

# **NTINGA O. R. TAMBO DEVELOPMENT AGENCY**

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**

**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY :  
REGISTRATION NUMBER: 2016/272582/30)**



## **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2018**

## NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

### Index

<b>Contents</b>	<b>Page</b>
General Information	1
Approval of the Financial Statements	2
Report of the Directors	3 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes In Net Assets	8
Cash Flow Statement	9
Statement of comparison of budget and actual amounts - Statement of Financial Position	10 - 11
Statement of comparison of budget and actual amounts - Statement of Financial Performance	12 - 13
Statement of comparison of budget and actual amounts - Cash Flow Statement	14 - 15
Accounting policies	16 -38
Notes to the Annual Financial Statements	39 - 50
<b>APPENDICES</b>	
B Property, Plant and Equipment	51
A Biological Assets	52
B Government Grants and Subsidies	53

## **NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**

**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER:  
2016/272582/30)**

### **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

#### **GENERAL INFORMATION**

##### **NATURE OF BUSINESS**

Service Delivery vehicle of the parent municipality, O.R. Tambo District Municipality.

##### **LEGAL FORM**

A municipal entity of the O.R. Tambo District Municipality as defined by the Municipal Structures Act. (Act no 117 of 1998)

##### **CHIEF EXECUTIVE OFFICER**

*Mr. M.A. NKOSI*

##### **CHIEF FINANCIAL OFFICER**

*Mr. L. MBIKO*

##### **REGISTERED OFFICE**

*Old Government Printers Building, 5 Textile Street, Vulindlela Heights, Southernwood, Mthatha*

##### **EXTERNAL AUDITORS**

*Auditor General South Africa*

##### **PRINCIPAL BANKERS**

*First National Bank*

##### **MOST RELEVANT LEGISLATION**

- Constitution of the Republic of South Africa (Act no. 108 of 1996)
- Municipal Finance Management Act (Act no 56 of 2003) (MFMA)
- Division of Revenue Act (Act No.3 of 2016)
- The Income Tax Act (Act no. 58 of 1962)
- Value Added Tax Act (Act no. 89 of 1991)
- Local Government: Municipal Structures Act (Act no 117 of 1998)
- Local Government: Municipal Systems Act (Act no 32 of 2000)
- Municipal Planning and Performance Management Regulations of 2001 issued in terms of Local Government: Municipal Systems Act (Act no. 32 of 2000)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1966)
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Supply Chain Management Regulations, 2005 issued in terms of Local Government: Municipal Finance Management Act (Act no. 56 of 2003)
- South African Local Government Bargaining Council - Collective Agreement on Leave
- Companies Act (Act 71 of 2008)

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**

**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER:  
2016/272582/30)**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

The accounting officer is required by the Municipal Finance Management Act, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his 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 MFMA, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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 3 to 50, which have been prepared on the going concern basis, were approved by the board and were signed on its behalf by:

  
\_\_\_\_\_  
Mr L. Mbiko  
(Chief Financial Officer)

  
\_\_\_\_\_  
Mr M.A. Nkosi  
(Chief Executive Officer)

30 November 2018  
Date

30 November 2018  
Date

# NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

## DIRECTORS REPORT

Directors submit their report for the year ended 30 June 2018

### 1 Main business and operations

The Ntinga O.R. Tambo Development Agency, a municipal entity established by the O.R. Tambo District Municipality (ORTDM) performs activities which falls within the functions and powers of district municipalities as contemplated in Section 84(1) of the Municipal Structures Act, 1998 (Act 117 of 1998), in particular Section 84 (1).

### 2 Taxation

With effect from 01 July 2017 the Entity started operating as a State Owned Company incorporated as a private company. In terms of the Income Tax Act a private company is liable for Income Tax.

### 3 Board of Directors

The directors of the Entity appointed for a period of three years were as follows:

Name	Nationality	Appointment date
Mr. S. Mase (Chairperson)	RSA	01 July 2017
Prof. L. Majova-Songca (Deputy Chairperson)	RSA	01 July 2017
Mr M. Msiwa	RSA	01 July 2017
Mrs U. Mkize	RSA	01 July 2017
Dr L. Ndabeni	RSA	01 July 2017
Ms N. Bam	RSA	01 July 2017
Dr. N.L. Ndudane	RSA	01 July 2017
Mr. M. Pupuma	RSA	01 July 2017
Mrs. N. Ngewu	RSA	01 July 2017

### 4 Entity Company Secretary

The Company Secretary for the year was Ms N Mningiswa.

### 5 Business Address:

Old Government Printers Building, 5 Textile Road, Vulindlela Heights, Mthatha, 5100

### 6 Physical Address:

Old Government Printers Building, 5 Textile Road, Vulindlela Heights, Mthatha, 5100

### 7 Postal Address:

P.O. Box 1134, Mthatha, 5100

### 8 Members of the Audit and Risk Committee (ARC)

The members of the ARC were as follows:-

Prof. L. Majova-Songca (Chairperson)

Mrs U. Mkize

Mr M. Msiwa

Mrs N. Makuni - Independent Member

# NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

## DIRECTORS REPORT

### 9 Members of the Human Resource and Remuneration Committee

The members of the Human Resource and Remuneration Committee (HRRC) were as follows:-

Mr. M. Pupuma (Chairperson)  
Mrs U. Mkize  
Dr L. Ndabeni  
Ms N. Bam  
Dr. N.L. Ndudane  
Mrs. N. Ngewu

### 10 Members of the Strategy Development and Investment Committee

The members of Strategy Development and Investment Committee (SDIC) were as follows:-

Mr M. Msiwa (Chairperson)  
Dr L. Ndabeni  
Ms N. Bam  
Dr. N.L. Ndudane  
Mr. M. Pupuma

### 11 Members of the Social and Ethics Committee

The members of Social and Ethics Committee (SEC) were as follows:-

Mrs U. Mkize (Chairperson)  
Mrs. N. Ngewu  
Dr L. Ndabeni

### 12 The Entity's Mandate

The mandate given to the Entity by the Parent Municipality include rendering services in the following areas:

- Intergrated Development Plan;
- Potable Water Supply Systems;
- Domestic and Industrial Waste-water and Sewage Disposal Systems;
- Fresh Produce Markets and Abattoirs;
- Local Tourism Promotion;
- Municipal Public Works;
- Collection of taxes, Levies and Duties, and
- Discretionary Activities (which include):

*(a) Any other activity agreed upon with the Parent Municipality, Provincial and National Governments and the Private Sector.*

### 13 Financial results

The Entity made a surplus of R 56,435,011 (2017, surplus R7,033,068). This amount is arrived at after accounting for R 62,258,495 which is the value of assets transferred to the Entity by the Parent Municipality.

Without the value of the transferred assets, the Entity made an operating deficit of R 5,823,484. The transferred assets resulted to an increase in the depreciation expense from R740,273 in 2017 to R 4,016,134 in 2018.

Of the total expenditure amounting to R 67,298,844 (2017; R50,187,967). This represents an increase of 34% from year to year. Major expenditure items were employee related cost (R34,274,310) and Operational costs (R 33,024,534).

There is a significant increase in employee related costs (58%) when with the previous financial year. This is mainly due to new employees that were transferred to the Entity from Kei Fresh Produce Market as well as new staff appointments in the water services department.

# **NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**

**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)**

## **DIRECTORS REPORT**

### **14 Legal form of the entity**

The Entity is a Municipal Entity incorporated as a State Owned Company in terms of the Companies Act.

### **15 Going concern**

The parent municipality, O.R. Tambo District Municipality, continues providing financial support to the Entity. The Entity is implementing a strategy that is focused on generating own revenue thereby reducing reliance on grant funding.

### **16 Events after the reporting date**

There were no material events that occurred after the reporting date.

### **17 Holding Entity**

The holding entity is the O.R. Tambo District Municipality.

### **18 External Auditors**

Auditor General of South Africa (Eastern Cape) will continue in office in accordance with the MFMA.

### **19 Website**

[www.ntinga.org.za](http://www.ntinga.org.za)

# **Ntinga OR Development Agency**

## **Audit Report**

**For the year ended 30 June 2018**



# **Report of the auditor-general to Eastern Cape Provincial Legislature and the council of Ntinga OR Tambo Development Agency (SOC) Ltd**

## **Report on the audit of the financial statements**

### **Opinion**

1. I have audited the financial statements of the Ntinga OR Tambo Development Agency (SOC) Ltd set out on pages XX to XX, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ntinga OR Tambo Development Agency (SOC) Ltd as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with South African General Recognised Accounting Practice (SA GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

### **Context for the opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Other matters**

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Unaudited disclosure notes**

7. In terms of section 125(2)(e) of the MFMA the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Unaudited supplementary schedules

8. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

### Responsibilities of accounting officer for the financial statements

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting officer is responsible for assessing the Ntinga OR Tambo Development Agency (SOC) Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that

may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

Objectives	Pages in the annual performance report
Strategic goal 1 – sustainable water services (water resource management supply and sanitation) systems	x – x
Strategic goal 2 – enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoirs and aquaculture.	x – x
Strategic goal 3 – diversified partnerships that promote inclusive socio-economic development and growth.	x – x

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

**Strategic goal 1: sustainable water services (water supply and sanitation) systems**

19. The planned targets for the following indicators were not specific in clearly identifying the nature and required level of performance. Furthermore, there was no clear and logical link between the target and the indicator to which it relates to:

Indicator number	Indicator description	Target
1.1.2	Percentage of water interruptions lasting longer than 24 hours	Conduct an assessment of water schemes in respect of which Ntinga is a paymaster by 30 June 2018

Indicator number	Indicator description	Target
		Conduct an assessment of two non-functional water schemes by 30 June 2018
1.1.3	Percentage of water samples that conform to SANS 241: 2011 water quality standard	Take 20 water quality samples of the 73 assessed water schemes for testing by 30 June 2018
1.1.5	Revenue generated from water billing	Prepare draft tariffs policy for peri-urban and rural water services end users by 30 June 2018

**Strategic goal 3: diversified partnerships that promote inclusive socio-economic development and growth**

20. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
3.6.1 Facilitation through partnerships establishment and maintenance of a co-operatives development centre (CDC) in the OR Tambo region.	1	0
3.6.5 Number of decent (or sustainable jobs created from Ntinga supported co-operatives.	22	0

**Other matters**

21. I draw attention to the matters below.

**Achievement of planned targets**

22. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

## **Adjustment of material misstatements**

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic goal 1 – sustainable water services (water resource management supply and sanitation) systems, strategic goal 2 – enhanced and enabled full value chains (upstream and downstream) for agricultural produce, markets, abattoirs and aquaculture and strategic goal 3 – diversified partnerships that promote inclusive socio-economic development and growth. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## **Report on the audit of compliance with legislation**

### **Introduction and scope**

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
25. The material findings on compliance with specific matters in key legislations are as follows:

### **Annual financial statements, performance and annual reports**

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and current assets identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

## **Other information**

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.



