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EUROPE, MIDDLE EAST & AFRICA

DOING BUSINESS IN SOUTH AFRICA

COMPANY FORMATION IN SOUTH AFRICA

MAIN FORMS OF COMPANY/BUSINESS IN SOUTH AFRICA

KwaZulu-Natal is South Africa's second largest economy, contributing on average, 16.0% (2013) to the country's GDP. It also boasts the third highest export propensity and the second highest level of industrialisation in the country. As my office is located in Kwa-Zulu Natal, I have chosen to deal with this province rather than the rest of South Africa.

Manufacturing is the key sector in KZN, contributing an average 15% to the provincial GDPR, and generating an almost equal 14% of the provincial employment. KZN's manufacturing sector is also the second largest in the country after Gauteng Province. 22% of South African manufacturing GVA is KZN-based, compared to 41% for Gauteng.

Coal export, commerce, forestry, fruit, manufacturing (chemicals, textiles, paper and paper products), steel, sugar, tourism, transport and communications are sectors having a bigger share of the Provincial GDPR.

In addition to the strong manufacturing base (18.3%) KZN also boasts a solid finance, real estate and business services sector (17%), and an enviable trade and tourism sector (13.6%). With two of Africa's busiest seaports, and world class road and air infrastructure in our shores, there is no wonder why the province's transport and logistics sector is a sight to behold. 22.4% of national transport GVA, (second only to Gauteng Province at 34%).

Though there is some mining of coal and aluminium happening in this province, the contribution to the economy is still very low, which increases an underlying opportunity to exploit collieries which have closed down or explore unexplored mines.

KZN's agriculture, forestry and fishing sector, although the smallest contributor to the provincial economy (4.7%) is the leading contributor to the national output in this sector (a solid 26%), and is trailed at 23% by the Western Cape.

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

South Africa is referred to as the Rainbow Nation. The country is home to a diverse group of people with different cultural, linguistic and religious backgrounds - it is not one ethnic society. The national identity is therefore complex and difficult to generalize.

The government's goal has been to end racial discrimination and develop a unique identity based on being South African rather than anything else. Although work has begun, the dream of a "rainbow nation" remains difficult to realise.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

South Africa has a 'hybrid' or 'mixed' legal system, formed by the interweaving of a number of distinct legal traditions: a civil law system inherited from the Dutch, a common law system inherited from the British, and a customary law system inherited from indigenous Africans (often termed African Customary Law, of which there are many variations depending on the tribal origin).

DOING BUSINESS IN SOUTH AFRICA: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

Fixed place of business of an alien firm, such as administrative offices, factory, or workshop, but not necessarily sales offices or storage facilities. Under most double taxation treaties, the income of a firm is taxed in the country where it has permanent establishment only if it carries on there a business of a continuing and lasting kind.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

For all intents and purposes a company owned by a foreign entity (subsidiary) is not different legally from a branch. The requirements on formation are the same.

When it comes to taxation both a branch and a company will pay tax at 28% and only a company, not a branch is subject to dividends tax which is levied at 15%.

TAX AND ACCOUNTING OBLIGATIONS

Value-added tax (VAT) is levied on the supply of goods and services by registered vendors throughout the business cycle. Effectively, the tax is levied on the value-added by an enterprise. VAT is also levied on the importation of goods as well as on the supply of imported services into the Republic. VAT is levied at the standard rate of 14%, but certain supplies are subject to the zero-rate or are exempt from VAT. VAT is levied on an inclusive basis, which means that VAT has to be included in all prices on products, price lists, advertisements and quotations.

For more information, guideline and summary of each tax or tax system in South Africa (i.e. Tax rates: Companies, Turnover tax: Micro businesses, Small business corporation etc.), visit: www.sars.gov.za/.

South African Tax is determined by the Minister of Finance when he delivers his budget speech in February each year, when the tax year ends.

REGISTRATION FORMALITIES

Business owners have legal responsibilities like paying taxes, obeying labour law (regulations regarding employees) and obtaining the necessary licences or permits. As an entrepreneur, it is your responsibility to know the legal requirements affecting your business and to understand what your form of business can and can't do according to the law.

Depending on the size and type of your business, you may also have to:

- register with the South African Revenue Service for Value Added Tax, company tax and employee tax
- register your employees for unemployment insurance workers' compensation, a provident fund or a medical scheme, (the last two are not compulsory)

All South African companies are governed by the Companies Act, which lays down the procedures to be followed when forming a private or public company. The Companies Act is administered by the Companies and Intellectual Property Registration Office (CIPRO), based in Pretoria. For more information, visit: www.cipro.org.za.

Business Registration

Once you've decided on the form of your business, you must register it. Registration has several steps, depending on the form you've selected, but usually includes some combination of the following:

- reserving a name
- lodging a founding statement
- filing the memorandum of incorporation
- open a bank account
- register for appropriate taxes (see above)

Registering your business is not very complicated when assisted by a qualified person.

