



competitiontribunal
SOUTH AFRICA

The Competition Tribunal
Annual Financial Statements
for the year ended 31 March 2021

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Annual Financial Statements for the year ended 31 March 2021

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CHAIRPERSON'S REPORT

1. INTRODUCTION

It is my pleasure to present the Competition Tribunal's Integrated Annual Report for the period ending March 2021.

2020 was a tumultuous year. The novel coronavirus pandemic precipitated a national lockdown which saw many businesses closing down, and many people losing livelihoods. This downturn in economic activity impacted the Tribunal as we saw less merger notifications, which attract filing fees, and more complaints which attract no fees, relating largely to excessive prices charged during the COVID-19 period. Further to this loss in revenue, our grant from National Treasury was reduced by 14%, as government reprioritised the budget towards relief packages to combat the pandemic and its effects.

I am pleased to report that despite these challenges the Tribunal substantially achieved its two core outcomes - to be a reliable and responsive administrative body, adjudicating for competitive, fair and inclusive markets; and to be a sustainable, transparent and accountable entity.

We immediately took heed of government's direction to work from home. We were fortunate that the investments in our IT systems made in prior years enabled us to rapidly respond and to work seamlessly from home.

We issued directives to address the hearing of the different types of cases, prioritizing mergers and excessive pricing complaints related to COVID-19. We developed protocols for virtual hearings. By and large, cartel and abuse of dominance cases (except excessive pricing) were put on hold. We heard 152 matters during the year under review.

Consistent with the decline in economic activity, the number of mergers heard and decided dropped to 68 from 89 in the prior year, while the number of consent orders following complaints more than doubled from 24 in the prior year, to 64, with excessive pricing-related consent orders constituting 67% of the consent orders. The balance of the cases heard related to procedural matters, marked by an increase in applications to vary conditions imposed in mergers due to the impact of Covid-19. For further details, see page X.

The highlight of the year was our landmark ruling which was upheld by the Competition Appeal Court (CAC) in the first successful excessive pricing case in over 20 years; in a complaint brought by the Commission against Babelegi, a small reseller of face masks. Although the case was brought under the Excessive Pricing Regulations issued by the Minister of Trade Industry and Competition in March to prohibit a dominant firm from charging excessive pricing for essential goods and services necessary to combat the pandemic, we decided the case under the normal provisions of section 8(1)(a) as amended in 2019. The amendments in 2019 shifted the onus in excessive pricing cases to a respondent to show that its prices were reasonable.

The *prima facie* case against Babelegi was that it hiked its price for face masks by 592% in February 2020 and 987% in March 2020. In order to find that Babelegi (and later Dis-Chem) had charged excessive prices, we had to determine if it had market power since it was not presumptively dominant based on market shares.

We found on the evidence that the disruption to the supply chain internationally and locally conferred market power on Babelegi as it had a stockpile of masks. This allowed Babelegi to charge prices unconstrained by competitive market forces.

Babelegi gave no rational or valid explanation for this, and there was no evidence of corresponding increases in its input costs. We relied on Babelegi's own prevailing prices for masks immediately prior to the market becoming dysfunctional.

Following Babelegi, we also found that Dis-Chem, a national pharmacy retailer, had also charged excessive prices for face masks during March 2020. Dis-Chem's prices were 261% higher than its prevailing prices in December 2019. No rational explanation for the price increase was provided. Dis-Chem appealed our finding to the CAC but subsequently withdrew its appeal.

The findings against Babelegi and Dis-Chem led to many firms concluding consent or settlement agreements with the Commission for alleged excessive pricing of various PPEs during COVID-19. We heard and confirmed 40 consent orders relating to COVID-19 excessive pricing out of 64 consent orders.

On the merger front, we invoked our inquisitorial powers in two key sectors in the economy: agriculture and mining in the assessment of these mergers, resulting in divestiture conditions in both. In the agricultural sector, Senwes Ltd sought to acquire Suidwes. The Commission alleged that the merged entity would become the dominant or monopoly player in the market for concrete grain silos used for the storage of grain and oilseeds in three geographic markets in the North West and Free State. The merging parties claimed that the product market was broader than as defined by the Commission and included alternative storage such as silo bags; and further that Suidwes was a failing firm.

CHAIRPERSON'S REPORT

The Commission initially recommended a conditional approval of the merger but changed its recommendation to a prohibition on the eve of the hearing, after testing the remedies with third parties. We engaged an agricultural economist as an independent expert as neither the Commission nor the merging parties had retained economic experts as they had initially agreed on the conditions tendered by the merging parties.

We found the evidence on the product market inconclusive and concluded that the likely counterfactual to the merger was that Suidwes would continue to be loss making, which would have a negative effect on the public interest and would result in job losses. Ultimately we approved the merger subject to a range of conditions, including a divestiture condition; a pricing condition, and public interest conditions related to employment in which the parties undertook not to retrench any employees for a period of 24 months, as well as the provision of production loans to black farmers.

In the mining industry, two of South Africa's largest suppliers of coal, Thabong Coal, a subsidiary of Seriti Resources, a 90% black owned mining company sought to acquire South32 SA, a wholly owned subsidiary of Australian company, SAEC. The Commission concluded that in certain geographic coal supply markets, the merged entity would become a dominant supplier. However, it concluded that the merger would not result in a substantial prevention or lessening of competition due to the countervailing power of Eskom. We summonsed Eskom, being the largest consumer of thermal coal in South Africa to give evidence on its long term supply agreements with coal miners.

