



2023

Annual Report



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Pretorium Trust (Co-operative) Limited is an Authorized Financial Service Provider (License No. 2753) and a Registered Credit Provider (NCRCP 228).



CHAIRPERSON'S REPORT

Dear Members,

In the 85th anniversary year of Pretorium Trust, it is a privilege for me to report on behalf of the Board of Directors on the activities of Pretorium Trust during the financial year ended 15 September 2023.

The past financial year shall be remembered for loadshedding, poor service delivery, unemployment, rising inflation and interest rates which had a significant influence on the economy and consumers. Along with that the Russia-Ukraine conflict that still rages as well as extreme natural phenomena around the world, which had a further impact on the world economy.

For households in South Africa the picture looks glooming. High inflation rates mean in real terms less buying power which in turn affects funds available for daily household spending.

ACTIVITIES OF THE CO-OPERATIVE

Pretorium Trust's turnover for the financial year slightly increased by 2,12% to R1,290 billion compared to the previous financial year, which can mainly be attributed to the higher inflation rate. However, the net profit increased by 10,65%.

The net profit available for distribution this year amounts to R46,881 million, which will benefit members' spending power during the festive season.

The increase in the financing portfolio shows that it remains a very popular facility amongst members. The amount invested in the instalment sales agreements has increased from R116,939 million the previous year to R120,108 million in this financial year. Through this, optimal use was made of the Co-operative's member funds and has thus led to better profitability. Instalment sales agreements are offered to members at favorable, fixed interest rates and with no initiation- or administrative fees.

As a registered Financial Services provider Pretorium Trust continues to offer short-term insurance services to members and members receive personal and expert service.

These insurance facilities offer personal- as well as commercial insurance to members and the insurance premiums also qualify for the annual bonus.

Commission earned on short-term insurance premiums has amounted to R15,396 million. This income that Pretorium Trust earns as an intermediary, is 21,26% of the total income. This is an important source of income which substantially contribute to a higher bonus percentage on member purchases and insurance premiums. (Refer to Graph 2)

Premiums amounting to R90,664 million (VAT included) in respect of personal as well as commercial insurance were collected from members on behalf of Santam Limited, compared to claim settlements of R51,646 million.

Medical "gap cover", underwritten by Stratum, is offered to members and these premiums also qualify for the annual bonus. The Co-operative 's commission income is supplemented by the commission received from Stratum.

NOTICE OF ANNUAL GENERAL MEETING

The seventy-fifth Annual General Meeting of Members of the Co-operative will be held on Monday, 13 November 2023, at 17:00 at Pretorium Building, 40 Ingersol Road, Lynnwood Glen.

AGENDA

1. Notice of meeting.
2. Confirmation of Minutes of the Annual General Meeting held on 14 November 2022.
3. Chairperson's address.
4. Submission and approval of the following:
 - 4.1 Chairperson's report.
 - 4.2 Report from the Board of Directors.
 - 4.3 Statement of Comprehensive Income, Statement of Financial Position and Auditor's Report.
5. Approval of appointment and remuneration of Auditor.
6. Special Resolutions:

The expulsion of members in terms of section 17(1) of the Constitution of the Co-operative.
7. Election of Directors.
8. General.

By order of the Board of Directors.

MRS M J JORDAAN
CEO

5 OCTOBER 2023
PRETORIA

Board of Directors: K L Craemer - Chairperson;
J A van Zyl - Vice-Chairperson; H J Kleynhans;
C P J Pienaar and Mrs Z R P Matsau.

Management: Mrs M J Jordaan - CEO.

Asspol offers exclusive benefits to Pretorium Trust members in the form of a funeral plan and a protection plan.

FINANCIAL RESULTS

The income from trade discount received from suppliers on member purchases is still the Co-operative's main source of income and amounts to R30,162 million this year compared to R29,830 million the previous year. Despite this increase, trade discount represents 41,65% of total income compared to the 44,71% of total income the previous year. Alternative sources of income were once again optimally utilized in order to maximize the possible bonus available for declaration. This enables the Co-operative to present a uniform bonus of 4,042% on all purchases (fuel excluded) and short-term insurance and "gap cover" premiums to members for consideration.

The prime interest rate has a large impact on interest income and the recent increases in the repo rate have been welcomed. The interest income of 24,19% of total income in the previous financial year, amounted to 29,44% this year (Refer to graph 2).

