PART E

FINANCIAL INFORMATION

Mpumulanga Regional Training Trust

Annual Financial Statements for the year ended 31 March 2015

These annual financial statements were prepared by:

Mbuyiseni G Jafta

Chief Financial Officer

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Directors Responsibilities and Approval

The directors are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors 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. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board of directors is primarily responsible for the financial affairs of the entity, they are supported by the entity's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 75.

The annual financial statements set out on pages 80 to 103, which have been prepared on the going concern basis, were approved by the accounting authority on 22 May 2015 and were signed on its behalf by:

Mrs. F.D Mthembu – Non-executive Director (Chairperson)

Mr N.D Moropane – Executive Director (Chief Executive Officer)

Report of the Auditor-General to the Mpumalanga Provincial Legislature on the Mpumalanga Regional Training Trust

Report on the financial statements

Introduction

1. I have audited the financial statements of the Mpumalanga Regional Training Trust set out on pages 80 to 103, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting authority 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 these 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 and fair presentation 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 qualified audit opinion.

Basis of qualification

Property, plant and equipment

6. I was unable to obtain sufficient appropriate audit evidence relating to the assumption used on the revaluation of R42 826 787 made to land and buildings included in property, plant and equipment. The entity's processes did not permit the application of alternative procedures. Consequently, I could not determine whether any adjustment was necessary to property, plant and equipment stated at R77 337 107, as disclosed in note 6 to the financial statements.

Qualified opinion

7. In my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position

of the Mpumalanga Regional Training Trust as at 31 March 2015 and their financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the Companies Act.

Emphasis of matter

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

Material impairments

9. As disclosed in note 4 to the financial statements, the entity raised a provision for debt impairment amounting to R2 440 534 (2014: R2 813 732) on trade receivables, as the recoverability of these amounts is doubtful.

Additional matter

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

Other reports required by the Companies Act

11. As part of my audit of the financial statements for the year ended 31 March 2015, I have read the directors' report and the audit committee's report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and, accordingly, I do not express an opinion on them.

Report on other legal and regulatory requirements

12. 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 report the following findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report, non-compliance with legislation as well as 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.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2015:
    - Programme 2: technical training operations, on pages 26 to 32.
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programme. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following selected programme:

- Programme 2: technical training operations

Additional matter

18. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter:

Achievement of planned targets

19. Refer to the annual performance report on pages 15 to 49 for information on the achievement of the planned targets for the year.

Compliance with legislation

20. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows.

Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

22. The entity did not invite suppliers to enlist their names on the prospective supplier list (database) during the 2014-15 financial year, as required by paragraph 5.2 of *Practice note no. 8 of 2007/08*.

23. The entity did not update the list of prospective suppliers at least quarterly to include new suppliers that qualify for listing, as required by paragraph 5.2 of *Practice note no. 8 of 2007/08*.

24. One contract was awarded to a bidder based on preference points that had not been calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) and its regulations.

Expenditure management

25. The accounting authority did not take effective steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.

Leadership

27. The leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.

28. The leadership did not ensure the sufficient design and implementation of formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Financial and performance management

29. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.

30. Financial statements were subject to material amendments resulting from the audit.

31. The financial statements were not reviewed for completeness and accuracy prior to submission for auditing.

32. Requested information was not submitted within the required timelines.

Auditor-General

Mbombela

31 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Accounting Authority

1 Review of activities

Main business and operations of the company is engaged in skills development and operates principally in South Africa – Mpumalanga Province. The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Deficit 2014: R5,308, 004
Deficit 2015 : R26,452,758

2 Post balance sheet events

There were no significant subsequent events to year end and the directors are not aware of any matter or circumstances arising since the end of the financial year. .

3 Directors' interest in contracts

Directors do not currently have any interest in the contractual dealings of the company

4 Directors

- Mrs. F.D. Mthembu – Chairperson
- Mr. N.D. Moropane – Chief Executive Officer (ex-officio)
- Mrs M.E. Letsoalo – Member
- Mr. M.J. Sibiya – Member

5 Secretary

The secretary of the company during the year was Ms T Mthethwa.

Business Address Corridor Crescent
Route N4 Business Park
Witbank Dam Road
Bureau de Paul Building No 8
Ben Fleur
X11
Witbank

Postal address Private bag X7288
Emalahleni
1035

6 Auditors

The Auditor-General South Africa audits the financial statements in accordance with Section 4(3) of the Public Audit Act no 25 of 2004.

