Sandspruit Works Association NPC
Trading as ODI Water Services
Annual Financial Statements
for the year ended 30 June 2017
Published 01 March 1900

General Information

Nature of business and principal activities	Water and Sanitation Services
Chief Finance Officer (CFO)	Peter Kungwane ACFO
Directors	ZM Kabini (Non Executive: Chairperson) AZ Ndlala (Non Executive) LN Bokaba (Non Executive) Contract Expired - 30 November 2016 Adv BM Malatji (Non Executive) CV Maboka (Non Executive) Contract Expired - 30 November 2016
Registered office	Molefe Makinta Highway Opposite Morula Sun Next to NTI Mabopane 0208
Postal address	Private Bag X1124 Ga-Rankuwa 0221
Parent Municipality	City of Tshwane Metropolitan Municipality
Bankers	Standard Bank of South Africa and ABSA Bank of South Africa
Auditors	Auditor General of South Africa Registered Auditors
Company registration number	1999/019160/08
Preparer	The annual financial statements were internally compiled by: Peter Kungwane ACFO
Other 1	

Index

The reports and statements set out below comprise the audited annual financial statements presented to the board of directors.:

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the audited annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements 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 entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The entity is wholly dependent on the CoT Municipality for continued funding of operations. The audited annual financial statements are prepared on the basis that SWA will be disestablished by 30 June 2017 as per council resolution of 27 October 2016.

Ms. B Zwedala
Acting CEO

Directors' Report

The directors submit their report for the year ended 30 June 2017.

1. Incorporation

The entity was incorporated on 09 January 1999 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged to develop, prepare, install and maintain water and sanitaion services on behalf of City of Tshwane Metropolitan Municipality, the parent muncipality, to the residents and business in ares of Garankuwa, Mabopane and Winterveldt.
During the year under review there were no changes in the activities of the business.

3. Going concern and undertaking of support

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. All business functions, assets, liabilities and personnel will be transferred to the City of Tshwane Metropolitan Muncipality as of 01 July 2017 following council resolution to dissestablish SWA.

4. Subsequent events

City of Tshwane Metropolitan Municipality has appointed a liquidator from Malatji Geldenhys Attorneys to oversee the liquidation process of SWA. Furthermore D Diale and Y Pillay have been appointed as indepedent non-executive board members effective from 1 July 2017.

5. Directors' personal financial interest

The directors have declared that they have no interest in the contracts of the company.

6. Accounting policies

The audited annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation, guidelines and directives issued by the Accounting Standards Board and additional dsclosure requirements in terms of Municpal Finance Management Act (Act 56 of 2003).

7. Corporate governance

General

The are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the supports the highest standards of corporate governance and the ongoing development of best practice.

Board of directors

On the 1 July 2016, SWA board consisted of five (5) non-executive members of the board of directors. On the 30 November 2016 the contract for two (2) board members were not renewed, as a result the remaining board members of SWA is three (3).

Chair person and chief executive

On the 1 July 2016, Sandspruit board consisted of five (5) non-executive members of the board of directors. On the 30 November 2016 the contract for two (2) board members were not renewed, as result the remaining board members of SWA is three (3).

The CTMM has the power at any point in time to remove any directors from the Board and to fill any vacancies created by such removal.

Board of directors shall be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment as board of directors.

Directors' Report

Responsibilities of the Board

The directors have a collective responsibility to provide effective corporate governance that involves a set of relationships between the CTMM, Sandspruit, and other relevant stakeholder. These responsibilities include:-

1.Setting strategic direction and goals for the entity and monitoring managements implementation of that strategy;
2. Appointing such committees for the entity as may be appropriate to assist in the discharge of its responsibilities and to determine their responsibilities;
3. Ensuring that procedures and practices are in place that protects entity's assets and reputation;
4. Monitoring financial outcomes and the integrity of reporting, in particular approving annual budgets and longer-term strategic and business plans;
5. Ensuring that effective audit, and compliance systems are in place to protect the entity's assets and to minimise the possibility of the entity operating beyond legal requirements or beyond acceptable risk parameters;
6. Monitoring compliance with regulatory requirements and ethical standards.

Remuneration of the Board

Board of directors not holding management positions in Sandspruit Works Association, shall be remunerated for their services on the Board. The CTMMs shall determine the fees payable to members of the Board. The Chairman of the Board shall be paid additional fees for services rendered on the Board.

Chairperson and the Chief Executive Officer

The Chairperson is an independent non-executive director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Chief Executive Officer, who is the only executive director of the entity, is determined by the Board of Directors.

The remuneration of the Board of Directors is determined by the parent municipality.

8. Auditors

SWA will be disestablished by 30 June 2017 hence Auditor General will not contine as auditor.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Ms. J Molefe
Company Secretary

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	6	3 464 811	3 128 056
Receivables from exchange transactions	7	23 088 595	9 149 646
Receivables from non-exchange transactions	8	648 011 564	391 499 836
VAT receivable	9	-	2 082 835
Cash and cash equivalents	10	11 627 223	2 243 411
		686 192 193	**408 103 784**
Non-Current Assets			
Property, plant and equipment	3	7 842 949	10 109 984
Intangible assets	4	46 775	61 272
		7 889 724	**10 171 256**
Total Assets		**694 081 917**	**418 275 040**
Liabilities			
Current Liabilities			
Operating lease liability	5	11 272	136 611
Payables from exchange transactions	12	647 197 407	399 098 080
VAT payable	13	9 369 958	-
Consumer deposits	14	4 008 266	3 966 091
Provisions	11	9 638 620	7 608 654
		670 225 523	**410 809 436**
Non-Current Liabilities			
Operating lease liability	5	(682 130)	(135 976)
Total Liabilities		**669 543 393**	**410 673 460**
Net Assets		**24 538 524**	**7 601 580**
Accumulated surplus		24 538 524	7 601 580