Based on the evidence before us, and the tender of a divestiture of a large thermal coal project by SAEC we concluded that the merger was unlikely to raise significant competition concerns. Further the merger had public interest benefits since post-merger SAEC would be owned by a black-owned and controlled South African company, Seriti. The transaction was approved subject to a range of public interest conditions including an employment condition and the acquisition of shareholdings by a Community Trust and an Employee Trust in the issued share capital of SAEC. Seriti also gave undertakings relating to historically disadvantaged suppliers to continue to supply to it and compliance by SAEC with its social and labour plans.

While cartel cases were on hold in this period, we decided five cases heard in the prior year. The highest fines imposed for cartel conduct were against Belfa Fire and Cross, respectively. These respondents were accused of fixing prices, dividing markets, and tendering collusively in the market for the installation and maintenance of fire control and production systems. Cross was ordered to pay a fine of R12 894 000 and Belfa, a fine of R10 100 126.

We heard and decided two consent orders following the Commission's market inquiry into the Grocery Retail Market Inquiry ("GRMI"), involving Shoprite and Pick n Pay, respectively. In the consent agreements, both Shoprite and Pick n Pay undertook with immediate effect, to cease enforcing exclusivity provisions against SMMEs and specialty and limited line stores. Shoprite has undertaken to not enforce exclusivity provisions against any other supermarket in shopping centres located in non-urban areas, while Pick n Pay has waived exclusivity provisions against privately owned supermarkets by Historically Disadvantaged Persons nationally. This means SMMEs and HDP retailers, among others, can immediately access shopping centres in the relevant areas and need not await the expiry of the leases (which can be up to 25 years long).

I would be remiss if I did not mention the current discourse in competition law and policy globally regarding digital platforms. The Commission has recently launched a market enquiry into Digital Markets. While much is still to be unpacked in this new arena, we have recently heard and granted interim relief against Facebook and WhatsApp interdicting them from off boarding GovChat from the WhatsApp digital platform.

This followed a threat by Facebook to remove GovChat from the WhatsApp platform due to alleged non-compliance with WhatsApp's terms of use. GovChat is a digital platform that facilitates communication between government and citizens, including Covid-19 education, symptom tracking, and communication enabling citizens to apply for distress grants during the Covid-19 pandemic. We concluded that there was sufficient prima facie evidence to grant the interdict. We noted that if GovChat were offboarded, members of the public would be deprived of access to critical communication services during the pandemic while Facebook would suffer no real prejudice during the period of the order, pending the outcome of the Commission's investigation.

This snapshot of cases illustrates the diverse nature of our work, and the increasing demand for our services. It is ever more important to build the capacity of the competition authorities to tackle the challenges that lie ahead in rebuilding the economy. We must be vigilant to ensure that the economy does not revert to increased concentration that the 2019 Competition Amendments seek to further address. We remain committed to adjudicating for fair, competitive and inclusive markets.

Away from the case highlights, I am delighted to report that following the publication last year of the first Tribunal handbook covering more than 20 years of competition jurisprudence, the second edition has been published on our website. Sincere thanks to my colleague, Yasmin Carrim and the team that supported this invaluable work.

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CHAIRPERSON'S REPORT

In August, we welcomed Oliver Josie as the Tribunal's Chief Operations Officer following the resignation of Janeen de Klerk who dedicated more than 20 years to the Tribunal, and who served with diligence. Oliver brings institutional experience as a former member of the Tribunal's Audit and Risk Committees, and Chairperson of the Fraud Prevention Committee. We wish Oliver well in his role and look forward to his contribution in continuing to make the governance side of our work a success.

I wish to especially thank my colleagues, Enver Daniels, the Deputy Chairperson, and Tribunal members, Yasmin Carrim and Andreas Wessels who have pulled together with limited resources to ensure the smooth and expeditious handling of the cases. The majority of the cases we hear require three members to sit on them. I am grateful to these members who have been stretched beyond normal in handling the volume of cases.

I thank the six part-time members who have been able to assist much more in this time due to the flexibility of virtual hearings. I thank them for their valuable contribution and the perspective they bring to the cases.

It is a matter of institutional pride year on year that the Tribunal has received a clean audit. I am joyful that this year is no exception. I applaud the team for this achievement.

Finally, the work reported on in this section was made possible by the incredibly resilient staff of the Tribunal. Despite the challenges faced by each in this difficult year, the staff continued to give their best effort. It is a privilege to lead such a professional team.

2. NATURE OF BUSINESS

The Competition Tribunal ("Tribunal") is an independent adjudicative body established in terms of section 26 of the Competition Act, No. 89 of 1998 ("the Act"). It has jurisdiction throughout the Republic of South Africa. The Tribunal adjudicates on competition matters including mergers and acquisitions, and prohibited practices (anti-competitive conduct). It exercises its functions in accordance with the Act, the Constitution and without fear, favour or prejudice.

The Tribunal is one of three independent authorities established in terms of the Act. These are the Competition Commission ("Commission"), which is the investigative and enforcement authority; this Tribunal which adjudicates on matters referred to it by the Commission or by private parties, and the Competition Appeal Court, which considers appeals or reviews against Tribunal decisions.

The Tribunal can *inter alia*: a) prohibit or approve large mergers (with or without conditions) or intermediate mergers decided by the Commission and brought to it for consideration; b) adjudicate in relation to any conduct prohibited in terms of chapter 2 or 3 of the Act, and c) consider consent agreements and grant an order for costs in terms of section 57 of the Act on matters. Once the Tribunal arrives at a decision, it is required to publish its reasons.

MEMBERS

In all matters, the Tribunal holds hearings which are open to the public. In most cases, apart from a certain procedural cases, three Tribunal members must hear a case and make a decision.

