' names is
available for inspection.

Qualified opinion

In our opinion except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

Emphasis of matter

We draw attention to note 21 to the financial statements which indicates that the union has incurred a loss of R20 830 512 for the year ended 31 December 2011 and as of that date the accumulated deficit is R41 748 325. The note states that these conditions along with other matters indicate the existence of a material uncertainty which may cast doubt on the union's ability to continue as a going concern.

Supplementary information

Without qualifying our opinion we draw attention to the fact that the supplementary information set out on pages 27 and 28 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.

KPMG Inc.



Per DD Thompson
Chartered Accountant (SA)
Registered Auditor
Director
16 January 2016

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Statement of financial position at 31 December 2011

	Note	2011 R	2010 R
Assets			
Non-current assets		168 153	175 986
Property, plant and equipment	2	127 972	135 805
Loans	3	40 181	40 181
Current assets		4 842 328	5 868 102
Trade and other receivables	4	3 297 256	3 362 980
Loans	3	42 363	246 057
Bank	14	1 502 709	2 258 975
Total assets		5 010 481	6 043 998
Equity and liabilities			
Accumulated deficit		(42 615 195)	(20 832 209)
Current liabilities		47 625 676	26 876 207
Trade and other payables	6	30 212 410	11 506 288
Provisions	7	16 314 733	14 321 964
Current portion of interest bearing borrowings	5	—	120 297
Bank overdraft	14	1 098 533	927 658
Total equity and liabilities		5 010 481	6 043 998

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Statement of comprehensive income for the year ended 31 December 2011

	<i>Note</i>	2011 R	2010 R
Revenue	8	42 910 916	40 523 097
Other income	9	468 660	1 923 576
Operating expenditure		<u>(62 419 905)</u>	<u>(55 567 393)</u>
Loss for the year before net finance costs	10	(19 040 329)	(13 120 720)
Net finance costs	11	(2 742 657)	(934 504)
Finance cost	11	(2 887 690)	(1 120 150)
Finance income	11	145 033	185 646
Loss for the year		<u>(21 782 986)</u>	<u>(14 055 224)</u>

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Statement of changes in equity *for the year ended 31 December 2011*

	Accumulated deficit R
Balance at 31 December 2009	(6 776 985)
Loss for the year	<u>(14 055 224)</u>
Balance at 31 December 2010	(20 832 209)
Loss for the year	<u>(21 782 986)</u>
Balance at 31 December 2011	<u>(42 615 195)</u>

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Statement of cash flows

for the year ended 31 December 2011

	Note	2011 R	2010 R
Cash flows from operating activities			
Loss for the year before net finance costs		(19 040 329)	(13 120 720)
Items not involving the flow of funds			
– increase in provisions		–	13 743 239
– depreciation		129 075	374 958
– straight lining of rental income adjustment		307 005	(1 424 636)
		(18 604 249)	(427 159)
Working capital changes	12	17 640 810	498 264
Cash (outflow)/inflow from operations		(963 439)	71 105
Interest paid		(79 890)	(66 780)
Interest received		145 033	185 646
Cash (utilised by)/retained from operating activities		(889 296)	189 971
Cash outflow from investing activities		82 452	333 507
Additions to property, plant and equipment		(121 242)	(14 589)
Loans granted		–	348 096
Decrease in loans		203 694	–
Cash outflow from financing activities			
Repayment of interest bearing borrowings		(120 297)	(167 377)
Net increase in cash and cash equivalents		(927 141)	356 101
Cash and cash equivalents at beginning of year		1 331 317	975 216
Cash and cash equivalents at end of year	14	404 176	1 331 317

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union is a union domiciled in the Republic of South Africa.

1.1 Basis of preparation

Statement of compliance

The financial statements are prepared in terms of South African Statements of Generally Accepted Accounting Practice.

Basis of measurement

The financial statements are prepared on the historical cost basis

1.2 Functional and presentation currency

The financial statements are presented in Rands which is the functional currency of the union.

1.3 Use of estimates and judgements

The preparation of financial statements in conformity with SA GAAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.4 Accounting policies

The principal accounting policies applied in the preparation of these financial statements, which are consistent with those of the prior year, are as follows:

1.5 Revenue

Subscriptions, contributions and donations

Subscriptions include members contributions received from the members themselves and their collecting agents and are accounted for as received. Receipts of subscriptions after year end in January relating to the financial year are accounted for.