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue	15	466 288 830	465 532 480
Cost of sales	23	(227 460 768)	(220 779 259)
Gross surplus		**238 828 062**	**244 753 221**
Other income	16	51 982	2 695 598
Operating expenses		(287 597 777)	(291 348 963)
Operating deficit	25	**(48 717 733)**	**(43 900 144)**
Interest Earned	17	64 901 250	45 613 127
Finance costs		(554)	(85 367)
Surplus for the year		**16 182 963**	**1 627 616**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**5 973 964**	**5 973 964**
Changes in net assets		
Surplus for the year	1 627 616	1 627 616
Total changes	1 627 616	1 627 616
Opening balance as previously reported	4 031 158	4 031 158
Adjustments		
Correction of errors	4 324 403	4 324 403
Balance at 01 July 2016 as restated*	**8 355 561**	**8 355 561**
Changes in net assets		
Surplus/(Deficit) for the year	16 182 963	16 182 963
Total changes	16 182 963	16 182 963
Balance at 30 June 2017	**24 538 524**	**24 538 524**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Sale of goods and services		83 307 373	74 012 815
Grants		34 357 716	33 672 004
Interest Received		375 086	15 817 460
Other receipts		61 870	58 327
		118 102 045	123 560 606
Payments			
Employee costs		(99 068 785)	(91 580 058)
Suppliers		(9 221 197)	(50 677 810)
Finance costs		(554)	(85 367)
		(108 290 536)	(142 343 235)
Undefined difference compared to the cash generated from operations note		**1**	**-**
Net cash flows from operating activities	26	**9 811 510**	**(18 782 629)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(52 611)	(1 209 755)
Proceeds from sale of property, plant and equipment	3	(1)	-
Purchase of other intangible assets	4	-	(43 496)
Net cash flows from investing activities		**(427 698)**	**(1 253 251)**
Net increase/(decrease) in cash and cash equivalents		**9 383 812**	**(20 035 880)**
Cash and cash equivalents at the beginning of the year		2 243 411	22 279 364
Cash and cash equivalents at the end of the year	10	**11 627 223**	**2 243 484**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sanitation Revenue	179 631 622	-	**179 631 622**	131 022 477	**(48 609 145)**	
Water Revenue	54 819 829	-	**54 819 829**	50 147 255	**(4 672 574)**	
Other Revenue	61 873 468	(33 250 954)	**28 622 514**	259 090	**(28 363 424)**	
Interest Earned - External	1 000 000	-	**1 000 000**	375 086	**(624 914)**	
Interest Earned	50 870 090	-	**50 870 090**	64 449 031	**13 578 941**	
Total revenue from exchange transactions	**348 195 009**	**(33 250 954)**	**314 944 055**	**246 252 939**	**(68 691 116)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	172 940 100	-	**172 940 100**	275 494 891	**102 554 791**	
Total revenue	**521 135 109**	**(33 250 954)**	**487 884 155**	**521 747 830**	**33 863 675**	
Expenditure						
Personnel	(116 684 647)	26 660 042	**(90 024 605)**	(99 210 257)	**(9 185 652)**	
Remuneration of Directors	(2 075 830)	995 702	**(1 080 128)**	(1 008 144)	**71 984**	
Depreciation and amortisation	(3 130 000)	-	**(3 130 000)**	(1 888 025)	**1 241 975**	
Bad debts written off	(56 762 484)	-	**(56 762 484)**	(146 246 538)	**(89 484 054)**	
Collection costs	-	-	**-**	(975 540)	**(975 540)**	
Other Materials	(10 979 747)	-	**(10 979 747)**	(3 051 044)	**7 928 703**	
Bulk purchases	(207 873 422)	-	**(207 873 422)**	(226 329 388)	**(18 455 966)**	
Contracted Services	(47 561 959)	950 000	**(46 611 959)**	(18 928 427)	**27 683 532**	
Loss on disposal of assets	-	-	**-**	(448 554)	**(448 554)**	
General Expenses	(76 067 020)	4 645 210	**(71 421 810)**	(16 973 183)	**54 448 627**	
Total expenditure	**(521 135 109)**	**33 250 954**	**(487 884 155)**	**(515 059 100)**	**(27 174 945)**	
Surplus before taxation	**-**	**-**	**-**	**6 688 730**	**6 688 730**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**6 688 730**	**6 688 730**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 825 800	-	**3 825 800**	3 825 800	**-**	
Receivables from exchange transactions	13 456 164	-	**13 456 164**	40 285 610	**26 829 446**	
Receivables from non-exchange transactions	55 000 000	-	**55 000 000**	593 423 616	**538 423 616**	
Cash and cash equivalents	17 785 659	923 987	**18 709 646**	11 627 223	**(7 082 423)**	
	90 067 623	**923 987**	**90 991 610**	**649 162 249**	**558 170 639**	
Non-Current Assets						
Property, plant and equipment	15 494 000	-	**15 494 000**	11 395 274	**(4 098 726)**	
Intangible assets	5 000 000	-	**5 000 000**	64 871	**(4 935 129)**	
	20 494 000	**-**	**20 494 000**	**11 460 145**	**(9 033 855)**	
Total Assets	**110 561 623**	**923 987**	**111 485 610**	**660 622 394**	**549 136 784**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	83 780 000	-	**83 780 000**	622 594 415	**538 814 415**	
Consumer deposits	4 000 000	-	**4 000 000**	4 008 266	**8 266**	
Provisions	7 000 000	-	**7 000 000**	11 673 714	**4 673 714**	
	94 780 000	**-**	**94 780 000**	**638 276 395**	**543 496 395**	
Total Liabilities	**94 780 000**	**-**	**94 780 000**	**638 276 395**	**543 496 395**	
Net Assets	**15 781 623**	**923 987**	**16 705 610**	**22 345 999**	**5 640 389**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	15 781 623	923 987	**16 705 610**	22 345 999	**5 640 389**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	284 602 000	(33 250 608)	**251 351 392**	94 967 245	**(156 384 147)**	
Grants	172 940 098	-	**172 940 098**	34 357 716	**(138 582 382)**	
Other receipts	17 000 000	-	**17 000 000**	375 086	**(16 624 914)**	
	474 542 098	**(33 250 608)**	**441 291 490**	**129 700 047**	**(311 591 443)**	
Payments						
Employee costs & Suppliers	(462 166 439)	34 174 768	**(427 991 671)**	(119 887 983)	**308 103 688**	
Finance costs	-	-	**-**	(554)	**(554)**	
	(462 166 439)	**34 174 768**	**(427 991 671)**	**(119 888 537)**	**308 103 134**	
Net cash flows from operating activities	**12 375 659**	**924 160**	**13 299 819**	**9 811 510**	**(3 488 309)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(7 300 000)	-	**(7 300 000)**	(52 611)	**7 247 389**	
Net increase/(decrease) in cash and cash equivalents	5 075 659	924 160	**5 999 819**	9 758 899	**3 759 080**	
Cash and cash equivalents at the end of the year	**5 075 659**	**924 160**	**5 999 819**	**9 758 899**	**3 759 080**	

Accounting Policies

1. Presentation of Annual Financial Statements

The audited quarterly financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

In terms of GRAP, in the absence of a standard or pronouncement comprising the GRAP financial reporting frameworks that specifically applies to a transaction, other event or condition, management should apply judgement and may consider the following pronouncements, in descending order, in developing an accounting policy for such a transaction, event or condition.
• Statements of GRAP that have been issued, but are not yet effective
• International Public Sector Accounting Standards (IPSAS)
• International Financial Reporting Standards (IFRS)

These audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These audited annual financial statements have been prepared on the basis of accounting policies applicable to going concern. All business functions, assets, liabilities and personnel will be transferred to the City of Tshwane Metropolitan Muncipality as of 01 July 2017 following council resolution to dissetablish SWA.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited 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 unaudited annual financial statements. Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note under general expenses.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions..

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks and all other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives

Allowance for impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure 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.

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 of the item 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 date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 50 Years
Plant and machinery	Straight line	10 Years
Furniture and fixtures	Straight line	5 Years
Motor vehicles	Straight line	5 Years
IT equipment	Straight line	3 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Accounting Policies

1.3 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ 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 is depreciated separately.

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

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.