30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

#### Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
32. The financial statements and the annual performance report contained misstatements, some of which were corrected. This is due to a lack of monitoring of implementation of daily and monthly financial management disciplines and performance management systems that promote transparent, accurate and credible financial information and performance reports.

Auditor General

East London – South Africa

30 November 2018



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipal entity's compliance with respect to the selected subject matters!

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ntinga OR Tambo Development Agency (SOC) Ltd ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER:**  
**2016/272582/30)**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Notes	30 JUNE 2018 R (Actual)	2017 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>36,305,031</b>	<b>42,853,282</b>
Cash and Cash Equivalents	2	30,880,253	36,254,354
Receivables from exchange transactions	3	1,651,914	20,899
Inventory	4	982,361	199,262
Receivables from non-exchange transactions	5	924,075	6,208,828
Taxes	6	-	169,940
Deferred tax	7	1,866,427	-
<b>Non-Current Assets</b>		<b>66,808,310</b>	<b>5,839,971</b>
Property, Plant and Equipment	8	54,931,715	4,265,631
Intangible Assets	9	644,144	814,289
Biological Assets	10	11,232,450	760,051
<b>Total Assets</b>		<b>103,113,341</b>	<b>48,693,254</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Current Liabilities</b>		<b>11,103,823</b>	<b>13,118,746</b>
Payables from exchange transactions	11	5,157,796	2,681,580
Payables from non-exchange transactions	12	446,973	446,973
Unspent Conditional Government Grants and Receipts	13	1,766,208	6,442,340
Current Employee benefits	14	3,144,234	3,547,854
Taxes	6	588,611	-
<b>Net Assets</b>		<b>92,009,518</b>	<b>35,574,508</b>
Accumulated Surplus		92,009,519	35,574,508
<b>Total Net Assets and Liabilities</b>		<b>103,113,341</b>	<b>48,693,254</b>



**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**

**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER:  
2016/272582/30)**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	30 JUNE 2018 (Actual) R	2017 R
<b>REVENUE</b>			
<b>Non-exchange Revenue</b>		<b>37,961,992</b>	<b>47,209,630</b>
Transfers and Subsidies	16	37,961,992	47,209,630
<b>Exchange Revenue</b>		<b>17,060,734</b>	<b>9,770,460</b>
Interest Earned - external investments		2,273,039	3,053,611
Sale of Goods and Rendering of Services	17	14,787,695	6,716,849
<b>Gains</b>		<b>66,844,702</b>	<b>240,946</b>
Adjustments to Biological Assets	18.1	4,285,693	3,800
Gains on disposal of Property, Plant and Equipment		300,514	237,146
Intercompany Transactions - Donation of Assets		62,258,495	-
<b>Total Revenue</b>		<b>121,867,427</b>	<b>57,221,036</b>
<b>EXPENDITURE</b>			
Employee related costs	19	34,274,310	21,645,270
Board of directors related costs	20	1,726,108	1,002,891
Debt Impairment	21	387,582	27,875
Depreciation and Amortisation	22	4,016,134	740,273
Impairments - Property, Plant and Equipment	24	4,530,506	-
Repairs and Maintenance		216,572	113,324
Finance Charges	24	31,770	16,569
Grants and Subsidies Transfers	25	-	5,939,781
Operational costs	27	19,739,478	19,511,171
Contracted services	25	2,065,540	1,051,264
Losses - Biological Assets	18.2	310,844	139,550
<b>Total Expenditure</b>		<b>67,298,844</b>	<b>50,187,967</b>
<b>Profit before tax/surplus for the year</b>		<b>54,568,584</b>	<b>7,033,069</b>
Income tax	7	1,866,427	-
<b>Profit after tax/surplus for the year</b>		<b>56,435,011</b>	<b>7,033,069</b>

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**

**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER:  
2016/272582/30)**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2018**

	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2016</b>	<b>28,541,440</b>	<b>28,541,440</b>
Net Deficit for the year	7,033,068	7,033,068
<b>Restated Balance at 30 JUNE 2017</b>	<b>35,574,508</b>	<b>35,574,508</b>
Net Surplus for the period	56,435,011	56,435,011
<b>Balance at 30 JUNE 2018</b>	<b>92,009,519</b>	<b>92,009,519</b>

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION**  
**NUMBER: 2016/272582/30)**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	30 JUNE 2018 R	30 JUNE 2017 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Grants and public contributions		43,778,466	47,248,480
Sales of goods and services		12,597,748	1,127,787
Interest Earned - external investments		2,273,039	3,053,611
<b>Payments</b>			
Suppliers		(26,255,987)	(14,547,282)
Employees and directors		(36,000,418)	(22,648,161)
Finance charges		(31,770)	(16,569)
Transfers and Grants		-	(5,939,781)
<b>Cash generated by operations</b>	<b>29</b>	<b>(3,638,921)</b>	<b>8,278,085</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>32</b>	(4,612,167)	(1,729,822)
Proceeds on Disposal of Fixed Assets		607,921	539,088
Purchase of Intangible Assets		-	(805,184)
Purchase of Biological assets		(1,203,766)	(318,000)
Proceeds on Disposal of Biological assets		2,210,953	49,900
<b>Net Cash from Investing Activities</b>		<b>(2,997,060)</b>	<b>(2,264,019)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		-	-
<b>Net Cash from Financing Activities</b>		<b>-</b>	<b>-</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,635,981)</b>	<b>6,014,066</b>
Cash and Cash Equivalents at the beginning of the year		36,254,354	30,240,288
Cash and Cash Equivalents transferred from KFPM		1,261,880	-
Cash and Cash Equivalents at the end of the period	<b>30</b>	<b>30,880,253</b>	<b>36,254,354</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,635,981)</b>	<b>6,014,066</b>

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R	2018 R	2018 R	
	(Actual)	(Final Budget)	(Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	30,980,253	20,473,123	10,407,130	A higher than projected amount of liabilities remained unpaid at the end of the financial year. A number of high value procurements occurred towards the end of the financial year and meant that payments will only be in the following financial year. In addition, processes necessary for the acquisition and erection of assets took longer than anticipated hence the projected payments were not made in full. There invoices issued to the parent municipality for water scheme operators and such invoices were not settled by year end. Secondly, there are cattle that were sold in an auction for which payment was received after year end. Lastly, there are tenants accounts that were assumed by the Entity after incorporation of Kael Fresh Produce Market into Ntinga. Debtors are slow in making payments. Bulk of this balance relates to livestock that is classified as inventory. At the time of budgeting all livestock was classified as biological assets hence the variance. Some of inventory relates to consumables that were on hand at the end of the financial year. The balance is mainly caused by the payment that was made to the Auditor General based on an invoice received. The invoice was reversed at a later stage. The Entity did not project a loss hence no deferred tax asset was included in the budget.
Receivables from exchange transactions	1,651,914	1,050,000	601,914	
Inventory	982,361	100,000	882,361	
Receivables from non-exchange transactions	924,075	300,000	624,075	
Deferred tax	1,866,427	-	1,866,427	
<b>Total current assets</b>	<b>36,305,031</b>	<b>21,823,123</b>	<b>14,381,908</b>	
<b>Non current assets</b>				
Property, plant and equipment	54,931,715	18,564,111	36,367,604	Assets transferred to the Entity by the parent municipality were not factored in the budget.
Intangible Assets	644,144	21,272	622,872	Kael Fresh Produce Market intangible assets transferred to the Entity by the parent municipality were not factored in the budget.
Biological Assets	11,232,450	2,980,061	8,252,389	Adam Kok Farms livestock transferred to the Entity by the parent municipality was not factored in the budget.
<b>Total non current assets</b>	<b>66,808,310</b>	<b>21,565,434</b>	<b>45,242,876</b>	
<b>TOTAL ASSETS</b>	<b>103,113,341</b>	<b>43,488,557</b>	<b>59,624,784</b>	
<b>NET ASSETS AND LIABILITIES</b>				
<b>Current liabilities</b>				
Payables from exchange transactions	5,157,796	900,000	4,257,796	Higher than projected amount of liabilities remained at the end of the financial year. A number of high value procurements occurred towards the end of the financial year and meant that payments will only be in the following financial year. In addition, processes necessary for the acquisition and erection of assets took longer than anticipated hence the projected payments were not made in full. This variance is due to the amount owed on the old SURUDC project. The Entity was advised not to make the payment until certain processes were finalised by the funder.
Payables from non-exchange transactions	446,973	-	446,973	
Unspent Conditional Government Grants and Receipts	1,766,208	400,000	1,366,208	The bulk of this amount relates to a grant received for acquisition of assets. By the end of the financial year these assets were at procurement stage and we expect them to be delivered soon after the end of the financial year.
Current Employee benefits	3,144,234	800,000	2,344,234	A higher than projected number of staff annual leave days remained at the end of the financial year. This resulted to a higher provision amount.
Taxes	588,611	300,000	288,611	This relates to Vat amount payable. A higher than projected net Vat output amount occurred for in June 2018 which was payable in July 2018.
<b>Total current liabilities</b>	<b>11,103,823</b>	<b>2,400,000</b>	<b>8,703,823</b>	
<b>Non current liabilities</b>				
Long-term liabilities	-	-	-	
<b>Total non current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>	<b>11,103,823</b>	<b>2,400,000</b>	<b>8,703,823</b>	
<b>NET ASSETS</b>	<b>92,009,518</b>	<b>41,088,557</b>	<b>50,920,961</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus	92,009,518	41,088,557	50,920,961	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>92,009,518</b>	<b>41,088,557</b>	<b>50,920,961</b>	