Contributions and donations are accounted for as and when received.

Finance income

Interest is accounted for on a time proportion basis, taking account of the principal outstanding and effective rate to maturity, when it is probable that such income will accrue to the union.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

1. Accounting policies (continued)

1.6 Deferred expenditure

Deferred expenditure represents the unexpended portion of the union's share of car loans given to employees for purposes of acquiring motor vehicles which are used for the union's activities. These loans are written off over a period of three years.

If employment is terminated within the three year period, the entire amount outstanding is repayable.

1.7 Property, plant and equipment

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

Property, plant and equipment are depreciated on a reducing balance basis at rates considered appropriate to write the assets down to their estimated residual value over their useful lives.

The current useful lives applicable to each category of property, plant and equipment are as follows:

	Year
Vehicles	4
Computer equipment	5
Fixtures, fittings and equipment	10

The method of depreciation, useful lives and residual values are reassessed annually.

1.8 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership to the lessee.

Operating lease charges are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements *for the year ended 31 December 2011 (continued)*

1. Accounting policies (continued)

1.9 Short-term employee benefit costs

The costs of all short term employee benefits are recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries and annual leave represent the amount, which the union has a present obligation to pay as a result of employees' services provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Post employment benefit costs

The union operates a defined contribution plan, the assets of which are held in a separate trustee-administered fund. The retirement plan is funded by payments from employees and the union, taking into account the recommendations of an independent qualified actuary.

The union's contributions to the retirement plans are charged to profit or loss in the year to which they relate.

1.10 Financial instruments

Financial instruments reflected on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables, loans and interest bearing borrowings. These financial instruments are initially measured at fair value. Subsequent to initial measurement these financial instruments are dealt with as follows:

Financial assets

Financial assets are recognised when the union becomes a party to the contractual provisions of the financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Financial liabilities

Financial liabilities are recognised when the union becomes a party to the contractual provisions of the instrument. Financial liabilities consist of obligations to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

Cash and cash equivalents are measured at amortised cost.

Trade and other receivables are stated at amortised cost less impairment losses.

Loans are stated at amortised cost less impairment losses.

Trade and other payables are measured at original debt value less principal repayments and amortisations.

Interest bearing borrowings are measured at amortised cost using the effective interest rate method.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

1. Accounting policies (continued)

1.10 Financial instruments (continued)

Derecognition

Financial assets

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the union has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the union has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the union's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the difference in the respective carrying amounts is recognised in profit or loss.

Gains and losses

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in profit or loss in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when the union has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Provisions

A provision is recognised in the statement of financial position when the union has a present legal or constructive obligation as a result of a past event and it is possible that an outflow of economic benefits will be required to settle the obligation.

1.12 Income tax

The union is exempt from income tax.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

1. Accounting policies (continued)

1.13 Impairment of assets

Assets that have an indefinite useful life and those subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an assets net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset on an arms length basis while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset.

1.14 Finance costs

Finance costs comprises interest expense on borrowings and is recognised in profit and loss using the effective interest method.

2. Property, plant and equipment

	2011 R	2010 R
Vehicles	–	18 876
– cost	990 898	990 898
– accumulated depreciation	(990 898)	(972 022)
Computer equipment	–	2 917
– cost	1 094 857	1 094 857
– accumulated depreciation	(1 094 857)	(1 091 940)
Fixtures, fittings and equipment	127 972	114 012
– cost	1 098 657	977 415
– accumulated depreciation	(970 685)	(863 403)
	127 972	135 805

Reconciliation of movement in carrying value of property, plant and equipment for the year is as follows:

	Carrying value at beginning of year R	Additions R	Depreciation R	Carrying value at end of year R
2011				
Vehicles	18 876	–	(18 876)	–
Computer equipment	2 917	–	(2 917)	–
Fixtures, fittings and equipment	114 012	121 242	(107 282)	127 972
	135 805	121 242	(129 075)	127 972

