



Annual Financial Statements
William Humphreys Art Gallery
for the year ended 31 March 2007

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF WILLIAM HUMPHREYS ART GALLERY FOR THE YEAR ENDED 31 MARCH 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the William Humphreys Art Gallery which comprise the balance sheet as at 31 March 2007, income statement, statement of changes in net equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 28 - 36. Responsibility of the accounting officer for the financial statements
2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). 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
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 544 of 2006, issued in Government Gazette No. 28723 of 10 April 2006 and General notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. 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.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

The entity's policy is to prepare financial statements in accordance with South African Statements of Generally Accepted Accounting Practice.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of William Humphreys Art Gallery as at 31 March 2007 and its financial performance and 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 PFMA.

APPRECIATION

10. The assistance rendered by the staff of William Humphreys Art Gallery during the audit is sincerely appreciated.



J v Tonder for Auditor-General

Kimberley

11 July 2007



AUDITOR - GENERAL

WILLIAM HUMPHREYS ART GALLERY
INCOME STATEMENT
for the year ended 31 March 2007

		2007	2006
	Notes	R	R
REVENUE			
Exchange revenue		301,318.82	336,327.71
Sale of Goods	<u>2</u>	69,166.59	130,240.48
Rendering of Services	<u>3</u>	52,708.45	54,506.35
Interest Income	<u>4</u>	119,775.78	81,918.88
Rental Income	<u>5</u>	59,668.00	69,662.00
Other exchange revenues	<u>6</u>	0.00	0.00
Non-Exchange revenue		3,442,953.53	3,037,427.05
Transfer and subsidies received	<u>7</u>	3,432,000.00	3,014,929.30
Other Non-exchange revenues	<u>8</u>	10,953.53	22,497.75
Total Revenue		<u>3,744,272.35</u>	<u>3,373,754.76</u>
EXPENDITURE			
Administrative Expenses	<u>9</u>	179,008.70	232,759.25
Staff costs	<u>10</u>	2,203,566.17	1,355,632.37
Audit Fees	<u>11</u>	43,737.84	40,192.98
Depreciation and Amortisation	<u>13</u>	121,055.00	87,502.19
Other operating expenses	<u>12</u>	642,999.51	418,851.17
Total expenditure		<u>3,190,367.22</u>	<u>2,134,937.96</u>
Net Income before taxation		<u>553,905.13</u>	<u>1,238,816.80</u>
Net Income for the year		<u><u>553,905.13</u></u>	<u><u>1,238,816.80</u></u>

WILLIAM HUMPHREYS ART GALLERY
BALANCE SHEET
as at 31 March 2007

	Notes	2007 R	2006 R
ASSETS			
Non-current assets			
		3,150,345.10	2,516,771.13
Property, plant and equipment	<u>13</u>	475,791.55	248,531.18
Investment property	<u>14</u>	2,674,553.55	2,268,239.95
Current assets			
		1,956,944.99	2,004,137.56
Trade and other receivables	<u>15</u>	33,423.22	22,110.17
Cash and bank balances	<u>16</u>	1,923,521.77	1,982,027.39
Total assets		<u>5,107,290.09</u>	<u>4,520,908.69</u>
EQUITY AND LIABILITIES			
Equity			
Retained Earnings	<u>17</u>	4,157,428.73	3,603,523.60
Total Equity		<u>4,157,428.73</u>	<u>3,603,523.60</u>
Liabilities			
Non-current liabilities			
Long term:Retirement benefit obligation	<u>18</u>	754,965.00	764,965.00
Total Non-Current Liabilities		<u>754,965.00</u>	<u>764,965.00</u>
Current liabilities			
		194,896.36	152,420.09
Trade and other payables	<u>19</u>	27,701.57	10,914.14
Short term provisions	<u>20</u>	167,194.79	141,505.95
Total Current Liabilities		<u>194,896.36</u>	<u>152,420.09</u>
Total Liabilities		<u>949,861.36</u>	<u>917,385.09</u>
Total equity and liabilities		<u>5,107,290.09</u>	<u>4,520,908.69</u>

**WILLIAM HUMPHREYS ART GALLERY
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2007**

	Notes	2007 R	2006 R
Retained Earnings	<u>17</u>		
Balance at 1 April as originally stated		3,603,523.60	2,364,706.80
Net income for the year		553,905.13	1,238,816.80
Balance at 31 March		<u>4,157,428.73</u>	<u>3,603,523.60</u>
Total Equity	<u>17</u>		
Balance at 1 April as originally stated		3,603,523.60	2,364,706.80
Net profit for the year		553,905.13	1,238,816.80
Balance at 31 March		<u>4,157,428.73</u>	<u>3603523.60</u>

WILLIAM HUMPHREYS ART GALLERY
CASH FLOW STATEMENT
for the year ended 31 March 2007