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the entity. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

The entity tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to surplus or deficit for the year.

Accounting Policies

1.4 Intangible assets

An asset is identifiable if it either
- is 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.

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

Initial computer software costs are recorded as intangible assets at cost. Computer software licensed to the computer on which it is installed and cannot be resold. Therefore, it is deemed that computer software has no residual value. Yearly maintenance and update fees are payable for software used. These fees are accounted for as expenses as and when it becomes payable. In light of the annual fees payable, initial software costs are amortised on a straight line basis over 3 years.

Computer software is capitalised to the computer equipment where it forms an integral part of the equipment. Where the software does not form an integral part of the equipment, it is separately recognised as an intangible asset.

Intangible assets are initially recognised at cost.
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.
-he 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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.4 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible 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, other	3 years

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

1.5 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 residual interest of another entity; or
- 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.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Accounting Policies

1.5 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost

The entity 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
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bonus Accrual - 13th Cheque	Financial liability measured at amortised cost

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

Consume deposit	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.5 Financial instruments (continued)

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 amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of financial asset.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity 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 waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.5 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Tax

VAT

The entity is registered with South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No.89 of 1991)

Tax expenses

The entity is exempt from tax in terms of section 10(1)cA(ii) of the Income Tax Act,1962 (Act 58 of 1962)

1.7 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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 or liability.

1.8 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.

Raw materials and components are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the weighted average method.
Water stock is measured at the lower of cost or net realisable value on the first-in-first-out basis.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable value.

Accounting Policies

1.8 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

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).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Identification

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

The entity 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 entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test 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.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

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 a 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.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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 entity 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 entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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:
- wages, 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;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 entity recognise 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 entity measure 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 recognise the expected cost of bonus, incentive and performance related payments when the entity 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.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential 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 present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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 or service potential will be required, to settle the obligation.

Accounting Policies

1.12 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

Accounting Policies

1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Accounting Policies

1.12 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The entity recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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 municipality receives assets or services, or has liabilities extinguished, and directly gives 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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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 or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the 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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service Charges

Service charges are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumptions are made monthly when meter readings are not available. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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 entity 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.

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.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Government Grants

Government grants are recognised as revenue when:
it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; the amount of the revenue can be measured reliably; and to the extent that there has been compliance with any restrictions associated with the grant.

Operational Losses subsidy

Operational Losses are invoiced to City of Tshwane Metropolitan Municipality on a monthly basis limited to budgeted amount as approved for the financial year. The operational subsidy is recognised as income on the invoice date.

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.17 Operational and General Expenses

The expenses must be recorded by the entity as an expenses on the accrual basis, meaning when the expenses are incurred, not necessarily when they are paid. Expenses are generally incurred when the entity receives goods or services.

1.18 Comparative figures

When presentation or classification of items in the annual financial statement is amended, prior period comparative amounts are reclassified. The nature and reason of the reclassification is disclosed.

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosure) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

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

Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

IIrregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also 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 must be 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 must be updated with the amount condoned IIrregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be 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 must thereafter be 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 must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Budget information

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

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

Management considers variance above 10% of budget amounrt or above R1m as signifacant.

Comparative information is not required.

Accounting Policies

1.22 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 local 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.

1.23 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.

1.24 Use of estimates

The preparation of annual financial statements in conformity with Statements of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies relevant to reported amount of assets and liabilities, revenue and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:
GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.
The entity has adopedt the standard for the first time in the 2017 financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity expects to adopt the standard for the first time in the 2017 financial statement

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 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 July 2017 or later periods:
GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
assessing the feasibility of one measurement approach for non-cash-generating assets; and
assessing the feasibility of combining the two Standards.

Summary of changes:
The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:
General definitions:
The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:
Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.
Identifying an asset that may be impaired:
Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:
An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.
Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:
The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The entity expects to adopt the standard for the first time in the 2018 unaudited financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
assessing the feasibility of one measurement approach for non-cash-generating assets; and
assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:
The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.
Cash generating assets and non-cash-generating assets:
Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:
The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The entity expects to adopt the standard for the first time in the 2018 unaudited financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.
The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The entity expects to adopt the standard for the first time in the 2019 unaudited financial statements

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:n
GRAP 20 - Related Parties

The objective of this standard is to ensure that a reporting entity's unaudited financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual unaudited financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is not yet set by the Minister of Finance.

GRAP 32 - Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard

GRAP 108 - Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.
The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.
The adoption of this standard is not expected to impact on the results of the entity, but may result in more disclosure than is currently provided in the financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The adoption of this standard is not expected to have a material impact on the results of the entity.

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	7 383 244	(3 708 404)	3 674 840	7 383 244	(3 362 860)	4 020 384
Plant and machinery	12 711 958	(12 390 843)	321 115	13 124 650	(11 584 757)	1 539 893
Furniture and fixtures	2 029 249	(1 023 336)	1 005 913	2 220 288	(955 709)	1 264 579
Motor vehicles	4 117 967	(4 116 894)	1 073	4 117 967	(4 116 894)	1 073
IT equipment	4 786 946	(1 946 938)	2 840 008	4 745 953	(1 461 898)	3 284 055
Total	**31 029 364**	**(23 186 415)**	**7 842 949**	**31 592 102**	**(21 482 118)**	**10 109 984**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	4 020 384	-	-	(345 544)	3 674 840
Plant and machinery	1 539 893	-	(305 074)	(913 704)	321 115
Furniture and fixtures	1 264 579	-	(135 733)	(122 933)	1 005 913
Motor vehicles	1 073	-	-	-	1 073
IT equipment	3 284 055	52 611	(7 746)	(488 912)	2 840 008
	10 109 984	**52 611**	**(448 553)**	**(1 871 093)**	**7 842 949**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Revaluations	Depreciation	Total
Buildings	4 177 400	-	188 528	(345 544)	4 020 384
Plant and machinery	2 306 440	1 312	145 724	(913 583)	1 539 893
Furniture and fixtures	199 809	256 569	928 740	(120 539)	1 264 579
Motor vehicles	13	-	1 060	-	1 073
IT equipment	411 963	951 874	2 288 271	(368 053)	3 284 055
	7 095 625	**1 209 755**	**3 552 323**	**(1 747 719)**	**10 109 984**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Property, plant and equipment (continued)

Pledged as security

No Property, Plant and Equipment is pledged as security.

4. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	116 571	(69 796)	46 775	116 571	(55 299)	61 272

Reconciliation of intangible assets - 2017

	Opening balance	**Amortisation**	**Total**
Computer software, other	61 272	(14 497)	46 775

Reconciliation of intangible assets - 30 June 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	52 929	43 496	(35 153)	61 272

Pledged as security

No Intangible Assets are pledged as security.:

5. Operating lease asset (accrual)

	2017	2016
Non-current liabilities	682 130	135 976
Current liabilities	(11 272)	(136 611)
	670 858	**(635)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

6. Inventories

Raw materials, components	2 890 184	2 594 289
Water Stock	746 190	598 477
	3 636 374	3 192 766
Obsolete Inventory Items	(171 563)	(64 710)
	3 464 811	**3 128 056**

Carrying value of inventories carried at fair value less costs to sell	746 190	598 477
Inventories recognised as an expense during the year	226 329 388	209 862 624

Inventory consists of water stock, spares and consumables which will be utilised by the entity in their daily business operations.