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

2. Property, plant and equipment (continued)

	Carrying value at beginning of year R	Additions R	Depreciation R	Carrying value at end of year R
2010				
Vehicles	266 601	–	(247 725)	18 876
Computer equipment	30 177	2 917	(30 177)	2 917
Fixtures, fittings and equipment	199 396	11 672	(97 056)	114 012
	<u>496 174</u>	<u>14 589</u>	<u>(374 958)</u>	<u>135 805</u>

	2011 R	2010 R
3. Loans		
Loan to CEPPWAWU Investments (Proprietary) Limited	40 181	40 181
Staff loans	42 363	246 057
Vehicle loans	–	120 297
Personal loans	39 013	121 460
Study loans	3 350	4 300
	<u>82 544</u>	<u>286 238</u>
Current portion included in trade and other receivables		
Staff loans	42 363	246 057
Vehicle loans	–	120 297
Personal loans	39 013	121 460
Study loans	3 350	4 300
	<u>40 181</u>	<u>40 181</u>

The loan to CEPPWAWU Investments (Proprietary) Limited is interest free and is payable on demand. However the union has no intention to request payment of this loan in the next 12 months.

The staff loans are interest free and repayable in instalments.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

	2011 R	2010 R
4. Trade and other receivables		
Trade and other receivables comprises:		
Subscriptions receivable	2 906 360	2 972 084
Deposits	390 896	390 896
Salary advance	—	—
	3 297 256	3 362 980
Subscriptions receivable were received in January 2012 prior to the last Friday of the month.		
5. Interest bearing borrowings		
Capitalised finance lease obligation		
– Avis Fleet Services	—	110 923
Instalment sale obligations		
– WesBank	—	9 374
	—	120 297
Current portions included in current liabilities	—	(120 297)
	—	—
6. Trade and other payables		
Trade and other payables comprises:		
Trade creditors and accrued expenses	13 428 185	4 407 863
Owing to Chemical Industries National Provident Fund	3 785 224	1 102 855
Arrear contributions	3 435 689	1 070 620
Interest	349 535	32 235
Owing to SARS	11 568 987	5 277 864
PAYE	7 148 921	3 909 053
Interest and penalties	4 420 066	1 368 811
Straight lining of operating leases	307 005	—
Outstanding cheques	25 941	11 957
Leave pay	1 097 068	705 749
	30 212 410	11 506 288

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

	2011 R	2010 R
7. Provisions		
Provision for settlement of legal claim	13 743 239	13 743 239
Interest	<u>2 571 494</u>	<u>578 725</u>
	<u>16 314 733</u>	<u>14 321 964</u>
Nashua has submitted a claim against the union for losses incurred on the cancellation of a contract for the rental of photo copier equipment and the expected interest. A provision has been raised for the expected settlement including interest at prime plus 5%.		
8. Revenue		
Subscriptions – members	39 657 194	37 513 184
Subscriptions – agency	<u>3 253 722</u>	<u>3 009 913</u>
	<u>42 910 916</u>	<u>40 523 097</u>
9. Other income		
Grant income	20 430	779 512
Sponsorship	448 230	1 114 554
Other	<u>–</u>	<u>29 510</u>
	<u>468 660</u>	<u>1 923 576</u>
10. Loss for the year		
Loss for the year is stated after –		
Audit fees	798 000	872 100
Staff costs	22 081 972	20 575 253
Depreciation	<u>129 075</u>	<u>374 958</u>
11. Net finance cost		
Finance cost		
Interest paid	(2 887 690)	(1 120 150)
Chemical Industries National Provident fund	(317 300)	(32 235)
Bank	(70 890)	(66 780)
SARS	(506 731)	(442 410)
Legal claim	<u>(1 992 769)</u>	<u>(578 725)</u>
Financial income		
Interest received		
Bank	<u>145 033</u>	<u>185 646</u>
	<u>(2 742 657)</u>	<u>(934 504)</u>

