

Basketball South Africa
Financial statements
for the year ended 31 March 2010

Draft

Basketball South Africa

Financial Statements for the year ended 31 March 2010

General Information

| | |
|--|---|
| Country of incorporation and domicile | South Africa |
| Nature of business and principal activities | Basketball Federation |
| Directors | Mr Malesela Maleka - President Dr Malumbate Ralethe 1st Vice President Ms Ntombizanele Papa 2nd Vice President Mr Zanele Ngwenya Treasure General Ms Gezepi Mbatha SASB Representative Ms Xoliswa Ntombela USSA Basketball Representantive Mr Willie Riechert WBA Representative Mr Caby Cabanelas PBL Representative Mr Dumisani Tuka Board Member Mr Daluxolo Dzingwa Board Member Mr Joe Machaba Board Member Mr Monwabisi Planga Board Member Mr Motho Kgaka Board Member |
| Postal address | P.O.Box 57025 Springfield 2137 |
| Bankers | Nedbank |

Basketball South Africa

Financial Statements for the year ended 31 March 2010

Index

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

| Index | Page |
|---|-------------|
| Report of the Independent Auditors | 3 |
| Executive Committee's Responsibilities and Approval | 4 |
| Executive Committee's Report | 5 |
| Balance Sheet | 6 |
| Income Statement | 7 |
| Statement of Changes in Surplus and Deficit | 8 |
| Cash Flow Statement | 9 |
| Accounting Policies | 10 |
| Notes to the Financial Statements | 11 - 13 |
| Detailed Income statement | 14 - 15 |

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Report of the Independent Auditors

To the Members of Basketball South Africa

We have audited the accompanying financial statements of Basketball South Africa, which comprise the directors' report, the balance sheet as at 31 March 2010, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and other requirements as per agreements with the funders, and in the manner required by the Association's Constitution. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 auditors' 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 the directors, 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 audit opinion.

Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities, the financial statements present fairly, in all material respects, the financial position of company as of 31 March 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, and in the manner required by the Association's Constitution.

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Registered Auditors

Basketball South Africa

Financial Statements for the year ended 31 March 2010

Executive Committee's Responsibilities and Approval

The executive committee is required by the Association's Constitution, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the association 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 and other requirements as per agreements with the funders. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and other requirements as per agreements with the funders and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The executive committee acknowledge that they are ultimately responsible for the system of internal financial control established by the association and place considerable importance on maintaining a strong control environment. To enable the executive committee to meet these responsibilities, the members should 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 association and all employees are required to maintain the highest ethical standards in ensuring the association 's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The executive committee is of the opinion, based on the information and explanations given by previous executive committee, that the financial records may be relied on for the preparation of the financial statements.

The executive committee has reviewed the association's's cash flow forecast for the year to 31 March 2011 and, in the light of this review and the current financial position, it is satisfied that the association has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the general assembly on 11 September 2010 per the resolution and mandated the following to sign on its behalf:

Mr Malesela Maleka - President

Mr Zanele Ngwenya Treasury General

Basketball South Africa

Financial Statements for the year ended 31 March 2010

Executive Committee's Report

The executive committee presents their report for the year ended 31 March 2010.

1. Review of activities

Main business and operations

The federation is engaged in basketball federation and operates principally in South Africa.

The operating results and state of affairs of the association are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net surplus of the company was R 4,159,851 (2009: profit R 1,218,087).

2. Going concern

We draw attention to the fact that at 31 March 2010, the association had accumulated losses of R 3,801,935 and that the association's total liabilities exceed its assets by R 3,801,935.

The 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.

The association will continue to operate on going concern basis even though it does not have sufficient funds to meet its daily operations. However, currently the association has secured sufficient contracts from National Lotto Board and with possible funding from government and the private sector it will turn around its financial position and meet its operational costs. A detailed Strategic and Operation Plan with key performance indicators has been formulated by the association to guide the executive committee in the recovery stage. This includes a plan to make the association self sufficient and sustainable including a repayment plan for current debts.

3. Post balance sheet events

The Executive committee of the federation had numerous meetings with Department of sports and Recreation to discuss the turnaround strategy of federation.

The federation also in process of reviewing and submitting all outstanding reports to National Lottery Board contracts. South African Sports Confederation and Olympic Committee (SASCOC) has coached the federation on corporate governance and financial management for the federation not to repeat past mistakes.

International Federation of Basketball (FIBA) is in process of assisting the federation with development of basketball at the grassroots level and also with the establishment of the national basketball league.

The forensic audit report on the utilisation of the federation funds in previous years has been presented to the executive committee. The committee is in the process of discussing the implementation of recommendations in conjunction with the Department of Sports and Recreation.