Statement of Financial Position

as at 31 March 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	3	352,050	399,190
Receivables from exchange transactions	4	4,997,347	4,875,989
Receivables from non-exchange transactions	17	1,139,800	1,139,800
Inter Company account-Royal Hotel	28	3,977,515	2,906,723
Cash and cash equivalents	5	30,104,687	31,928,328
		40,571,399	41,250,030
Non-Current Assets			
Property, plant and equipment	6	77,005,080	37,014,672
Intangible assets	7	323,202	254,603
Investments in controlled entities	28	100	100
		77,328,382	37,269,375
Total Assets		**117,899,781**	**78,519,405**
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	26,023,760	6,144,738
Provision for employee benefits	9	6,662,003	3,534,782
		32,685,763	9,679,520
Total Liabilities		**32,685,763**	**9,679,520**
Net Assets		**85,214,018**	**68,839,885**
Reserves		60,119,385	17,292,598
Accumulated surplus		25,094,633	51,547,287
Total Net Assets		**85,214,018**	**68,839,885**

Statement of Financial Performance
for the year ended 31 March 2015

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Revenue from Exchange transactions	10	21,430,043	18,794,586
Other revenue	11	11,572	18,593
Total revenue from exchange transactions		**21,441,615**	**18,813,179**
Revenue from non-exchange transactions			
Transfer revenue			
Revenue from non-exchange transactions	12	86,650,000	99,139,800
Total revenue		**108,091,615**	**117,952,979**
Expenditure			
Personnel	13	(70,337,510)	(60,206,135)
Administrative	14	(6,531,153)	(7,015,278)
Depreciation and amortisation	6	(3,018,925)	(2,705,803)
Finance costs	15	–	(2,002)
Debt impairment	4	(2,224,880)	(1,110,721)
Other operating Expenses	16	(52,431,905)	(52,221,044)
Total expenditure		**(134,544,373)**	**(123,260,983)**
Operating deficit		(26,452,758)	(5,308,004)
Deficit for the year		**(26,452,758)**	**(5,308,004)**

Statement of Changes in Net Assets
for the year ended 31 March 2015

Figures in Rand	Other NDR	Accumulated surplus	Total net assets
Balance at 01 April 2013	17,292,598	56,855,291	74,147,889
Changes in net assets			
Surplus for the year	–	(5,308,004)	(5,308,004)
Total changes	**–**	**(5,308,004)**	**(5,308,004)**
Balance at 01 April 2014	17,292,598	51,547,288	68,839,886
Changes in net assets			
Revaluation of Land and Buildings	42,826,787	–	42,826,787
Net income (losses) recognised directly in net assets	42,826,787	–	42,826,787
Deficit for the year	–	(26,452,753)	(26,452,753)
Total recognised income and expenses for the year	42,826,787	(26,452,753)	16,374,034
Total changes	**42,826,787**	**(26,452,753)**	**16,374,034**
Balance at 31 March 2015	**60,119,385**	**25,094,535**	**85,213,920**