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

	2011 R	2010 R
12. Working capital changes		
Decrease in trade and other receivables	65 724	402 194
Increase in trade and other payables	17 575 086	96 070
	<u>17 640 810</u>	<u>498 264</u>
13. Interest paid		
Interest owing at beginning of year	(1 817 983)	(764 613)
Interest charge for the year	(2 887 690)	(1 120 150)
Interest owing at the end of the year	<u>4 634 783</u>	<u>1 817 983</u>
	<u>(70 890)</u>	<u>(66 780)</u>
14. Cash and cash equivalents		
Cash and cash equivalents consists of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprises the following statement of financial position amounts:		
Bank	1 502 709	2 258 975
Bank overdraft	<u>(1 098 533)</u>	<u>(927 658)</u>
	<u>404 176</u>	<u>1 331 317</u>

15. Retirement benefits

The union and its employees contribute to the Chemical Industries National Provident Fund. The fund is a defined contribution provident fund and it is governed by the Pensions Fund Act. The union is committed in terms of the special rules of the fund to contribute a fixed rate of 8% of the employees' basic monthly earnings. The employees also make a similar contribution.

16. Financial risk management

16.1 Overview

The union has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the union's exposure to each of the above risks, the union's objectives, policies and processes for measuring and managing risk, and the union's management of capital.

The National Executive Committee has overall responsibility for the establishment and oversight of the union's risk management framework.

The union's risk management policies are established to identify and analyse the risks faced by the union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the union's activities. The union, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

16. Financial risk management (continued)

16.2 Credit risk

Credit risk is the risk of financial loss to the union if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the union's trade and other receivables, cash and cash equivalents and loans.

Cash and cash equivalents

The union's exposure to credit risk is addressed by using financial institutions of good standing for cash handling and investment purposes.

Trade and other receivables

Trade and other receivables consist primarily of subscriptions receivable, recovered after year-end, and deposits and the credit risk is not considered significant.

Loans

Loans are made to employees for various reasons and the related party set out in note 18. The credit risk on these balances is not considered significant due to the nature of the loans.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

	2011 R	2010 R
Trade and other receivables	3 297 256	3 362 980
Loans	82 544	286 238
Cash and cash equivalents	1 502 709	2 258 975
	<u>4 882 509</u>	<u>5 908 193</u>

16.3 Liquidity risk

Liquidity risk is the risk that the union will not be able to meet its financial obligations as they fall due. The union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the union's reputation.

Typically the union ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the union maintains lines of credit with its primary bankers.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

16. Financial risk management (continued)

16.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities including interest payments:

	Carrying amount R	Contractual cash flows R	Year 1 R
2011			
<i>Liabilities</i>			
Trade and other payables	29 905 405	29 905 405	29 905 405
Bank overdraft	1 098 533	1 098 533	1 098 533
	31 003 938	31 003 938	31 003 938
2010			
<i>Liabilities</i>			
Interest bearing borrowings	120 297	132 035	132 035
Trade and other payables	11 506 288	11 506 288	11 506 288
Bank overdraft	927 658	927 658	927 658
	12 554 243	12 565 981	12 565 981

16.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the union's income and value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk and equity price risk

The union is not exposed to foreign currency risk or equity price risk.

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

16. Financial risk management (continued)

16.4 Market risk (continued)

Interest rate risk

The entity is exposed to interest rate risk on its cash and cash equivalents and interest bearing borrowings.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	2011 R	2010 R
Variable rate instruments		
Financial assets	1 502 799	2 258 975
Financial liabilities	(11 683 143)	(6 027 628)
	<u>(10 180 344)</u>	<u>(3 768 653)</u>

Sensitivity analysis for variable rate instruments

The effect of a change in interest rate of 100 basis points would increase or decrease union's loss or equity for the period by R101 803 (2010 – R37 686).

16.5 Basis of measurement

2011	Total R	Loans and receivables R	Non-financial assets
Assets			
Property, plant and equipment	127 972	–	127 972
Loans	82 544	82 544	–
Trade and other receivables	3 297 256	3 297 256	–
Cash and cash equivalents	1 502 709	1 502 709	–
	<u>5 010 481</u>	<u>4 882 509</u>	<u>127 972</u>
Liabilities			
Trade and other payables	30 212 410	29 905 405	307 005
Provisions	16 314 733	–	16 314 733
Bank overdraft	1 098 533	1 098 533	–
	<u>47 625 676</u>	<u>31 003 938</u>	<u>16 621 738</u>