**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY)**  
**(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272562/30)**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R	2018 R	2018 R	
	(Original Budget)	(Adjustments)	(Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and Cash equivalents	15,761,548	4,711,575	20,473,123	The net effect of increase in revenue and reduction of expenditure resulted to an increase in cash and cash equivalents.
Receivables from exchange transactions	1,050,000	-	1,050,000	Budget item was not adjusted.
Inventory	100,000	-	100,000	Budget item was not adjusted.
Receivables from non-exchange transactions	300,000	-	300,000	Budget item was not adjusted.
<b>Total current assets</b>	<b>17,211,548</b>	<b>4,711,575</b>	<b>21,923,123</b>	
<b>Non current assets</b>				
Property, plant and equipment	16,541,458	2,016,653	18,558,111	This attributed to funds rolled over from the previous financial year which were applied to acquire assets.
Intangible Assets	21,272	-	21,272	Budget item was not adjusted.
Biological Assets	630,000	2,350,051	2,980,051	Part of the budget was moved from operational costs to fund the acquisition of biological assets.
<b>Total non current assets</b>	<b>17,198,730</b>	<b>4,366,704</b>	<b>21,565,434</b>	
<b>TOTAL ASSETS</b>	<b>34,410,278</b>	<b>9,078,279</b>	<b>43,488,557</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables from exchange transactions	900,000	-	900,000	Budget item was not adjusted.
Payables from non-exchange transactions	-	-	-	Budget item was not adjusted.
Unspent Conditional Government Grants and Receipts	400,000	-	400,000	Budget item was not adjusted.
Current Employee benefits	3,000,000	(2,200,000)	800,000	A decision was taken to reduce this liability for the Entity by paying out to staff the portion of their annual leave days.
Current portion of long term liability	-	-	-	Budget item was not adjusted.
Taxes	300,000	-	300,000	
<b>Total current liabilities</b>	<b>4,600,000</b>	<b>(2,200,000)</b>	<b>2,400,000</b>	
<b>Non current liabilities</b>				
Long-term Liabilities	-	-	-	
<b>Total non current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>	<b>4,600,000</b>	<b>(2,200,000)</b>	<b>2,400,000</b>	
<b>NET ASSETS</b>	<b>29,810,278</b>	<b>11,278,279</b>	<b>41,088,557</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	29,810,278	11,278,279	41,088,557	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>29,810,278</b>	<b>11,278,279</b>	<b>41,088,557</b>	

NTMGA O. R. TAMBO DEVELOPMENT AGENCY 900 LTD  
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/27256/230)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018  
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances
Non-exchange Revenue	37,961,992	39,646,198	(1,687,206)	A portion of the conditional grant was not recognised as revenue due not fully meeting the conditions of funding. The unspent money has been recognised as a liability.
Transfers and Subsidies	37,961,992	39,646,198	(1,687,206)	
Exchange Revenue	47,660,734	28,728,887	(18,931,847)	
Interest Earned - external investments	2,273,039	2,000,000	273,039	Better than expected interest rates were obtained from financial institutions.
Sum of Goods and Rendering of Services	14,797,995	24,729,887	(9,931,892)	As part of its mandate the Entity performs water services work on behalf of the parent municipality. For the 2017/2018 financial year there was a delay in allocating work to the Entity. This rendered the Entity to be unable to perform its work and as a result the budgeted revenue could not be invoiced.
Grants	86,444,702	15,000	66,429,702	This relates to births of animals. There were more births than anticipated.
Adjustments to Biological Assets	4,285,693	-	4,285,693	This relates to births of animals. There were more births than anticipated.
Gain on disposal of Property, Plant and Equipment	300,514	15,000	285,514	We anticipated a minor disposal of assets for the year and no profit was expected out of them. Following routine verification of assets more assets were identified to be redundant and they were disposed resulting in profit.
Intracompany Transactions - Donation of Assets	62,238,495	-	62,238,495	This relates to the fair value of assets that were transferred to the Entity by the parent municipality. This was not factored in the budget hence the variance.
Total Revenue	121,897,427	68,801,065	53,096,362	
EXPENDITURE				
Employee related costs	34,273,310	35,128,137	(854,827)	This variance of 4% is mainly attributed to budgeted vacant positions that were filled later than originally anticipated.
Board of directors related costs	1,726,108	1,892,493	(166,385)	This variance of 3% is mainly due to expenditure to official travel using of own transport. There were more official engagements than anticipated. The variance was funded by setting funds from other operational budget items.
Debt Impairment	387,582	-	387,582	This relates to provision for doubtful debts and is attributed mainly to old tenants accounts at Kwa Fresh Produce Market. This amount was not part of the budget hence the variance.
Depreciation and Amortisation	8,546,640	700,000	7,846,640	Variance is due to depreciation on assets donated to the Entity by the parent municipality. Such depreciation was not part of the budget.
Repairs and Maintenance	219,572	245,000	(25,428)	Variance is immaterial.
Finance Charges	31,770	95,000	(63,230)	Variance is immaterial.
Operational Costs and Connected Services	21,895,018	23,250,462	(1,355,444)	This variance of 3% is mainly due to savings in various operational expenditure budget which included staff fees and water service operations. When allocation from the parent municipality to the Entity was done towards the end of the financial year hence expenditure was not incurred as projected.
Losses - Biological Assets	319,844	45,000	274,844	There were more deaths of animals than projected.
Total Expenditure	67,298,644	61,087,092	6,211,552	
NET SURPLUS / (DEFICIT) FOR THE PERIOD	54,598,783	5,514,053	49,084,730	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018  
ADJUSTMENTS TO APPROVED BUDGET

REVENUE BY SOURCE	2018 R (Original Budget)	2018 R (Adjustments)	2018 R (Final Budget)	Reasons for material adjustments
Non-exchange Revenue	33,912,837	5,898,581	39,811,418	
Transfers and Subsidies	33,912,837	5,898,581	39,811,418	The increase is attributed to funds rolled over from the previous year and for which conditions of funding were met hence revenue was recognised.
Exchange Revenue	24,630,000	2,106,887	26,736,887	
Interest Earned - external investments	2,000,000	-	2,000,000	Budget item was not adjusted.
Sales of Goods and Rendering of Services	22,850,000	2,106,887	24,956,887	Due to good performance in the first half of the financial year, abattoir and farms budgeted revenue was adjusted upwards.
Gains	15,000	-	15,000	
Fair Value Adjustments of Biological Assets	15,000	-	15,000	Budget item was not adjusted.
Total Revenue	58,557,837	8,005,468	66,563,305	
Employee related costs	27,251,950	7,877,187	35,129,137	Employees related costs for trading enterprises staff was initially budgeted for under operational costs. This was changed by shifting salaries and wages budget from operational costs to the employee related costs budget. The other factor is that certain vacant posts were filled later than expected and there were savings and there was a reduction of the budget. There were additional activities such as recruitment of senior managers which had to be attended to by some of the Board members hence the budget was increased.
Board of directors related costs	1,402,000	282,433	1,684,433	Budget item was not adjusted.
Depreciation and Amortisation	700,000	-	700,000	There were savings on expenditure hence the reduction of the budget.
Repairs and Maintenance	300,000	(55,000)	245,000	Budget item was not adjusted.
Finance Charges	35,000	-	35,000	Employees related costs for trading enterprises staff was initially budgeted for under operational costs. This was changed by shifting salaries and wages budget from operational costs to employee related costs budget. There was also reduction of expenditure on certain items due to savings realised during the first half of the financial year.
Operational costs	28,815,578	(5,542,116)	23,273,462	Budget item was not adjusted.
Losses - biological assets	45,000	-	45,000	
Total Expenditure	58,544,528	2,542,504	61,087,032	
NET SURPLUS / (DEFICIT) FOR THE PERIOD	13,109	5,898,944	5,914,053	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018  
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Grants and public contributions	43,778,486	33,406,858	10,371,608	The actual amount is made up of a balance which remained unpaid by the parent municipality at the end of the previous financial year, the portion of funds rolled over from the previous financial year as well as the 2017/2018 grant allocation by the parent municipality. On the other hand the budget amount is made up of only the 2017/2018 grant allocation hence the variance. The other two amounts were not part of the budget.
Sales of goods and services	12,587,748	24,738,887	(12,159,139)	Projected amount was not collected in full hence the variance. This is mainly attributed to undercollection of water services revenue. Work to be performed on behalf of the parent municipality was not confirmed on time.
Interest received	2,273,039	2,000,000	273,039	Better than expected interest rates were obtained from financial institutions.
<b>Payments</b>				
Suppliers	(28,255,987)	(23,587,358)	(2,658,829)	Higher than projected amount of liabilities remained at the end of the financial year. A number of high value procurements occurred towards the end of the financial year and meant that payments will only be in the following financial year.
Employees and directors	(38,000,418)	(35,129,137)	(871,281)	Some of the budgeted vacant positions particularly at senior management were filled towards the end of the financial year hence there was under-expenditure on this item.
Finance charges	(31,770)	(35,000)	3,230	Variance is immaterial.
<b>Cash generated by operations</b>	<b>(3,638,921)</b>	<b>1,382,250</b>	<b>(5,021,171)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Property, Plant and Equipment	(4,812,187)	(14,989,480.00)	10,386,313	Processes necessary for the acquisition and erection of assets took longer than anticipated hence the projected payments were not made in full.
Proceeds on Disposal of Fixed Assets	607,921	85,000	522,921	Better than projected proceeds were realised from disposal of assets.
Purchases of Biological assets	(1,203,780)	(2,250,000)	1,046,224	Biological assets were mainly to be acquired for the exchange programme. The programme is at early stages of implementation and has not been fully marketed hence the budget was not spent in full.
Proceeds on Disposal of Biological assets	2,210,953	-	2,210,953	
Net Cash from Investing Activities	(2,897,060)	(17,183,480)	14,186,420	
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,835,981)</b>	<b>(15,781,230)</b>	<b>9,145,249</b>	
Cash and Cash Equivalents at the beginning of the year	36,254,354	36,254,353	1	
Cash and Cash Equivalents at the end of the year	30,880,253	20,473,123	10,407,130	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,374,101)</b>	<b>(15,781,230)</b>	<b>10,407,129</b>	



