

**JOE GQABI ECONOMIC
DEVELOPMENT AGENCY (SOC) LTD**



FINANCIAL STATEMENTS

30 JUNE 2013

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

General information

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Nature of business and principal activities:	Stimulate Economic Growth
Registered office:	27 Dan Pienar Road Aliwal North 9750
Holding entity:	Joe Gqabi District Municipality
Bankers:	ABSA Bank
Auditors:	Office of the Auditor General (Eastern Cape)
Company registration number:	2009/013144/07

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

Index

<i>INDEX</i>	<i>Page</i>
Directors' Responsibilities and Approval	1
Directors' Report	2 - 3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8
Accounting Policies	9 - 31
Notes to the Financial Statements	32 - 42

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 2008 as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and the Companies Act of South Africa, 2008 as amended, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the Entity's cash flow forecast for the year ending 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently providing reasonable assurance by reviewing and reporting on the Entity's annual financial statements.

The annual financial statements set out on pages 4 to 42, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:



30 August 2013

V Zitumane

Date



30 August 2013

N Moleko

Date

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

DIRECTORS' REPORT

The directors submit their report for the year ended 30 June 2013.

1 Main business and operations

The main objectives of the Entity are to stimulate economic growth in the Joe Gqabi district through promotion of entrepreneurial activity, leveraging of business development support and facilitation of investment into strategic economic sectors and spatial nodes.

2 Going concern

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

The Entity ability to function as an going concern in the foreseeable future is to a large extent dependant on continued support from the Joe Gqabi District Municipality.

3 Events after the reporting date

The directors refer to note 28 regarding the Senqu plastics project that was transferred to the Entity after reporting date

4 Directors

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

Name	Nationality	Appointment date	Resignation date
M M Yawa	RSA	2010/06/06	-
K Gashi	RSA	2010/06/01	-
N Moleko	RSA	2011/01/01	-
T A Mawonga	RSA	2010/06/01	-
S C Qongo	RSA	2011/01/01	-
N Skweyiya	RSA	2011/01/01	-
Z P Zeka	RSA	2011/01/01	2013/02/28
M P Nonjola	RSA	2010/06/01	-
V Zitumane	RSA	2010/12/17	-
N Mhlaba	RSA	2012/03/29	-
C Sam	RSA	2012/03/30	-
J van Zyl	RSA	2012/04/01	2012/09/26

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

DIRECTORS' REPORT (continued)

5 Holding company

The company's holding entity is Joe Gqabi District Municipality, that owns 100% of the issued shares.

6 Auditors

Office of the Auditor General (Eastern Cape) will continue in office in accordance with the Municipal Finance Management Act. (MFMA)

7 Current Activities

JoGEDA was established in 2009 and the first three years had been spent in establishing the institutional framework and various processes and systems. The Board of Directors was then appointed and took the institution from where it was, which was the pre-establishment phase into operationalization, through the appointment of the Chief Executive Officer in December 2011.

The last financial year has been spent on ensuring that there is an approved strategic plan and operational plan, which would be used as a basis of measuring the performance and impact of the agency. Whilst implementing the strategy, the Board of Directors have continuously ensured that there proper governance and compliance to various prescripts and policies that govern the agency. The Agency's strategy and operational plan incorporate a risk portfolio and plan of the agency and this is managed proactively and effectively.

The Agency is in its first year of operations and during this period it managed to build capacity and implement some of its project to mention few. Senqu plastic was transferred to the Agency, Feasibility studies were conducted for Elundini and Gariiep Middle income Housing.

8 Future activities and prospects

The Agency's strategy and operational plan outline the project portfolio and plan of the agency in the new financial year. The Board and management will work proactively and effectively to ensure the implementation of the operations plan. The project portfolio covers tourism, light manufacturing, agro-processing, property development and enterprise development. The intent is ensuring private sector investment in the region is enhanced, increasing both gross value add and impacting positively on job creation. Continued partnerships with Local and the District Municipalities will be crucial, particularly with respect to infrastructure management in successfully managing the project portfolio.