Tribunal members are appointed by the President of the Republic, on recommendation by the Minister of Trade, Industry and Competition. These members are appointed on either a full-time or part-time basis for a five-year term. The members holding this office in the period under review are as follows:

Name	Full/part time	Date of appointment
Mondo Mazwai (Chairperson)	Full-time	Appointed in August 2019
Enver Daniels (Deputy Chairperson)	Full-time	Appointed in January 2017
Yasmin Carrim	Full-time	Reappointed in August 2019
Andreas Wessels	Full-time	Reappointed in August 2019
Halton Cheadle	Part-time	Appointed in January 2017
Andiswa Ndoni	Part-time	Reappointed in August 2019
Anton Roskam	Part-time	Reappointed in January 2018
Fiona Tregenna	Part-time	Reappointed in April 2019
Thando Vilakazi	Part-time	Appointed in August 2019
Imraan Valodia	Part time	Reappointed in January 2018

3. OBJECTIVES AND TARGETS

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CHAIRPERSON'S REPORT

The year in review is measured against the objectives set in the 2020/21 Annual Performance Plan. This in turn is informed by the 2017 - 2021 Medium Term Expenditure Framework.

I am pleased to report that we met or exceeded 19 of the 31 targets set. Four targets were not measurable, while the remaining 8 targets were partially or substantially achieved.

Our highest area of achievement was in relation to our two strategic goals a) responsive and reliable adjudication, b) transparent, accountable and sustainable Tribunal.

The area of under-achievement relates to certain matters not being set down, heard and adjudicated within the targeted timeframes. The reasons for this include: parties not being available or ready to proceed on dates open in the Tribunal's calendar, unavailability of Tribunal members, Tribunal members capacity, complexity of matters and the prioritisation of Covid-19 cases.

4. FINANCIAL HIGHLIGHTS AND PERFORMANCE

	2021 '000	2020 '000
Total Revenue	46,560	52,835
Expenditure	(45,390)	(48,687)
Net surplus/(deficit)	1,170	4,148
Total assets	16,994	31,216
Total liabilities	4,186	4,878

The financial objective of the Tribunal is to be sustainable while meeting its adjudicative objectives. The budget was revised downwards following budget cuts emanating from the Adjustments Appropriations Bills tabled in Parliament by the Minister of Finance in June and October 2020. The budget was accordingly set to meet operational expenses.

Revenue comprises two elements. The first component of revenue is a grant from the Department of Trade, Industry and Competition. The grant received was 14% lower than the grant actually awarded and 11% lower than the previous year at an amount of R32.34 million due to annual budget cuts. The second component of revenue is filing fees. In terms of a memorandum of agreement between the Commission and the Tribunal, the Tribunal is entitled to a set portion of filing fees that the Commission levies for mergers. In the period under review filing fees decreased by 14% from the previous year as merger activity had decreased due to economic circumstances including the COVID-19 pandemic. This resulted in a 12% decline in total revenue year-on-year.

Personnel costs, which account for the bulk of the Tribunal's total expenditure dropped by 1% from the prior year. Due to budget cuts emanating from the Appropriations Bills, and through prudent financial management, the Tribunal reduced spending on all other expenses by 17% thereby reducing the total expenditure by 7%.

The net effect is that the Tribunal reported a surplus of R1.17 million. In terms of Section 53 (3) of the Public Finance Management Act the Tribunal will request permission from National Treasury and the Department of Trade, Industry and Competition to retain the small surplus as a source of funding over the Medium Term Expenditure Framework (MTEF).

5. SUBSEQUENT EVENTS

There were no subsequent events identified.

CHAIRPERSON'S REPORT

6. MANAGEMENT COMMITTEE

In compliance with Treasury Regulation 28.1.1 the annual financial statements disclose remuneration in respect of the person's in charge of the entity, the Chairperson, Deputy Chairperson, Members and the Chief Operating Officer. These are found in Note 26.

7. NUMBER OF EMPLOYEES

At the year-end the Tribunal's personnel complement comprised 31 people in total; 4 full-time Tribunal members, 22 full-time staff members, 3 fixed-term employees and 2 interns.

8. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

It is a point of institutional pride that the Tribunal has not incurred any irregular or fruitless and wasteful expenditure in the 2020/21 financial year.

9. MANAGEMENT FEE PAID TO THE COMPETITION COMMISSION

The Tribunal and the Commission share premises and therefore certain services. In terms of a memorandum of agreement (MOA) signed between the two institutions the Tribunal pays a monthly management fee to the Commission for services related to the use of these premises. The management fee for the period under review was R60 657 per month. The MOA and management fee are reviewed annually.

10. ADDRESS

Business address

Mulayo Building
77 Meintjies Str
Sunnyside
0132

Postal address

Pvt Bag X24
Sunnyside
0132

11. GOING CONCERN

The annual financial statements are prepared on the basis of accounting policies applicable to a going concern and that the Department of Trade, Industry and Competition has neither the intention nor the need to liquidate or curtail materially the scale of the Tribunal.

Despite the significant revenue reductions, the Tribunal's revised budget indicates that it continues business, with its full complement of employees and fulfillment of its mandate under the current economic conditions. The entity is solvent, and the liquidity ratios are favourable. The cash flows are such that the Tribunal can maintain its operations for at least one year of the reporting date of the financial statements. There are no contingent liabilities that may jeopardise the Tribunal's ability to operate.