Raw materials and spare parts that have not moved for 550 days are considered obsolete/ redundant and are written off.

No inventory is pledged as security.

Inventory pledged as security

No inventory is pledged as security

7. Receivables from exchange transactions

Trade debtors	876 873 744	724 263 744
Madibeng Local Municipality	8 440 518	8 440 518
Provision for Impairment: Consumer receivables	(854 029 439)	(715 315 308)
Other receivables	244 290	201 210
Provision for Impairment: Madibeng Municipality	(8 440 518)	(8 440 518)
	23 088 595	**9 149 646**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Credit quality of trade and other		
Trade Receivables	22 844 305	8 948 436
Other Receivables	244 290	201 210
	23 088 595	**9 149 646**

Summary of Debtors per customer type		
Residential debtors	851 751 709	694 366 228
Commercial debtors	9 381 007	18 072 608
Government debtors	15 741 028	20 265 426
	876 873 744	**732 704 262**

These debtors relate to the provision of services of water and sanitation in the area of Mabopane, Winterveldt and Garankuwa.
Included in the Government debtors is an amount of R 8 440 518 (2016: R 8 440 518) which relates to Madibeng Local Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Receivables from exchange transactions (continued)

Age Analysis: Residential Debtors		
Current (0-30 days)	11 281 294	15 286 692
31 - 60 days	15 843 114	12 332 992
61 - 90 days	16 455 322	14 553 901
91 - 120 days	16 002 196	13 989 052
121 - 150 days	14 768 956	14 642 583
151 - 180 days	14 653 085	14 128 855
Over 180 days	762 747 742	609 432 153
	851 751 709	**694 366 228**

Age Analysis: Commercial Debtors		
Current 0 - 30 days)	614 464	772 990
31 - 60 days	1 490 483	766 084
61 - 90 days	538 682	3 067 692
91 - 120 days	501 204	944 400
121 - 150 days	512 559	724 322
151 - 180 days	313 231	495 092
Over 180 days	5 410 384	11 302 028
	9 381 007	**18 072 608**

Age Analysis: Government Debtors		
Current (0 -30 days)	370 428	798 933
31 - 60 days	1 770 313	525 642
61 - 90 days	406 050	2 146 896
91 - 120 days	623 316	829 559
121 - 150 days	393 187	430 515
151 - 180 days	587 566	542 385
Over 180 days	11 590 167	14 991 496
	15 741 027	**20 265 426**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, 48 770 150 (2016: 8 280 272) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	12 266 186	1 291 726
2 months past due	19 103 910	5 214 588
3 months past due	17 400 054	1 773 958

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables were impaired 2017 R146 246 538 (2016: 151 923 048) were impaired and provided for.

The amount of the provision was R862 469 957 - as of 30 June 2017 (2016: 723 755 826).

The ageing of these loans is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Receivables from exchange transactions (continued)

Reconciliation of impairment allowance of trade and other receivables

Opening balance	(723 755 826)	(575 166 538)
Provision for impairment	(138 714 131)	(169 020 828)
Amounts written off as uncollectible	-	18 931 540
Unused amounts reversed	-	1 500 000
	(862 469 957)	**(723 755 826)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit .

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Included in the provision for impairment above is an amount of R8 440 518 (2016: R8 440 518) which relates to Madibeng Local Municipality.

8. Receivables from non-exchange transactions

Government grants and subsidies	648 011 564	391 499 836

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions

Receivables from non-exchange transactions		
City of Tshwane Metropolitan Municipality: Operational Losses	588 998 982	371 924 629
City of Tshwane Metropolitan Municipality: Waste Water Treatment Works	35 055 369	19 575 207
	624 054 351	**391 499 836**

9. VAT receivable

VAT	-	2 082 835

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	11 064	12 144
Bank balances	11 616 159	2 231 267
	11 627 223	**2 243 411**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
ODI 32250738 - Standard Bank - Current Account	15 272 865	1 973 429	382 346	11 208 607	1 938 218	376 111
ODI 31906842 - Standard Bank - Salary Account	335 059	294 635	1 196 499	335 059	258 788	1 164 140
ODI 738717959 - Standard Bank - Call Account	72 493	34 261	17 806 359	72 493	34 261	17 806 359
SWA 4051139634 - ABSA - Current Account	-	-	2 769 397	-	-	2 750 620
SWA 9074185817 - ABSA - Money Market Account	-	-	174 297	-	-	169 990
Total	**15 680 417**	**2 302 325**	**22 328 898**	**11 616 159**	**2 231 267**	**22 267 220**

11. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Net Movement	Total
Leave Pay Provision	7 608 654	2 029 966	9 638 620

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay Provision	5 132 422	3 173 056	(696 824)	7 608 654

The provisions relate to leave pay provision.

12. Payables from exchange transactions

	2017	2016
Trade payables	34 298 580	37 255 502
Salary Control Account	6 000	1 096 250
Accrued bonus: 13th Cheque	2 035 094	2 040 100
Accrual for Water Purchases	609 832 440	351 646 144
Other payables	1 025 293	7 060 084
	647 197 407	**399 098 080**

All current liabilities will be settled within 12 months. Suppliers are paid within 30 days from Invoice date.

The table below show the Accrued Bonus 13th cheque movement reconciliation.

Figures in Rand	2017	2016
Accrued Bonus - 13th Cheque		
Opening Balance	2 040 100	1 838 990
Additions	2 035 094	3 581 687
Utilised / Reversed during the year	(2 040 100)	(3 380 577)
	2 035 094	**2 040 100**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. VAT payable

VAT payables	9 369 958	-

14. Consumer deposits

Water	4 008 266	3 966 091

15. Revenue

Water Income	169 778 839	192 383 167
Other income	51 982	2 695 598
Interest Earned	64 901 250	45 613 127
Government grants & subsidies	296 509 991	273 149 313
	531 242 062	**513 841 205**

The amount included in revenue arising from exchanges of goods or services are as follows:

Water and Sanitation Income	169 778 839	192 383 167
Other income	51 982	2 695 598
Interest received	64 901 250	45 613 127
	234 732 071	**240 691 892**

The amount included in revenue arising from non-exchange transactions is as follows:
Taxation revenue
Transfer revenue

Government grants & subsidies	296 509 991	273 149 313

16. Other Income

Other Income	51 982	2 695 598

The amount included in other revenue arising from exchanges of goods or services are as follows:

Sundry income	51 982	1 379 808
Bad debts recovered	-	1 315 790
	51 982	**2 695 598**

17. Interest Earned

Interest revenue

Interest from Bank	375 086	727 821
Interest charged on trade receivables	64 526 164	44 885 306
	64 901 250	**45 613 127**