The Board of Directors will also continue to ensure compliance to policies and various prescripts as mandated by the regulatory framework within which JoGEDA operates. It will remain active in ensuring that effective governance procedures and internal systems are adhered to as the institution grows.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2013 R	Restated 2012 R
NET ASSETS AND LIABILITIES			
Net Assets		1,906,884	3,095,004
Share capital	2	100	100
Contribution from owners	3	6,886,071	6,886,071
Accumulated deficit		(4,979,287)	(3,791,167)
Current Liabilities		2,769,347	2,581,651
Current employee benefits	4	181,615	71,227
Payables from exchange transactions	5	1,568,521	-
Unspent conditional government grants and receipts	6	606,248	2,192,982
South African Revenue Services	7	412,963	317,442
Total Net Assets and Liabilities		4,676,231	5,676,655
ASSETS			
Non-Current Assets		1,802,998	2,493,797
Property, plant and equipment	8	272,015	242,427
Investment property	9	1,528,115	2,251,370
Intangible assets	10	2,868	-
Current Assets		2,873,233	3,182,858
Receivables from exchange transactions	11	750	750
Cash and cash equivalents	12	2,872,483	3,182,108
Total Assets		4,676,231	5,676,655

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	Restated 2012 R
REVENUE			
Revenue from non-exchange transactions		4,024,015	599,123
Government grants and subsidies	13	4,024,015	599,123
Revenue from exchange transactions		94,652	34
Interest earned - external investments		90,441	34
Third Party Payments		4,211	-
Total Revenue		4,118,667	599,157
EXPENDITURE			
Employee related costs	14	2,154,167	682,394
Remuneration of directors	15	171,950	225,750
Depreciation and amortisation	16	47,954	45,378
Impairments	17	712,528	1,707
Repairs and maintenance		5,928	-
Finance charges		9,375	-
General expenses	18	2,202,482	1,591,642
Loss with derecognition of property, plant & equipment		2,406	-
Total Expenditure		5,306,790	2,546,871
Deficit before Taxation		(1,188,123)	(1,947,714)
Taxation	19	-	-
NET DEFICIT FOR THE YEAR		(1,188,123)	(1,947,714)

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Share capital	Contributions from owners	Accumulated deficit	Total
	R	R	R	R
Balance at 1 July 2011	100	4,383,036	(1,843,452)	2,539,684
Contributions from owners	-	2,503,035	-	2,503,035
Net deficit for the year	-	-	(1,947,715)	(1,947,715)
Balance at 30 June 2012	100	6,886,071	(3,791,167)	3,095,004
Net deficit for the year	-	-	(1,188,120)	(1,188,120)
Balance at 30 June 2013	100	6,886,071	(4,979,287)	1,906,884

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	Restated 2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other		4,211	-
Government		2,437,281	2,792,105
Interest earned - external investments		90,441	34
Payments			
Suppliers and employees		(2,760,094)	(2,110,267)
Finance charges		(9,375)	-
Cash generated/(absorbed) by operations	21	(237,536)	681,872
Net Cash flows from operating activities		(237,536)	681,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(69,189)	(2,799)
Purchase of intangible assets		(2,900)	-
Net Cash flows from investing activities		(72,089)	(2,799)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from owners		-	2,503,035
Net Cash flow from financing activities		-	2,503,035
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(309,625)	3,182,108
Cash and cash equivalents at the beginning of the year		3,182,108	-
Cash and cash equivalents at the end of the year	22	2,872,483	3,182,108
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(309,625)	3,182,108

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2013

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	2,836,000	(2,050,000)	786,000	2,873,233	2,087,233
Total non-current assets	2,368,000	(16,000)	2,352,000	1,802,998	(549,002)
Total current liabilities	166,000	2,438,000	2,604,000	2,769,347	165,347
Total non-current liabilities	-	-	-	-	-
TOTAL NET ASSETS	5,038,000	(4,504,000)	534,000	1,906,884	1,372,884

STATEMENT OF FINANCIAL PERFORMANCE

Revenue					
Government grants and subsidies - capital	200,000	(120,000)	80,000	-	(80,000)
Government grants and subsidies - operating	6,900,000	(1,580,000)	5,320,000	4,024,015	(1,295,985)
Interest earned - external investments	-	-	-	90,441	90,441
Other income	1,050,000	(823,000)	227,000	4,211	(222,789)
Total Revenue	8,150,000	(2,523,000)	5,627,000	4,118,667	(1,508,333)
Expenditure					
Employee related costs	3,275,000	(996,000)	2,279,000	2,154,167	(124,833)
Remuneration of directors	452,000	(222,000)	230,000	171,950	(58,050)
Impairments	-	-	-	712,528	712,528
Depreciation and amortisation	-	48,000	48,000	47,954	(46)
Repairs and maintenance	-	-	-	5,928	5,928
Finance charges	5,000	(5,000)	-	9,375	9,375
General expenses	3,875,000	(973,000)	2,902,000	2,202,482	(699,518)
Loss on disposal of property, plant and equipment	-	-	-	2,406	2,406
Total Expenditure	7,607,000	(2,148,000)	5,459,000	5,306,790	(152,210)
Net surplus/(deficit) for the year	543,000	(375,000)	168,000	(1,188,123)	(1,356,123)

CASH FLOW STATEMENT

Net cash flows from operating activities	2,925,000	(1,835,000)	1,090,000	(237,536)	(1,327,536)
Net cash flows from investing activities	(200,000)	120,000	(80,000)	(72,089)	7,911
Net cash flows from financing activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,725,000	(1,715,000)	1,010,000	(309,625)	(1,319,625)

Refer to note 34.01 for explanations of material variances between the original and final budget.