Cash Flow Statement
for the year ended 31 March 2015

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Cash receipts from stakeholders			
Cash receipts from government entities (Transfer)		86,650,000	98,000,000
Cash receipts from own generated income		37,060,608	19,376,990
Interest received		1,116,312	631,198
		124,826,920	118,008,188
Cash paid to stakeholders			
Personnel and Suppliers		(125,558,266)	(117,817,800)
Finance costs		–	(2,002)
		(125,558,266)	(117,819,802)
Net cash flows from operating activities	18	**(731,346)**	**188,386**
Cash flows from investing activities			
Purchase of fixed assets	6	(853,465)	(3,499,860)
Proceeds from the disposal of assets (insurance)		24,510	–
Purchase of intangible assets	7	(263,340)	(234,159)
Net cash flows from investing activities		**(1,092,295)**	**(3,734,019)**
Net (decrease) / increase in cash and cash equivalents		(1,823,641)	(3,545,633)
Cash and cash equivalents at the beginning of the year		31,928,328	35,473,961
Cash and cash equivalents at the end of the year	5	**30,104,687**	**31,928,328**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue from Exchange Transactions	13,529,412	–	13,529,412	21,441,615	7,912,203	28.1
Revenue from non-exchange transactions						
Taxation revenue						
Transfers from other Government Entities	86,650,000	–	86,650,000	86,650,000	–	28.2
Total revenue	**100,179,412**	**–**	**100,179,412**	**108,091,615**	**7,912,203**	
Expenditure						
Personnel	(58,235,846)	–	(58,235,846)	(70,337,510)	(12,101,664)	28.3
Goods and services	(40,919,792)	–	(40,919,792)	(64,206,863)	(23,287,071)	28.4
Capital Expenditure	(1,023,774)	–	(1,023,774)	(1,116,805)	(93,031)	28.5
Total expenditure	**(100,179,412)**	**–**	**–**	**(135,661,178)**	**(35,481,766)**	
Deficit before taxation	**–**	**–**	**–**	**(27,126,206)**	**(27,126,206)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**–**	**–**	**–**	**(27,126,206)**	**(27,126,206)**	
Reconciliation						
Basis difference						
Depreciation and amortisation				3,018,985		
Impairment of debtors				2,224,880		
Provision for employee benefits				3,636,770		
Accruals				2,211,127		
Actual Amount in the Statement of Financial Performance				**(16,034,444)**		

Accounting Policies

1. Basis for preparation

1.1 Basis for measurement

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

1.2 Functional and presentation currency

These financial statements are presented in South African Rands, which is the Mpumalanga Regional Training Trust's functional currency. All financial information presented in Rands has been rounded to the nearest rand, unless otherwise stated.

1.3 Significant judgements and sources of estimation uncertainty

Impairment of Debtors

Impairment is recognised for estimated losses on individually significant trade receivables and on a group of trade receivables with similar credit risk that are assessed to be impaired based on objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables as a result of one or more events that occurred during the reporting year. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

The preparation of the annual financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is given in the following notes:

Fair value estimates

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

Property, plant and equipment

Property, vehicles, plant and equipment is depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets

Intangible assets are amortised over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation

Accounting Policies

and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of non-financial assets

The Mpumalanga Regional Training Trust assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Mpumalanga Regional Training Trust estimates the recoverable amount of the asset.

Provisions and contingent assets and liabilities

A provision is a liability of uncertain timing or amount. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note for Provisions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9–Provisions.

1.4 Going concern

These annual financial statements are prepared in accordance with the going concern principle. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.5 Accrual Basis of accounting

These financial statements are prepared in accordance with the accrual basis where transactions, other events and conditions are recognised when they occur and are recognised in the period to which they relate and not only recognised when cash is paid or received.

2. Financial instruments

2.1 Revenue

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the MRTT and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from non-exchange transactions

Transfers from other government entities are recognized as income only when there is reasonable assurance that the grant will be received from government during the relevant financial year.

Revenue from service-based activities is recognised after making an appropriate adjustment for the provision of future services. This deferred income provision is determined by the amount of work that still needs to be performed in relation to the total transaction.

Revenue from non-exchange transactions constitutes transfer payments from the Department of Education of Mpumalanga.

Revenue from exchange transactions

Revenue from the rendering of services is recognised upon performance of services and when services are consumed by the customer.

Interest income

Interest income is recognised on a time proportion basis taking account of the principal outstanding and the nominal rate over the period to maturity when it is determined that such income will accrue to the Mpumalanga Regional Training Trust. Rental income is recognised on a straight line over the term of the lease.

Gains or losses on disposal of property, plant and equipment

Gains or losses on disposal are included in surplus or deficit for the year and are determined by comparing sales proceeds to the carrying amounts.

Other income

Other income is recognised when it is probable that future economic benefits will flow to MRTT and is measured at their fair-value of the consideration received or receivable.

Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including the Public Finance Management Act.

Irregular, fruitless and wasteful expenditure that has been condoned or will not be recovered from employees will be included in the Statement of Financial Performance, and where the expense is recoverable from the employee, the necessary debtor is created.

2.2 Property, plant and equipment

Property, plant and equipment comprise of Land and Buildings, domestic equipment, computer equipment, furniture and fittings, office equipment and motor vehicles and are stated at historical costs less accumulated depreciation.

Recognition

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.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment and depreciated accordingly.

Measurement at Recognition

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Repairs and Maintenance

Repairs and maintenance, which neither materially add to the value of assets nor appreciably prolong their useful lives, are expensed during the financial year in which they are incurred.