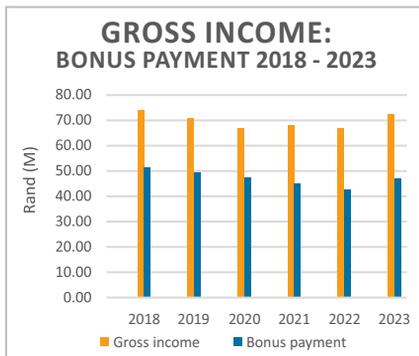
Bad debts written off amounted to R500 142 and represents 0,023 % of members' business which is somewhat higher than that of the previous year. These favorable results are due to efficient credit approval and internal controls maintained in terms of the National Credit Act, as well as members' discipline and ability to manage credit purchases judiciously despite the difficult economic conditions.

64,91% of the gross income, after deduction of expenses, is available for distribution, compared to 63,72% last year. This is illustrated in monetary terms in Graph 1.

SOCIAL CO-OPERATIVE RESPONSIBILITY

Social co-operative responsibility is a fundamental part of conducting business. Pretorium Trust is therefore fully committed to its co-operative social responsibility against all its members, business partners, employees and the general community. A comprehensive social report is available together with the audited financial statements. In addition to the expected compliance with legislation and regulations, Pretorium Trust believes that setting the highest standards in terms of ethics, business integrity and sustainability is its responsibility.

GRAPHS



Graph 1



Graph 2

Amounts owed as a result of purchases made from a supplier are ceded as security to that supplier.

ANNUAL BONUS

This year an amount of R46 881 129 is available for distribution, compared to R42 368 480 the previous year. The Board of Directors recommends that a **uniform bonus of 4,042% on purchases, short-term insurance premiums and medical "gap cover" premiums be declared to members**, of which 3,80% be paid in cash and the balance be transferred to the Members' Interest Fund for future payment. The bonus declaration for the previous financial year amounted to 3,709%, of which 3,55% was paid to members in cash.

Members' November 2023 accounts will be credited with the amounts of their bonuses.

A comparison between gross income and the amount available for distribution is reflected in Graph 1.

Despite various advertising methods, members themselves are still our best source of publicity and marketing. Please keep in mind that:

- as a co-operative, the net profit of Pretorium Trust is distributed amongst members on a transactional basis.
- all transactions on which a trade discount is received, as well as short-term insurance premiums and medical "gap cover" premiums qualify for a **uniform bonus**; and
- VAT is regarded as part of the purchases by members and is taken into account when the bonus is calculated.
- Recruitment commission is still paid to members for each new member successfully recruited.

FINANCIAL CONDITION

RESERVES – R19 203 914

• GENERAL RESERVE – R16 138 865

Forfeited Bonuses, unclaimed Advance payments - and Members' Interest Fund as well as Membership fees amounting to R382 185 have been transferred to the General Reserve this year.

• NON-DISTRIBUTABLE RESERVE – R3 065 049

The Non-distributable Reserve was reduced by R147 652 as prescribed by the Co-operative Act.

MEMBERS' FUNDS – R118 805 870

• MEMBERS' INTEREST FUND – R47 845 759

During the year R1 817 385 was transferred to the Fund, while it was reduced by R2 169 240 in respect of payouts.

• ADVANCE PAYMENT FUND – R62 665 412

During the year the Fund was supplemented with R11 323 521, while repayments amounted to R11 195 837. Provision for the payment of interest at 1,5% per annum was made for this in the financial statements and will be credited to members' November 2023 accounts.

• MEMBERS' LOANS – R8 294 636

Amounts of R1 000 or more can be loaned to Pretorium Trust by members at interest for a period of at least 12 months.

During the year the Fund was supplemented with R1 133 925, while repayments amounted to R1 159 892.

FUTURE PLANNING

The objective of Pretorium Trust for 2024 is to improve the Co-operative's profitability. This includes maintaining the current financing portfolio and to take advantage from the higher interest rates. To grow the insurance operations, especially the addition of new underwriters, is a priority that can increase profits and offer more services and product expansion to members. The aim is to have a larger variety of products and members will have a broader choice which will contribute to an increase in profit. As far as technology advancements are concerned, Pretorium Trust has been busy for the past year on working on the revision of the functionality of the card system in order to improve it. There are also consistent attempts to provide additional services and products to Pretorium Trust members.

ACKNOWLEDGEMENTS

The Board of Directors thank all the members for their loyal support during the past year, where a lot of pressure by economic circumstances was placed on the consumer.