Refer to note 34.02 for explanations of material variances between the final budget and actual amounts.

Material variances are considered to be any variances greater than R50 000.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Entity resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are discussed in the notes that follow.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of Comparison of Budget and Actual Amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- The approved and final budget amounts;
- Actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) have been made.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Entity:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Entity does not have any entities at this stage to be consolidated.	Unknown

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

<p>GRAP 7 (Revised – Mar 2012)</p>	<p>Investments in Associates This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Entity does not have any interest in associates.</p>	<p>1 April 2013</p>
<p>GRAP 8 (Revised – Nov 2010)</p>	<p>Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Entity is not involved in any joint ventures.</p>	<p>Unknown</p>
<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as the Entity does not have any departments or segments at this stage.</p>	<p>Unknown</p>
<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure The objective of this Standard is to ensure that an entity's 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.</p> <p>The Entity resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>IGRAP 11</p>	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Entity does not have any SPE's at this stage.</p>	<p align="center">Unknown</p>
<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Entity does not have any JCE's at this stage.</p>	<p align="center">Unknown</p>

These standards, amendments and interpretations will not have a significant impact on the Entity once implemented.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as an individual investment or part of the general investments of the Entity until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Entity's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.10. EMPLOYEE BENEFITS

1.10.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited.

Accumulated leave is vesting.

1.10.2 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year-end for each employee.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

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 year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired are initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.11.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.11.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<u>Other Assets</u>	<u>Years</u>
Office equipment	5 – 10
Furniture and fittings	7 – 20
Computer equipment	3 - 5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.4 De-recognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.12. INTANGIBLE ASSETS

1.12.1 Initial Recognition

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

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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

The Entity recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Entity has the resources to complete the project;
- it is probable that the Entity will receive future economic benefits or service potential; and
- the Entity can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.12.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5

1.12.4 De-recognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INVESTMENT PROPERTY

1.13.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.13.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	20

1.13.4 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.14.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Entity estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Entity considers the following indications:

- (a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Entity operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.15. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, and payables exchange transactions and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as a financial instrument.

1.15.1 Initial Recognition

Financial instruments are initially recognised when the Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Entity, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.15.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.15.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.15.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.15.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Entity categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.15.3 De-recognition of Financial Instruments

1.15.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Entity could be required to repay.

When continuing involvement takes the form of a written agreement and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Entity's continuing involvement is the amount of the transferred asset that the Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.15.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.15.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.18. CONTRIBUTIONS FROM OWNERS

Ordinary shares are classified as Contributions from owners.

If the Entity reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in surplus/deficit on the purchase, sale, issue or cancellation of the Entity's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.19. REVENUE

1.19.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Entity.

Revenue is measured at the fair value of the consideration received or receivable.

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 present 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 will be recognised as revenue.

1.19.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.20. RELATED PARTIES

The Entity resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Entity:

- (a) A person or a close member of that person’s family is related to the Entity if that person:
- has control or joint control over the Entity;
 - has significant influence over the Entity. Significant influence is the power to participate in the financial and operating policy decisions of the Entity;
 - is a member of the management of the Entity or its controlling entity.
- (b) An entity is related to the Entity if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the Entity or an entity related to the Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a);
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Entity. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Entity, including:

- (a) all members of the governing body of the Entity;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Entity;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Entity; and
- (d) the senior management team of the Entity, including the Chief Executive Officer or permanent head of the Entity, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Entity being the Chief Executive Officer.

Remuneration of management includes remuneration derived for services provided to the Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Entity for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Entity.

The Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

1.21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.22. 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), the Public Office Bearers Act (Act. No. 20 of 1998) or is in contravention of the Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to meet the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.25.1 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

1.25.2 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Entity and other municipal entities to determine the useful life of the assets.