Subsequent Expenditures

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits or service potential associated with the item will flow to MRTT and the cost of the item can be measured reliably.

Accounting Policies

Depreciation
Depreciation is charged against the assets on a straight line basis so as to fully depreciate the asset to its net residual at the end of its useful live, from the date available for use.

The assets bought specifically for a project and intended for donation at the end of the project's life are depreciated over the life of the contract as the residual value at that point will be nil.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if necessary, at each financial year-end.

Depreciation on movable assets is charged to the Statement of financial performance.

Useful Lives
The following are the estimated useful lives of the different categories of assets which are depreciated on the straight-line method over the following periods:

Machinery and equipment	20 years
Motor vehicles	10 years
Office equipment	20 years
Office furniture	20 years
Domestic equipment	20 years
Computer equipment	10 years

The useful lives and residual values of property, plant and equipment are reviewed at the end of each financial year. These useful lives and residual values are estimated by management based on historic analysis and other available information.

Derecognition
The carrying amount of an item of property, plant and equipment is de-recognized:

On disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. Gains are not classified as revenue.

Immovable assets
Items of land and buildings are stated at revalued amounts, less accumulated depreciation on buildings and accumulated impairment losses. Additions to items of land and buildings are recorded at cost.

Cost comprises of all expenditure directly attributable to bringing the asset to its condition necessary for it to be capable of operating in the manner intended by management.

Revaluations are done every five years to ensure that the carrying amount does not differ materially from that which would be determined using fair value. Items of land and buildings shall be revalued to their fair values. The fair value is determined directly by reference to observable prices in an active market or recent market transaction at arm's length terms or was estimated using other valuation techniques. Revaluations will be done by an independent appraiser registered as a Professional Association of Valuers with the South African Council for the Property Valuers Profession. When an item of land and building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. Any accumulated depreciation and any accumulated impairment loss is eliminated against the gross carrying amount of the asset upon revaluation. On disposal of previously revalued property, plant and equipment, any amount relating to that asset remaining in the revaluation reserve is transferred to accumulated surplus.

Land is not depreciated. Depreciation on the buildings is calculated on a straight line basis over the expected useful lives of each major component of buildings assets. Depreciation on buildings is charged to the Statement of Financial Performance.

Useful life

Buildings	20 years

2.3 Intangible assets Initial recognition

Intangible asset is recognised if, and only if 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.

Intangible assets consist of computer software. Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Purchased computer software and the direct costs associated with the customisation and installation thereof, are capitalised and amortised over estimated useful lives of the assets from the date that they are available for use.

Measurement

Intangible assets are initially recognised at cost.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands is recognised in surplus/ (loss) as incurred.

Amortisation

Each item is amortised over its useful life once it is available for use. Amortisation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

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.

Useful lives

Intangible assets are amortised over the following periods, considered to be their estimated useful lives: Computer software 3 years.

Derecognition

The carrying amount of intangible assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are included in surplus or deficit for the year and are determined by comparing sales proceeds with the carrying amounts.

2.4 Inventories

Recognition

Inventories is recognised as an asset if, and only if, it is probable that future economic benefits or

Accounting Policies

service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably.

Measurement

Inventories that qualify for recognition as assets are initially measured at cost.

Where inventories are acquired at no cost, or for nominal consideration, their costs is their fair value as at the date of acquisition.

Measurement after recognition

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for: distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Recognition as an expense

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

Inventory is carried in the financial statements at the lower of cost and net realisable value. Cost is determined using the fair value method. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Any write down of inventory to net realisable value is recognised immediately in the Statement of Financial Performance as an expense.

The cost of inventories is assigned by using the first-in, first-out (FIFO).

2.5 Impairment of non-monetary assets

At each reporting date, MRTT reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard. Losses and reversals of impairment losses are separately disclosed in the Statement of Financial Performance.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is recognized whenever the carrying amount of the cash generating unit exceeds its recoverable amount.

A previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.Revalued assets reversal of impairment is done through the revaluation surplus / reserve.

2.6 Provisions

Recognition

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Measurement

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. 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 reversed.

2.7 Leased assets

Operating leases

Leases that MRTT enters into as a lessee, and where the lessor retains substantially all the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are charged against revenue on a straight-line basis over the term of the lease.