Chairperson

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note(s)	2021 '000	2020 '000
Assets			
Current Assets			
Cash and cash equivalents	2	10,211	24,293
Inventories		11	12
Receivables from exchange transactions	3	1,558	2,143
Prepayments		525	120
		12,305	26,568
Non-Current Assets			
Property, plant and equipment	4	1,932	1,813
Intangible assets	5	2,757	2,835
		4,689	4,648
Total Assets		16,994	31,216
Liabilities			
Current Liabilities			
Finance lease obligation	6	167	195
Operating lease liability	9	1,157	536
Payables from exchange transactions	7	1,166	1,905
Provisions	8	1,671	893
		4,161	3,529
Non-Current Liabilities			
Finance lease obligation	6	25	192
Operating lease liability	9	-	1,157
		25	1,349
Total Liabilities		4,186	4,878
Net Assets		12,808	26,338
Accumulated surplus		12,808	26,338

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STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2021 '000	2020 '000
Revenue			
Revenue from exchange transactions			
Fees earned	10	13,208	15,279
Other income		-	15
Interest income	11	1,010	1,369
Total revenue from exchange transactions		14,218	16,663
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	13	32,342	36,172
Total revenue		46,560	52,835
Expenditure			
Personnel costs	14	(30,256)	(30,514)
Depreciation and amortisation	15	(963)	(933)
Finance costs	16	(30)	(45)
Administrative expenses	17	(9,765)	(10,696)
Loss on disposal of assets	12	-	(19)
Other operating expenses	18	(4,376)	(6,480)
Total expenditure		(45,390)	(48,687)
Surplus for the year		1,170	4,148

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STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus '000	Total net assets '000
Balance at 01 April 2019	22,190	22,190
Changes in net assets		
Surplus for the year	4,148	4,148
Total changes	4,148	4,148
Balance at 01 April 2020	26,338	26,338
Changes in net assets		
Surplus for the year	1,170	1,170
Transfer of accumulated cash surplus to National Treasury	(14,700)	(14,700)
Total changes	(13,530)	(13,530)
Balance at 31 March 2021	12,808	12,808

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CASH FLOW STATEMENT

	Note(s)	2021 '000	2020 '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		37,403	36,172
Interest income		1,010	1,369
Other income		-	15
Fees received		13,793	15,000
		<u>52,206</u>	<u>52,556</u>
Payments			
Employee costs		(29,478)	(30,548)
Suppliers		(15,820)	(16,978)
Finance costs		(30)	(45)
Grant returned due to budget cuts		(5,061)	-
		<u>(50,389)</u>	<u>(47,571)</u>
Net cash flows from operating activities	19	<u>1,817</u>	<u>4,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(683)	(368)
Proceeds from sale of property, plant and equipment	4	-	-
Purchase of other intangible assets	5	(322)	(242)
Net cash flows from investing activities		<u>(1,005)</u>	<u>(610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(194)	(184)
Transfer of accumulated cash surplus to National Treasury		(14,700)	-
Net cash flows from financing activities		<u>(14,894)</u>	<u>(184)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(14,082)</u>	<u>4,191</u>
Cash and cash equivalents at the beginning of the year		24,293	20,102
Cash and cash equivalents at the end of the year	2	<u>10,211</u>	<u>24,293</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	'000	'000	'000	'000	'000	
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Fees earned	9,735	-	9,735	13,208	3,473	Note a
Interest income	960	-	960	1,010	50	
Total revenue from exchange transactions	10,695	-	10,695	14,218	3,523	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants and subsidies	33,176	(834)	32,342	32,342	-	
Total revenue	43,871	(834)	43,037	46,560	3,523	
EXPENDITURE						
Personnel	(32,885)	834	(32,051)	(30,256)	1,795	Note b
Depreciation and amortisation	(969)	-	(969)	(963)	6	
Finance costs	(32)	-	(32)	(30)	2	
Administrative expenses	(9,163)	(2,437)	(11,600)	(9,765)	1,835	Note c
Other operating expenses	(5,592)	-	(5,592)	(4,376)	1,216	Note c
Total expenditure	(48,641)	(1,603)	(50,244)	(45,390)	4,854	
Actual amount on a comparable basis	(4,770)	(2,437)	(7,207)	1,170	8,377	Note d

REASONS FOR DIFFERENCES BETWEEN THE COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Note a: The Tribunal's budget estimate for filing fees from the Commission is based on the expected merger activity during a particular financial year. Given the anticipated decline in merger activity due to the COVID-19 pandemic, the initial estimate was revised downwards. However, merger activity was higher than anticipated in the revised scenario. This explains the variance.

Note b: During the year, the personnel budget was reduced by R0.83 million due to budget cuts, which was accounted for from the vacancy of one Tribunal member. The variance on personnel costs is mainly the result of the vacancy of the Head of Corporate Services position and normal vacancies due to a small number of resignations during the year.

Note c: During the year, the National treasury approved that R2.44 million of accumulated surpluses be retained to account for 40% of the office rental expense that was not included in the approved budget. The COVID-19 pandemic resulted in employees working remotely throughout the year and digitalising all systems which led to savings on administration expenditure. Furthermore, the pandemic also restricted travel therefore savings on training and travel related costs also account a significant part of the variance. The Tribunal has made a conscious effort to reduce spending in accordance with cost containment measures.

Note d: The Tribunal received approval from National Treasury to utilise a portion of its accumulated surplus to fund the budget deficit when it tabled its Annual Performance Plan. The actual performance reported a surplus, therefore the portion of accumulated surplus was not utilised.

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

All figures have been rounded to the nearest thousand rand.

These accounting policies are consistent with the previous period.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Provision for accumulated leave

Management took the number of annual leave days due per employee as at year end and estimated a cost for this provision by multiplying the number of days due per employee by the daily wage per employee as reflected in payroll.