1.25.3 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Entity referred to buildings in other municipal areas to determine the useful life of buildings.
- The Entity also consulted with professional engineers and qualified valuers to support the useful life of buildings.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.25.4 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.25.5 Revenue Recognition

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Entity is satisfied that recognition of revenue in the current year is appropriate.

1.25.6 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.26. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.27. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.28. EVENTS AFTER THE REPORTING DATE

Events after the 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).

If non-adjusting events after the reporting date are material, the Entity discloses the nature and an estimate of the financial effect.

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1.29. TAXATION

1.29.1 *Current tax assets and liabilities*

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

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.29.2 *Deferred tax assets and liabilities*

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.29.3 *Tax expenses*

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

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

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
2 SHARE CAPITAL		
Authorised		
1000 Ordinary shares with a nominal value R1 each	<u>1,000</u>	<u>1,000</u>
Issued		
100 Ordinary shares with a nominal value of R1 each	<u>100</u>	<u>100</u>
All shares are issued in the name of Joe Gqabi District Municipality		
All issued share were fully paid up and there are no restrictions on the share		
3 CONTRIBUTIONS FROM OWNERS		
Opening balance	6,886,071	4,383,036
Contributions for the year	-	2,503,035
Total Contributions from owners	<u>6,886,071</u>	<u>6,886,071</u>
4 CURRENT EMPLOYEE BENEFITS		
Staff bonuses accrued	92,366	49,094
Provision for staff leave	89,249	22,133
Total current employee benefits	<u>181,615</u>	<u>71,227</u>
The movement in current employee benefits is reconciled as follows		
<u>Staff bonuses accrued</u>		
Balance at beginning of year	49,094	-
Contribution to current portior	92,366	49,094
Expenditure incurred	(49,094)	-
Balance at end of year	<u>92,366</u>	<u>49,094</u>
Bonuses are being paid to all staff. This bonus is payable in November of each year or on a pro-rata basis where employment is terminated before then		
<u>Provision for staff leave</u>		
Balance at beginning of year	22,133	-
Contribution to current portior	67,116	22,133
Expenditure incurred	-	-
Balance at end of year	<u>89,249</u>	<u>22,133</u>
Staff leave accrued to employees according to their conditions of service. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.		
5 PAYABLES FROM EXCHANGE TRANSACTIONS		
Joe Gqabi District Municipality	1,568,521	-
Total payables from exchange transactions	<u>1,568,521</u>	<u>-</u>
This balance relates to expenditure incurred by Joe Gqabi District Municipality on behalf of the Entity. These monies are refundable to Joe Gqabi District Municipality and does not form part of the contribution made by the Parent Entity.		
6 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
National government grants - Industrial Development Corporation (IDC)	606,248	2,192,982
Total unspent conditional government grants and receipts	<u>606,248</u>	<u>2,192,982</u>
7 SOUTH AFRICAN REVENUE SERVICES		
VAT Payable	412,963	317,442
Total payable to the South African Revenue Services	<u>412,963</u>	<u>317,442</u>
As previously reported		233,565
Correction of error restatement - note 20.01		83,877
Restated balance		<u>317,442</u>
VAT is payables on the invoice basis.		

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Impairment	Disposals	Closing Balance	
	R	R	R	R	R	R		R	R	
Other Assets	306,239	69,189	(14,800)	360,628	63,812	37,195	-	(12,394)	88,613	272,015
Office Equipment	22,083	7,542	-	29,625	7,100	3,572	-	-	10,672	18,953
Computer Equipment	57,742	61,647	(14,800)	104,589	36,517	21,665	-	(12,394)	45,788	58,801
Furniture and Fittings	226,414	-	-	226,414	20,195	11,958	-	-	32,153	194,261
	306,239	69,189	(14,800)	360,628	63,812	37,195	-	(12,394)	88,613	272,015

The accumulated impairment included in the closing balance is as follows:

Office Equipment	666
Furniture and fittings	1,041
	<u>1,707</u>

There are no assets fully depreciated which are still in use or any assets held for disposal or any temporary idle assets as on date of financial position. No assets were pledged as security

During the current year residual values of certain computer equipment were re-assessed to ensure values are in line with the estimated amounts that the Entity would currently obtain from the disposal of the asset if the assets were already of the age and condition expected at the end of its estimated useful life. The effect on the current as well as future periods are as follow

	2013	2014	2015
Effect on Accumulated Surplus - Decrease/(Increase) in Depreciation	(2,814)	2,814	-
Increase / (Decrease) in Accumulated Depreciation: Property, plant and Equipment	(2,814)	-	-