	Notes	2007 R	2006 R
Cash flows from operating activities			
Cash receipts from customers		3,744,272.35	3,373,754.76
Cash Paid to suppliers & employees		-3,167,148.78	-2,345,134.52
Cash generated from operations	<u>21</u>	577,123.57	1,028,620.24
Interest received		119,775.78	81,918.88
Net cash in flows from operating activities		<u>696,899.35</u>	<u>1,110,539.12</u>
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	<u>22</u>	-348,315.37	-24,748.37
Purchase of Investment property	<u>22</u>	-407,089.60	-785,966.30
Net cash out flows from investing activities		<u>-755,404.97</u>	<u>-810,714.67</u>
Net (decrease)/increase in cash and cash equivalents		-58,505.62	299,824.45
Cash and cash equivalents at the beginning of the year		1,982,027.39	1,682,202.94
Cash and cash equivalents at end of the year		<u><u>1,923,521.77</u></u>	<u><u>1,982,027.39</u></u>

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

1. ACCOUNTING POLICIES

Basis of Preparation

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

Standard of GRAP

GRAP 1: Presentation of financial statements
 GRAP 2: Cash flow statements
 GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of GAAP

AC101: Presentation of financial statements
 AC118: Cash flow statements
 AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

1.1 Terminology differences:

Standard of GRAP

Statement of financial performance
 Statement of financial position
 Statement of changes in net assets
 Net assets
 Surplus/deficit for the period
 Accumulated surplus/deficit
 Contributions from owners
 Distributions to owners
 Reporting date

Replaced Statement of GAAP

Income statement
 Balance sheet
 Statement of changes in equity
 Equity
 Profit/loss for the period
 Retained earnings
 Share capital
 Dividends
 Balance sheet date

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions;

must be presented separately on the statement of financial position.

4. The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 - 15 of GRAP 1 has not been implemented as the budget reporting standards is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

1.1 Basis of Preparation

The annual financial statements have been prepared on the historical cost basis, except as otherwise indicated.

1.2 Revenue Recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer.

Government grants are recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The grant is recognised to the extent that there are not future obligations arising from receipt of the grant.

Interest income is allocated to the specific applicable fund related to the investment and therefore directly capitalised against funds and reserves.

1.3 Retirement Benefit Cost

The entity contributes to a defined contribution and a defined benefit plan for pension fund purposes which is administered by a third party. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

1.4 Post Retirement Medical Benefit Cost

The entity is liable for the post retirement medical benefit cost of employees that retire from its service and employees still in service to the amount of two thirds of the contributions to the medical aid.

This liability is determined by taking into account the life expectancy of the retired employees as well as projected future medical aid contributions discounted back to the current value.

1.5 Property, plant and equipment

Land and buildings are not shown in the financial statements as the land and buildings are the property of Government.

Other items of property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following basis:

Office equipment	16.67% - 25%
Equipment	25%
Computers	33.33%
Fittings	16.67%
Vehicles/Trailers	20%
Security Systems	20%

The gains or losses arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

1.6 Investment Property - Works of Art

It is standard museum practice not to divulge the value of its art collections, but only to reflect the cost price.

1.7 Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

1.8 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand and deposits held in money market accounts with banks.

1.9 General and Specific Funds

The General Fund relates to the accumulated surplus of income over expenditure.

1.10 Trade and Other Payables

Trade and other payables are accounted for at the original cost, adjusted for settlements as well as fair value adjustments.

1.11 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

1.12 Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.13 Going concern

The annual financial statements have been prepared on the going concern basis.

1.14 Financial Instruments

Recognition

Financial assets and financial liabilities are recognised on the entity's financial position when the entity becomes a party to the contractual provisions of the instruments.

Measurement

Financial instruments are initially measured at fair, which includes transaction costs, where applicable. Subsequent to initial recognition these instruments are measured as set out below:

a) Financial assets

The entity's principle financial assets are loans, receivables and cash and cash equivalents receivables and short term loans.

Receivables and short term loans are stated at their value as reduced by appropriate allowances.

b) Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue cost.

c) Financial liabilities

The entity's principle financial liabilities are payables.

All financial liabilities are measured at amortised cost, comprising original debt less capital payments and amortisations, except for financial liabilities held-for-trading and derivative liabilities, which are subsequently measured at fair value.