Thanks, as well as appreciation is also expressed to our suppliers, insurers and other business partners for their sustained support and cooperation.

We also give thanks to competent and loyal management and staff for their hard work and faithful service to the Co-operative and its members.

With thanks.

KL CRAEMER

CHAIRPERSON: BOARD OF DIRECTORS

DIRECTORS' REPORT

The Board of Directors present their report for the year ended 15 September 2023.

NATURE OF BUSINESS

Pretorium Trust's business is conducted on the following basis:

- Joint benefits are negotiated for members in respect of the purchase of their household and other personal necessities.
- Loans and hire purchase finance is granted to members; and
- Pretorium Trust acts as an agent to members or as an intermediary in their interest in respect of their insurance business.

There has been no change in the nature of the business of Pretorium Trust during the financial year.

FINANCIAL RESULTS

The Co-operative's results and the state of affairs is detailed in the financial statements which appear on the following pages and is clarified further in the chairman's report.

BOARD OF DIRECTORS

The terms of office of Mrs ZRP Matsau and Mr JA van Zyl expire this year and they are both eligible for re-election.

Nomination forms (obtainable from the office) for prospective directors, together with a curriculum vitae, must reach the CEO at least seven (7) days before the Annual General Meeting and must be signed by 5 members. Prospective directors must already be members of the Co-operative for a minimum of five (5) years.

CORPORATE GOVERNANCE AND CODES OF CONDUCT

The Board of Directors of Pretorium Trust is committed to good corporate governance and endorses the values and ethical codes of conduct as recommended in the Principles of Good Governance for Co-operatives and the King IV report. The Board has adopted a charter containing their duties and responsibilities and it is available for inspection at the office of the Co-operative. A complete Management Decision Report is available along with the full set of audited financial statements.

An Audit Committee which comprises of two non-executive directors is responsible for and reports to the Board of Directors regarding the integrity and quality of the financial statements, the accounting systems and the efficiency of the internal audit controls. The Audit Committee also ascertained itself of the qualifications and independence of the external auditors.

ACTIVITIES AFTER CLOSING OF THE FINANCIAL YEAR

No material facts or circumstances emerged affecting the assessment of the Co-operative's state of affairs which occurred between 15 September 2023 and the date of this report.

• **HIERDIE VERSLAG IS OOK IN AFRIKAANS BESKIKBAAR**

PRETORIUM TRUST (CO-OPERATIVE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 15 SEPTEMBER 2023

	2023	2022
	R	R
ASSETS		
NON-CURRENT ASSETS	115 213 790	102 561 370
Fixed property with improvements at cost	11 376 638	11 376 638
- Stand 88 Lynwood Glen, Pretoria		
Other fixed assets	437 588	493 899
Cost	1 940 910	1 778 721
Less: Accumulated depreciation	(1 503 322)	(1 284 822)
Due by members – long term	101 035 009	88 206 919
Instalment sale agreements	97 880 672	85 071 615
Loans to members	3 154 337	3 135 304
Mortgage bonds – Personnel Housing Scheme loans	2 364 555	2 483 914
CURRENT ASSETS	214 841 313	219 175 863
Owing by members – short term	27 548 034	36 066 380
Instalment sale agreements	22 227 797	31 868 010
Loans to members	2 374 367	1 524 578
Open accounts	3 069 388	2 801 641
Provision for doubtful debt	(123 518)	(127 849)
Sundry debtors	3 763 097	3 780 366
Recoverable from suppliers	2 406 426	2 404 979
Prepaid expenses	237 235	176 097
Cash and cash equivalents	180 874 474	176 748 041
Income tax	12 047	-
TOTAL ASSETS	330 055 103	321 737 233
EQUITY AND LIABILITIES		
MEMBERS' INTEREST AND RESERVES	66 194 457	61 300 975
Membership fund	109 414	110 766
Distributable reserves – General reserve	16 138 865	15 609 028
Unappropriated profit	46 881 129	42 368 480
Non-distributable reserves	3 065 049	3 212 701
LIABILITIES	263 860 646	260 436 258
NON-CURRENT LIABILITIES	115 101 171	115 560 483
Advanced Payments Fund	62 665 412	62 537 728
Members' Interest Fund	47 845 759	48 197 614
Retirement benefit obligation	4 590 000	4 825 141
CURRENT LIABILITIES	148 759 475	144 875 775
Income tax	-	62 600
Creditors	138 736 499	134 950 248
Provisions	1 728 340	1 542 325
Loans from members	8 294 636	8 320 602
TOTAL EQUITY AND LIABILITIES	330 055 103	321 737 233

Signed on behalf of the Board of Directors:

K.L. Craemer (Chairperson), H.J. Kleynhans, Z.R.P. Matsau, C.P.J. Pienaar, J.A. Van Zyl
A complete set of annual financial statements is available from the CEO.