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Impairment	Disposals	Closing Balance	
	R	R	R	R	R	R		R	R	
Other Assets	303,440	2,799	-	306,239	27,483	34,622	1,707	-	63,812	242,427
Office Equipment	19,284	2,799	-	22,083	3,187	3,247	666	-	7,100	14,983
Computer Equipment	57,742	-	-	57,742	17,217	19,300	-	-	36,517	21,225
Furniture and Fittings	226,414	-	-	226,414	7,079	12,075	1,041	-	20,195	206,219
	303,440	2,799	-	306,239	27,483	34,622	1,707	-	63,812	242,427

The accumulated impairment included in the closing balance is as follows:

Office Equipment	666
Furniture and fittings	1,041
	<u>1,707</u>

There are no assets fully depreciated which are still in use or any assets held for disposal or any temporary idle assets as on date of financial position. No assets were pledged as security

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
9 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	2,251,370	2,262,126
Cost	2,266,534	2,266,534
Accumulated Depreciation	(15,164)	(4,408)
Depreciation for the year	(10,727)	(10,756)
Impairment for the year - note 17	(712,528)	-
Net Carrying amount at 30 June	1,528,115	2,251,370
Cost	2,266,534	2,266,534
Accumulated Depreciation	(25,891)	(15,164)
Accumulated Impairment	(712,528)	-

A council resolution was taken by the Parent Entity to transfer property to the Entity. At date of reporting, this property has not been registered in the name of the Entity.

Investment Property consists of erf 278, 279, 280, 281, 282 and 283 located in Rhodes

No revenue was derived from the rental of investment property

No operating expenditure was incurred on investment property during the 2011/2012 and 2012/2013 financial year.

There are no restrictions on realizing of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

10 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

Cost	-	-
Accumulated Amortisation	-	-
Acquisitions	2,900	-
Amortisation for the year	(32)	-

Net Carrying amount at 30 June

Cost	2,900	-
Accumulated Amortisation	(32)	-

No intangible assets were assessed having an indefinite useful life

There are no internally generated intangible assets at reporting date

There are no intangible assets whose title is restricted

There are no intangible assets pledged as security for liability:

There are no contractual commitments for the acquisition of intangible assets

11 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Other Receivables	750	750
Total Receivables from Exchange Transactions	750	750

Ageing of Receivables from Exchange Transactions

Other Receivables: Ageing

Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
+ 90 days	750	750
	750	750

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12 CASH AND CASH EQUIVALENTS		
Primary bank account	418,767	3,182,108
Call investment deposits	2,453,716	-
Total Cash and cash equivalents	2,872,483	3,182,108
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
Included in cash and cash equivalents is an amount of R606 248 which is held to fund unspent conditional grants.		
The Entity has the following bank accounts		
Current accounts		
ABSA - account nr 40-7880-3628 (primary account)		
Cash book balance at beginning of year	3,182,108	-
Cash book balance at end of year	418,767	3,182,108
Bank statement balance at beginning of year	3,182,108	-
Bank statement balance at end of year	418,767	3,182,108
Call investment deposits		
ABSA - Acc no 92-7570-8888	2,453,716	-
13 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	2,174,123	599,123
Elundini Local Municipality	307,018	307,018
Senqu Local Municipality	292,105	292,105
Joe Gqabi District Municipality	1,575,000	-
Conditional Grants	1,849,892	-
Industrial Development Corporation (IDC)	1,849,892	-
	4,024,015	599,123
Government Grants and Subsidies - Capital	-	-
Government Grants and Subsidies - Operating	4,024,015	599,123
	4,024,015	599,123
As previously reported		683,000
Correction of error restatement - note 20.01		(83,877)
Restated balance		599,123
13.1 Industrial Development Corporation (IDC)		
Opening balance	2,192,982	-
Grants received	263,158	2,192,982
Conditions met - Operating	(1,849,892)	-
Conditions still to be met	606,248	2,192,982
The IDC is used to promote economic growth in the district		
13.2 Other Grants		
Opening balance	-	-
Grants received	2,174,123	599,123
Conditions met - Operating	(2,174,123)	(599,123)
Conditions still to be met	-	-
Other Grants consists out of contributions made by Elundini Local Municipality, Senqu Local Municipality and Joe Gqabi District Municipality in order to promote economic development in the district.		
13.3 Total Grants		
Opening balance	2,192,982	-
Grants received	2,437,281	2,792,105
Conditions met - Operating	(4,024,015)	(599,123)
Conditions still to be met	606,248	2,192,982