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

	2007	2006
	R	R
2 Sales of goods		
Other	69,166.59	130,240.48
Total	<u>69,166.59</u>	<u>130,240.48</u>
3 Rendering of services		
Other	52,708.45	54,506.35
Total	<u>52,708.45</u>	<u>54,506.35</u>
Total Revenue	<u>121,875.04</u>	<u>184,746.83</u>
4 Interest Income		
Cash and bank deposits	119,775.78	81,918.88
Total	<u>119,775.78</u>	<u>81,918.88</u>
5 Rental Income		
Rental : facilities	59,668.00	69,662.00
Total	<u>59,668.00</u>	<u>69,662.00</u>
6 Other Exchange Revenue		
Other incomes	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>
7 Transfers and Subsidies Received		
National Departments	3,432,000.00	3,014,929.30
Total	<u>3,432,000.00</u>	<u>3,014,929.30</u>
8 Other Non-Exchange Revenue		
Gifts, donations and sponsorships received	10,953.53	22,497.75
Total	<u>10,953.53</u>	<u>22,497.75</u>
9 Administrative expenses		
General and administrative expenses	76,642.70	73,845.72
Fees for services	36,107.86	67,638.21
Travel and subsistence	62,844.13	86,389.42
Other admin expenses	3,414.01	4,885.90
Total	<u>179,008.70</u>	<u>232,759.25</u>

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

10 Staff costs

Wages and salaries		
Basic salaries	1,518,259.04	1,121,647.35
Periodic payments	127,940.83	92,266.00
Other non-pensionable allowance	66,736.09	51,310.00
Leave payments	58,085.96	14,774.47
Overtime pay	42,493.15	38,139.85
Social contributions (Employer's contributions)		
Medical	164,505.92	144,989.43
UIF	14,861.88	11,254.51
Defined Pension benefit plan expense	220,683.30	178,073.76
Other long-term employee benefits including long-service leave, profit sharing, deferred compensation	-10,000.00	-296,823.00
Total	2,203,566.17	1,355,632.37

11 Audit Fees

Statutory Audit	43,737.84	24,133.80
Internal audit		16,059.18
Total	43,737.84	40,192.98

12 Other operating expenses

Staff training and development	11,843.84	590.00
Consultants, contractors and special services	49,860.00	28,422.00
Equipment items expensed as per entity policy	8,483.73	10,345.60
Artworks written off due to breakages	776.00	
Maintenance, repairs and running costs		
- Property and buildings	139,126.48	32,628.48
- Machinery and Equipment	29,348.90	2,337.03
- Other maintenance, repairs and running costs	403,560.56	344,528.06
Total	642,999.51	418,851.17

13 Property, plant and equipment

Plant and equipment

Opening net carrying amount	4,783.81	5,886.00
Gross carrying amount	6,613.16	6,613.16
Accumulated depreciation	-1,829.35	-727.16
Additions	276,420.67	0.00
Depreciation charge	-30,383.00	-1,102.19
Net carrying amount 31 March	250,821.48	4,783.81

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

Vehicles

Opening net carrying amount	165,628.00	217,669.00
Gross carrying amount	260,202.26	260,202.26
Accumulated depreciation	-94,574.26	-42,533.26
Additions	0.00	0.00
Depreciation charge	-52,041.00	-52,041.00
Net carrying amount 31 March	113,587.00	165,628.00

Computer equipment and peripherals

Opening net carrying amount	19,122.00	26,398.00
Gross carrying amount	64,650.27	56,701.27
Accumulated depreciation	-45,528.27	-30,303.27
Additions	35,464.60	7,949.00
Depreciation charge	-17,202.00	-15,225.00
Net carrying amount 31 March	37,384.60	19,122.00

Office furniture and fittings

Opening net carrying amount	58,997.37	61,332.00
Gross carrying amount	110,597.42	93,798.05
Accumulated depreciation	-51,600.05	-32,466.05
Additions	36,430.10	16,799.37
Depreciation charge	-21,429.00	-19,134.00
Net carrying amount 31 March	73,998.47	58,997.37

Total Property, plant and equipment

Opening net carrying amount	248,531.18	311,285.00
Gross carrying amount	442,063.11	417,314.74
Accumulated depreciation	-193,531.93	-106,029.74
Additions	348,315.37	24,748.37
Depreciation charge	-121,055.00	-87,502.19
Net carrying amount 31 March	475,791.55	248,531.18

Depreciation Charge

Land and buildings		
Plant and equipment	30,383.00	1,102.19
Vehicles	52,041.00	52,041.00
Computer equipment and peripherals	17,202.00	15,225.00
Office furniture and fittings	21,429.00	19,134.00
Total	121,055.00	87,502.19

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

14 Investment property

Opening balance at fair value	2,268,239.95	1,482,273.65
- Additions	407,089.60	785,966.30
- Disposals	-776.00	0.00
Closing balance	<u>2,674,553.55</u>	<u>2,268,239.95</u>

15 Trade and other receivables

Trade receivables	6,851.66	715.00
Expenses paid in advance	26,571.56	21,395.17
Total	<u>33,423.22</u>	<u>22,110.17</u>

16 Cash and Bank balances

Cash at bank	43,715.93	471,570.33
Cash on hand	2,300.00	2,300.00
Short term investments / instruments	1,877,505.84	1,508,157.06
Total	<u>1,923,521.77</u>	<u>1,982,027.39</u>