PRETORIUM TRUST (CO-OPERATIVE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 15 SEPTEMBER 2023

	2023	2022
	R	R
MEMBERS' BUSINESS	<u>1 290 087 316</u>	<u>1 263 200 790</u>
TRADE DISCOUNT, COMMISSIONS AND INCOME FROM MEMBERS' NOTICES	47 639 661	47 131 867
INTEREST	21 316 998	16 140 078
INTEREST RECEIVED	22 616 448	16 964 327
INTEREST PAID	(1 299 450)	(824 249)
OTHER INCOME	3 685 467	3 413 204
GROSS INCOME	<u>72 642 126</u>	<u>66 685 149</u>
LESS: ADMINISTRATIVE AND GENERAL EXPENSES	25 641 417	24 172 826
Salaries and related expenses	17 878 690	17 349 338
Professional fees	310 022	300 593
Other expenses	5 279 689	4 662 542
Bad debts	500 142	295 328
Auditors' remuneration	282 906	269 200
Board of Directors	1 175 799	1 104 030
Depreciation	218 500	223 873
Increase/(decrease) in the provision for doubtful debt	(4 331)	(32 078)
Net profit before taxation	<u>47 000 709</u>	<u>42 512 323</u>
Taxation	(118 810)	(143 747)
Net profit after taxation	<u>46 881 899</u>	<u>42 368 576</u>
Unappropriated profit beginning of the year	42 368 480	44 687 043
Profit appropriated as approved at members' meeting	<u>42 368 480</u>	<u>44 687 043</u>
Bonuses	40 551 095	43 381 256
Transferred to Members' Interest Fund	1 817 385	1 305 787
Over/(under)provision for bonuses previous year	(770)	(96)
Retained income transfer to general reserve	-	-
Unappropriated profit end of the year	<u>46 881 129</u>	<u>42 368 480</u>

PRETORIUM TRUST (CO-OPERATIVE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 15 SEPTEMBER 2023

	2023	2022
	R	R
CASH FLOW FROM OPERATING ACTIVITIES	8 325 738	3 339 936
Cash generated by operations	<u>25 662 740</u>	<u>26 564 040</u>
Net profit before taxation	47 000 709	42 512 323
Adjustments for:		
- Provision for doubtful debts	(4 330)	(32 078)
- Increase/(decrease) in the provision for retirement benefit obligation	(235 141)	-
- Depreciation	218 500	223 873
- Net investment income	(21 316 998)	(16 140 078)
Net investment income	21 316 998	16 140 078
Cash utilised to (increase)/decrease working capital	3 908 707	5 261 151
CASH GENERATED BY OPERATING ACTIVITIES	<u>50 888 445</u>	<u>47 965 269</u>
Taxation paid	(193 457)	61 806
CASH AVAILABLE FROM OPERATING ACTIVITIES	<u>50 694 988</u>	<u>48 027 075</u>
Bonuses paid	(42 369 250)	(44 687 139)
CASH UTILISED IN INVESTING ACTIVITIES	<u>(4 080 497)</u>	<u>(17 268 034)</u>
Additions to fixed assets	(162 190)	(178 575)
(Increase)/Decrease in housing loan scheme	119 359	162 958
(Increase)/Decrease in instalment sale agreements	(3 168 844)	(16 234 436)
(Increase)/Decrease in loans to members	(868 822)	(1 017 981)
CASH FLOW FROM FINANCING ACTIVITIES	<u>(118 808)</u>	<u>(1 005 184)</u>
(Decrease)/Increase in membership fund	(1 352)	(2 113)
(Decrease)/Increase in advance payment fund	233 043	478 187
(Decrease)/Increase in members' loans	(25 966)	(1 012 693)
(Repayment)/Increase of Members' Interest Fund	(324 533)	(468 565)
Net decrease in cash and cash equivalents	<u>4 126 433</u>	<u>(14 933 282)</u>
Cash and cash equivalents –beginning of the year	<u>176 748 041</u>	<u>191 681 323</u>
Cash and cash equivalents – end of the year	<u>180 874 474</u>	<u>176 748 041</u>