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
14		
EMPLOYEE RELATED COSTS		
Salaries and Wages	1,589,145	486,136
Motor Vehicle Allowances	209,308	104,654
Cell Phone Allowances	12,000	7,000
Overtime Payments	-	219
Other benefits or allowances	132,040	-
Bonuses	116,072	52,668
Contribution to Current Employee Benefits - Staff Leave - note 4	67,116	22,133
Contributions for UIF	7,004	1,855
Contributions for Industrial Council	268	45
Contributions for Group Life Insurance	2,187	1,877
Contributions for SDL	19,027	5,807
Total Employee Related Costs	2,154,167	682,394
REMUNERATION OF MANAGEMENT PERSONNEL		
<i>Remuneration of the Chief Executive Officer - N Moleko (appointed December 2011)</i>		
Basic Salary	803,477	391,781
Motor Vehicle Allowances	209,308	104,654
Cell Phone Allowances	12,000	7,000
Other Allowances	18,193	-
Contributions for UIF	1,713	873
Contributions for SDL	10,366	4,825
Total	1,055,057	509,133
15		
REMUNERATION OF DIRECTORS		
Sitting allowances	171,950	225,750
Total Remuneration of Directors	171,950	225,750
The members of the board of directors are all non-executive directors, except N Moleko (CEO) who is an executive member.		
Sitting allowances per director were as follows		
V Zitumane	38,100	87,750
Z Zeka	13,000	24,000
G Orpen	-	3,000
S Qongo	15,000	30,000
N Skweyiya	33,000	33,000
N Moleko	-	18,000
J van Zyl	-	12,000
B Mhlaba	19,000	6,000
C Sam	53,850	12,000
Total Remuneration of Directors	171,950	225,750
16		
DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	37,195	34,622
Investment Property	10,727	10,756
Intangible Assets	32	-
Total Depreciation and Amortisation	47,954	45,378
17		
IMPAIRMENTS		
Property, Plant and Equipment	-	1,707
Investment Property	712,528	-
Total Impairments	712,528	1,707
The impairment for the current year relates to the Rhodes properties which were vandalised. The latest municipal valuation roll was used in order to determine the impairment.		

JOE GQABI ECONOMIC DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GENERAL EXPENSES		
Audit Fees	390,634	179,096
Advertising Fees	61,215	19,391
Bank Charges	7,878	4,948
Consulting Fees	848,382	739,783
Conferences	51,511	60,438
Entertainment	15,965	6,382
Insurance	502	26,123
Legal Fees	-	1,443
Printing and Stationary	45,917	41,428
Security	5,464	5,961
Telephone	29,402	51,228
Training	75,105	-
Travel and Subsistence	642,755	448,933
Other	27,752	6,488
Total General Expenses	2,202,482	1,591,642
19 TAXATION		
Normal taxation	-	-
No taxation is payable since the Entity has an assessed tax loss of R4 071 953		
No provision were made for a deferred tax assets. In terms of current tax legislation it is not probable that the Entity will make a taxable profit		
		2012 R
20 CORRECTION OF ERROR IN TERMS OF GRAP 3		
20.01 South African Revenue Services		
Output VAT was not raised on grants received from local municipalities as SARS did not give clear guidance when the 2011/12 financial statements were submitted. In the current year, SARS issued a revised guidance that clarified that output VAT was payable on grants received from the local municipalities. Therefore VAT was understated while Government Grants and subsidies was overstated by R83 877.		
Refer to South African Revenue Services - note 7		(83,877)
Refer to Government Grants and Subsidies - note 13		83,877
21 RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH (ABSORBED)/GENERATED BY OPERATIONS		
Deficit for the year	(1,188,123)	(1,947,714)
Adjustments for:		
Depreciation	47,954	45,378
Impairments	712,528	1,707
Contribution from/to employee benefits - curren	159,482	71,227
Contribution to employee benefits – current - expenditure incurre	(49,094)	-
Grants Received	2,437,281	2,792,105
Grant Expenditure	(4,024,015)	(599,123)
Loss with disposal of Property, Plant and Equipmen	2,406	-
Operating (Deficit)/Surplus before changes in working capita	(1,901,581)	363,580
Changes in working capita	1,664,045	318,292
Decrease in Receivables from Exchange Transactions	-	16,600
Increase in Payables from Exchange Transactions	1,568,524	-
Increase in South African Revenue Services	95,521	301,692
Cash (absorbed)/generated by operations	(237,536)	681,872
22 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Primary bank account - note 12	418,767	3,182,108
Call investment deposits - note 12	2,453,716	-
Total cash and cash equivalents	2,872,483	3,182,108