HOW TO HIRE MY FIRST EMPLOYEE IN SOUTH AFRICA

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

When you hire employees there is an extensive list of regulations that need to be fulfilled. Some of these steps include the following:

- Registering as an employer with the South African Revenue Services (SARS).
- Employee's tax: which is called registering for SITE/PAYE (SITE stands for Standard Income Tax on Employees, and PAYE stands for Pay As You Earn)
- Skills Development Levy
- Unemployment Insurance (UIF)
- Compensation for Occupational Injuries and Diseases (Compensation Commissioner – WCA), if applicable

Although, not strictly a legal requirement, when you hire any member of staff, you should ideally enter into an employment contract with that person. This will serve as a document which regulates the relationship between the employer and employee.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

An employment contract template can be made available to the employer.

The contract you sign with your staff member should give details of the person's duties, responsibilities, working hours, salary, and any benefits that are included in the employment package. You may also include a probationary clause in the contract – a section that gives you a certain amount of time to assess the person's progress and decide to hire them on a permanent basis. This period is usually six months or less.

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

Yes, that entity/person will be considered as an external service provider.

Another form of obtaining services of personnel is by engaging the services of a labour broker. Labour brokers provide full spectrum, specialist human resource services for a fee.

The principal objective of a labour broker is to use its' internal human resource expertise to provide its clients with efficient staff. To do this Labour brokers provide the following services:

- They source staff with the required skills;
- They manage a variety of appropriate employment contracts;
- They ensure that employee administration is comprehensive and accurate;
- Labour brokers engage with the client and the staff to ensure that required productivity levels are met. Doing this requires specialist hr skills and experience;
- Labour brokers deal with any disciplinary and termination issues which arise;
- Labour brokers engage with unions, the Department of Labour and Bargaining Councils; and
- Labour brokers do all the necessary legislative tax, UIF and SDL deductions.

HOW TO READ FINANCIAL STATEMENTS IN SOUTH AFRICA

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Providing plant hire services
Directors	K John G Hamar M Job
Registered office	3 Sweet road Summerlands Durban South Africa
Postal address	BOX 456 Summerlands 50000
Bankers	Nedbank Limited
Auditors	Accensis Inc. Chartered Accountants (S.A.) Registered Auditor
Company registration number	123/45678/9123

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

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

Independent Auditors' Report

To the member of Dummy SA (Pty) Ltd

We have audited the annual financial statements of Dummy SA (Pty) Ltd, which comprise the statement of financial position as at 28 February 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 5 to 14.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual 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 annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Dummy SA (Pty) Ltd as at 28 February 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act 71 of 2008.

Supplementary information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 15 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Accensis Inc.
Registered Auditor
Partner Name

Durban
02 October 2015

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the year to 29 February 2016 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 15, which have been prepared on the going concern basis, were approved by the board on 02 October 2015 and were signed on its behalf by:

K John

G Hamar

M Job

Durban

02 October 2015

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Directors' Report

The directors submit their report for the year ended 28 February 2015.

1. Review of activities

Main business and operations

The company is engaged in providing plant hire services and operates principally in South Africa.

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

2. Going concern

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

3. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

4. Directors

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

Name
K John
G Hamar
M Job

5. Secretary

The company had no secretary during the year.

6. Auditors

Accensis Inc. will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

7. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Statement of Financial Position

Figures in Rand	Notes	2015	2014
Assets			
Non-Current Assets			
Property, plant and equipment	2	945,321	1,433,454
Current Assets			
Current tax receivable		50,000	-
Trade and other receivables	4	1,575,108	708,432
Cash and cash equivalents	5	162,663	45,000
		3,131,143	**1,103,432**
Total Assets		**4,076,464**	**2,536,886**
Equity and Liabilities			
Equity			
Retained income		3,427,195	1,874,044
		3,432,195	**1,869,044**
Liabilities			
Non-Current Liabilities			
Finance lease obligation		300,000	300,000
Current Liabilities			
Current tax payable		344,272	255,842
Trade and other payables	7	-	50,000
Loan		-	50,000
		344,272	**367,842**
Total Liabilities		**644,272**	**667,842**
Total Equity and Liabilities		**4,076,467**	**2,536,886**

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Statement of Comprehensive Income

Figures in Rand	Notes	2015	2014
Revenue		13,000,000	10,900,186
Cost of sales		(8,423,849)	(5,995,890)
Gross profit		**4,576,151**	**4,904,296**
Other income		-	400,000
Operating expenses		(2,483,000)	(3,127,287)
Operating profit		**2,093,151**	**2,177,009**
Finance costs		(40,000)	(150,034)
Profit before taxation		**2,053,151**	**2,026,975**
Taxation	8	(500,000)	(346,808)
Profit for the year		**1,553,151**	**1,680,167**

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Balance at 01 March 2013	**100**	**193,877**	**193,977**
Profit for the year	-	1,680,167	1,680,167
Balance at 01 March 2014	**(5,000)**	**1,874,044**	**1,869,044**
Profit for the year	-	1,553,151	1,553,151
Issue of shares	-	-	-
Balance at 28 February 2015	**5,000**	**3,427,195**	**3,432,195**