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R	2018 R	2018 R	Reasons for material adjustments
	(Original Budget)	(Adjustments)	(Final Budget)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Transfers and Subsidies	33,912,637	(505,770)	33,406,868	The amount of allocated by the parent municipality was reduced during the year.
Sales of goods and services	22,030,000	2,106,887	24,136,887	Due to good performance in the first half of the financial year, cash projected to be collected from the abattoir and farms was adjusted upwards.
Interest received	2,000,000	-	2,000,000	Budget item was not adjusted.
<b>Payments</b>				
Suppliers and Employees	(59,891,501)	1,125,008	(58,726,493)	Net adjustment is equivalent to 2% and is considered to be immaterial.
Finance charges	(35,000)	-	(35,000)	Budget item was not adjusted.
Cash generated by operations	(1,343,864)	2,726,114	1,382,250	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Property, Plant and Equipment	(12,335,000)	(2,663,480)	(14,998,480)	This attributed to funds rolled over from the previous financial year which were applied to acquire assets.
Purchases of Biological Assets	-	(2,250,000)	(2,250,000)	Part of the budget was shifted from the purchase of property, plant and equipment to fund the acquisition of biological assets.
Proceeds on Disposal of Fixed Assets	85,000	-	85,000	Budget item was not adjusted.
Net Cash from Investing Activities	(12,250,000)	(4,913,480)	(17,163,480)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(13,593,864)	(2,187,368)	(15,781,230)	
Cash and Cash Equivalents at the beginning of the year	29,355,412	(2,187,368)	36,254,363	
Cash and Cash Equivalents at the end of the year	15,761,548		20,473,123	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(13,593,864)		(15,781,230)	

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL 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 GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

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

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.

**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 which assumes that Entity will continue in operation into the foreseeable future.

**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 restatements 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.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**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.

**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 any amount that is higher than 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**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 2017 to 30 June 2018. 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.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1.8. LEASES**

**1.8.1. *Entity as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Entity. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Entity recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. This section equally applies to grant allocation from the parent municipality to the extent that it is allocated to specific projects. If specific conditions are not met or unspent balances cannot be allocated to other projects, 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 the parent municipality or other organs of state.

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

- 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 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. PROVISIONS**

Provisions are recognised when the Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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 an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1.11. EMPLOYEE BENEFITS**

**1.11.1. Provision for Staff Leave**

Liabilities for annual leave are recognised as the leave accrues 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 or at a time determined and approved by the Board of Directors.

**1.11.2. Staff Bonuses Accrued**

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

**1.11.3. Pension and retirement fund obligations**

The Entity provides retirement benefits for its employees on a defined contribution plan. Defined contribution plans are post-employment benefit plans under which the Entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

**1.12. PROPERTY, PLANT AND EQUIPMENT**

**1.12.1. 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 less any estimated residual value at the end of its lifespan. 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.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

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 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.

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.

Orchard trees are bearer plants and are classified as property, plant and equipment. Produce on bearer plants is not property, plant and equipment but biological asset.

**1.12.2. 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.

Bearer plants are measured at fair value.

**1.12.3. 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:

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	<i>Years</i>
<b><u>Buildings</u></b>	
Buildings	30
<b><u>Other assets</u></b>	
Computer hardware	5
Office equipment	5
Furniture and fittings	6
Motor vehicles	5
Tractor and other equipment	6
Network hardware	5
Plant and equipment	6
<b><u>Finance lease assets</u></b>	
Computer Equipment	5

Property, plant and equipment are reviewed at each reporting date for any indication of material 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 impairment is recognised in the Statement of Financial Performance.

**1.12.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed 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.

**1.13. INTANGIBLE ASSETS**

**1.13.1. 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



**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

- 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.

**1.13.2. 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.

**1.13.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its 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	3

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1.13.4. De-recognition**

Intangible assets are derecognised when the asset is disposed 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.

**1.14. BIOLOGICAL ASSETS**

**1.14.1. Initial Recognition**

A biological asset or agricultural produce is recognised when, and only when:

- the Entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Entity;
- livestock is expected to be kept for a period extending beyond twelve months for breeding purposes;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

Produce on bearer plants is recognised as a biological asset.

**1.14.2. Subsequent Measurement**

Biological assets are measured at their fair value less cost to sell.

The fair value of cattle is determined based on market prices of produce, livestock of similar age, breed, and genetic merit in the local industry.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

**1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.15.1. 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 materially 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:

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

(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 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

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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.

**1.15.2. Non-cash-generating assets**

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

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 service 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

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term 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, legal or government policy environment in which the Entity operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term 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, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Entity estimates the recoverable service amount of that asset.

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

## **1.16. INVENTORIES**

### **1.16.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are 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 of the inventories can be measured reliably. Inventories

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Livestock that is acquired or identified for sale within a period of twelve months is classified as inventory.

Where inventory 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 the item on the date acquired.

**1.16.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**1.17. FINANCIAL INSTRUMENTS**

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

**1.17.1. 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.

**1.17.2. Subsequent Measurement**

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

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.

**1.17.2.1. 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.

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.

**1.17.2.2. 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.

**1.17.2.3. Cash and Cash Equivalents**

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

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 overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.17.3. De-recognition of Financial Instruments**

**1.17.3.1. 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 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.

**1.17.3.2. Financial Liabilities**

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



**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

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.

**1.17.4. 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.

**1.18. REVENUE**

**1.18.1. Revenue from Non-Exchange Transactions**

The Entity receives a major part of its income in the form of grants (referred to as government grants) from the parent municipality, the O.R. Tambo District Municipality.

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 obligation 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.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Entity. Where public contributions have been received, but the Entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

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.

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 from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible officials is virtually certain.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

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

When, as a result of a non-exchange transaction, a 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.

**1.18.2. 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.

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 the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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.

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.

#### **1.19. RELATED PARTIES**

The Entity resolved to early 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 Municipalities. 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).

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

- 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).

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 Chairman of the Board and all other directors.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Entity being the Chief Executive Officer, Chief Financial Officer and all other managers reporting directly to 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.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

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.

As a municipal entity, the Entity is fully controlled by the parent municipality the O.R. Tambo District Municipality. As a development agency of the parent municipality, the Entity is inherently involved in a number of economic development operations, developmental commercial operations and community based organisations.

**1.20. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, 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.

**1.21. 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, and (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.

**1.22. 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.

**1.23. 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

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

be required to the obligation or the amount of the obligation cannot be measures 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.

**1.24. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

**1.24.1. *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.24.2. *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.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1.24.3. 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 to determine the useful life of the assets.

**1.24.4. 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.

**1.24.5. Revenue Recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy 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 the revenue in the current year is appropriate.

**1.24.6. 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, leave gratuity is paid or when employment is terminated.

**1.25. 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.

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O.R. TAMBO DISTRICT MUNICIPALITY: REGISTRATION  
NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

---

**1.26. TAXES – INCOME TAX**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using applicable tax rates at the reporting date.

**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 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.



**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Call Investments Deposits	28,196,442	31,047,841
Bank Accounts	2,675,244	5,197,525
Petty Cash Balances	8,567	8,988
<b>Total Cash and Cash Equivalents</b>	<b>30,880,253</b>	<b>36,254,354</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The entity has the following bank accounts:		
<b>Current Accounts</b>		
FNB - Account Number 62166804742 (Primary Bank Account)	2,644,168	5,185,305
FNB - Account Number 6216680472 (Salaries Account)	11,074	12,220
Trading Account 62254987351	5,462	-
Kei Fresh current account 62192051698	14,540	-
	<b>2,675,243</b>	<b>5,197,525</b>
<b>FNB - Account Number 6216680472 (Primary Bank Account)</b>		
Cash book balance at beginning of year	5,185,305	1,117,621
Cash book balance at end of year	2,644,168	5,185,305
Bank statement balance at beginning of year	5,157,522	1,142,214
Bank statement balance at end of year	2,644,168	5,157,522
<b>FNB - Account Number 6216680472 (Salaries Account)</b>		
Cash book balance at beginning of year	12,220	8,713
Cash book balance at end of year	11,074	12,220
Bank statement balance at beginning of year	12,220	8,713
Bank statement balance at end of year	11,074	12,220
<b>Trading Account 62254987351</b>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	5,462	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	(2,326)	-
<b>Kei Fresh current account 62192051698</b>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	14,540	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	14,540	-
	<b>R</b>	<b>R</b>
<b>Call Investment Deposits</b>		
Call investment deposits consist out of the following accounts:		
FNB Account number 62181670540 (Ntinga)	1,201,215	3,519,765
FNB Account number 621859015281 (Ikwezi Farm)	758,507	445,980
FNB Account number 62185096122 (Umzimkand Read Meat Abattoir)	7,001,414	2,833,598
FNB Call 62508942407	82,388	77,422
FNB Call 62578074149	8,265,428	2,815,567
FNB Call 74639066478	5,703,987	5,306,956
Absa Deposit 2076336300	-	16,049,712
Nedbank Deposit 011	-	(1,158)
FNB Call Account 62207949564	900	-
FNB Call Account 62383406082	149,142	-
FNB Call Account 62308466045	2,340	-
FNB Call Account 62766535622	31,121	-
Standard bank call account 39869431103	5,000,000	-
	<b>28,196,442</b>	<b>31,047,842</b>
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>3.1 Credit sales of goods and rentals</b>	2,189,802	107,704
Less: Allowance for Doubtful Debts	(537,888)	(86,805)
<b>Total Net Receivables from Exchange Transactions</b>	<b>1,651,914</b>	<b>20,899</b>
Projects amount include balances that are owed by Abattoir and Kei Fresh Produce Market customers or tenants. Consumer debtors are required to settle issued invoices within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Ageing of Receivables from Exchange Transactions:		
<b>(Projects): Ageing</b>		
Current (0 - 30 days)	1,710,663	958
31 - 60 Days	(74,147)	150
61 - 90 Days	15,397	7,420
+ 90 Days	537,888	86,805
<b>Total</b>	<b>2,189,802</b>	<b>107,704</b>

### 3.2 Reconciliation of Provision for Bad Debts

Balance at beginning of year	86,805	58,930
Contribution to provision - KFPM	63,501	-
Contribution to provision	387,582	27,875
<b>Restated balance</b>	<b>537,888</b>	<b>86,805</b>

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Projects	537,888	86,805
----------	---------	--------

The fair value of trade receivables approximates their carrying amounts.