18. Government grants and subsidies

Operating grants

Operational Losses Subsidy	296 509 991	273 149 313

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Employee related costs

Basic	69 794 945	65 120 648
Bonus	4 371 776	4 233 901
Medical aid - company contributions	9 313 206	8 927 422
UIF	455 474	423 003
WCA	600 773	630 558
SDL	808 208	768 854
Leave pay provision charge	3 124 983	3 173 056
Group Life Insurance	4 391 962	4 107 633
Housing Bond Subsidies	839 658	817 517
Company Contributions - Provident Fund	6 302 510	6 005 044
	100 003 495	**94 207 636**

20. Depreciation and amortisation

Property, plant and equipment	1 888 024	1 782 949

21. Debt impairment

Debt impairment	146 246 538	151 923 048

22. General expenses

Advertising	19 504	113 362
Auditors remuneration	1 452 252	1 351 327
Bank charges	453 449	472 911
Cleaning	285 415	1 322 779
Computer expenses	17 736	221 052
Consulting and professional fees	1 625 258	2 767 319
Delivery expenses	3 604	5 826
Donations	3 197	37 845
Entertainment	59 316	122 348
Insurance	1 164	114 888
Motor vehicle expenses	1 138 907	966 402
Postage and courier	10 547	15 504
Printing and stationery	156 460	259 102
Protective clothing	69 057	565 462
Security Costs	11 382 442	9 228 554
Staff welfare	123 008	228 074
Subscriptions and membership fees	11 669	18 725
Telephone and fax	1 430 104	1 477 920
Training	47 365	490 422
Travel - local	6 381	56 022
Refuse	731	-
Water and Electricity	560 983	700 620
Repairs and Maintenance	3 204 122	4 090 034
Garden Service	518 510	57 953
Board Fees	1 008 144	1 028 840
Raw materials consumed	2 614 038	3 157 301
Billing charges	4 365 517	6 013 571
Chemicals	78 400	-
Other expenses	1 736 683	1 092 009
	32 383 963	**35 976 172**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Cost of sales

Sale of goods		
Bulk water purchases	226 329 388	209 862 624
Sewer purification cost	402 064	2 428 729
Electricity	729 316	8 487 906
	227 460 768	**220 779 259**

24. Auditors' remuneration

Fees	-	16 236
Adjustment for previous year	1 452 252	1 335 091
	1 452 252	**1 351 327**

25. Operating Surplus

Operating surplus for the year is R16 182 961.89

Operating lease charges		
Premises		
• Straight Lined Expenses	2 111 476	3 053 318
Motor vehicles		
• Straight Lined Expenses	2 391 086	2 468 857
Equipment		
• Straight Lined Expenses	236 954	262 017
Plant and equipment		
• Straight Lined Expenses	1 780 687	1 415 758
	6 520 203	**7 199 950**

Loss on disposal of property, plant and equipment	(448 554)	-
Depreciation on property, plant and equipment	1 888 024	1 782 949
Employee costs	100 003 495	94 207 636

26. Cash generated from (used in) operations

Surplus	16 182 963	1 627 616
Adjustments for:		
Depreciation and amortisation	1 888 024	1 782 949
Loss on disposal of assets	448 554	-
Debt impairment	146 246 538	151 923 048
Movements in operating lease assets and accruals	(671 493)	36 332
Movements in provisions	2 029 966	2 476 232
Other non-cash items	1 126 631	-
Changes in working capital:		
Inventories	(336 755)	1 177
Receivables from exchange transactions	(13 938 949)	3 519 462
Debt Impairment	(146 246 538)	(151 923 048)
Other receivables from non-exchange transactions	(256 511 728)	(272 927 604)
Payables from exchange transactions	248 099 329	244 356 222
VAT	11 452 793	413 885
Unspent conditional grants and receipts	-	(278 854)
Consumer deposits	42 175	209 954
	9 811 510	**(18 782 629)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	40 285 610	40 285 610
Other receivables from non-exchange transactions	624 054 351	624 054 351
Cash and cash equivalents	11 627 223	11 627 223
	675 967 184	**675 967 184**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	645 160 080	645 160 080
Consumer Deposits	4 008 266	4 008 266
Bonus Accrual - 13th Cheque	2 035 094	2 035 094
	651 203 440	**651 203 440**

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 948 436	8 948 436
Other receivables from non-exchange transactions	201 210	201 210
City of Tshwane Metropolitan Municipality: Operational Losses	371 924 629	371 924 629
Cash and cash equivalents	2 243 411	2 243 411
City of Tshwane Metropolitan Municipality: Wase Water Treatment Works	19 575 206	19 575 206
	402 892 892	**402 892 892**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	397 057 982	397 057 982
Consumer Deposits	3 966 091	3 966 091
Bonus Accrual - 13th Cheque	2 040 010	2 040 010
	403 064 083	**403 064 083**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Commitments

Commitments

Minimum lease payments due		
- within one year	445 852	30 779 582
- in second to fifth year inclusive	252 389	8 228 884
	698 241	**39 008 466**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Sandspruit Works Association has a financial commitment resulting from multi year contracts. The following contracts existed at year end and are of a variable nature:

Cambridge Energy Efficiency Solution R8 010 360.00

Swamdla Trading and Projects - price varies

Mosekate Trading and Projects - price varies

Outstanding Orders R765 029.41

29. Contingencies

As at 30 June 2017, the case of the dismissed CEO had been referred for Arbitration at Commission for Conciliation Mediation and Arbitration (CCMA). The outcome of case is unknown and any possible amount that could be paid as result is also unknown.
Sunsequent to a disciplinary hearing that resulted in dismissal, Mboneni Manzere has appealed the sanction in his case whose outcome and any possible amount that could be paid is unknown.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Related parties

Relationships

Directors	Refer to directors' report note 32
Parent Municipality	City of Tshwane Metropolitan Municipality

Since Housing Company Tshwane and Tshwane Economic Development Agency are within the common control of the parent municipality (CTMM), these are considered to be related parties to Sandspruit Works Association.

In addition, SWA been the entity of the City of Tshwane Municipality (CTMM) , receives certain services at no cost from the CTMM. These services includes the following:

Internal Audit Services,
Audit and Performance Services,
Risk Management Services,
Use of Group ICT assistance in the development of website, improvements in network connectivity,
Insurance Management,
QPR - Performance Management Solution,
mCSOA implmentation, and

Subsequent to the withdrawal of Executive Head of Shareholder Representative as Acting CEO, the Acting Divisional Head of Water and Sanitation was then seconded as Acting CEO. The amount paid to her has been disclosed in the Senior Manager and Directors' Emoluments

Related party balances

	2017	2016
Loan accounts - Owing (to) by related parties		
CTMM Sanitation Losses	(34 298 530)	(34 298 530)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
CTMM Operation Loss Account	5 463 189	17 164 741
CTMM Waste Water Treatment Works	35 055 369	19 575 206
CTMM Water Accounts	10 492 381	9 864 216

Related party transactions

	2017	2016
Interest paid to (received from) related parties		
Sales to CTMM - Water Accounts	(180 268 478)	(77 231 693)
Purchases from (sales to) related parties		
Bulk Water Purchases	226 329 388	209 862 624
Electricity Purchases	729 316	3 113 744
Grant Subsidies Received		
Subsidy Receive from CTMM - Water Account	(232 432 192)	(238 095 186)
Subsidy Received from CTMM - WWTW division	43 062 700	(35 054 126)
Salaries of employees seconded from CTMM		
BZB Zwedala ACEO	1 074 534	-
AT Phiri ACFO	688 860	-

Note:Salaries for ACEO and ACFO seconded from CTMM are from 1 August 2016 and 1 September 2016 respectively as the amount diclosed above cover for the period from the secondment date to 30 June 2017.