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Statement of Cash Flows

Figures in Rand	Notes	2015	2014
Cash flows from operating activities			
Cash generated from / (used in) operations	9	1,590,709	1,932,451
Finance costs		(40,000)	(150,034)
Tax paid	10	(461,570)	(96,362)
Net cash inflow from operating activities		**1,089,139**	**1,686,055**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(1,538,397)
Cash flows from financing activities			
Decrease in loan payable		(50,000)	(150,000)
(Decrease) / Increase in finance lease obligation		-	300,000
Net cash outflow from financing activities		**(1,045,372)**	**(221,552)**
Total cash movement for the year		**43,769**	**(73,894)**
Cash at the beginning of the year		118,894	118,894
Total cash at the end of the year	5	**162,663**	**45,000**

Dummy SA (Pty) Ltd
(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Plant and machinery	3 to 10 Years
Furniture and fixtures	6 years
Motor vehicles	5 Years
Office equipment	6 years
Computer equipment	3 Years
Leasehold improvements	10 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.2 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, cash and cash equivalents, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

Dummy SA (Pty) Ltd
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Annual Financial Statements for the year ended 28 February 2015

Accounting Policies

1.3 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax expenses

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.4 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.

Finance leases - lessor

The company recognises finance lease receivables of an amount equal to the net investment in the lease in the statement of financial position.

The net investment in a lease is the company's gross investment in the lease discounted at the interest rate implicit to the lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

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 asset. This liability is not discounted.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Dummy SA (Pty) Ltd
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Annual Financial Statements for the year ended 28 February 2015

Accounting Policies

1.6 Revenue

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 end of the reporting period. 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 company;
- the stage of completion of the transaction at the end of the reporting period 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.

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, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.7 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Dummy SA (Pty) Ltd
(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	15,000	(8,000)	7,000	15,000	(3,033)	11,967
Motor vehicles	100,000	(50,000)	50,000	100,000	(40,000)	60,000
Plant and machinery	1,714,900	(826,579)	888,321	1,668,847	(307,360)	1,361,487
Total	**1,829,900**	**(884,579)**	**945,321**	**1,783,847**	**(350,393)**	**1,433,454**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Depreciation	Total
Computer equipment	11,967	(4,967)	7,000
Motor vehicles	60,000	(10,000)	50,000
Plant and machinery	1,361,487	(473,166)	888,321
	1,433,454	**(488,133)**	**945,321**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Computer equipment	12,800	-	(833)	11,967
Motor vehicles	-	92,000	(32,000)	60,000
Plant and machinery	90,404	1,446,397	(175,314)	1,361,487
	103,204	**1,538,397**	**(208,147)**	**1,433,454**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

3. Loans to (from) shareholders

The loan is unsecured, interest free and repayable by mutual agreement.

4. Trade and other receivables

	2015	2014
Trade receivables	1,400,275	524,586
Other receivables	174,833	183,846
	1,575,108	**708,432**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Bank balances	162,663	45,000

6. Share capital

Authorised

	2015	2014
100 Ordinary shares of R10 each	1,000	-

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. Trade and other payables

Trade payables	-	50,000

8. Taxation

Major components of the tax expense

Current		
Local income tax - current period	500,000	346,808

9. Cash generated from / (used in) operations

Profit before taxation	2,053,151	2,026,975
Adjustments for:		
Depreciation and amortisation	500,000	398,033
Finance costs	40,000	150,034
Other non-cash items	(85,764)	(189,887)
Changes in working capital:		
Trade and other receivables	(866,678)	(470,704)
Trade and other payables	(50,000)	18,000
	1,590,709	**1,932,451**

10. Tax paid

Balance at beginning of the year	(255,842)	(5,396)
Current tax for the year recognised in profit or loss	(500,000)	(346,808)
Balance at end of the year	294,272	255,842
	(461,570)	**(96,362)**

Dummy SA (Pty) Ltd

(Registration number 123/45678/9123)
Annual Financial Statements for the year ended 28 February 2015

Detailed Income Statement

Figures in Rand	Notes	2015	2014
Revenue			
Rendering of services		13,000,000	10,900,186
Cost of sales			
Purchases		(8,423,849)	(5,995,890)
Gross profit		**4,576,151**	**4,904,296**
Other income			
Interest income		-	400,000
Operating expenses			
Accounting fees		(20,000)	(100,000)
Bank charges		(10,000)	(10,000)
Computer expenses		(4,000)	(50,000)
Depreciation		(500,000)	(398,033)
Employee costs		(300,000)	(350,000)
Hire		(600,000)	(541,754)
Member's salaries		360,000	(120,000)
Motor vehicle expenses		(1,300,000)	(1,500,000)
Printing and stationery		-	(1,000)
Repairs and maintenance		(50,000)	(20,000)
Security		(6,000)	(8,000)
Staff welfare		(10,000)	(1,500)
Subscriptions		(3,000)	(12,000)
Telephone and fax		(40,000)	(15,000)
		(2,483,000)	**(3,127,287)**
Operating profit		**2,093,151**	**2,177,009**
Finance costs		(40,000)	(150,034)
Profit before taxation		**2,053,151**	**2,026,975**
Taxation	8	(500,000)	(346,808)
Profit for the year		**1,553,151**	**1,680,167**