<b>537,888</b>	<b>86,805</b>
----------------	---------------

### 4 INVENTORY

<b>Opening balance</b>	<b>199,262</b>	<b>96,547</b>
Consumable stores	114,751	96,547
Merchandise (Meat and Milk)	84,511	-
<b>Additions</b>	<b>8,558,395</b>	<b>1,895,918</b>
Consumable stores	411,360	170,433
Livestock	3,082,648	-
Merchandise (Meat and Milk)	5,064,387	1,725,485
<b>Issued (Expensed)</b>	<b>(7,775,296)</b>	<b>(1,793,203)</b>
Consumable stores	(428,567)	(152,229)
Livestock	(2,210,598)	-
Merchandise (Meat and Milk)	(5,136,131)	(1,640,974)
<b>Closing Balance</b>		
Consumable stores	97,544	114,751
Livestock	872,050	-
Merchandise (Meat and Milk)	12,767	84,511
<b>Total Inventory</b>	<b>982,361</b>	<b>199,262</b>

No inventory assets were pledged as security for liabilities.

### 5 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

#### Other Receivables

Advance payments and sundry debtors  
Staff provident fund  
Prepayments - Deposits

746,086	46,055
-	20,736
192,597	375,738
<b>938,683</b>	<b>442,529</b>
(20,735)	(50,175)
<b>917,947</b>	<b>392,354</b>
6,128	5,816,474

#### Sub-total

Less: Allowance for Doubtful Debts

#### Net - Other Receivables

O.R. Tambo D.M. Grants and Receipts

#### Total Net Receivables from Non-Exchange Transactions

<b>924,075</b>	<b>6,208,828</b>
----------------	------------------

#### Reconciliation of Provision for Bad Debts

Balance at beginning of year	50,175	78,842
Bad debts written off	-	(17,826)
(Reversal of Provision) / Contribution to provision	(29,440)	(10,841)
<b>Balance at end of year</b>	<b>20,735</b>	<b>50,175</b>

### 6 TAXES

#### 6.1 VAT PAYABLE

(588,611)	-
<b>(588,611)</b>	<b>-</b>

#### 6.2 VAT RECEIVABLE

-	169,940
---	---------

#### NET VAT RECEIVABLE/(PAYABLE)

<b>(588,611)</b>	<b>169,940</b>
------------------	----------------

VAT is receivable/payable on the invoice basis.

### 7 INCOME TAX

Current tax expense	-	-
Deferred tax income	(1,866,427)	-
<b>Deferred tax asset</b>	<b>(1,866,427)</b>	<b>-</b>

With effect from 01 July 2017 the Entity started to operate as a State Owned Company and is in compliance with the South African Income Tax Act 58 of 1962.

The deferred tax amount relates to unused tax credits. It is recognised to the extent that there will be future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

Reconciliation between tax expense (income) and accounting profit:-

Accounting profit	54,568,584	-
Tax effect of transactions that are exempt or not deductible in determining taxable profit:-		
- Adjustments to Biological Assets	(4,285,693)	-
- Donations received	(62,258,495)	-
- Decrease in provision for doubtful debts	(22,080)	-
- Gains on disposal of Property, Plant and Equipment	(60,103)	-
- Staff bonuses	1,512,553	-
- Staff Leave	732,001	-
- Debt Impairment	290,687	-
- Depreciation and amortisation	4,016,134	-
- Impairment of Biological Assets	4,530,506	-
- Fair Value Adjustments	310,844	-
Deductible temporary differences:-	(6,000,748)	-
- Staff bonuses paid	1,429,903	-
- Staff leave paid	1,624,433	-
- Assets wear and tear	2,946,412	-
Taxable profit / (loss)	(6,665,809)	-
Income Tax at a rate of 28%	-	-

The applicable tax rate and average effective tax rate are therefore nil.

## 8 PROPERTY, PLANT AND EQUIPMENT

Carrying amounts	54,931,715	4,265,631
See appendix A		

Assets pledged as security:

There are no assets pledged as security.

Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance.

Market value was determined by external valuer. The impairment relates to assets with a book value that was higher than the market value.

The effective date of the assessments and revaluation was 30 June 2018. Valuations were performed by independent professional valuer, Mzizi 4291 Properties CC (Reg.no. 2010/072405/23), a registered valuer in terms of Section 20(2) of the Property Valuers Profession Act (47 of 2000).

## 9 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	814,289	37,294
Cost	1,251,537	446,353
Accumulated Amortisation	(417,300)	(389,111)
Accumulated Impairment	(19,948)	(19,948)
Additions	-	805,184
Transfers from KFPM - Cost	236,499	-
Amortisation	(170,145)	(28,189)
Net Carrying amount at 30 June	644,144	814,289
Cost	1,488,036	1,251,537
Accumulated Amortisation	(587,445)	(417,300)
Transfers from KFPM - Accumulated Amortisation	(236,499)	-
Accumulated Impairment	(19,948)	(19,948)

The following material intangible assets are included in the carrying value above

Description	Carrying Value	
	2018 R	2017 R
Computer software	644,144	814,289

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets pledged as security for liabilities

10	<b>BIOLOGICAL ASSETS</b> (See appendix B)		
	<b>Carrying amounts</b>	<b>11,232,450</b>	<b>760,051</b>
	<p>No title or other restrictions are placed on biological assets.</p> <p>No biological assets were pledged as security for liabilities.</p> <p>There are no commitments for the acquisition of biological assets.</p> <p>Biological assets are located at Adam Kok Farms and Ikwezi Dairy Farm. The primary activities revolving around biological assets are livestock breeding, heifer exchange and milk production.</p> <p>In the coming financial year, Ikwezi Dairy Farm will no longer be used for milk production. It will be used for livestock fattening programme.</p> <p>Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:</p> <ul style="list-style-type: none"> <li>- Regular inspection and maintenance of boundary fences to manage movement of biological assets.</li> <li>- Regular monitoring and reporting of quantities by Entity staff.</li> <li>- A contract is entered into with a Veterinarian</li> <li>- Livestock is regularly vaccinated.</li> </ul> <p>The effective date of the assessments and valuation was 30 June 2018. Valuations were performed by an independent professional veterinarian, Dr G.G. Bauti, a registered veterinarian in terms of Veterinary and Para-Veterinary Professions Act No. 19 of 1982.</p>		
11	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Trade Payables	1,126,714	168,077
	Other accruals	2,609,259	1,593,729
	Annual bonus	871,994	619,150
	Sundry Creditors	1,737,265	974,579
	Salary deductions	894,991	358,912
	O.R. Tambo District Municipality	526,832	560,862
		<b>5,157,796</b>	<b>2,681,580</b>
	<p>Payables are being recognised net of any discounts.</p> <p>Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.</p> <p>The carrying value of trade and other payables approximates its fair value.</p> <p>All payables are unsecured.</p>		
12	<b>PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
	Sustainable Villages SURUDEK - Baziya Sustainable Village Project	446,973	446,973
	<b>Total Payables from non-exchange transactions</b>	<b>446,973</b>	<b>446,973</b>
	<p>This balance is payable to the European Commission. It originates from expenditure incurred by the Entity which the Commission declared as ineligible. The Entity was advised to wait for a directive before making the payment.</p>		
13	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	Unspent Grants	1,766,208	6,442,340
	Provincial and National Government Grants	-	43,824
	District Municipality	1,605,951	6,239,782
	Other Grant Providers	160,257	158,733
	<b>Total Conditional Grants and Receipts</b>	<b>1,766,208</b>	<b>6,442,340</b>
	<p>Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. See appendix "B" for reconciliation of grants from other spheres of government. The entity complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.</p>		
		<b>2018</b>	<b>2017</b>
		<b>R</b>	<b>R</b>
14	<b>CURRENT EMPLOYEE BENEFITS</b>		
	Provision for Staff Leave	3,144,234	3,547,854
	<b>Total Current Employee Benefits</b>	<b>3,144,234</b>	<b>3,547,854</b>
	<p>The movement in current employee benefits are reconciled as follows:</p>		
	<b>Provision for Staff Leave</b>		
	Balance at beginning of year	3,547,854	3,325,072
	Transfer from KFPM	488,811	-
	Current year contribution	(1,624,433)	505,207
	Expenditure incurred	732,001	(282,425)
	Balance at end of year	<b>3,144,233</b>	<b>3,547,854</b>
	<p>Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date but limited to 35 leave days. This provision will be realised as employees take leave, when employment is terminated or any circumstance approved by the board of directors.</p>		
15	<b>OPERATING LEASE ARRANGEMENTS</b>		
	Future minimum lease payments of the operating lease		
	Up to 1 year	126,000	126,000
	1 to 5 Years	504,000	504,000
	More than 5 years	199,500	325,500
	<b>Total Operating Lease Payments</b>	<b>829,500</b>	<b>955,500</b>

The operating lease consist of an agreement entered into with Missionary Sisters of the Precious Blood over a period of 12 years. The entity leases a Dairy Farm. The latest agreement was entered into on 1 January 2013 and expires on 29 January 2025. The initial rental amount in the contract is R 10,500.00 (Including VAT) per month.

The operating lease also consist of an agreement entered into with Nashua over a period of 1 year. The entity leases a Multifunctional Photocopier and Printer. The latest agreement was entered into on 01 July 2017 and expires on 30 June 2018. The initial rental amount in the contract is R 9,085.04 (Including VAT) per month.

The entity does not engage in any sub-lease arrangements.