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
23	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and cash equivalents - note 12	2,872,483	3,182,108
	Less: Unspent Committed Conditional Grants - note 6	(606,248)	(2,192,982)
	Less: VAT owed to SARS - note 7	(412,963)	(317,442)
	Net cash resources available for internal distribution	1,853,272	671,684

24 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

24.1 Unauthorised expenditure

No unauthorised expenditure was incurred in the current year nor in the prior reporting period

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Operating Expenditure	5,306,790	5,459,000	(152,210)	-
Capital Expenditure	72,089	80,000	(7,911)	-
	5,378,879	5,539,000	(160,121)	-

24.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure current year	11,554	-
Written off by Board of Directors	(2,179)	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	9,375	-

Incident	Disciplinary steps/criminal proceedings		
<i>Interest on late payment of creditors.</i>	<i>The Entity is consulting with the Joe Gqabi District regarding recovery of the amount.</i>	9,375	-
<i>Payments made for training not attended.</i>	<i>None.</i>	2,179	-
		11,554	-

24.3 Irregular expenditure

No irregular expenditure was incurred in the current year nor in the prior reporting period

25 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

25.1 VAT - [MFMA 125 (1)(b)]

Opening balance	317,442	-
VAT refunds claimed from SARS	-	-
VAT due to SARS	95,521	317,442
Amounts received/(paid)	-	-
Closing balance - Payable	412,963	317,442

25.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	1,703	-
Current year audit fee	390,634	179,096
Amount paid - current year	(347,471)	(177,393)
Balance unpaid (included in payables)	44,866	1,703

25.3 Deviations - Supply Chain Management

Deviations relating to the Entity amounting to R79 080 is disclosed in the financial statement of the Parent Entity, Joe Gqabi District Municipality, as the Entity makes use of the Parent Entity's supply chain management services.

26 CAPITAL COMMITMENTS

No capital commitments have been approved and contracted for

		2013 R	2012 R
27	FINANCIAL RISK MANAGEMENT		
	The activities of the Entity expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
	(a) Foreign Exchange Currency Risk		
	The Entity does not engage in foreign currency transactions		
	(b) Price risk		
	The Entity is not exposed to price risk		
	(c) Interest Rate Risk		
	Financial assets that are sensitive to interest rate risk is cash and cash equivalents		
	The Entity analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for cash and cash equivalents.		
	The Entity did not hedge against any interest rate risks during the current year		
	The potential impact on the Entity's surplus/deficit for the year due to changes in interest rates were as follows:		
	0.5% (2012 - 0.5%) Increase in interest rates	14,362	15,911
	0.5% (2012 - 0.5%) Decrease in interest rates	(14,362)	(15,911)
	(d) Credit Risk		
	Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Entity to incur a financial loss:		
	Credit risk consist mainly of receivables from exchange transactions and cash and cash equivalents		
	No receivables are pledged as security for financial liabilities.		
	Receivables are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable		
	The Entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below		
	The banks utilised by the Entity for current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.		
	Financial assets exposed to credit risk at year end are as follows		
	Receivables from exchange transactions	750	750
	Cash and cash equivalents	2,872,483	3,182,108
		<u>2,873,233</u>	<u>3,182,858</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R	
(e) Liquidity Risk				
<p>Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.</p>				
<p>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:</p>				
<p>The table below analyses the Entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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</p>				
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2013				
Unspent Conditional Government Grants and Receipts	606,248	-	-	606,248
Payables from Exchange Transactions	1,568,521	-	-	1,568,521
	<u>2,174,769</u>	<u>-</u>	<u>-</u>	<u>2,174,769</u>
2012				
Unspent Conditional Government Grants and Receipts	2,192,982	-	-	2,192,982
	<u>2,192,982</u>	<u>-</u>	<u>-</u>	<u>2,192,982</u>

		2013 R	2012 R
28 FINANCIAL INSTRUMENTS			
<p>In accordance with GRAP 104 the financial instruments of the Entity are classified as follows</p>			
28.1 Financial Assets			
Financial instruments at amortised cost			
Receivables from Exchange Transactions		750	750
Cash and Cash Equivalents		2,872,483	3,182,108
Total carrying amount of financial assets		<u>2,873,233</u>	<u>3,182,858</u>
28.2 Financial Liabilities			
Financial instruments at amortised cost			
Payables from Exchange Transactions		1,568,521	-
Total carrying amount of financial liabilities		<u>1,568,521</u>	<u>-</u>

29 EVENTS AFTER THE REPORTING DATE

The Senqu Local Municipality started a plastic's project in order to develop skills and create employment opportunities. As part Senqu's commitment to the Entity, the Council of Senqu resolved to transfer the project to the Entity for implementation. All assets and liabilities associated with this project was transferred to the Entity on 1 July 2013.