31. Directors' emoluments

Executive Director and Senior Management

2017

	Basic Salary	Vehicle Allowance	Performance & Bonus & or 13th Cheque	Medical and Retirement fund Contributions	Other Allowances and Contribution	Total
Acting Chief Financial Officer	-	-	-	-	71 232	71 232
Operations Manager	608 248	230 808	50 814	200 433	87 086	1 177 389
Chief Financial Officer	107 844	37 988	35 948	29 913	224 096	435 789
Human Resources Manager	590 244	230 808	49 310	182 989	104 500	1 157 851
Legal Manager	245 074	95 834	45 200	63 149	483 788	933 045
Risk Manager	590 244	230 808	49 310	177 581	71 118	1 119 061
Marketing and Communications Manager	590 244	230 808	49 310	189 310	72 593	1 132 265
ICT Manager	581 588	230 808	48 595	187 540	94 677	1 143 208
Company Secretary	482 592	201 984	40 216	119 956	49 319	894 067
Acting Chief Executive Officer	-	-	-	-	108 485	108 485
	3 796 078	**1 489 846**	**368 703**	**1 150 871**	**1 366 894**	**8 172 392**

2016

	Emoluments	Other benefits*	Pension paid or receivable	Compensation for loss of office	Gains on exercise of options	Total
Chief Executive Officer	560 874	56 307	-	-	184 749	801 930
Operations Manager	572 114	215 094	47 221	187 343	93 850	1 115 622
Chief Financial Officer	605 846	215 094	50 870	160 878	115 061	1 147 749
Human Resources Manager	550 051	215 094	45 823	166 635	80 798	1 058 401
Legal Manager	550 051	215 094	45 823	137 255	79 906	1 028 129
Risk Manager	550 051	215 094	45 823	158 969	63 473	1 033 410
Marketing and Communications Manager	555 277	215 094	45 823	175 567	59 507	1 051 268
Deputy Chief Financial Officer (Acting CFO)	542 741	215 089	23 736	171 502	77 869	1 030 937
	455 280	194 701	20 610	115 124	47 448	833 163
	-	-	-	-	98 462	98 462
	4 942 285	**1 756 661**	**325 729**	**1 273 273**	**901 123**	**9 199 071**

Non-executive

2017

	Directors' fees	Committees fees	Directors' fees for services as directors' of subsidiaries	Other fees (Consultancy fees to subsidiary)	Total
ZN Kabini (Non Executive Chairperson)	152 304	106 000	18 704	16 032	293 040
CV Maboka (Non Executive)	42 752	27 000	-	72 144	141 896
LN Bokaba (Non Executive)	42 752	27 000	-	66 800	136 552
Adv BM Malatji (Non Execuitve)	90 848	54 000	-	72 144	216 992
AZ Ndlala (Non Execuitve)	90 848	54 000	-	74 816	219 664
	419 504	**268 000**	**18 704**	**301 936**	**1 008 144**

31. Directors' emoluments (continued)

2016

	Directors' fees	Committees fees	Directors' fees for services as directors' of subsidiaries	Other fees (Consultancy fees to subsidiary)	Total
Adv KD Garlip (Non Executive)	-	53 000	-	-	53 000
CV Maboka (Non Executive)	74 816	27 000	-	96 192	198 008
LN Bokaba (Non Executive)	72 144	27 000	-	85 504	184 648
TL Moromane (Non Executive)	32 064	-	-	26 720	58 784
ZM Kabini (Non Executive: Chairperson)	117 568	-	50 768	37 408	205 744
Adv BM Malatji (Non Execuitve)	74 816	-	-	64 128	138 944
TL Moromane (Non Executive)	74 816	-	-	114 896	189 712
	446 224	**107 000**	**50 768**	**424 848**	**1 028 840**

32. Change in estimate

Other 1

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

During the current year, there were no changes in accounting estimates

33. Prior period errors

The useful lives and residual values were not appropriately considered in the previous financial years hence the prior year error corrections

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	3 552 323	-
Intangible	18 097	-
Opening Accumulated Surplus or Deficit	3 570 421	-

34. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity’s financial performance. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk.

34. Risk management (continued)

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Column Heading	Column Heading	Due in Less than a year	Total
Trade and other payables	-	-	645 160 080	645 160 080
Consumer Deposits	-	-	4 008 266	4 008 266
Bonus Accrual - 13th Cheque	-	-	2 035 094	2 035 094
Total	-	-	651 203 440	651 203 440

At 30 June 2016	Column Heading	Column Heading	Due in less than a year	Total
Trade and other payables	-	-	397 362 598	397 362 598
Consumer Deposits	-	-	3 966 091	3 966 091
Bonus Accrual - 13th Cheque	-	-	2 040 010	2 040 010
Total	-	-	403 368 699	403 368 699

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Trade receivables	40 285 611	8 948 436
City of Tshwane Metropolitan Municipality: Operational Losses	-	371 924 630
City of Tshwane Metropolitan Municipality: Waste Water Treatment Works	-	19 575 206
Other Receivables	624 054 351	201 210
Cash and Cash Equivalent	11 627 233	2 243 411

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Annual Financial Statements

Figures in Rand

35. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. All business functions, assets, liabilities and personnel will be transferred to the City of Tshwane Meropolitan Municipality as of 01 July 2017 following council resolution to dissestablish SWA.

36. Events after the reporting date

City of Tshwane Metropolitan Municipality has appointed a liquidator from Malatji Geldenhys attorney to oversee the liquidation process of SWA. Furthermore, D Diale and Y Pillay have been appointed as independent non-executive board members effective from 1 July 2017.

37. Fruitless and wasteful expenditure

Opening Balance	273 407	180 000
Add: Fruitless and wasteful expenditure - current year	554	8 040
Less: Amount condoned during the year	-	85 367
	273 961	**273 407**

Finance costs costitute the fruitless and wasteful expenditure resulting from late payment of rent due to non availability of contract, which caused late payment of the invoice.