The entity did not pay any contingent rent during the year.

16

#### TRANSFERS AND SUBSIDIES

O.R. Tambo District Municipality	37,455,415	46,665,607
Other grants	506,577	544,023
<b>Total Income</b>	<b>37,961,992</b>	<b>47,209,630</b>
<b>Total Grants</b>		
Opening balance	6,442,340	452,730
Grants received - O.R. Tambo District Municipality	32,821,584	52,605,040
Grants received - Other	508,434	594,200
Less: Amount transferred to revenue	(44,157)	-
Conditions met: O. R. Tambo District Municipality	(37,455,415)	(46,665,607)
Conditions met: Other grants	(506,577)	(544,023)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,766,208</b>	<b>6,442,340</b>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	1,766,208	6,442,340
	<b>1,766,208</b>	<b>6,442,340</b>

17

#### SALE OF GOODS AND RENDERING OF SERVICES

Consulting	1,858,745	3,310,639
SETA Levies, Tender Fees and sale of agricultural produce	104,417	272,005
Ikwezi Dairy Farm	270,798	255,149
Umzikantu Red Meat Abattoir	6,070,229	2,607,022
Kei Fresh Produce Market	1,371,926	-
Adam Kok Farms	5,082,140	-
Decrease in provision for doubtful debts	29,440	10,841
Discount received	-	261,193
<b>Total</b>	<b>14,787,695</b>	<b>6,716,849</b>

18

#### Losses Biological Assets

##### 18.1 Gains

Fair Value adjustments - Price changes	4,191,093	-
Fair Value adjustments - Physical changes	94,600	3,800
	<b>4,285,693</b>	<b>3,800</b>

##### 18.2 Fair value losses

Fair Value adjustments - Price changes	-	70,550
Fair Value adjustments - Physical changes - Livestock	310,844	69,000
- Orchard	-	-
	<b>310,844</b>	<b>139,550</b>

These biological assets adjustments relate to births and deaths of livestock.

19

#### EMPLOYEE RELATED COSTS

Bonus	1,512,553	862,316
Leave Reserve Fund	732,001	371,613
Other	215,789	148,395
Salaries and Wages	28,854,090	17,644,347
Travel, motor car, telephone, assistance and other allowances	2,959,877	2,618,599
<b>Total Employee Related Costs</b>	<b>34,274,310</b>	<b>21,645,270</b>

#### CONTRIBUTIONS TO PENSION AND PROVIDENT FUNDS

The Entity contributes to the Defined Contribution Provident Fund. The benefit is subject to the Pension Fund Act, 1956.

<b>Contributions for the year included in employee cost</b>	<b>2,709,874</b>	<b>2,216,915</b>
---	------------------	------------------

#### REMUNERATION OF KEY MANAGEMENT PERSONNEL

##### Remuneration of the Chief Executive Officer

Basic Salary	1,204,636	1,120,515
Travel Allowance	120,847	106,131
Cellphone Allowance	47,527	41,740
Annual Bonus	88,955	84,495
Contributions to UIFand Provident Fund.	147,785	147,366
Leave Gratuity	273,758	-
<b>Total</b>	<b>1,883,509</b>	<b>1,500,246</b>

Leave gratuity was paid to the former CEO after expiry of his term of employment.

**Remuneration of the Chief Financial Officer**

Basic Salary	941,906	934,309
Travel Allowance	112,692	112,941
Cellphone Allowance	37,029	44,418
Annual Bonus	71,301	69,280
Contributions to UIFand Provident Fund.	110,134	124,044

<b>Total</b>	<b>1,273,061</b>	<b>1,284,993</b>
--------------	------------------	------------------

**Remuneration of the Senior Manager Water Services**

Basic Salary	755,632	706,263
Travel Allowance	99,506	92,996
Cellphone Allowance	16,204	15,144
Annual Bonus	34,195	33,226
Contributions to UIFand Provident Fund.	74,015	67,505

<b>Total</b>	<b>979,552</b>	<b>915,135</b>
--------------	----------------	----------------

**Remuneration of the Corporate Service Manager**

Basic Salary	792,920	704,002
Travel Allowance	110,797	86,936
Cellphone Allowance	10,069	10,523
Annual Bonus	28,099	27,303
Contributions to UIFand Provident Fund.	69,598	59,779

<b>Total</b>	<b>1,011,483</b>	<b>888,542</b>
--------------	------------------	----------------

**Remuneration of the Senior Manager Trading Enterprises**

Basic Salary	477,686	689,569
Travel Allowance	58,472	92,136
Cellphone Allowance	18,809	30,139
Annual Bonus	38,210	37,127
Contributions to UIFand Provident Fund.	41,533	76,149

<b>Total</b>	<b>634,711</b>	<b>925,121</b>
--------------	----------------	----------------

Remuneration is for a period of 7 months.

**Remuneration of the Company Secretary**

Basic Salary	765,114	715,060
Travel Allowance	112,780	105,402
Cellphone Allowance	26,497	24,763
Annual Bonus	54,608	53,060
Contributions to UIFand Provident Fund.	100,513	95,839

<b>Total</b>	<b>1,059,513</b>	<b>994,124</b>
--------------	------------------	----------------

20

**BOARD OF DIRECTORS RELATED COSTS**

	<b>R 2018</b>	<b>R 2017</b>
Sitting allowances and re-imbursing travel costs	1,346,477	318,002
Accommodation and travel costs	379,631	684,888
<b>Total Board of Directors related costs</b>	<b>1,726,108</b>	<b>1,002,891</b>

**REMUNERATION PER BOARD MEMBER**

<b>Board Member</b>	<b>Sitting Allowance</b>	<b>Subsistence Allowance</b>	<b>Re-imbursing travel</b>	<b>TOTAL</b>
Mr S.E. Mase	-	15956	33,819	49,775
Mr M. Msiwa	134,200		12,306	146,506
Mr M.M. Pupuma	206,250		102,591	308,841
Mrs N.D.A. Ngewu	33,000		16,605	49,605
Dr. L.L. Ndabeni	115,500		8,937	124,437
Ms. U.N. Mkize	144,100		25,329	169,429
Prof. L.Y. Majova-Songca	96,250		17,235	113,485
Ms. N.S.N. Bam	110,000		34,036	144,036
Dr. N.T. Ndudane	148,500		15,626	164,126
Ms. N. Makuni	67,650		3,935	71,585
	<b>1,055,450</b>	<b>15,956</b>	<b>270,418</b>	<b>1,341,824</b>

Members of the Board are non-executive directors. In order to enable them to carry out their responsibilities efficiently and effectively some members are provided with computer equipment with data bundles. Except for the Board Chairperson members are divided to serve in board committees.

21

**DEBT IMPAIRMENT**

	<b>2018 R</b>	<b>2017 R</b>
Trade Receivables from exchange transactions - Note 3.2	387,582	27,875
<b>Debt impairment recognised in statement of financial performance</b>	<b>387,582</b>	<b>27,875</b>

22

**DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	3,845,989	712,084
Intangible Assets	170,145	28,189
	<b>4,016,134</b>	<b>740,273</b>

23	<b>IMPAIRMENTS</b>		
	Property Plant and Equipment	4,530,506	-
	Intangible assets	-	-
		<u>4,530,506</u>	<u>-</u>
24	<b>FINANCE CHARGES</b>		
	Capitalised Lease Liability	31,770	-
	Interest expenses	-	16,569
	<b>Total finance charges</b>	<u>31,770</u>	<u>16,569</u>
25	<b>GRANTS AND SUBSIDIES TRANSFERS</b>		
	Kei Fresh Produce Market	-	5,939,781
	<b>Total Grants and Subsidies</b>	<u>-</u>	<u>5,939,781</u>
26	<b>Discontinued Operation</b>		
		<b>Gross</b>	<b>Tax</b>
			<b>Net</b>
	Revenue	270,797.90	-
	Cost of sales	<u>(386,917.13)</u>	<u>-</u>
	Gross loss	(116,119.23)	(116,119)
	Other expenses	<u>(335,155.49)</u>	<u>-</u>
	Loss for the year	<u>(451,274.72)</u>	<u>(451,275)</u>
The Board of Directors took a decision to discontinue the milking operations at Ikwezi Dairy Farm. The farm will be used as part of the livestock fattening programme. This is to take effect in the next financial year.			
27	<b>Operational costs</b>		
	Accommodation and travel	818,054	240,849
	Advertising and promotion	262,629	163,586
	Audit fees	1,693,276	2,039,355
	Bank charges	160,636	57,183
	Bar codes	10,615	-
	Cash collection services	80,958	-
	Cleaning	11,283	-
	Courier and postage	1,155	797
	Consulting and professional fees	1,121,495	107,849
	Consumables	65,336	40,692
	Conversion to SOC	-	614
	External project expenses	477,903	-
	Fuel and oil	602,800	-
	Feed	781,221	-
	Hiring expenses	87,728	-
	Legal fees	32,940	61,963
	Licensing - software	145,201	151,844
	Livestock purchases	7,036,874	-
	Marketing	1,642	-
	Motor vehicle expenses	130,562	166,592
	Meat inspection	170,359	-
	Medication - livestock	286,489	-
	Municipal services	1,346,097	-
	Orchard expenses	1,538	-
	Packaging	129,303	-
	Printing and stationery	380,379	164,843
	Protective clothing	216,288	-
	Rental expenses	126,000	-
	Repairs and maintenance	577,922	-
	Security services	1,067,532	-
	Social facilitation	813,717	-
	Staff training	320,425	349,575
	Strategic planning session	55,251	78,637
	Subscriptions	110,373	111,179
	Telephone and fax	464,906	279,295
	Veterinary services	-	-
	Water and electricity	-	-
	Water and Sanitation Social Facilitation	-	2,582,553
	Anglogold Ashanti	-	81,907
	Co-operatives development support	6,475	12,782
	Sustainable Villages Programme	144,116	207,883
	Fundraising and resources mobilisation	-	478,020
	Adam Kok Farms	-	7,936,689
	Umzikantu Red Meat Abattoir	-	3,008,047
	Kei Fresh Produce Market	-	-
	Ikhwezi Dairy Farm	-	720,638
	Small Town Regeneration	-	56,667
	Lefa La Rona	-	411,132
	<b>Total operational costs</b>	<u>19,739,478</u>	<u>19,511,171</u>