17 Capital and reserves

Retained Earnings

Balance at 1 April	3,603,523.60	2,364,706.80
Net profit for the year	553,905.13	1,238,816.80
Balance at 31 March	<u>4,157,428.73</u>	<u>3,603,523.60</u>

Total Equity

Balance at 1 April	3,603,523.60	2,364,706.80
Net profit for the year	553,905.13	1,238,816.80
Balance at 31 March	<u>4,157,428.73</u>	<u>3,603,523.60</u>

18 Retirement Benefit Obligations

The amount included in the balance sheet arising from the group's obligation in respect of the defined retirement benefit plan is as follows :

Present value of fund obligations		
Unrecognised actuarial gains / (losses)		
Unrecognised past service cost		
Fair value of plan assets		

Movements in the net liability in the current period were as follows:

Opening balance	764,965.00	1,061,788.00
Amounts charged to income	-10,000.00	-296,823.00
Closing balance	<u>754,965.00</u>	<u>764,965.00</u>

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

Analysis for financial reporting purposes:

Non-current liabilities (recoverable after 12 months)	754,965.00	764,965.00
Current liabilities (recoverable within 12 months)	0.00	0.00
	<u>754,965.00</u>	<u>764,965.00</u>

19 Trade and other payables

Trade creditors	27,701.57	10,039.14
Income received in advance	0.00	875.00
	<u>27,701.57</u>	<u>10,914.14</u>

20 Provisions

Salary and related expense provision		
Opening balance	141,505.95	126,731.48
Provisions made during the year	25,688.84	14,774.47
Closing balance	<u>167,194.79</u>	<u>141,505.95</u>

21 Reconciliation of profit/(loss) before taxation to cash generated from/(utilised in) operations

Net income before taxation	553,905.13	1,238,816.80
Adjusted for:		
- Depreciation on property, plant and equipment	121,055.00	87,502.19
- Artworks written off due to breakages	776.00	0.00
- Interest received	-119,775.78	-81,918.88
- Increase/(decrease) in provisions	-10,000.00	-296,823.00
- Increase/(decrease) in provisions	25,688.84	14,774.47
Operating cash flows before working capital changes	<u>571,649.19</u>	<u>962,351.58</u>
Working capital changes		
- Decrease/(increase) in receivables	-11,313.05	60,631.98
- Increase/(decrease) in payables	16,787.43	5,636.68
Cash generated from operations	<u>577,123.57</u>	<u>1,028,620.24</u>

22 Cash flows from investing activities

Purchase of Property, Plant and Equipment	-348,315.37	-24,748.37
Purchase of Investment property	-407,089.60	-785,966.30
	<u>-755,404.97</u>	<u>-810,714.67</u>

23 Buildings

The buildings that the institution is housed in belongs to the state.

24 Financial Instruments

Credit risk

WILLIAM HUMPHREYS ART GALLERY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2007

The entity does not consider there to be any significant concentration of credit risk, which has not been adequately provided for. Trade & other receivables are presented net of allowance for impairment.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted budget/cash flows. The board has adequate reserves to operate effectively.

Fair values

The entity's financial instruments consist mainly of cash and cash equivalents, receivables, payables and short term loans.

No financial asset was carried at an amount in excess of its fair value and fair value could reliably be measured for all financial assets that are available-for-sale or held-for-trading.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximate fair value due to the relatively short maturity of the financial assets and financial liabilities.

Receivables and short term loans

The carrying amount of receivables and short term loans, net of provision for impairment, approximates fair value due to the relatively short-term maturity of this financial asset.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

The fair values of financial assets and liabilities at balance sheet date are as follows:

Year ended 31/03/2007

Financial Assets

	Fair value	Carrying amount
Cash and bank balance	1,923,521.77	1,923,521.77
Trade and other receivables	33,423.22	33,423.22
Total financial assets	1,956,944.99	1,956,944.99

Financial Liabilities

Payables	27,701.57	27,701.57
Total financial liabilities	27,701.57	27,701.57
	1,929,243.42	1,929,243.42

Financial Assets

Cash and bank balance	1,982,027.39	1,982,027.39
Trade and other receivables	22,110.17	22,110.17
Total financial assets	2,004,137.56	2,004,137.56

Financial Liabilities

Payables	10,914.14	10,914.14
Total financial liabilities	10,914.14	10,914.14
	1,993,223.42	1,993,223.42

25 Related party transactions

There were no significant related party transactions

26 Directors Remuneration

The director's salary forms part of the normal staff expenditure. There have been no additional payments such as fees for services, bonuses and performance payments, expenses allowances, commissions, gains or profit sharing or share options, other than the normal expenses payable to employees of this institution.