Amortisation of internally generated software

The Tribunal developed an electronic document management software system that was officially signed off in February 2013 and became fully operative from this date. All development costs associated with this development (development costs, legal fees, technical support, project management, etc.) were capitalised and the entire cost is amortised over 15 years from this "go live date".

Useful life of property, plant and equipment and other assets

The Tribunal's management determines the estimated useful life and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the Tribunal.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 PRESENTATION CURRENCY

These financial statements are presented in South African Rands, which is the functional currency of the Tribunal.

1.4 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (continued)

Classification

The Tribunal has the following types of financial assets (class and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Trade receivables	Financial asset measured at fair value

The Tribunal has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade payables	Financial liability measured at fair value

Initial recognition

The Tribunal recognises a financial asset or a financial liability in its statement of financial position when the Tribunal becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The Tribunal measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

Fair value measurement considerations

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (continued)

Financial liabilities

The Tribunal removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

1.5 STATUTORY RECEIVABLES

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.6 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

The Tribunal measures its inventories at the lower of cost and current replacement cost as they are held for:

- (a) distribution at no charge or for a nominal charge; or
- (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Tribunal from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and supplies. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Current replacement cost is the cost the entity incurs to acquire the inventory on the reporting date.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average is calculated as each delivery is received.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

When inventories are donated or issued to other entities for no cost/nominal values, inventories shall be measured at the lower of cost and net realisable value.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

ACCOUNTING POLICIES

1.7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as indicated in the table below.

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	Between 5 and 18 years
Motor vehicles	Straight line	Between 5 and 9 years
Office equipment	Straight line	Between 5 and 18 years
IT equipment	Straight line	Between 3 and 10 years
Other leased assets	Straight line	Period of lease

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

1.8 INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it is either:

- separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

ACCOUNTING POLICIES

1.8 INTANGIBLE ASSETS (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Internally generated software refers to our electronic case management system and a customised reporting tool. It has been estimated to have a useful life of 15 years as the system is very sustainable and does not need to be replaced before this time. Any enhancements to the system are reflected as additions to the value of the asset in the period they occur and are amortised over the remaining useful life of the asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	Between 5 and 15 years
Computer software, other	Between 5 and 15 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 IMPAIRMENT OF NON-CASH GENERATING ASSETS

Non-cash generating assets are assets other than those that are primarily held for service delivery purposes i.e. assets not generating a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

ACCOUNTING POLICIES

1.9 IMPAIRMENT OF NON-CASH GENERATING ASSETS (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash generating asset exceeds its recoverable service amount, it is impaired.

The Tribunal assesses at each reporting date whether there is any indication that a non-cash generating asset may be impaired. If any such indication exists, the Tribunal estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the Tribunal also tests a non-cash generating intangible asset with an indefinite useful life or a non-cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of non-cash generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Tribunal assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Tribunal estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES

1.10 ACCUMULATED SURPLUS

The Tribunal's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

1.11 LEASES

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

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

Leased assets

The Tribunal recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased asset, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The discount rate to be used in calculating the present value of minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between finance charges and reduction of the outstanding liability. The finance charge shall be allocated to each period so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Finance charges are charged to surplus or deficit in the statement of financial performance.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets must be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on Property, Plant and Equipment. Refer to note 6 for detail on finance leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Tribunal has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the obligation at the reporting date.

Where the effect of time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

ACCOUNTING POLICIES

1.12 PROVISIONS AND CONTINGENCIES (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or
- non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - *it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and*
 - *the amount of the obligation cannot be measured with sufficient reliability.*

1.13 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by the Tribunal in exchange for services rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and
- 13th cheque and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

When an employee has rendered service to the Tribunal during a reporting period, the Tribunal recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Tribunal recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Tribunal measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the Tribunal has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.14 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Tribunal receives assets or services, or has liabilities extinguished, and directly give approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Competition Tribunal

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ACCOUNTING POLICIES

1.14 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the performance obligations are met and at reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at reporting date. Stage of completion is determined by the number of cases filed at the Competition Commission.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Filing fees

In terms of a memorandum of agreement between the Commission and the Tribunal, the Tribunal receives a portion of the filing fees paid to the Commission on notification of mergers. Filing fees due to the Tribunal are recognised as receivables by the Tribunal when the papers have been filed with the Commission and the filing fees have been paid to the Commission. Any filing fees paid to the Commission for cases but not filed or those that lapse for the periods stipulated in the Competition Act are refunded by the Commission to the parties. In the event that the Tribunal had received a portion of these fees they would be reflected as payables or netted off against receivables due from the Commission.

Interest income

Revenue is recognised as interest accrues using the effective interest rate.

Other income

Other income is recognised on an accrual basis. Other income received by the Tribunal may include monies due/paid for photocopying of documents or insurance refunds.

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Tribunal satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Government grants

Government grants are recognised in the year to which they relate, once reasonable assurance has been obtained that all conditions of the grants have been complied with ie. the submission of required reports to the parent department, the grant has been received and there is no liability to repay the amount in the event of non-performance.

ACCOUNTING POLICIES

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

1.16 COMPARATIVE FIGURES

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

1.17 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008).

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or Accounting Authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, is disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 BUDGET INFORMATION

The Tribunal is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or something similar.

ACCOUNTING POLICIES

1.19 BUDGET INFORMATION (continued)

The approved budget is prepared on the accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 April 2020 to 31 March 2021.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 COMMITMENTS

Items are classified as commitments when the Tribunal has committed itself to future transactions that will normally result in the outflow of cash.

1.21 RELATED PARTIES

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.23 STANDARD IN ISSUE NOT YET EFFECTIVE

Standards in issue but not yet effective, are disclosed in the financial statements as well as the impact on the financial statements in future periods. Refer to note 31.

