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Moretele Local Development Agency (Pty) Ltd

Financial statements

for the year ended 30 June 2012

Auditor General

General Information

Registered office	287 Lynwood Road Menlo park 0081 0081
Business address	85 Ground Floor Afrispot Building Temba 0407
Postal address	P O Box 18 Temba 0407
Auditors	Auditor General

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The company is wholly dependent on the XXXX Municipality for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the XXXX Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 4 to 13, which have been prepared on the going concern basis, were approved by the accounting officer on 31 May 2012 and were signed on its behalf by:

Accounting Officer
Designation

Accounting Officer's Report

Statement of Financial Position as at 30 June 2012

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Cash and cash equivalents	4	2 520	55 770
Non-Current Assets			
Property, plant and equipment	2	10 889	30 464
Total Assets		**13 409**	**86 234**
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	290 487	88 676
Other liability 1		2 400	2 400
		292 887	**91 076**
Total Liabilities		**292 887**	**91 076**
Net Assets		**(279 478)**	**(4 842)**
Net Assets			
Share capital / contributed capital	5	100	100
Accumulated surplus		(279 578)	(4 942)
Total Net Assets		**(279 478)**	**(4 842)**

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Government grants & subsidies	8	-	250 000
Expenditure			
Personnel	10	(44 000)	(267 364)
Depreciation and amortisation	12	(19 575)	(25 034)
General Expenses	9	(211 061)	(203 707)
Total expenditure		**(274 636)**	**(496 105)**
Deficit for the year		**(274 636)**	**(246 105)**
Attributable to:			
Owners of the controlling entity		(274 636)	(246 105)

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Balance at 01 July 2010	**100**	**241 163**	**241 263**
Changes in net assets			
Surplus for the year	-	(246 105)	(246 105)
Total changes	-	(246 105)	(246 105)
Balance at 01 July 2011	**100**	**18 058**	**18 158**
Changes in net assets			
Other 1	-	(23 000)	(23 000)
Net income (losses) recognised directly in net assets	-	(23 000)	(23 000)
Surplus for the year	-	(274 636)	(274 636)
Total recognised income and expenses for the year	-	(297 636)	(297 636)
Total changes	-	(297 636)	(297 636)
Balance at 30 June 2012	**100**	**(279 578)**	**(279 478)**
Note(s)	5		

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Grants		-	250 000
Payments			
Employee costs		(44 000)	(267 364)
Suppliers		(9 250)	(182 531)
		(53 250)	(449 895)
Net cash flows from operating activities	14	**(53 250)**	**(199 895)**
Net increase/(decrease) in cash and cash equivalents		**(53 250)**	**(199 895)**
Cash and cash equivalents at the beginning of the year		55 770	255 665
Cash and cash equivalents at the end of the year	4	**2 520**	**55 770**

Accounting Policies

1. Presentation of Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for none which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

1.1 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Items of municipality 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.

Accounting Policies

1.1 Property, plant and equipment (continued)

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.2 Financial instruments

1.3 Share capital / contributed capital

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

1.4 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.5 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Financial Statements

Figures in Rand	2012	2011

2. Property, plant and equipment

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Office equipment	3 500	(1 779)	1 721	3 500	(904)	2 596
IT equipment	74 800	(65 632)	9 168	74 800	(46 932)	27 868
Total	**78 300**	**(67 411)**	**10 889**	**78 300**	**(47 836)**	**30 464**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Depreciation**	**Total**
Office equipment	2 596	(875)	1 721
IT equipment	27 868	(18 700)	9 168
	30 464	**(19 575)**	**10 889**

Reconciliation of property, plant and equipment - 2011

	Opening balance	**Depreciation**	**Total**
Office equipment	2 946	(350)	2 596
IT equipment	52 552	(24 684)	27 868
	55 498	**(25 034)**	**30 464**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Receivables from non-exchange transactions

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Bank balances	2 520	55 770

5. Share capital / contributed capital

	2012	2011
Issued		
Ordinary	100	100

6. Payables from exchange transactions

	2012	2011
Trade payables	290 487	88 676

7. Revenue

	2012	2011
Government grants & subsidies	-	250 000

Notes to the Financial Statements

Figures in Rand	2012	2011

7. Revenue (continued)

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

Government grants & subsidies	-	250 000

8. Government grants and subsidies

Government grant (operating) 16	-	250 000

9. General expenses

Accounting fees	-	78 000
Auditors remuneration	191 424	10 000
Bank charges	2 113	5 591
Consulting and professional fees	7 137	-
Entertainment	-	500
Lease rentals on operating lease	-	33 976
Printing and stationery	-	5 100
Security (Guarding of municipal property)	-	40 454
Telephone and fax	-	9 596
Travel - local	-	18 514
Electricity	-	1 300
Expense 2	10 387	676
	211 061	**203 707**

10. Employee related costs

Basic	24 000	267 364

11. Administrative expenditure

12. Depreciation and amortisation

Property, plant and equipment	19 575	25 034

13. Auditors' remuneration

Fees	191 424	10 000

14. Cash used in operations

Deficit	(274 636)	(246 105)
Adjustments for:		
Depreciation and amortisation	19 575	25 034
Changes in working capital:		
Payables from exchange transactions	201 811	21 176
	(53 250)	**(199 895)**