**Contracted Services**

Cleaning	224,059	141,504
Leasing Server Hosting	405,840	480,663
Insurance - assets	722,609	280,551
Internal audit expenses	201,901	103,737
Leasing Hire Fac	119,367	26,809
Software licencing	177,114	-
Veterinary services	25,954	-
Valuation services	68,696	-
Website maintenance	120,000	18,000

<b>2,065,540</b>	<b>1,051,264</b>
------------------	------------------

<b>R</b>	<b>R</b>
----------	----------

29

**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**

Surplus/(Deficit) for the year	54,568,584	7,638,838
--------------------------------	------------	-----------

**Adjustments for:**

Depreciation	3,845,989	712,084
Amortisation of Intangible Assets	170,145	28,189
Impairments - Property, Plant and Equipment	4,530,506	-
Donations received	(62,258,495)	-
Adjustments to Biological Assets	(3,974,849)	135,750
Gain on disposal of Property, Plant and Equipment	(300,514)	(237,146)
Increase in provision for doubtful debts	387,582	27,875

Operating Surplus before changes in working capital	(3,031,052)	8,305,590
Changes in working capital	(607,869)	(27,506)

Increase in Payables from Exchange Transactions	167,794	210,797
Increase in Provision for Current Employee Benefits	(403,620)	356,376
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(4,676,132)	5,989,609
(Decrease) in Taxes	758,551	(254,020)
(Increase) / Decrease/ in Unpaid Conditional Grants and Receipts	5,810,346	(5,777,624)
(Increase)/Decrease in Inventory	88,951	(102,715)
(Increase) in Accounts Receivables	(2,353,758)	(449,929)

<b>Cash generated/(absorbed) by operations</b>	<b>(3,638,921)</b>	<b>8,278,084</b>
--	--------------------	------------------

30

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 2	28,196,442	31,047,841
Cash Floats - Note 2	8,567	8,988
Bank - Note 2	2,675,244	5,197,525

<b>Total cash and cash equivalents</b>	<b>30,880,253</b>	<b>36,254,354</b>
--	-------------------	-------------------

31

**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 2	30,880,253	36,254,354
------------------------------------	------------	------------

Less:	30,880,253	36,254,354
	1,766,208	6,442,340

Unspent Committed Conditional Grants - Note 13	1,766,208	6,442,340
--	-----------	-----------

<b>Resources available for working capital requirements</b>	<b>29,114,045</b>	<b>29,812,014</b>
---	-------------------	-------------------

32

**PURCHASE OF PROPERTY, PLANT AND EQUIPMENT****32.1 Additions to Property, Plant and Equipment**

Purchase of property, plant and equipment - Note 8	4,612,167	1,729,823
--	-----------	-----------

<b>Cash movement</b>	<b>4,612,167</b>	<b>1,729,823</b>
----------------------	------------------	------------------

33

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED****33.1 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	23,298
Incurred during the year	63,777	-
Written off by the Board of Directors	-	(23,298)

<b>Fruitless and wasteful expenditure awaiting further action</b>	<b>63,777</b>	<b>-</b>
---	---------------	----------

Incident	Disciplinary steps/proceedings
Eleven cows were transferred to Umzikantu Red Meat Abattoir from Adam Kok Farms for slaughtering and selling. It was discovered that they were vaccinated and were not suitable for sale and human consumption.	Affected employees have been served with letters to provide reasons why they cannot be charged.



### 33.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	20,980	-
Irregular expenditure incurred during the year	70,086	20,980
Irregular expenditure awaiting further action	<b>91,066</b>	<b>20,980</b>

Description of incident	Amount
Award made to a person in the service of the state, a community care giver in KZN Department of Health.	8,350
Award made to a supplier that has an indirect business relationship with an official of the Entity.	12,630
Bid specifications not including the local content requirement.	70,085

### 34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 34.1 Audit fees - [MFMA 125 (1)(b)]

	R	R
Opening balance	121,168	248,880
Current year audit fee	1,817,476	2,039,355
External Audit - Auditor-General	<b>1,817,476</b>	<b>2,039,355</b>
Amount paid - current year	1,938,644	1,918,187
Amount paid - previous year	-	248,880
Balance unpaid (included in Accounts Payable)	<b>-</b>	<b>121,168</b>

#### 34.2 VAT - [MFMA 125 (1)(b)]

Opening balance	(191,997)	(293,506)
Balance transferred from KPM	(251,880)	-
VAT payments made to SARS - previous year	191,997	156,205
VAT due to SARS - current year	(4,031,459)	(3,619,194)
VAT payments made to SARS - current year	3,694,729	3,564,498
Closing balance - Payable	<b>(588,610)</b>	<b>(191,997)</b>

VAT is payable/receivable on the invoice basis.

#### 34.3 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	341,028	6,021
Current year payroll deductions and contributions	6,506,402	4,578,994
Amount paid - current year	(5,936,799)	(4,243,987)
Balance unpaid (included in Accounts Payable)	<b>910,631</b>	<b>341,028</b>

#### 34.4 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	(6,038)	(6,038)
Current year payroll deductions and contributions	3,305,395	2,430,583
Amount paid - current year	(3,305,395)	(2,430,583)
Balance unpaid (included in Accounts Payable)	<b>(6,038)</b>	<b>(6,038)</b>

#### 34.5 Supply Chain Management Deviations

Impractical to follow normal SCM procedures	6,422,210	3,898,373
Total	<b>6,422,210</b>	<b>3,898,373</b>

These are deviations approved by the Accounting Officer and ratified by the Board of Directors. They were also presented to the Council of the parent municipality. Most of them relate to procurement of livestock from farmers where it is impractical to follow normal procurement processes such as requesting of at least three quotations.

### 35 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	1,506,623	2,294,287
Total commitments consist out of the following:		
- Sanitation projects	1,506,623	2,294,287
	<b>1,506,623</b>	<b>2,294,287</b>
This expenditure will be financed from:		
Government Grants	1,506,623	2,294,287
	<b>1,506,623</b>	<b>2,294,287</b>

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 entity'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

As the entity does not have significant interest-bearing liabilities, the entity's income and operating cash flows are not substantially dependent on changes in market interest rates.

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 liabilities which constitute the majority of interest bearing liabilities.

The entity did not hedge against any interest rate risks during the current year.

#### (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 cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of customers utilising purchasing and utilising the services of the abattoir, dispersed across different sectors and geographical areas. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the entity effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Board endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection".

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 are disclosed below.

The banks utilised by the entity for current and non-current investments are all listed on the JSE (First National Bank, Nedbank, Absa and Standard 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.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

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

	2018 R	2017 R
Receivables from exchange transactions	1,651,914	20,899
Receivables from non-exchange transactions	924,075	6,208,828
Cash and Cash Equivalents	30,880,253	36,254,354
Unpaid conditional grants and subsidies	-	-
	<b>33,456,242</b>	<b>42,484,081</b>

#### (e) Liquidity Risk

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.

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.

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.

2018	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	Over 10 Years R
Trade and Other Payables	5,604,770	-	-	-
Unspent conditional government grants and receipts	1,766,208	-	-	-
	7,370,977	-	-	-

2017	Less than 1 year R	Between 1 and 5 years R	Between 5 and 10 years R	Over 10 Years R
Trade and Other Payables	3,128,553	-	-	-
Unspent conditional government grants and receipts	6,442,340	-	-	-
	9,570,893	-	-	-

### 37 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the entity are classified as follows:

#### 37.1 Financial Assets Classification

##### Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	1,651,914	20,899
Receivables from non-exchange transactions	Financial instruments at amortised cost	924,075	6,208,828

##### Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	28,196,442	31,047,842
---------------	---	------------	------------

##### Bank Balances and Cash

Bank Balances	Financial instruments at amortised cost	2,675,244	5,197,525
Cash Floats and Advances	Financial instruments at amortised cost	8,567	8,988

33,456,242 42,484,082

##### SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	33,456,242	42,484,082
---	------------	------------

##### At amortised cost

33,456,242 42,484,082

#### 37.2 Financial Liability Classification

##### Payables from exchange transactions

Trade creditors	Financial instruments at amortised cost	1,126,714	168,077
Other	Financial instruments at amortised cost	1,421,823	919,774

##### Other Payables

2,609,259 1,593,729

Government Subsidies and Grants	Financial instruments at amortised cost	1,766,208	6,442,340
---------------------------------	---	-----------	-----------

6,924,004 9,123,920

##### SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost	6,924,004	8,543,656
---	-----------	-----------

These financial instruments are contracted to mature in one year or less after the balance sheet date.

### 38 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date which affects these annual financial statements.

### 39 IN-KIND DONATIONS AND ASSISTANCE

Internal auditor seconded from the O. R. Tambo District Municipality. Office accommodation is provided by O. R. Tambo District Municipality at no cost.

Man Truck & Bus (Pty) Ltd: The Entity is a second defendant on a matter involving a collision between a truck and a cow at Adam Kok Farms.

218,254

218,254

CE Du Plessis and 2 other vs OR Tambo District Municipality: Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Plaintiffs alleges that their respective properties were damaged by fires which came from Adam Kok Farms owned by ORTDM and managed by Ntinga. The matter is being defended by the municipality.

1,781,524

-

Zandisile Kanise vs OR Tambo District Municipality: Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Mr. Z.L. Kanise is employed by Ntinga. As per request of ORTDM he was seconded at ORTDM, Executive Mayor Office without any documentation. It is alleged that he acted as a Policy Analyst on secondment from Ntinga.

2,000,000

-

Benzile Munala vs Kei Fresh Produce Market: The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice.

500,000

-

Kholeka Joni vs Kei Fresh Produce Market: The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice.