The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
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2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash that is held with registered banking institutions. As the interest rate risk at these institutions is deemed to be insignificant, the carrying amount of these assets approximates their fair value.

There are no restrictions on the use of cash.

Cash on hand	2	3
Bank balances	10,209	24,290
Total	10,211	24,293

The significant decrease in Cash on hand from the prior year is as a result of the transfer of accumulated cash surpluses of R14.7 million to the National Treasury during the year.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Receivables	1,558	2,143
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Trade receivables are unsecured, bear no interest and are expected to be settled within 30 days of date of invoice. The effect of discounting was considered and found to be immaterial since the carrying value of receivables approximates its fair value.

The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

4. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1,280	(663)	617	1,280	(574)	706
Motor vehicles	415	(108)	307	210	(107)	103
Office equipment	56	(41)	15	56	(34)	22
IT equipment	2,150	(1,335)	815	1,673	(1,064)	609
Photocopiers (Leased)	586	(408)	178	586	(213)	373
Total	4,487	(2,555)	1,932	3,805	(1,992)	1,813

The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2020/2021

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	706	-	(89)	617
Motor vehicles	103	205	(1)	307
Office equipment	22	-	(7)	15
IT equipment	609	478	(272)	815
Photocopiers (Leased)	373	-	(195)	178
	1,813	683	(564)	1,932

Reconciliation of property, plant and equipment - 2019/2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	677	119	(1)	(89)	706
Motor vehicles	104	-	-	(1)	103
Office equipment	31	-	-	(9)	22
IT equipment	658	249	(18)	(280)	609
Photocopiers (Leased)	365	200	-	(192)	373
	1,835	568	(19)	(571)	1,813

Pledged as security and contractual commitments

During the financial year, there was no property, plant or equipment pledged as security.

The Tribunal has not entered into any contractual commitments to acquire new property, plant and equipment.

Assets subject to finance lease (Net carrying amount)

Leased assets	178	373
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The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

5. INTANGIBLE ASSETS

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	4,713	(2,456)	2,257	4,483	(2,137)	2,346
Computer software, acquired	882	(382)	500	790	(301)	489
Total	5,595	(2,838)	2,757	5,273	(2,438)	2,835

The Competition Tribunal
Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
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5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2020/2021

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,346	230	(319)	2,257
Computer software, acquired	489	92	(81)	500
	2,835	322	(400)	2,757

Reconciliation of intangible assets - 2019/2020

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,447	185	(286)	2,346
Computer software, acquired	508	57	(76)	489
	2,955	242	(362)	2,835

Pledged as security and contractual commitments

During the financial year, there was no intangible assets pledged as security.

The Tribunal has not entered into any contractual commitments to acquire new intangible assets.

6. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	177	226
- in second to third year inclusive	26	203
	203	429
less: future finance charges	(11)	(42)
Present value of minimum lease payments	192	387

Present value of minimum lease payments due

- within one year	25	195
- in second to third year inclusive	167	192
	192	387
Non-current liabilities	25	192
Current liabilities	167	195
	192	387

The Tribunal is leasing photocopiers under three finance leases. There are no restrictions imposed on the Tribunal in terms of the leases. There are no escalation clauses reflected in the lease agreements. The obligation under the finance leases are secured by the lessor's title to the leased assets. The leases can be extended for a further period after the initial period has expired. The average lease period is 3 years and the average effective borrowing rate used is 10.33% per annum. The effect of the change in interest rates were considered and the impact was immaterial therefore no adjustments were made.

The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000			
7. PAYABLES FROM EXCHANGE TRANSACTIONS					
Creditors	573	423			
Accrued performance bonus	-	891			
Other accruals	593	591			
	1,166	1,905			
Trade payables are unsecured, bear no interest and are expected to be settled within 30 days of date of invoice. The effect of discounting was considered and found to be immaterial since the carrying value of trade and other creditors approximates its fair value.					
During the period under review there were no breaches of contracts or agreements held with the Tribunal and it was not necessary to negotiate any new terms with suppliers.					
8. PROVISIONS					
Reconciliation of provisions - 2020/2021					
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	893	1,671	(205)	(688)	1,671
Reconciliation of provisions - 2019/2020					
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Leave provision	926	893	(516)	(410)	893
The leave provision is calculated based on the leave due and daily salary paid to an employee as at the end of the financial year. This leave is paid out if and when an employee leaves the entity. The uncertainty with regard to the provision is that we have no indication as to whether an employee will or when they will leave the entity. In addition this leave may be used or may continue to accumulate during the next financial year. The leave policy allows for leave to be taken for a further 6 months after a 12 month cycle. If the accumulated leave is not taken, the leave is forfeited.					
9. OPERATING LEASE LIABILITY					
Non-current liability	-	1,693			
Current liability	(1,157)	(536)			
	(1,157)	1,157			
The Tribunal entered into a 5 year lease agreement for building occupation on the DTI Campus which commenced on 1 April 2017 and terminates on 31 March 2022. The monthly payment escalates by 10% annually.					
Minimum Lease payments due					
-within one year	6,830	6,210			
-second to fifth year inclusive	-	6,830			
	6,830	13,040			
10. FEES EARNED					
Filing fees earned from cases registered	13,208	15,279			