Basketball South Africa

Financial Statements for the year ended 31 March 2010

Balance Sheet

| Figures in Rand | Note(s) | 2010 | 2009 |
|-------------------------------------|---------|------------------|------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 2 | 9,333 | - |
| Current Assets | | | |
| Income Accrued | 3 | 7,325,714 | 1,925,334 |
| Cash and cash equivalents | 4 | 6,989 | 141,689 |
| | | 7,332,703 | 2,067,023 |
| Total Assets | | 7,342,036 | 2,067,023 |
| Equity and Liabilities | | | |
| Equity | | | |
| Accumulated deficit | | 3,801,935 | (357,916) |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Loans from related organisation | | 302,000 | - |
| Current Liabilities | | | |
| Loans to committee member | | 83,180 | 190,000 |
| Trade and other payable | 5 | 2,815,665 | 2,234,939 |
| Other Accruals | | 339,256 | - |
| | | 3,238,101 | 2,424,939 |
| Total Liabilities | | 3,540,101 | 2,424,939 |
| Total Equity and Liabilities | | 7,342,036 | 2,067,023 |

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Basketball South Africa

Financial Statements for the year ended 31 March 2010

Income Statement

| Figures in Rand | Note(s) | 2010 | 2009 |
|------------------------------------|---------|------------------|------------------|
| Revenue | 6 | 7,663,483 | 2,762,300 |
| Other income | | 24,943 | - |
| Operating expenses | | (3,528,575) | (1,540,065) |
| Operating (deficit) surplus | | 4,159,851 | 1,222,235 |
| Investment revenue | | - | 7 |
| Finance costs | 7 | - | (4,155) |
| Surplus for the year | | 4,159,851 | 1,218,087 |

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Financial Statements for the year ended 31 March 2010

Statement of Changes in Surplus and Deficit

| Figures in Rand | | Accumulated deficit | Total equity |
|---------------------------------|---|---------------------|--------------------|
| Balance at 01 April 2008 | - | (1,576,003) | (1,576,003) |
| Deficit for the year | - | 1,218,087 | 1,218,087 |
| Total changes | - | 1,218,087 | 1,218,087 |
| Balance at 01 April 2009 | - | (357,916) | (357,916) |
| Surplus for the year | - | 4,159,851 | 4,159,851 |
| Total changes | - | 4,159,851 | 4,159,851 |
| Balance at 31 March 2010 | - | 3,801,935 | 3,801,935 |

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Basketball South Africa

Financial Statements for the year ended 31 March 2010

Cash Flow Statement

| Figures in Rand | Note(s) | 2010 | 2009 |
|---|---------|------------------|-----------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 9 | (315,881) | (48,310) |
| Interest income | | - | 7 |
| Finance costs | | - | (4,155) |
| Net cash from operating activities | | (315,881) | (52,458) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 2 | (13,999) | - |
| Loans received from related organisations | | 302,000 | - |
| Net cash from investing activities | | 288,001 | - |
| Cash flows from financing activities | | | |
| Repayment of loans to committee member | | (106,820) | 190,000 |
| Net cash from financing activities | | (106,820) | 190,000 |
| Total cash movement for the year | | (134,700) | 137,542 |
| Cash at the beginning of the year | | 141,689 | 4,145 |
| Total cash at end of the year | 4 | 6,989 | 141,687 |

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Basketball South Africa

Financial Statements for the year ended 31 March 2010

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and other requirements as per agreements with the funders, and the Association's Constitution. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

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 company; 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.

| Item | Average useful life |
|------------------------|---------------------|
| Audio visual equipment | 25% |
| Furniture and fixtures | 16.6% |
| Motor vehicles | 20% |
| Office equipment | 20% |
| Computer equipment | 33.3 |
| Gardening equipment | 20% |

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

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

1.2 Impairment of assets

The association assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the association estimates the recoverable amount of the asset.

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.

1.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received or receivable. Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and that these benefits can be measured reliably.

1.4 Interest Income

Interest income is accrued on a time proportioned basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

Basketball South Africa

Financial Statements for the year ended 31 March 2010

Notes to the 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 |
| IT equipment | 13,999 | (4,666) | 9,333 | - | - | - |

Reconciliation of property, plant and equipment - 2010

| | Opening Balance | Additions | Depreciation | Total |
|--------------------|-----------------|-----------|--------------|-------|
| Computer equipment | - | 13,999 | (4,666) | 9,333 |

Reconciliation of property, plant and equipment - 2009

3. Income Accrued

| | | |
|-------------------------------------|------------------|------------------|
| Department of Sports and Recreation | 425,714 | 292,000 |
| National Lotteries Board | - | - |
| | 6,900,000 | 1,633,334 |
| | 7,325,714 | 1,925,334 |