1,000,000

-

## 41

## RELATED PARTIES

## 41.1 Related Party Loans

No loans to or from related parties

## 41.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 18 to the Annual Financial Statements.

## 41.3 Other related party transactions

Outstanding balance included in payables

Kei Fresh Produce Market

-

460,219

Grants Transfer Payments Made

Kei Fresh Produce Market

-

5,939,781

**Nature of related party relationship with Kei Fresh Produce Market (KFPM)**Grant Amount

O.R. Tambo District Municipality

32,821,584

52,605,040

The above amount include a grant that O.R. Tambo D.M. Pays to the Entity for operations at Adam Kok Farms.

In-kind donations and assistance

Internal auditor is seconded from the O. R. Tambo District Municipality. Office accommodation and related municipal services are provided by O. R. Tambo District Municipality at no cost to the Entity.

Supply of water and sanitation services to Umzikantu Abattoir, Kei Fresh Produce Market and Ikhwezi Dairy Farm

Parent municipality is a water and sanitation services provider to the Entity's trading enterprises. The Entity is invoiced at market values.

- Current year charges

178,074

107,603

Donation of Assets and Transfer of liabilities

Donation of assets and transfer of liabilities to the Entity in relation to Adam Kok Farms and Kei Fresh Produce Market

62,258,495

-

## 41.4 Nature of related party relationship

O.R. Tambo District Municipality is the parent municipality of the entity

Related party transactions were undertaken at arms length.

## 42

## FINANCIAL SUSTAINABILITY

The indicators or conditions that indicate that the Entity is financially stable are as follows:-

**Financial Indicators**

The Entity's current ratio has remained good at above 3.1:1 for the two financial years. This is still a good indication that the Entity is in a position to settle its liabilities.

## 45

**Going concern**

The parent municipality, O.R. Tambo District Municipality, will continue providing financial support to the Entity. In the coming financial year the Entity will be implementing a strategy that is focused on generating own revenue thereby reducing reliance on grant funding.

**APPENDIX A - Unaudited**  
**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**8 PROPERTY, PLANT AND EQUIPMENT**  
**30 JUNE 2018**

**APPENDIX "A"**

**Reconciliation of Carrying Value**

Reconciliation of Carrying Value		Opening Balance		Additions		Cost Transferred from Parent Municipality		Disposals		Correction of prior period error		Closing Balance		Opening Balance		Depreciation Charge		Accumulated Depreciation and Impairment Losses Transferred from KPMP		Disposals		Closing Balance		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	2,129,560	303,234			38,708,578	-						41,141,372	890,392	-	2,160,279						-	3,050,671		38,090,700	
Land	116,000	-			22,885,877	-						23,001,877	-	-	-						-	-		23,001,877	
Buildings	2,013,560	303,234			15,822,701	-						18,139,495	890,392	-	2,160,279						-	3,050,671		15,088,823	
Other Assets	10,420,205	4,308,933			16,029,243	2,007,281						28,751,100	7,393,742	-	1,685,710						4,530,506	1,699,874	11,910,084		16,841,015
Office Equipment	567,513	144,196			6,007	29,089						688,616	392,510	-	127,416						-	18,105	374,405		314,210
Furniture & Fillings	862,114	55,460			359,433	9,050						1,267,958	727,720	-	8,145						-	8,145	846,991		420,966
Tractor and other farming equipment	2,528,839	2,310,258			1,708,709	893,881						5,653,925	1,777,270	-	475,327						-	794,828	1,697,827		3,956,097
Motor vehicles	1,933,062	398,374			695,000	605,620						2,420,816	1,210,104	-	672,021						-	497,808	1,236,499		1,236,499
Plant and equipment	3,052,518	1,221,261			1,428,730	278,070						5,404,438	2,375,468	-	274,033						-	2,379,730	2,379,730		3,024,709
Computer Equipment	1,449,824	179,385			13,147	171,562						1,470,795	886,969	-	136,854						-	151,218	872,606		598,189
Network Hardware	26,335	-			-	-						26,335	23,701	-	-						-	-	23,701	2,634	
Orchard	-	-			11,818,217	-						11,818,217	-	-	-						-	4,530,506	4,530,506		7,287,711
	12,548,765	4,612,167			54,737,820	2,007,281						69,892,471	8,284,134	-	3,845,989						-	1,699,874	14,960,755		54,931,715

**30 JUNE 2017**

**Reconciliation of Carrying Value**

Reconciliation of Carrying Value		Opening Balance		Additions		Cost		Correction of prior period error		Closing Balance		Opening Balance		Depreciation Charge		Accumulated Depreciation and Impairment Losses				Closing Balance		Carrying Value	
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings		2,217,707	-	-	-	-	-	-	-	2,129,560	857,605	857,605	-	62,855	-	-	30,068	890,392	1,239,168				
Land Buildings		116,000 2,101,707	-	-	-	-	-	-	-	116,000 2,013,560	-	857,605	857,605	-	62,855	-	-	30,068	890,392	116,000 1,123,168			
Lease Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Office Equipment (Lease)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other Assets		9,502,121	1,729,823	-	811,739	-	-	-	-	10,420,205	7,312,388	7,312,388	-	648,443	-	587,089	7,393,742	3,026,463					
Office Equipment		565,656	74,076	-	72,219	-	-	-	-	567,513	417,178	417,178	40,991	65,659	-	65,659	392,510	175,003					
Furniture & Fittings		858,725	20,438	-	17,049	-	-	-	-	882,114	722,095	722,095	21,021	15,396	-	15,396	727,720	134,394					
Tractor and other farming equipment		2,126,509	410,500	-	8,170	-	-	-	-	2,528,839	1,654,561	1,654,561	7,353	7,353	-	7,353	1,777,270	751,569					
Motor vehicles		1,901,982	568,920	-	537,840	-	-	-	-	1,933,062	1,361,219	1,361,219	192,880	343,995	-	343,995	1,210,104	722,958					
Plant and equipment		2,741,668	313,200	-	2,350	-	-	-	-	3,052,518	2,246,463	2,246,463	131,100	2,115	-	2,115	2,375,468	677,050					
Computer Equipment		1,281,246	342,689	-	174,111	-	-	-	-	1,449,824	887,151	887,151	132,389	132,371	-	132,371	886,969	582,855					
Network Hardware		26,335	-	-	-	-	-	-	-	26,335	23,701	23,701	-	-	-	-	23,701	2,634					
Transferred to non-current held for sale		11,719,828	1,729,823	-	899,866	-	-	-	-	12,549,765	8,169,993	8,169,993	711,298	597,157	-	597,157	8,284,134	4,265,631					

**APPENDIX B - Unaudited**  
**NTINGA O. R. TAMBO DEVELOPMENT AGENCY SOC LTD**  
(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**

**10 BIOLOGICAL ASSETS**

**30 JUNE 2018**

**Reconciliation of Carrying Value - Livestock**

	Cattle R	Fair Value Sheep R	Total R	Cattle	Quantities Sheep R	Total
Opening balance	758,451	1,600	760,051	67	1	68
Total movements	10,473,999	(1,600)	10,472,399	-	-	-
Acquisitions	1,203,770	-	1,203,770	-	-	-
Births	94,600	-	94,600	-	-	-
Deaths	(310,844)	-	(310,844)	-	-	-
Gains from change in fair value	4,191,093	-	4,191,093	-	-	-
Losses from change in fair value	-	-	-	-	-	-
Transfers from ORTDM	8,376,428	-	8,376,428	-	-	-
Transfers to inventory	(872,050)	-	(872,050)	-	-	-
Disposals	(2,208,998)	(1,600)	(2,210,598)	-	-	-
Closing balance	11,232,450	-	11,232,450	67	1	68

**30 JUNE 2017**

**Reconciliation of Carrying Value**

	Cattle R	Fair Value Sheep R	Total R	Cattle	Quantities Sheep R	Total R
Opening balance	624,901	2,800	627,701	68	2	70
Total movements	133,550	(1,200)	132,350	(1)	(1)	(2)
Acquisitions	318,000	-	318,000	13	-	13
Births	3,800	-	3,800	14	-	14
Deaths	(67,800)	(1,200)	(69,000)	(16)	(1)	(17)
Losses from change in fair value	(70,550)	-	(70,550)	-	-	-
Disposals	(49,900)	-	(49,900)	(12)	-	(12)
Closing balance	758,451	1,600	760,051	67	1	68

**APPENDIX B**

**NTINGA O.R. TAMBO DEVELOPMENT AGENCY**

(A MUNICIPAL ENTITY OF THE O. R. TAMBO DISTRICT MUNICIPALITY : REGISTRATION NUMBER: 2016/272582/30)

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 01 July 2017	Allocation for the year	Receipts for the year	Interest Received	Bank charges	Transfers (to) / from other Revenue	Grants repaid	Conditions met	Balance 30 June 2018
	R	R	R	R	R	R	R	R	R
<b>Unconditional Grants</b>									
<b>District Municipality Grants</b>									
O.R. Tambo District Municipality - Operations funding	-	-	32,821,584	-	-	-	-	(32,821,584)	-
<b>Total District Municipality Grants</b>	-	-	32,821,584	-	-	-	-	(32,821,584)	-
<b>Conditional Grants</b>									
<b>Government Grants</b>									
DEAT Noqhekwana Project	44,714 (890)	-	-	-	-	(44,714) 890	-	-	-
DEAT Ndadankulu Project		-	-	-	-		-	-	-
<b>Total Government Grants</b>	43,824	-	-	-	-	(43,824)	-	-	-
<b>District Municipality Project Funds</b>									
O.R. Tambo District Municipality Projects	6,239,782	-	-	-	-	-	-	(4,633,831)	1,605,951
<b>Total District Municipality Grants</b>	6,239,782	-	-	-	-	-	-	(4,633,831)	1,605,951
<b>Other Grant and Subsidy Providers</b>									
Anglo Gold Ashanti	333	-	-	-	-	(333)	-	-	-
Lefa Le Rona Trust	158,400	-	508,434	-	-	-	-	(506,577)	160,257
<b>Total Other Grant Providers</b>	158,733	-	508,434	-	-	(333)	-	(506,577)	160,257
<b>Total</b>	<b>6,442,339</b>	<b>-</b>	<b>33,330,018</b>	<b>-</b>	<b>-</b>	<b>(44,157)</b>	<b>-</b>	<b>(37,961,992)</b>	<b>1,766,208</b>