38. Irregular expenditure

Opening balance	42 813 752	31 242 944
Add: Irregular Expenditure - current year	181 260	11 779 804
Less: Amount condoned during the year	-	(208 996)
	42 995 012	**42 813 752**

Analysis of expenditure awaiting condonation per age classification

Current year	181 260	24 324 543
Prior years	-	31 242 944
	181 260	**55 567 487**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Removal of office furniture from NTI building to Regional office	None awaiting condonation	181 260

39. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Notes to the Annual Financial Statements

Figures in Rand

39. Reconciliation between budget and statement of financial performance (continued)

Net surplus per the statement of financial performance	16 182 963	1 627 616
Adjusted for:		
Over/ (Under) budget on sanitation	4 672 574	5 749 486
Over / (Under) budget on water revenue	48 609 144	77 431 322
Over / (Under) budget on other income	28 363 424	231 662
Over / (Under) budget on interest on external ivestments	624 914	(77 820)
Over / (Under) budget on interest earned on debtors	(13 578 941)	(10 661 304)
Over / (Under) budget on operational losses subsidy	(102 554 791)	(100 209 215)
Over / (Under) budget on personnel costs	9 185 652	(10 177 909)
Over / (Under) budget on remuneration of board of directors	(71 984)	(172 408)
Over / (Under) budget on depreciation and amortisation	1 888 025	182 949
Over / (Under) budget on finance costs	-	85 369
Over / (Under) budget on debt impairment	85 431 627	107 491 760
Over / (Under) budget on collection costs	(2 154 460)	(3 283 223)
Over / (Under) budget on other material	(7 928 703)	(16 509 202)
Over / (Under) budget on bulk purchases	18 455 966	28 143 210
Over / (Under) budget on contracted services	(27 683 532)	2 890 112
Over / (Under) budget on general expenses	(54 448 627)	(82 742 405)
Over / (Under) budget on disposal of PPE	448 554	-
Net surplus per approved budget	**5 441 805**	**-**

40. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating activities		
Actual amount as presented in the budget statement	9 811 509	(18 782 629)
Undefined Difference	1	-
Net cash flows from operating activities	**9 811 510**	**(18 782 629)**
Investing activities		
Actual amount as presented in the budget statement	(427 698)	(1 253 324)
Undefined Difference	-	73
Net cash flows from investing activities	**(427 698)**	**(1 253 251)**
Net cash generated from operating, investing and financing activities	**9 383 812**	**(20 035 880)**

41. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1 452 252	1 351 327
Amount paid - current year	(1 452 252)	(1 351 327)
	-	-

PAYE and UIF

Opening balance	(1 036 361)	(1 151 500)
Current year subscription / fee	(14 823 086)	(14 898 537)
Amount paid - current year	15 859 447	15 013 676
	-	**(1 036 361)**

Notes to the Annual Financial Statements

Figures in Rand

41. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	(28 481 604)	(26 969 982)
Amount paid - current year	28 481 604	26 969 982
	-	-

VAT

VAT receivable	-	2 082 835
VAT payable	9 369 958	-
	9 369 958	**2 082 835**

VAT output payables and VAT input receivables are shown in note 14

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Rammishi JP	524	1 864	2 388
Kgatle TF	1 394	3 143	4 537
Thema F	517	67	584
Dlamini SF	134	8 101	8 235
Mutumane ED	1 098	8 656	9 754
Lehobye D	1 648	13 882	15 530
Sindane J	2 347	25 300	27 647
Motaung	5 911	70 553	76 464
	13 573	**131 566**	**145 139**

30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mampheko AM	782	9 946	10 728
Cllr Motsepe RH	193	22 844	23 037
Cllr Rammushi JP	727	8 278	9 005
Cllr Sekonya MD	85	819	904
Cllr Sindane JM	1 107	21 328	22 435
Cllr Sesoko	7	73	80
	2 901	**63 288**	**66 189**

Notes to the Annual Financial Statements

41. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency pipeline repairs	-	287 377
Upgrading of electricity services	-	660
Supply of Caseware: Sole Supplier	-	46 903
Variuos Emergencies at WWTW	-	441 706
Cot venue hire	-	18 132
	-	**794 778**

42. Material Losses

Non Revenue Water		
Non Revenue Water	58 454 858	45 225 873

The entity suffered signifacant water loss of 6 967 206 kilolitres (2016: 6 038 167) with a net value of R58 454 858 (2016: 45 225 873)

Water is supplied to the ODI service delivery area from Rand Water through three bulk supply pipelines by the means of gravity flow . Monthly meter readings of supply are used to monitor the total gross supply and monthly meter readings of water exported to the neighbouring municipalities are used to calculate the net water input into the ODI areas.

Water loss management in the ODI area of supply is monitored, managed and controlled by the implementation of the Water. Conservation and Water Demand Management strategies. The primary outcome of these strategies is to reduce:
1. Technical Losses (where not all water supplied reaches the consumer)
2. Financial Losses (where not all water reaching the consumer is measured and paid for)

These losses are caused by:
(a) Real Losses (physical loss of water from the system) and
(b) Apparent Losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorized consumption).

From the above, water losses in the ODI is determined by calculating the amount of Non-Revenue Water (NRW) which is the difference of the volume of water supplied into the system and the billed consumption.

Activities undertaken by the ODI Management involve the continuous investigation into various factors leading to water loss, and the implementation of various initiatives to assist with the reduction of non-revenue water.
The initiatives included the following:
1 Network analysis of existing systems
2 Monitoring and logging of pressures and flows
3 Engineering investigations in problematic areas
4 Pressure management: Installation and setting of PRV’s
5 Domestic and commercial meter audits and meter replacements
6 Active leak detection by locating water leaks using various methods and equipment
7 Continuous meter audits
8 Monitoring the reservoir
9 Monitoring housing developments & Capital projects
10 Data cleansing exercises are also undertaken to preserve the integrity of the data

Notes to the Annual Financial Statements

Figures in Rand

43. Regulation 45

As per section 45 of the MFMA SCM regulations, awards to close family members of persons in the service of the state the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 12 months indicating:
1. The name of that person
2. The capacity in which that person is in the service of the state/municipality; and
3. The amount of the award.

The information regarding awards made for the financial year is indicated below:

No awards were made in contravention of regulation 45.

44. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

Revenue and Other Income:

The water revenue and sanitation was billed in line with the budget. The differences is attributed to Authority billing and Indigent rebates.

The Operational Losses subsidy was overbilled due to declining revenue collections mainly attributed to residential consumers and indigent consumers who consume in excess of the allocated 12KL and this resulted in increased interest earned from debtors. More interest was earned on the call account investment.

The other revenue had a variance of R 28 359 735.43 as less money was collected from Madibeng Local Municipality than was budgeted.

Expenditures:

Declining revenue collections resulted in excess spending of debtors impairment. This declining collection levels further resulted in underspending in general expenditures due to reprioritisation in spending in order to manage the cashflows.

During the current year there was a overspending in Personnel costs due to acting allowane and overtime.

The bulk water purchases has underspent due to financial constrains

The other materials has underspent due to financial constrains.

There was underspending of contracted services due to the termination of contracts as a result of council resolution of 27 October 2016.

Notes to the Annual Financial Statements

44. Budget differences (continued)

Debt impairment was overspent due to declining collection levels. Debt Collection strategy has been approved by the board together with the implmentation plan aimed at improving the recovery levels.

Statement of Financial Position

Assets:

The deficit in cash and cash equivalents is due to declining collection levels which also resulted in an increase in debtors impairment. There was an increase in other debtors as a result of the amount billed to CTMM for the operational lossess subsidy.