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

16. Financial risk management (continued)

16.5 Basis of measurement (continued)

2010			
	Total	Loans and	Non-financial
	R	receivables	assets
Assets		R	
Property, plant and equipment	135 805	–	135 805
Loans	286 238	286 238	–
Trade and other receivables	3 362 980	3 362 980	–
Cash and cash equivalents	2 258 975	2 258 975	–
	6 043 998	5 908 193	135 805
	Total	Amortised	Non-financial
	R	cost	liabilities
Liabilities		R	R
Trade and other payables	11 506 288	11 506 288	–
Provisions	14 321 964	–	14 321 964
Interest bearing borrowings	120 297	120 297	–
Bank overdraft	927 658	927 658	–
	26 876 207	12 554 243	14 321 964

16.6 Fair value analyses

The fair values together with the carrying values of all financial instruments shown in the statement of financial position are as follows:

2011			
	<i>Note</i>	Carrying	Fair value
		value	R
Financial assets		R	
Loans		82 544	82 544
Trade and other receivables		3 297 256	3 297 256
Cash and cash equivalents		1 502 709	1 502 709
		4 882 509	4 882 509
Financial liabilities			
Trade and other payables		29 905 405	29 905 405
Bank overdraft		1 098 533	1 098 533
		31 003 938	31 003 938

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

16. Financial risk management (continued)

16.6 Fair value analyses (continued)

2010	Note	Carrying value R	Fair value R
Financial assets			
Loans		286 238	86 238
Trade and other receivables		3 362 980	3 362 980
Cash and cash equivalents		2 258 975	2 258 975
		<u>5 908 193</u>	<u>5 908 193</u>
Financial liabilities			
Interest bearing borrowings		120 297	120 297
Trade and other payables		11 506 288	11 506 288
Bank overdraft		927 658	927 658
		<u>12 584 243</u>	<u>12 584 243</u>

17. Lease commitments

	Due within 1 year R	Due within 2 – 5 years R	Total R
Operating lease commitment comprises –			
2011			
Premises	2 037 410	5 015 010	7 052 420
Office equipment	3 844 836	8 650 881	12 495 717
	<u>5 882 246</u>	<u>13 665 891</u>	<u>19 548 137</u>
2010			
Premises	403 426	1 017 460	1 420 886
Vehicles	120 297	–	120 297
Office equipment	3 844 836	11 854 911	15 699 747
	<u>4 368 559</u>	<u>12 872 371</u>	<u>17 240 930</u>

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

17. Lease commitments (continued)

	2011 R	2010 R
Operating lease costs incurred		
– office equipment	4 378 463	3 980 988
– premises (including utilities)	4 664 273	3 604 707
	<u>9 042 736</u>	<u>7 585 695</u>

18. Related parties

Being a union, these are no controlling shareholders. Related parties include the office bearers, the CEPPWAWU Development Trust and CEPPWAWU Investments Proprietary Limited, an investment holding company associated with the union.

A loan to CEPPWAWU Investments Proprietary Limited is set out in note 3.

Remuneration of the office bearers amounted to R694 178 (2010 – R543 855).

19. Significant judgement and estimates

The union has considered the legal claim made by Nashua against the union as set out in note 7 and have considered it appropriate to provide for the claim and related interest.

There were no other significant judgments or estimates that were made in the preparation of these financial statements that could have a material effect on future financial statements.

20. Going concern considerations

CEPPWAWU has a deficit for the current year of R21 782 986 (2010 – R14 055 224) and an accumulated deficit of R42 615 195 at 31 December 2011 (2010 – R20 832 209). The entity has not been able to pay its current operational costs when they fall due to a lack of liquid funds. The overdraft facility is R1 098 533 (2010 – R927 658) and there is no indication from the bank that the facility will be increased.

An analysis of the going concern assumption has indicated the following, after consultation with the union's lawyers:

- Sometime after the union's formation in 1999, the union decided to establish an investment arm to raise funds for the union and its members. This was in line with COSATU's policy of the day.