The net value of the assets and liabilities associated with the transfer is estimated at R2.4 million.

30 IN-KIND DONATIONS AND ASSISTANCE

The Entity utilises the financial services of the Parent Entity, Joe Gqabi District Municipality, free of charge. These services include supply chain management, payroll and expenditure. Information technology and human resources support are provided on an hoc basis.

The Entity occupies a building of Maletswai Local Municipality at 27 Dan Pienaar in Aliwal North. Maletswai Local Municipality does not charge any rent for this occupation.

31 PRIVATE PUBLIC PARTNERSHIPS

The Entity has not entered into any private public partnerships during the financial year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

32 CONTINGENT LIABILITY

No contingent liabilities existed at year end

33 RELATED PARTIES

2013
R

2012
R

33.1 Related Party Transactions

No business transactions took place between the Entity and management personnel and their close family members (including close members of family members) during the year under review.

The Parent Entity made grant contributions to the amount of R1 575 000 to the Entity as disclosed in note 13.

33.2 Related Party Balances

Included in Receivables from Exchange Transactions as per note 11 are monies owed by the Board or Directors relating to PAYE that was not deducted from their sitting allowances. The PAYE was not deducted from the Directors as the Entity was not registered at the South African Revenue Services. In the current year all monies, except R750, were recovered from the Directors. Outstanding balances as on 30 June are as follows:

Z Zeka	750	750
--------	-----	-----

Included in Payables from Exchange Transactions as per note 5 are monies owed to the Parent Entity, Joe Gqabi District Municipality. This balance relate to expenditure incurred by the Parent Entity on behalf of the Entity. The balance at year-end is as follows

Joe Gqabi District Municipality	1,568,521	-
---------------------------------	-----------	---

33.3 Compensation of management personnel

The compensation of management personnel is set out in note 14 and 15 of the financial statements

34 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

34.01 ORIGINAL BUDGET vs FINAL BUDGET

General activities affecting the budget

It was expected that the portion of Gariep Municipality's grant would have been received in the current financial year when the original budget was drafted. The grant was however not received within the year and accordingly adjustments were made to the budget in order to accommodate this effect. Addition to this, some projects were later implemented than anticipated.

Statement of Financial Position

Current assets were decreased due to grants not being received in the current financial year. Current liabilities were increased as the Entity had to make use of the parent entities resources to pay for expenditure.

Statement of Financial Performance - Revenue

Capital Government Grants and Subsidies were decreased due to the Gariep grant monies not received. Further to this, some projects also started later than anticipated.

Operating Government Grants and Subsidies were also decreased to the the Gariep grant monies not received.

Statement of Financial Performance - Expenditure

Employee Related Costs were decreased due to vacant posts not filled.

Remuneration of Directors were decreased due to the social and ethic committee which was not formed as planned.

Depreciation was not budgeted for in the original budget. It was subsequently budgeted for in the adjustment budget.

General Expenses were decreased due to projects implemented later than anticipated.

Cash Flow Statement

Both Cash Flow from Operating Activities and Cash Flow from Investing Activities were decreased as a result of the Gariep grant not being received and projects which were implemented late.

34.02 ACTUAL AMOUNTS vs FINAL BUDGET

General activities affecting the budget

The adjustment budget was drafted on the assumption that the Gariep grant monies were not to be received in the current year. However, a portion of the grant monies were received in the current financial year.

Statement of Financial Position

Current Assets

- Portion of Gariep grant monies was received.
- Monies owed to the Parent Entity not paid at year-end.

Non-current Assets actual balance is less than the final budget due to the impairment of Investment Property.

Statement of Financial Performance - Revenue

Government Grants and Subsidies were less than budgeted for due to not all of the Gariep grant monies received in the prior year was spent.

Interest earned was budgeted under Other Income. Therefor Other Income is also less than the final budget.

Statement of Financial Performance - Expenditure

Employee related costs were underspent due to vacant posts not filled during the year.

Remuneration of Directors was also underspent due to vacant director posts towards year end.

Impairments was unforeseen and was not budgted for.

General Expenses were also underspent due to the Environmental Impact Assesment that was not conducted as planned.

Cash Flow Statement

Cash Flow from Operating Activities is less than what was budgeted for due to portion of Gariep monies not received.

Cash Flow from Investing Activities is less than what was budgeted for due to less capital expenditure incurred.