The variance on receivables was due to non-payment of all Operational Grant subsidy by the CTMM.

The variance on property, plant and equipment is mainly due to disestablishment of SWA as per council resolution of 27 October 2016.

Liabilities:

The liabilities are over budgeted due to declining collection levels. CTMM still remains the major creditor for SWA. Due to non payment of all the Operational Grant susbidy, the entity was then unable to service its debt of Bulk Water purchases owed to the CTMM .

Cashflow Statement

The material differences exists due to declining revenue collection levels and reprioritisation in spending levels to better manage the cash flow.

The variance on cash collected from Operational Grant subsidy declined in comparison to the prior year due to non-payment of all Operational Grant Subsidy.

Detailed Income statement

Figures in Rand	Note(s)	2017	2016
Revenue			
Water Revenue		169 778 839	192 383 167
Other income		51 982	2 695 598
Interest received - investment		64 901 250	45 613 127
Government grants & subsidies	18	296 509 991	273 149 313
Total revenue		**531 242 062**	**513 841 205**
Expenditure			
Employee related costs	19	(100 003 495)	(94 207 636)
Depreciation and amortisation	20	(1 888 024)	(1 782 949)
Finance costs		(554)	(85 367)
Lease rentals on operating lease		(6 520 203)	(7 199 950)
Debt Impairment	21	(146 246 538)	(151 923 048)
Collection costs		(107 000)	(259 208)
Sale of goods/Inventory		(227 460 768)	(220 779 259)
General Expenses	22	(32 383 963)	(35 976 172)
Total expenditure		**(514 610 545)**	**(512 213 589)**
Operating surplus	25	**16 631 517**	**1 627 616**
Loss on disposal of assets and liabilities		(448 554)	-
Surplus for the year		**16 182 963**	**1 627 616**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016											2016/2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	179 631 622	-	179 631 622	-		179 631 622	131 022 477		(48 609 145)	73 %	73 %				-
Service charges - sanitation revenue	54 819 828	-	54 819 828	-		54 819 828	50 147 255		(4 672 573)	91 %	91 %				-
Service charges - refuse revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	1 000 000	-	1 000 000	-		1 000 000	375 086		(624 914)	38 %	38 %				727 821
Interest earned - outstanding debtors	50 870 090	-	50 870 090	-		50 870 090	64 449 030		13 578 940	127 %	127 %				44 885 306
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	172 940 100	-	172 940 100	-		172 940 100	275 494 891		102 554 791	159 %	159 %				-
Other revenue	61 873 469	(33 250 954)	28 622 515	-		28 622 515	259 090		(28 363 425)	1 %	- %				468 228 077
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**521 135 109**	**(33 250 954)**	**487 884 155**	**-**		**487 884 155**	**521 747 829**		**33 863 674**	**107 %**	**100 %**				**513 841 204**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	116 684 647	(26 660 043)	90 024 604	-	-	90 024 604	99 210 257	-	9 185 653	110 %	85 %	-	-	-	94 207 636
Remuneration of councillors	2 075 830	(995 701)	1 080 129	-	-	1 080 129	1 008 144	-	(71 985)	93 %	49 %	-	-	-	-
Debt impairment	56 762 484	-	56 762 484		-	56 762 484	146 246 538	-	89 484 054	258 %	258 %	-	-	-	151 923 048
Depreciation & asset impairment	3 130 000	-	3 130 000		-	3 130 000	1 888 025	-	(1 241 975)	60 %	60 %	-	-	-	1 782 949
Collection costs	-	-	-	-	-	-	975 540	-	975 540	DIV/0 %	DIV/0 %	-	-	-	85 367
Bulk purchases	207 873 422	-	207 873 422	-	-	207 873 422	226 329 388	-	18 455 966	109 %	109 %	-	-	-	-
Other materials	10 979 747	-	10 979 747	-	-	10 979 747	3 051 044	-	(7 928 703)	28 %	28 %	-	-	-	-
Contracted services	47 561 959	(950 000)	46 611 959	-	-	46 611 959	18 928 427	-	(27 683 532)	41 %	40 %	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	76 067 020	(4 645 210)	71 421 810	-	-	71 421 810	16 973 183	-	(54 448 627)	24 %	22 %	-	-	-	264 214 586
Loss on disposal of PPE	-	-	-	-	-	-	448 554	-	448 554	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**521 135 109**	**(33 250 954)**	**487 884 155**	**-**	**-**	**487 884 155**	**515 059 100**	**-**	**27 174 945**	**106 %**	**99 %**	**-**	**-**	**-**	**512 213 586**
Surplus/(Deficit)	**-**	**-**	**-**	**-**		**-**	**6 688 729**		**6 688 729**	**DIV/0 %**	**DIV/0 %**				**1 627 618**
Transfers recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**-**	**-**	**-**	**-**		**-**	**6 688 729**		**6 688 729**	**DIV/0 %**	**DIV/0 %**				**1 627 618**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**-**	**-**	**-**	**-**		**-**	**6 688 729**		**6 688 729**	**DIV/0 %**	**DIV/0 %**				**1 627 618**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**-**	**-**	**-**	**-**		**-**	**6 688 729**		**6 688 729**	**DIV/0 %**	**DIV/0 %**				**1 627 618**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**6 688 729**		**6 688 729**	**DIV/0 %**	**DIV/0 %**				**1 627 618**

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2017

	2017/2016								2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	284 602 000	-	284 602 000	284 602 000	94 967 245	(189 634 755)	33 %	33 %	(119 887 983)
Government - operating	172 940 098	-	172 940 098	172 940 098	34 357 716	(138 582 382)	20 %	20 %	-
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	17 000 000	-	17 000 000	17 000 000	375 086	(16 624 914)	2 %	2 %	45 613 127
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(462 166 439)	-	(462 166 439)	(462 166 439)	(119 887 983)	342 278 456	26 %	26 %	761 048 211
Finance charges	-	-	-	-	(554)	(554)	DIV/0 %	DIV/0 %	85 367
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	**12 375 659**	**-**	**12 375 659**	**12 375 659**	**9 811 510**	**(2 564 149)**	**79 %**	**79 %**	**686 858 722**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	-	-	-	-	(52 611)	(52 611)	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	**-**	**-**	**-**	**-**	**(52 611)**	**(52 611)**	**DIV/0 %**	**DIV/0 %**	**-**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	41 098
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	209 955
Payments									
Repayment of borrowing	-	-	-	-	(546 154)	(546 154)	DIV/0 %	DIV/0 %	(4 765)
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**(546 154)**	**(546 154)**	**DIV/0 %**	**DIV/0 %**	**246 288**
Net increase/(decrease) in cash held	**12 375 659**	**-**	**12 375 659**	**12 375 659**	**9 212 745**	**(3 162 914)**	**74 %**	**74 %**	**687 105 010**
Cash/cash equivalents at the year begin:					2 243 411				22 279 364
Cash/cash equivalents at the year end:	**12 375 659**	**-**	**12 375 659**	**12 375 659**	**11 456 156**	**(3 162 914)**	**93 %**	**93 %**	