The Competition Tribunal

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
11. INTEREST INCOME		
Interest revenue		
- Bank deposits	1,010	1,369
12. NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		
Loss on disposal of property, plant and equipment	-	(19)
13. GOVERNMENT GRANT AND SUBSIDIES		
Department of Trade, Industry and Competition	32,342	36,172
14. PERSONNEL COSTS		
Basic salaries	16,162	15,016
Performance bonus and service awards	4	857
Medical aid - company contributions	893	844
Statutory contributions	154	215
Insurance	306	239
Other salary related costs	149	161
Defined contribution pension plan expense (see Note 20)	1,168	1,108
Executive management	11,420	12,074
	30,256	30,514
15. DEPRECIATION AND AMORTISATION		
Depreciation		
Furniture and fixtures	89	89
Motor vehicles	1	1
Office equipment	7	9
IT Equipment	272	280
Photocopiers(Leased)	195	192
Amortisation		
Computer Software	399	362
	963	933
16. FINANCE COSTS		
Finance lease	30	45

The Competition Tribunal
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
17. ADMINISTRATIVE EXPENSES		
Audit committee members' fees	209	215
Risk committee members' fees	54	142
Fraud prevention committee members' fees	7	24
Audit committee training	-	68
Audit committee meeting expenses	2	32
General expenses	395	949
External audit fees	967	882
Internal audit fees	449	435
Travel and subsistence	69	448
Building occupation	5,674	5,674
IT Expenses	1,855	1,809
COVID-19 expenses	84	18
	9,765	10,696
18. OTHER OPERATING EXPENSES		
Consultants, contractors and special services	1,581	2,596
Staff training and development	120	1,099
Fees paid to part-time Tribunal members	2,537	2,626
Legal fees	2	33
Software under development	-	40
Maintenance, repairs and running costs	136	86
Total	4,376	6,480
19. CASH GENERATED FROM OPERATIONS		
Surplus	1,170	4,148
Adjustments for:		
Depreciation and amortisation	963	933
Loss on disposal of assets	-	19
Movements in operating lease liability	(536)	29
Movements in provisions	778	(33)
Changes in working capital:		
Inventories	1	30
Receivables from exchange transactions	585	(279)
Prepayments	(405)	2
Payables from exchange transactions	(739)	136
	1,817	4,985
20. EMPLOYEE BENEFIT OBLIGATIONS		
Defined contribution plan		
The Competition Tribunal Pension Fund, which is governed by the Pensions Fund Act of 1956 as amended, is a compulsory defined contribution plan for all employees in the Tribunal. The fund is administered by Sanlam Retirement Fund Administrators. The Tribunal is a participating employer on the Sanlam Umbrella Fund. The scheme offers the members various investment options for their pension fund contributions. As an insured fund, the Sanlam Umbrella Fund and thus the Competition Tribunal as participating employer, complies with regulation 28 of the Pension Fund Act of 1956. (see Note 14).		
21. INCOME TAX EXEMPTION		
The Tribunal is currently exempt from Income Tax in terms of section 10 (1) (a) of the Income Tax Act, 1962.		

The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
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22. FINANCIAL RISK MANAGEMENT

The main risks arising from the Tribunal's financial instruments are market risk, liquidity risk and credit risk.

Credit risk

The Tribunal trades only with recognised, creditworthy third parties. It is the Tribunal's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Tribunal's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in Note 3. There is no significant concentration of credit risk within the Tribunal.

With respect to credit risk arising from the other financial assets of the Tribunal, which comprise cash equivalents, the Tribunal's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Tribunal's cash equivalents are placed with high credit quality financial institutions therefore the credit risk with respect to cash and cash equivalents is limited.

Exposure to credit risk

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

Cash equivalents	10,209	24,290
Receivables	1,558	2,143
Total	11,767	26,433

Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

The Tribunal's cash is either held in an ABSA current account or invested with the Corporation for Public Deposits.

2020/2021	Rated and government '000	Unrated '000
Cash equivalents	10,209	-
2019/2020	Rated and government '000	Unrated '000
Cash equivalents	24,290	-

The following table provides information regarding the credit quality of assets which may expose the Tribunal to credit risk

2020/2021	Neither past due nor impaired '000	Past due but not impaired - less than 2 months '000	Carrying value '000
Cash equivalents	10,209	-	10,209
Receivables	1,558	-	1,558

The Competition Tribunal

Annual Financial Statements for the year ended 31 March 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
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22. FINANCIAL RISK MANAGEMENT (continued)

2019/2020	Neither past due nor impaired '000	Past due but not impaired - less than 2 months '000	Carrying value '000
Cash equivalents	24,290	-	24,290
Receivables	2,143	-	2,143

Market risk

Market risk is the risk that changes in market prices, such as the interest rate will affect the value of the financial assets of the Tribunal.

Interest rate risk

The Tribunal is exposed to interest rate changes in respect of returns on its investments with financial institutions and interest payable on finance leases contracted with outside parties.

The Tribunal's exposure to interest risk is managed by investing surplus funds in the Corporation for Public Deposits as the interest rate is favourable and still allows easy access to funds both in terms of movement from and movement to.

The change in net surplus of a 1% change in interest is based on year end exposure.

Sensitivity Analysis

	Change in Investments	Increase/(decrease) in net surplus for the year Upward change	Downward change
2020/2021			
Cash equivalents	1.00%	102	(102)
2019/2020			
Cash equivalents	1.00%	243	(243)

Liquidity risk

Liquidity risk is the risk that the Tribunal would not have sufficient funds available to cover future commitments. The Tribunal regards this risk to be low; taking into consideration the Tribunal's current funding structures and availability of cash resources.