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

20. Going concern considerations (continued)

- CEPPWAWU Investments Proprietary Limited ("CI") is the union's investment vehicle. CI holds shares in several special purpose vehicle companies ("SPVs"), which SPVs hold shares in, inter alia, employer companies such as Aspen, Sasol, Barloworld etc. The fair value of CI's investments at 28 February 2014 approximated R6,8 billion (2011 – R2,9 billion) and cash and cash equivalents amounted to R233 million (2011 – R242 million). The profit for the year amounted to R2,1 billion (2011 – R17 million).
- CEPPWAWU Development Trust ("CDT") is the sole shareholder of CI.
- Since November 2001, CI has been managed by Letsema Investments Proprietary Limited ("Letsema"). This remains the position to date. Letsema is a management consulting company in which I Shongwe is a beneficial shareholder. He is also a director of Letsema, together with D Thomas. D Thomas is currently the CEO of CI, a position he has held since approximately 2002.
- I Shongwe is also a director of CI, the other three directors being – S Mofokeng, J Mabena and P Tsotetsi. M Nxumalo resigned as a director during the year ended 31 December 2015. All three directors are essentially non-executive directors, with CI being run on a day to day basis by D Thomas.
- CDT was created and formed in terms of a written Trust Agreement ("the Trust Deed"). The Trust Deed provides for the union to appoint three trustees and CI two. These trustees are then empowered to appoint two "professional trustees. In terms of the Trust Deed, the primary object of CDT is to generate income from investments and other sources and to utilise this income to provide financial assistance to the beneficiaries, being the union and its members. The Trust Deed also provides that, the trustees shall ensure that not less than twenty-five (25) percent of the income earned on an investment owned by the trust, in any one financial year, is paid to the beneficiaries by no later than six months after the end of the financial year. The Trust Deed also stipulates that if the number of trustees drops below five, then the remaining trustees only have the power to preserve the assets and investments of the trust. They may make no other payments, investments or the like. It follows that if the number of trustees drops below five, no decisions of the trust can be made, other than insofar as such decisions relate to the preservation of the assets and existing investments of the trust.
- For various reasons CDT has, until recently, not operated in accordance with the objectives of the Trust Deed and since its inception to 31 December 2011, no money of any significance had been made available to the union or its members.
- I Shongwe was the sole trustee of CDT from 2008. Pursuant to a Court application, and by March 2012, the following new trustees had been appointed as union trustees: Adv A Bham, Prof G Everingham and S Mofokeng. This was in addition to I Shongwe (one of the original professional trustee), and J Dlamini and P Tsotetsi, who had been appointed by CI. I Shongwe subsequently resigned on or about 17 August 2012. A month or so later, P Tsotetsi resigned as a trustee.
- During the time period that the trust was quorate, the aforementioned trustees of the trust worked hard to secure a distribution to the beneficiaries of the trust, and to regularise its affairs. The quantification of this distribution was fairly complicated, and was dependent on updated, audited financial statements being received from CI, and the resolution of certain tax issues. Sizwe Ntsalube Gobodo Chartered Accountants assisted the trustees in this regard. R33 million was paid to the union by CDT in September 2012 which it had received from CI.
- No further distributions have been received.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

20. Going concern considerations (continued)

The union had for several years experienced difficulty in settling its financial obligations due to a lack of liquid funds. The R33 million was utilised to settle the unions' debts that were due and payable. The union is dependant on the funding received from CDT to continue as a going concern. Should the union and CI fail to ensure that CDT has a properly constituted quorum of five trustees, there is a risk that the union will not receive funding from CDT and this gives rise to a material uncertainty which may cast significant doubt about the union's ability to continue as a going concern and therefore that it may be unlikely to realise its assets and discharge its liabilities in the normal course of business.

CEPPWAWU is required to within six months after each financial year prepare financial statements in terms of section 98(1)(b) of the Labour Relations Act of 1995 (LRA), and have those financial statements audited as per section 98(2) of the LRA. CEPPWAWU faces a risk of deregistration by the registrar in terms of section 106(2A)(b) of the LRA since CEPPWAWU did not have the financial statements for the financial years ended 31 December 2010, 2011, 2012 and 2013 prepared and audited within six months after the respective financial years.

The matter noted above give rise to a material uncertainty which may cast significant doubt about the union's ability to continue as a going concern and therefore that it may be unlikely to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern as the National Executive Committee is satisfied that the issues which have prevented CDT from operating in accordance with the Trust Deed in the past will be addressed and the financial statements for the years ended 31 December 2010, 2011, 2012 and 2013 have been prepared and audited.

21. Subsequent events

By virtue of a spate of subsequent trustee resignations, the trust is currently inquorate, and the Master appears to recognise the appointment of four trustees. CEPPWAWU has attempted to rectify this by approaching the Master to make an appointment of an independent and highly qualified professional trustee, Mr J Doidge - in terms of section 7(2) of the Trust Property Control Act. However, before the Master's office could act on that request, the Deputy General Secretary of CEPPWAWU launched a legal challenge against the appointment of the three Union appointed trustees. This case remains pending, and the Master has indicated a reluctance to make a section 7(2) appointment until this matter has been resolved.

CEPPWAWU is considering its legal options, including the option of approaching the Court to direct the Master to make appointments of specified trustees, in terms of the Trust Property Control Act, in order to ensure that the Trust is regularised, in the short term.

The Department of Labour has applied to court to place the Union under administration as the Union has not submitted audited financial statements to the Department of Labour since 2009 and in the Department of Labour's view the Union had ceased to function in terms of its constitution. The Union has opposed the application and the matter remains the subject of a legal dispute.

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Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Notes to the financial statements

for the year ended 31 December 2011 (continued)

22. Standards and interpretations in issue not yet effective

The National Executive Committee has considered the effect of standards and interpretations in issue not yet effective and are satisfied that they are not applicable to the union and will have no effect on future financial statements.

23. Approval of financial statements

These financial statements were approved by the union on the same day as the financial statements for the years ended 31 December 2012 and 31 December 2013. The financial statements for the year ended 31 December 2013 should be consulted for a better understanding of the state of affairs of the union.

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Detailed statement of comprehensive income

for the year ended 31 December 2011

	2011 R	2010 R
Income	43 524 609	42 632 319
Subscriptions – members	39 657 194	37 513 184
Subscriptions – agency shop	3 253 722	3 009 913
Grant income	20 430	779 512
Interest received	145 033	185 646
Company contributions and sponsorship	448 230	1 114 554
Other income	–	29 510
Expenditure	(64 307 595)	(56 687 543)
Affiliation fees	2 693 037	2 154 992
Auditors' remuneration	798 000	872 100
Bank charges	112 226	114 125
Depreciation	129 075	374 958
Donations	7 755	9 780
Education expenses	–	581 409
Catering and cleaning	54 934	17 120
Insurance	230 365	549 409
Accounting assistance and internal audit costs	248 837	3 716
Interest paid	2 887 690	1 120 150
Chemical Industries National Provident Fund	317 300	32 235
Bank	70 890	66 780
SARS	506 731	442 410
Legal claims	1 992 769	578 725
Legal expenses	9 881 303	1 311 862
Provisions for settlement of the Nashua claim	–	13 743 239
Collective bargaining costs	195 700	182 515
Meeting expenses	2 915 529	2 268 609
Membership card expenses	–	128 238
Motor vehicle expenses	3 086 742	1 826 580
Rent and utilities		
– paid and accrued	5 095 580	3 604 707
Printing, postage and stationery	4 807 964	2 693 629
– paid and accrued	4 807 964	4 118 266
– straight-lining of rental income adjustment	–	(1 424 637)
Repairs and maintenance	190 536	34 073
Security expenses	10 000	104 526
Staff costs	22 081 972	20 575 353
Salaries and staff related expenses	20 495 332	19 162 024
Contributions to medical aid fund	403 080	359 363
Contributions to provident fund	1 183 560	1 053 966
Subscription collection fees	609 706	544 530

Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union

Statement of comprehensive income for the year ended 31 December 2011 (continued)

	2011 R	2010 R
Expenditure (continued)		
Travel expenses	2 188 309	1 090 987
T-shirts/sweaters/banners	209 776	32 395
Sundry expenses	1 433 054	295 790
Telephone and fax	2 325 703	2 174 404
Tax penalty (additional)	2 745 172	—
Computer expenses	368 630	278 347
Loss for the year	(21 782 986)	(14 055 224)