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Basketball South Africa

Financial Statements for the year ended 31 March 2010

Notes to the Financial Statements

| Figures in Rand | 2010 | 2009 |
|---|------------------|------------------|
| 4. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | - | 15,410 |
| Bank balances | 6,989 | 126,279 |
| | 6,989 | 141,689 |
| 5. Trade and other payable | | |
| Trade payables | 1,275,868 | 917,653 |
| VAT | 422,201 | 422,201 |
| Accrued expense | 994,487 | 771,976 |
| SARS | 123,109 | 123,109 |
| | 2,815,665 | 2,234,939 |
| 6. Revenue from sponsors and grants | | |
| National Lotteries Board | 6,900,000 | 2,450,000 |
| Department of Sports and Recreation | 763,483 | 312,300 |
| | 7,663,483 | 2,762,300 |
| 7. Finance costs | | |
| Bank | - | 4,155 |
| 8. Auditors' remuneration | | |
| Fees | - | 63,840 |
| 9. Cash used in operations | | |
| Surplus for the year | 4,159,851 | 1,218,087 |
| Adjustments for: | | |
| Depreciation and amortisation | 4,666 | 15,851 |
| Interest received | - | (7) |
| Finance costs | - | 4,155 |
| Movements in provisions | 339,256 | - |
| Changes in working capital: | | |
| Income Accrued | (5,400,380) | (1,925,334) |
| Trade and other payable | 580,726 | 638,938 |
| | (315,881) | (48,310) |
| 10. National Lottery Board expenditure | | |
| Description | | |
| Grant | (8,701,303) | (2,450,000) |
| Administration | 496,940 | 50,892 |
| National Academy | 486,715 | 13,698 |
| Referee Development Programme | - | 29,020 |
| Coaches Development Programme | - | 13,000 |
| National Teams | - | 483,337 |
| High Performance | 440,334 | 58,750 |
| Athletes support | 196,050 | - |
| Capacity building -Referees | 162,207 | - |
| Capacity Building-Couches | 150,792 | - |

Basketball South Africa

Financial Statements for the year ended 31 March 2010

Notes to the Financial Statements

| Figures in Rand | 2010 | 2009 |
|---|--------------------|--------------------|
| 10. National Lottery Board expenditure (continued) | | |
| Training Camps | 643,895 | - |
| International Participation | 858,922 | - |
| | (5,265,448) | (1,801,303) |

There are no prior year amount due to the uncertainty in the prior year expenditure.

11. Department of Sport and Recreation

| Description | | |
|---------------------------------------|---------------|----------------|
| Grant | (767,483) | (292,000) |
| National teams preparation (Zimbabwe) | 4,000 | 271,000 |
| Administration | 238,041 | 17,000 |
| Management Fee | 31,500 | - |
| Discretionary fees | 72,334 | - |
| Membership Disks | 138,720 | - |
| Club Development | 133,560 | - |
| Auditing Fees | 63,840 | - |
| Disabled Referee Training | 35,714 | - |
| Workshops | 29,913 | - |
| Other | 30,914 | - |
| | 11,053 | (4,000) |

There are no prior year amount due to the uncertainty in the prior year expenditure.

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Basketball South Africa

Financial Statements for the year ended 31 March 2010

Detailed Income statement

| Figures in Rand | Note(s) | 2010 | 2009 |
|-------------------------------------|---------|--------------------|--------------------|
| Revenue | | | |
| National Lotteries Board | | 6,900,000 | 2,450,000 |
| Department of Sports and Recreation | | 763,483 | 312,300 |
| | 6 | 7,663,483 | 2,762,300 |
| Other income | | | |
| Commissions received | | 6,863 | - |
| Discount received | | 18,080 | - |
| Interest received | | - | 7 |
| | | 24,943 | 7 |
| Expenses (Refer to page 15) | | (3,528,575) | (1,540,065) |
| Operating surplus | | 4,159,851 | 1,222,242 |
| Finance costs | 7 | - | (4,155) |
| Surplus for the year | | 4,159,851 | 1,218,087 |

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Basketball South Africa

Financial Statements for the year ended 31 March 2010

Detailed Income statement

| Figures in Rand | Note(s) | 2010 | 2009 |
|--|---------|--------------------|--------------------|
| Operating expenses | | | |
| Accounting fees | | - | (82,610) |
| Auditors remuneration | 8 | - | (63,840) |
| Consulting Fees | | (89,500) | (746) |
| Bank charges | | (3,375) | (1,358) |
| Depreciation, amortisation and impairments | | (4,666) | (15,851) |
| Employee costs | | (346,365) | (211,040) |
| Entertainment | | - | (2,346) |
| Training and camp expenses | | (226,675) | (22,127) |
| Exco meeting expenses | | (1,411) | (4,698) |
| Medical expenses | | (10,415) | (4,763) |
| Honorarium | | (29,913) | (13,000) |
| Accommodation and vehicle hire | | (779,842) | (859,320) |
| Gifts and prices | | (44,998) | (19,006) |
| Referees support | | (95,923) | (25,600) |
| Transport and expenses | | - | (8,000) |
| Affiliation Fee | | (9,763) | (18,519) |
| Fines and penalties | | (251) | - |
| Membership Disks | | (138,720) | - |
| Technical Equipment | | (6,099) | - |
| Club Development | | (133,560) | - |
| Lease rentals on operating lease | | (31,500) | (14,120) |
| Levies | | (9,351) | - |
| High Performance | | (130,000) | - |
| Printing and stationery | | (27,000) | (1,291) |
| Team clothing | | (566,572) | (3,420) |
| Repairs and maintenance | | - | (980) |
| Staff welfare | | (8,329) | - |
| Subscriptions | | (1,301) | (9,000) |
| Telephone and fax | | (5,055) | (1,340) |
| Training | | (6,635) | - |
| Travel - overseas | | (821,356) | (157,090) |
| | | (3,528,575) | (1,540,065) |