The following table reflects the Tribunal's exposure to liquidity risk from financial liabilities:

2020/2021	Carrying amount '000	Total cash flow '000	Contractual cash flow within 1 year '000	Contractual cash flow between 1 and 5 years '000
Finance lease obligation	192	192	167	25
Payable from exchange transactions	1,166	1,166	1,166	-
2019/2020	Carrying amount '000	Total cash flow '000	Contractual cash flow within 1 year '000	Contractual cash flow between 1 and 5 years '000
Finance lease obligation	387	387	195	192

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			2021 '000	2020 '000
22. FINANCIAL RISK MANAGEMENT (continued)				
Payable from exchange transactions	1,905	1,905	1,905	-

Financial instruments

The following table shows the classification of the Tribunal's principal instruments together with their carrying value:

Financial Instrument				
Cash equivalents	Financial asset measured at fair value	10,209		24,290
Trade debtors	Financial asset measured at fair value	1,558		2,143
Payables from exchange transactions	Financial liabilities measured at fair value	1,166		1,905

The accounting policies for financial instruments have been applied to the items above

23. COMPARATIVE FIGURES

There were no significant adjustments to the prior year figures.

24. FRUITLESS AND WASTEFUL EXPENDITURE

The Tribunal has not incurred fruitless and wasteful expenditure in the current and prior year.

25. IRREGULAR EXPENDITURE

Opening balance as previously reported	33	10
	33	10
Add: Irregular Expenditure - current	-	33
Less: Amounts not recoverable and condoned	(33)	(10)
Amounts awaiting condonation	-	33

The Tribunal has not incurred irregular expenditure in the current year.

The Competition Tribunal

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
26. RELATED PARTIES		
Related party		
The Competition Commission		Public entity in the National Sphere
Industrial Development Corporation		Public entity in the National Sphere
International Trade Administration Commission		Public entity in the National Sphere
The Department of Trade, Industry and Competition		National Department in the National Sphere
Members of key management		Management committee members
Related party balances		
Amounts included in trade payables regarding related parties		
The Department of Trade, Industry and Competition	-	2
Amounts included in trade receivables regarding related parties		
Refund on administrative costs due from the Commission	-	97
Filing fees due from the Commission	1,516	1,930
Related party transactions		
The Competition Commission		
Filing fees	13,208	15,279
Facility fees	(728)	(737)
Administrative costs	-	61
The Department of Trade, Industry and Competition		
Unitary payments	(6,209)	(5,645)
Administrative costs	(3)	(29)
The Department of Trade, Industry and Competition		
Government grant	32,342	36,172

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

26. RELATED PARTIES (continued)

Remuneration of management

Executive management

2020/2021

Name	Package	Statutory benefits	Other salary related benefits	Total
Full-time member/Chairperson: M Mazwai	2,443	16	68	2,527
Full-time member/Deputy Chairperson: E Daniels	2,276	15	33	2,324
Full-time member: Y Carrim	2,276	15	65	2,356
Full-time member: A Wessels	2,136	14	62	2,212
Chief Operating Officer: J de Klerk(resigned July 2020)	579	5	17	601
Chief Operating Officer: O Josie(appointed September 2020)	1,352	12	36	1,400
	11,062	77	281	11,420

2019/2020

Name	Package	Bonuses and performance related payments	Leave payout	Statutory benefits	Other salary related benefits	Total
Full-time member/Chairperson: M Mazwai	1,986	-	-	19	59	2,064
Full-time member/Chairperson: N Manoim	862	-	146	10	21	1,039
Full-time member/Deputy Chairperson: E Daniels	2,254	-	-	21	33	2,308
Full-time member: Y Carrim	2,254	-	87	23	63	2,427
Full-time member: A Wessels	2,103	-	162	22	60	2,347
Chief Operating Officer: J de Klerk	1,723	94	-	19	53	1,889
	11,182	94	395	114	289	12,074

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 '000	2020 '000
27. CONTINGENT LIABILITIES		
In terms of Section 53(3) of the PFMA, a public entity may not accumulate surplus funds without approval from the National Treasury. Approval will be requested from the National Treasury to retain estimated cash surpluses amounting to R10.4 million to fund deficits in the future financial years. As approval has not yet been granted, this is reflected as a contingent liability.		
28. CHANGE IN ESTIMATE		
Property, plant and equipment		
In the current period, management has extended the estimate of the useful life of IT equipment with the intention of containing costs at the Tribunal. Further to this, there were a few other assets that could be used for a longer period and therefore the useful life was extended. The effect of this revision has decreased the depreciation charges for the current year by an insignificant amount.		
29. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE		
Reconciliation of budget (deficit)/surplus with the (deficit)/surplus in the statement of financial performance:		
(Deficit)/surplus per the statement of financial performance	1,170	4,148
Adjusted for:		
Other income	-	(15)
Gain on the sale of assets	-	19
Transfer from retained income	8,207	5,306
Adjustments for items reflected as capital expenditure on budget:		
Leased equipment	(224)	(161)
Capital expenditure	(995)	(1,832)
Income under/(in excess of) budget:		
Filing fees from the Commission	(3,472)	4,220
Interest received	(50)	(690)
Over/(under) expenditure on budget:		
Personnel	(1,796)	(5,329)
Part-time Tribunal member fees	67	(1,880)
Local training	60	(343)
Overseas training	(105)	(404)
Professional fees	(1,125)	(905)
Recording and transcription services	(708)	(565)
Recruitment costs	(157)	(117)
Administrative expenses	(314)	(483)
Facilities and capital	(14)	(355)
Competition Appeal Court	(210)	(384)
Other IT expenses	(334)	(230)
Net (deficit)/surplus per approved budget	<u>-</u>	<u>-</u>

30. COMMITMENTS

Total commitments

There are no commitments apart from those relating to signed contracts with service providers.

31. NEW STANDARDS AND INTERPRETATIONS

31.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31. NEW STANDARDS AND INTERPRETATIONS (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact