

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

VOTE 3

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016**

Claims against the department (claimant did not issue summons to department)	23
Accrued departmental revenue (Restatement of the balance due to recalculation of the amount due by the service provider)	(721)
Accrued departmental revenue - Impairment (Restatement of the balance due to recalculation of the amount due by the service provider)	126
Irregular Expenditure (Expenditure reported as possible irregular expenditure in the prior year does not compromise irregular expenditure).	(25,376)
Recalculation of irregular expenditure amounts related to prior years	1,444
Related Party transactions (Interest and rent of land -Payment made by PW on our behalf erroneously disclosed by the department)	(9,689)
Net effect	<u>(34,194)</u>

**2014/15
R'000**

Notes to AFS

	(38,750)
Conditional Grants (Earmarked Funds (i.e. Infrastructure and REA) are not conditional grants).	
Departmental Revenue - Sales of capital assets (Incorrect application of modified cash standard on biological assets)	(13,442)
Departmental Revenue - Sales of good and services other than capital (Incorrect application of modified cash standard on biological assets)	13,442
Minor Assets (Maria Maroka Handover assets capitalised from prior year)	633
Consumables (Department is a non-inventory department as per description of on the Accounting manual for departments).	2,121
Inventory (Department is a non-inventory department as per description of on the Accounting manual for departments).	(2,121)
Expenditure for capital assets (The splitting of infrastructure enhancement allocation (conditional) expenditure between movable assets and infrastructure assets mostly impacts additions to assets for Maria Moroka resort for 2014/15).	(951)
Net cash flow available from operating activities - proceeds from sale of capital assets (Incorrect application of modified cash standard on biological assets)	(13,442)
Net cash flow available from operating activities - add back non cash/cash movements not deemed operating activities (Incorrect application of modified cash standard on biological assets)	13,442

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016**

Transfers and subsidies - Unspent portion (Incorrect interpretation of AFS framework and clarification obtained on 31/07/2016)	(15,509)
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Net effect	<u>(54,577)</u>
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**2014/15
R'000**

Movable tangible assets

Biological assets - Incorrect application of modified cash standard on biological assets	(53,230)
Machinery and equipment - (Maria Maroka Handover assets capitalised from prior year. Seekoeivlei resort asset. Prior period errors. Duplicate asset. Firearms at H/O. E.E Gariep assets transferred to Agriculture. Laptop transfer received from Public Works)	(491)
Minor assets - (E.E Gariep assets transferred to Agriculture. Maria Maroka Handover assets capitalised from prior year. Sandveld and Seekoeivlei assets. Prior period errors.)	1,800
Minor Assets - Biological assets - Incorrect application of modified cash standard on biological assets	(40,691)
Intangible capital assets - Derecognised Intangible Asset	(45)
Immovable assets - S42 transfer of immovable assets to PW	18,139

Net effect	<u>(74,518)</u>
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**2014/15
R'000**

Annexures

Annexure 3B - case not disclosed in the prior year. Claimant did not issue summons to department. (Rounding difference)	5
Annexure 6 - Department is a non-inventory department as per description of on the Accounting manual for departments	(2,334)
Annexure 7 - This note relates only to WIP in respect of capital projects that are ongoing and not all movable tangible assets.	(72,535)

Net effect	<u>(74,864)</u>
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DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS**VOTE 3****NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016****33. Transfer of functions**

The Free State Executive Council approved in October 2009 that the Gariep State Fish Hatchery which currently falls under DESTEA be transferred to the Department of Agriculture. The Gariep Hatchery currently has 9 employees which are appointed as Auxillary Service Officers. Due to the fact that the Fish Hatchery has been transferred to the Department of Agriculture the 9 employees must also be transferred. During 2010 the Department of Agriculture was engaged with regards to the transfer of the Fish Hatchery and its employees to them and initially the transfer was supposed to have been effected from 01 April 2011 but Agriculture did not obtain approval for the transfer.

The 2 recognised unions in the department, namely PSA and NEHAWU, were engaged about the transfer during the departmental Consultative Committee Meeting (DCC) which was held on 17/02/2011. The 2 unions agreed that the affected officials can be transferred to the Department of Agriculture. In 2014, the Department of Agriculture was again engaged about the transfer and it was agreed that the affected officials would assume duty in their department with effect from 01 July 2014. An official was transferred to the Protected Area, within the department, with effect from 01/07/2014.

The compensation budget in respect of the 8 officials from 01/07/2014 to 30/06/2015 was transferred to the Department of Agriculture. Personnel transferred to Department of agriculture were 6 in total and they were transferred with effect from 01 November 2014.

The COE budget of DESTEA was subsequently reduced in 2014/15 financial period by an amount of R 3 475 million and Department of Agriculture COE allocation increased by R 3 475 million during the 2014/15 budget adjustment. The movable assets transfer took place during January 2016 and assets to the value of R 124 244.02 were transferred to Department of Agriculture.

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

VOTE 3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

33.1 Statement of Financial Position

Note	Bal per dept 2014/15 AFS before transfer 2014/15 R'000	Functions per dept (transferred) / received 2014/15 R'000	Functions per dept (transferred) / received 2014/15 R'000	Functions per dept (transferred) / received 2014/15 R'000	2014/15 Bal after transfer R'000
ASSETS	19,933	-	-	-	19,933
Current Assets					
Unauthorised expenditure	-				-
Cash and cash equivalents	18,956				18,956
Other financial assets	-				-
Prepayments and advances	109				109
Receivables	868				868
Loans	-				-
Aid assistance prepayments	-				-
Aid assistance receivable	-				-
Non-Current Assets	1,420				1,420
Investments	-				-
Receivables	1,420				1,420
Loans	-				-
Other financial assets	-				-
TOTAL ASSETS	21,353	-	-	-	21,353
LIABILITIES					
Current Liabilities	20,844	-	-	-	20,844
Voted funds to be surrendered to the Revenue Fund	9,995				9,995

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	265				265
Bank Overdraft	-				-
Payables	2,660				2,660
Aid assistance repayable	7,924				7,924
Aid assistance unutilised	-				-
Non-Current Liabilities	-	-	-	-	-
Payables	-	-	-	-	-
TOTAL LIABILITIES	20,844	-	-	-	20,844
NET ASSETS	509	-	-	-	509

33.2 Notes

Note	Bal per dept 2014/15 AFS before transfer	2014/15 R'000	Functions per dept (transferred) / received	2014/15 R'000	Functions per dept (transferred) / received	2014/15 R'000	2014/15 Bal after transfer
Contingent liabilities	27,630						27,630
Contingent assets	-						-
Commitments	32,915						32,915
Accruals	735						735
Payables not recognised	-						-
Employee benefits	24,419						24,419

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Lease commitments – Operating lease	28,039			28,039
Lease commitments – Finance lease	1,882			1,882
Lease commitments – Operating lease revenue	-			-
Accrued departmental revenue	12,436			12,436
Irregular expenditure	8,829			8,829
Fruitless and wasteful expenditure	-			-
Impairment	1,909			1,909
Provisions	-			-
Movable tangible capital assets	27,035	(124)		26,911
Immovable tangible capital assets	47,734			47,734
Intangible capital assets	-			-

Provide a description of actions taken to ensure compliance with the PFMA S42

The personnel records of all the officials were transferred to the Department of Agriculture. The movable assets transfer took place during January 2016 and assets to the value of R 124 244.02 were transferred to Department of Agriculture.

Provide a reference to the proclamation or declaration giving effect to the transfer or receipt of functions
EXCO Resolution No.72/2009

Indicate whether there was an agreement drawn up, and provide a description of roles, responsibilities and accountability arrangements.

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS
VOTE 3

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016

34. STATEMENT OF CONDITIONAL GRANTS RECEIVED

NAME OF GRANT	GRANT ALLOCATION						SPENT			2014/15	
	Division of Revenue Act/ Provincial Grants		DORA Adjust-ments	Other Adjust-ments	Total Available	Amount received by department	Amount spent by department	Under / (Overspending)	% of available funds spent by department	Division of Revenue Act	Amount spent by department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
EPWP INCENTIVE GRANT FOR INFRASTRUCTURE	2,421	-	-	-	2,421	2,421	2,240	181	93%	2,102	1,974
	2,421	-	-	-	2,421	2,421	2,240	181		2,102	1,974

The prior year amount has been restated as the Earmarked Funds (i.e. Infrastructure and REA) are not conditional grants.

ANNEXURE 1B
STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2014/15
	Adjusted Appropriation	Roll Overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	
PROV DA:FS GAMBLING&LIQUOR AUTH	51,851	-	-	51,851	51,851	100%	50,870
PROV DA:FS TOURISM AUTHORITY	52,794	-	-	52,794	52,794	100%	50,364
COM:LICENCES (RADIO&TV)	177	-	-	177	19	11%	174
TOTAL	104,822	-	-	104,822	104,664		101,408

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS
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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016

ANNEXURE 1C
STATEMENT OF TRANSFERS TO HIGHER EDUCATION INSTITUTIONS

NAME OF HIGHER EDUCATION INSTITUTION	TRANSFER ALLOCATION				TRANSFER			2014/15
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	Amount not transferred	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	R'000	%	
University of the Free State	1,905	-	-	1,905	1,905	-	0%	5,000
TOTAL	1,905	-	-	1,905	1,905	-		5,000

ANNEXURE 1D
STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2014/15
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Public Corporations									
Transfers									
FREE STATE DEVELOPMENT CORP	3,700	-	-	3,700	3,700	100%	-	3,700	1,200
Total	3,700	-	-	3,700	3,700	100%	-	3,700	1,200

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS
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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016

ANNEXURE 1H
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2015/16	2014/15
		R'000	R'000
Received in kind			
US DEPARTMENT OF STATE	4X4 INVESTIGATION TRAILER	-	52
PSA	DRONE WITH BASIC EQUIPMENT	21	-
PSA	DRONE WITH INFRA RED	50	-
Subtotal		71	52
TOTAL		71	52

ANNEXURE 1I
STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDI- TURE R'000	CLOSING BALANCE R'000
Received in cash					
Cathseta		7,924	283	8,207	-
Department of Environmental Affairs	Free State Priority Biodiversity Rehabilitation Project (FSPBR)	-	824	127	697
TOTAL		7,924	1 107	8 334	697

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016ANNEXURE 1J
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)	2015/16	2014/15
	R'000	R'000
Made in kind		
Free accommodation entrance and exhibition stalls at the game auction	-	30
Donation of old fencing material to the various farmers in departmental game farmer transformation scheme	-	60
Donations, Culling, Internal Departmental Actions, out of hand sales game exchanges and game products	-	49
Donation of game to 3 new emerging black game farmers	66	-
Donation of game to 2 new emerging black game farmers	37	-
Donation of hunting package to emerging black professional hunter/outfitter - Mr Charles	65	-
Donation of hunting package to emerging black professional hunter/outfitter - Mr Ngubeni	65	-
Marathon and mountain bike race (annual game auction)	50	-
Donations of live game	41	-
TOTAL	324	139

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

ANNEXURE 3B
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2016

Nature of Liability	Opening Balance 1 April 2015 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancell ed/reduced during the year R'000	Liabilities recoverabl e (Provide details hereunder) R'000	Closing Balance 31 March 2016 R'000
Claims against the department					
Random Chemicals	20	-	20	-	-
PKX Capital	12,441	-	-	-	12,441
Home Made Retail	12,272	-	-	-	12,272
Trade Blaze Eleven	191	-	-	-	191
Maria E Schutte	503	-	-	-	503
Abraham P Van de Berg & Others vs MEC of DETEA	2,134	-	-	-	2,134
JJ Steyn /DTEEA (PT Moerane)	29	-	-	-	29
TOTAL	27,590	-	20	-	27,570

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS
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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016

ANNEXURE 4
CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2015/16 *	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015	Receipt date up to six (6) working days after year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
Department								
Education: FS	180	-	-	311	180	311		
Environmental Affairs: ND	-	-	-	5	-	5		
Police: ND	-	-	-	4	-	4		
Agriculture: FS	-	-	-	53	-	53		
Health : FS	704	-	5	121	709	121		
Police, Roads and Transport: FS	-	-	-	3	-	3		
Correctional Services: NC	-	-	-	14	-	14		
Legislature: FS	-	-	19	-	19	-		
Treasury: FS	-	-	851	-	851	-		
TOTAL	884	-	875	511	1,759	511		

(NAME OF NATIONAL/PROVINCIAL DEPARTMENT)
VOTE

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2016

ANNEXURE 5
INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2015/16 *	
	31/03/2016 R'000	31/03/2015 R'000	31/03/2016 R'000	31/03/2015 R'000	31/03/2016 R'000	31/03/2015 R'000	Payment date up to six (6) working days before year end	Amount R'000
DEPARTMENTS								
Current	-	-	-	3	-	3		
Police, Roads and Transport	162	-	17	14	179	14		
Social Development	-	-	-	-	25	-		
Justice and Constitutional Development	-	-	17	-	17	-		
Agriculture	-	-	-	-	-	-		
TOTAL	162	-	59	17	221	17		

ANNEXURE 7

MOVEMENT IN CAPITAL WORK IN PROGRESS

MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance R'000	Current Year Capital WIP R'000	Completed Assets R'000	Closing balance R'000
BUILDINGS AND OTHER FIXED STRUCTURES	47,734	14,207	(18,139)	43,802
Dwellings	-	-	-	-
Non-residential buildings	-	-	-	-
Other fixed structures	47,734	14,207	(18,139)	43,802
TOTAL	47,734	14,207	(18,139)	43,802

MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2015

	Opening balance R'000	Prior period error R'000	Current Year Capital WIP R'000	Completed Assets R'000	Closing balance R'000
BUILDINGS AND OTHER FIXED STRUCTURES	21,242	18,139	8,353	-	47,734
Dwellings	-	-	-	-	-
Non-residential buildings	-	-	-	-	-
Other fixed structures	21,242	18,139	8,353	-	47,734
TOTAL	21,242	18,139	8,353	-	47,734

A restatement had been made on this annexure due to incorrect reporting done for the 2014/15 financial year. This note relates only to WIP in respect of capital projects that are ongoing; hence only the one amount has been left under other fixed structures.

ANNUAL FINANCIAL STATEMENTS OF THE NATURE CONSERVATION TRUST FUND**CONTENTS**

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Report of the auditor-general to Free State Legislature nature conservation trust fund

Report on the financial statements

Introduction

1. I have audited the financial statements of the Nature Conservation Trust Fund set out on pages 221 to 225, which comprise the appropriation statement, the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in net assets, and statement of cash flows for the year then ended 31 March 2016, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position and its financial performance and cash flows of the Nature Conservation Trust for the year then ended as at 31 March 2016, in accordance with SA standards of GRAP and the requirements of the PFMA.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Related parties

8. As disclosed in the annual financial statements, the Nature Conservation Trust Funds management decisions are controlled by the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs.

Report on other legal and regulatory requirements

9. 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 findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Compliance with legislation

10. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

11. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor - General

Bloemfontein

31 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

**NATURE CONSERVATION TRUST FUND
ACCOUNTING POLICIES
for the year ended 31 March 2016**

The financial statements have been, unless otherwise indicated, prepared in accordance with the following policies, which have been applied consistently in all material respects. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements. Deviances from the basis of preparation must be clearly stated and if possible the effect of non-compliance should be disclosed in the notes to the financial statements.

1. Basis of preparation

These annual financial statements were prepared in accordance with Standards of Generally Recognized Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

2. Revenue from exchange transaction

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions shall be recognized when:

- (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- (b) the amount of the revenue can be measured reliably.

Revenue shall be recognized using the following accounting treatments:

- (a) Interest shall be recognized using the effective interest rate method as set out in the Standard of GRAP on Financial Instruments.

(b) Royalties shall be recognized as they are earned in accordance with the substance of the relevant agreement.

(c) Dividends or similar distributions shall be recognized when the owner's right to receive payment is established.

3. Financial Instruments

Initial Recognition

The department recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

The department classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

Financial instrument are measured initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Financial instruments at amortized cost are subsequently measured at amortized cost using effective interest method.

Derecognition

A financial asset is derecognized at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

Gains and losses

For financial assets and financial liabilities measured at amortized cost or cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired or through the amortization process.

Impairments

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

Financial assets held at amortized cost:

The department first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. 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 recognized are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in surplus or deficit.

4. Equity

Equity is the net difference between assets and liabilities. It is represented by Trust Fund Capital Account.

The Capital Account represents the net carrying value of assets. As such all decreases or increases with regard to assets, are to be debited or credited to this account, with a contra entry to the relevant asset accounts.

5. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures reasonable expected to be available.