2.8 Unauthorised, irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure other than unauthorised expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Finance Management Act 1999 (Act No.1 of 1999).

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 or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act 1999 (Act No.1 of 1999).

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.

Accounting Policies

All unauthorized, irregular, fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.9 Related party transactions

The Mpumalanga Regional Training Trust constitutes part of the Mpumalanga provincial government in terms of the Public Finance Management Act (Act no. 1 of 1999).

In terms of IPSA 20 Related party means parties are considered to be related if one party has the ability to:

(a) control the other party, or
(b) Exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:
  (a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by, the reporting entity;
  (b) Associates (see IPSAS 7, "Investments in Associates");
  (c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
  (d) Key management personnel, and close members of the family of key management personnel; and
  (e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

The following are deemed not to be related: [IPSAS .12]

- In the context of this Standard, the following are deemed not to be related parties:
  (i) Providers of finance in the course of their business in that regard; and
  (ii) Trade unions; in the course of their normal dealings with an entity by virtue only of those dealings (although they may circumscribe the freedom of action of an entity or participate in its decision-making process).

2.10 Investments in subsidiaries

Subsidiaries are entities, including unincorporated partnerships and companies without a share capital that are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidated annual financial statements

The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cashflows of the Corporation and its subsidiaries. The results of the subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. Inter-company transactions and balances are eliminated on consolidation.

Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Investments in controlled entities are carried at .

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

2.11 Presentation of Budget information in financial statements.

MRTT presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate additional financial statement in accordance with Standards of GRAP. The comparison of budget and actual amounts are presented separately for each level of legislative oversight:

(a) the approved and final budget amounts;
(b) the actual amounts on a comparable basis; and
(c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

2.12 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

MRTT shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

MRTT shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

MRTT shall not prepare its financial statements on the going concern basis if management determines after the reporting date either that there is an intention to liquidate the entity or to cease operating, or that there is no realistic alternative but to do so.

MRTT shall disclose the date when the financial statements were authorised for issue and who gave that authorisation.

If MRTT receives information after the reporting date, but before the financial statements are authorised for issue, about conditions that existed at the reporting date, it shall update disclosures that relate to these conditions, in the light of the new information.

2.13 Taxation

The company is exempt from both Income Tax and Value Added Tax in terms of the provisions of section 10(1) (cN) of the Income Tax Act and section 24(1) of the VAT Act respectively.

Notes to the Annual Financial Statements

3. Inventories

Figures in Rand	2015	2014
Consumables	352,050	399,190

Inventory pledged as security

Inventory was not pledged as security.

4. Receivables from exchange transactions

Figures in Rand	2015	2014
Allowance for impairment	(2,440,534)	(2,813,732)
Deposits	3,557	3,557
Prepaid expenses	–	12,829
Grosss trade receivables	7,434,324	7,673,335
Total	**4,997,347**	**4,875,989**

Reconciliation of provision for impairment of trade and other receivables

Figures in Rand	2015	2014
Opening balance	2,813,732	1,703,011
Provision for impairment	2,224,880	1,110,721
Amounts written off as uncollectible	(2,598,078)	–
Total	**2,440,534**	**2,813,732**

5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balance with the bank. Cash and cash equivalents included in the cash flow statement comprise the following:

Figures in Rand	2015	2014
Cash on hand and balances in banks	11,218,755	17,844,857
Short term investments	18,885,931	14,083,471
Total	**30,104,686**	**31,928,328**

6. Property, plant and equipment

Figures in Rand	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	81,522,348	(13,375,346)	68,147,002	38,655,001	(11,628,299)	27,026,702
Machinery and Equipment	2,941,201	(982,169)	1,959,032	3,484,237	(1,518,838)	1,965,399
Office furniture	5,277,906	(2,350,483)	2,927,423	5,496,255	(2,224,856)	3,271,399
Motor vehicles	3,352,864	(1,570,099)	1,782,765	3,498,291	(1,396,279)	2,102,012
Office equipment	950,282	(342,414)	607,868	1,365,110	(466,764)	898,346
Computer equipment	1,606,966	(631,450)	975,516	1,741,752	(684,156)	1,057,596
Domestic equipment	1,009,919	(404,445)	605,474	1,153,977	(460,759)	693,218
Total	**96,661,486**	**(19,656,406)**	**77,005,080**	**55,394,623**	**(18,379,951)**	**37,014,672**

The land and buildings were revalued on 27 March 2015 by an independent appraiser registered as a Professional Associated Valuer with the South African Council for the Property Valuers Profession

Notes to the Annual Financial Statements

on a depreciated net replacement value with reference to recent market transactions on arm's length basis. The next revaluation will be performed by the entity for during the year that will end 31 March 2020. Land and buildings are re-valued every 5 years.

The fair values were determined directly by reference to observable prices and an active market or recent market transactions on arm's length terms

Reconciliation of property, plant and equipment – 2015

	Opening blance R	Additions R	Derecognition R	Revaluation R	Depreciation R	Total R
Land and Buildings	27,026,702	40,560	–	42,826,787	(1,747,047)	68,147,002
Machinery and Equipment	1,965,399	511,338	(328,129)	–	(189,576)	1,959,032
Office furniture	3,271,399	77,226	(144,505)	–	(276,705)	2,927,415
Motor vehicles	2,102,012	–	(11,602)	–	(307,645)	1,782,765
Office equipment	898,346	16,411	(239,381)	–	(67,505)	607,871
Computer equipment	1,057,596	180,437	(84,359)	–	(178,168)	975,506
Domestic equipment	693,218	28,688	(58,894)	–	(57,538)	605,474
Total	**37,014,672**	**854,660**	**(866,870)**	**42,826,787**	**(2,824,184)**	**77,005,065**

Reconciliation of property, plant and equipment – 2014

	Opening blance R	Additions R	Disposals R	Depreciation R	Total R
Land and Buildings	27,688,587	1,047,611	–	(1,709,496)	27,026,702
Machinery and Equipment	1,616,399	445,140	–	(96,140)	1,965,399
Office furniture	3,209,400	324,193	–	(262,194)	3,271,399
Motor vehicles	1,494,806	938,232	–	(331,026)	2,102,012
Office equipment	814,065	151,010	–	(66,729)	898,346
Computer equipment	648,830	533,059	(12,701)	(111,592)	1,057,596
Domestic equipment	689,615	60,615	–	(57,012)	693,218
Total	**36,161,702**	**3,499,860**	**(12,701)**	**(2,634,189)**	**37,014,672**

Pledged as security

Property, plant and equipment was not pledged as security:

Details of properties

Figures in Rand	2015	2014
Erf of Farm Nyamassan 137 JU The property includes a hotel building, a double storey building, a single storey building, a manager's dwelling, a lapa, a guard room, two small garden store rooms and a swimming pool. The site area is 29,423 square meters.		
Carrying value	38,800,000	12,080,471
Erf 1603 Kabokweni (Registered as Erf 1458) The property includes an office block, 2 workshops and ablution block. The site area is 5,328 square metres.		
Carrying value	6,355,000	2,782,717
Erf 5 Ferrobank The property includes an industrial building, workshops, ablutions and internal offices. The site area is 29,282 square metres.		
Carrying value	17,973,000	8,394,348
Erf 21 Corridor Hill This property is the remainder of Zeekoeiwater Number 31, JS Stand 19, and the site area measures 1, 995 square metres and situated in a proposed township to be known Corridor Hill.		
Carrying value	3,205,000	2,510,000
Erf 312 Witbank Township Registration Division J.S. in the Province of Mpumalanga (58 French Street).		
Carrying value	1,814,000	1,259,167

MRTT has insured all its assets as stated above to the value of R58 623 984.08 and the book value of the assets is R77 005065 and therefore the assets are currently under insured. The reason for the under insurance is due to the fact that the entity performed a revaluation of the assets in the year ended 31 March 2015 and the insurance assessment was performed beforethe revaluation was performed and will be rectified in the 2015/16 financial year.

Notes to the Annual Financial Statements

7. Intangible assets

	2015			2014		
Figures in Rand	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	650,674	(327,472)	323,202	387,334	(132,731)	254,603

Reconciliation of intangible assets – 2015

Figures in Rand	Opening balance	Additions	Amortisation	Total
Computer software	254,603	263,340	(194,741)	323,202

Reconciliation of intangible assets – 2014

Figures in Rand	Opening balance	Additions	Amortisation	Total
Computer software	92,058	234,159	(71,614)	254,603

8. Payables from exchange transactions

Figures in Rand	2015	2014
Trade payables	2,359,883	927,696
Artisan development training	5,000,000	–
Deposits received	294,800	111,926
Income received in advance	16,831,343	190,153
Accruals	1,537,734	4,914,963
Total	**26,504,267**	**6,144,738**

9. Provision for employee benefits

Reconciliation of provision for employee benefits – 2015

Figures in Rand	Opening Balance	Utilised during the year	Provision raised in current year	Total
Employee benefit	3,534,782	(509,549)	390,382	3,415,615
Bonus	–	–	3,246,388	3,246,388
Total	**3,534,782**	**(509,549)**	**3,636,770**	**6,662,003**

Reconciliation of provision for employee benefits–2014

Figures in Rand	Opening Balance	Utilised during the year	Provision raised in current year	Total
Employee benefit	2,551,407	(527,647)	1,511,022	3,534,782

Notes to the Annual Financial Statements

10. Revenue from exchange transactions

Figures in Rand	2015	2014
Rendering of services	19,959,731	18,076,788
Interest received	1,116,312	631,198
Rental income	354,000	86,600
Total	**21,430,043**	**18,794,586**

11. Other revenue

Figures in Rand	2015	2014
Bad debt recovered	11,572	18,593

12. Revenue from non exchange transactions

Figures in Rand	2015	2014
Transfers from provincial goverrnment	86,650,000	99,139,800

13. Personnel

Figures in Rand	2015	2014
Basic	50,651,859	43,293,575
Medical aid – company contributions	671,810	620,192
Statutory payments	11,686,989	10,680,737
Provident and pension fund	6,894,868	5,296,316
Allowances	431,984	315,315
Total	**70,337,510**	**60,206,135**

14. Administrative expenditure

Figures in Rand	2015	2014
Rates and taxes	826,122	549,606
Communication	1,160,162	1,341,574
Insurance	410,790	683,915
Motor fleet	907,860	850,692
Lease costs	524,177	526,479
Security	999,959	947,269
Rent paid	772,581	838,167
Printing and stationary	536,324	654,525
Repairs and maintaince	52,358	231,672
Admin expense	340,820	391,379
Total	**6,531,153**	**7,015,278**

15. Finance costs

Figures in Rand	2015	2014
Interest paid	–	2,002

Notes to the Annual Financial Statements

16. Other operating expenses

Figures in Rand	2015	2014
Auditors remuneration	3,269,369	2,779,276
Bank charges	350,826	276,879
Computer expenses	–	11,861
Professional fees	1,456,300	1,707,613
Pest control	19,424	7,449
Subsistance and travel	3,685,231	4,787,551
Training material cost	9,735,486	32,066,641
Other operating costs	32,909,315	8,850,460
Marketing Cost	715,053	1,448,499
Staff Appointment and Recruitment Cost	290,897	284,815
Total	**52,431,901**	**52,221,044**

17. Receivables from non-exchange transactions

Figures in Rand	2015	2014
Receivables from non-exchange transactions	1,139,800	1,139,800

The carrying value of trade and other receivables is at their fair value due to the short term nature of these instruments.

18. Reconciliation of net cash flows from operating activities

Figures in Rand	2015	2014
Deficit	(26,452,753)	(5,308,004)
Adjustments for:		
Depreciation and amortisation	3,018,925	2,705,803
Finance costs	–	(2,002)
Debt impairment	2,224,880	1,110,721
Movements in provisions	3,127,221	–
Other non-cash items	841,149	167,687
Changes in working capital:		
Inventories	47,140	38,001
Receivables from exchange transactions	71,528	899,127
Debtor Impairment	(2,224,880)	(1,110,721)
Inter Company account – Royal Hotel	(1,070,792)	(2,149,421)
Payables from exchange transactions	19,686,236	3,837,195
Total	**(731,346)**	**188,386**

19. Auditors' remuneration

Figures in Rand	2015	2014
External audit fees	2,167,769	2,313,199
Internal audit fees	1,101,600	466,077
Total	**3,269,369**	**2,779,276**

Notes to the Annual Financial Statements

20. Directors and Managements emoluments

Directors' remuneration: non executive members

Fees for services as Board members

Figures in Rand	2015	2014
Mrs. F.D. Mthembu – Non-executive Director (Chairperson)	402,068	619,467
Mrs M.E. Letsoalo	243,949	356,616
Mrs. S.N. Motloung Resigned – 15 October 2013	–	53,985
Mr. M.J. Sibiya	359,689	416,881
Total	**1,005,706**	**1,446,949**

Executive Management

Figures in Rand	Basic salary	Short term employment benefits	Post employment benefits	Total
ND Moropane – CEO	1,928,015	441,608	273,471	2,643,094
MS Makgoba – GM Operations	884,471	174,164	125,262	1,183,897
MG Jafta – CFO	919,868	138,725	125,262	1,183,855
MM Makibelo – Employed as from 1 February 2015	165,311	11,145	20,877	197,333
R Oosthuizen – GM HTA	877,368	181,664	125,262	1,184,294
Total	**4,775,033**	**947,306**	**670,134**	**6,392,473**

21. Retirement benefits

Defined contribution plan

The employer contributes a percentage of an employee's salary to the Sanlam pension fund which is subject to the Pension Fund Act. The employer has no obligation other than to make the monthly payments and no further risk. The risk of market movements lies with the employee. The treatment is to expense the contributions in the month to which they relate.

Figures in Rand	2015	2014
The total economic entity contribution to such schemes	6,894,868	5,296,316

22. Commitments

Commitments as at 31 March 2015

Figures in Rand	2015	2014
Operating commitments		
Commitments	3,175,052	1,089,740

Commitments represent future contractual commitments the organisation have engaged itself with other parties whereby cash outflows will be legally expected from the organisation. The commitment are made up of Provision of the following services by service providers for the following trades – Air Conditioning, refrigiration, building and civil construction,Secuirty sevices, website development and Insurance.

Notes to the Annual Financial Statements

23. Taxation

The company is exempt from both Income Tax and Value Added Tax in terms of the provisions of section 10(1)(cN) of the Income Tax Act and section 24(1) of the VAT Act respectively.

24. Unauthorised, irregular, fruitless and wasteful expenditure

Figures in Rand	2015	2014
Fruitless and wateful expenditure	1,683	2,002
Irregular expenditure	128,135	954,346
Total	**129,818**	**956,348**

Irregular expenditure

An irregular expenditure was incurred during this financial year due to errors in the calculation during the evaluation process of the tender.

Fruitless and wasteful expenditure

Penalties and interest amounting to R 1 683.00 were paid to suppliers as a result of late payments made during the financial year under review.

25. Related parties

Related party balances

Figures in Rand	2015	2014
Inter-company accounts		
MRTT Royal Hotel Pilgrims Rest (Pty) Ltd	3,977,515	2,906,723
Related party transactions		
Receipts from related parties		
Department of Education – Accrued	3,302,387	3,785,594
Department of Education – Deferred	16,583,761	–
Receipts from related parties – Grant		
Department of Education	86,650,000	98,000,000

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly and indirectly. Information regarding the earnings of directors, executive and non-executive, has been disclosed separately in note 20.

26. Contingent liability

A labour court matter between MRTT and a former employee who is contesting compensation after being dismissed. Amount being contested is R106 956.

Notes to the Annual Financial Statements

The case is still ongoing and MRTT waits for a labour court date as the employee did not pitch up for the 16th of May 2014 court date and the case was postponed with costs to the employee. The matter is still in the "court-roll" for the date of sat-down in the future, therefore, the matter is still on-going. The supporting documents from the Labour court showing the status quo remains – Management, is therefore of the view that it remains a contingent liability.

27. Risk management

MRTT's risk to liquidity is a result of the funds available to cover future commitments. MRTT manages the liquidity risk through an ongoing review of future commitments and the cash flows arising from allocations by the Provincial Department of Education.

Interest rate risk

MRTT's exposure to the interest rate is limited MRTT has no significant interest bearing liabilities.

Liquidity risk

The financial liabilities maturity analysis of MRTT, for the reporting period shows contractual cash outflows on an undiscounted basis as below.

Financial Instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables	9.25%	26,504,267	–	–	–	–

Credit risk

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

Currency risk

Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. MRTT is not exposed to any material foreign exchange risk arising from various currency exposures. MRTT does not hedge foreign exchange fluctuations.

Price risk

MRTT is not exposed to equity securities price risk because there are no investments held by MRTT and classified as either for sale or at fair value through surplus or deficits.

28. Investments in controlled entities

Name of company	Held by	% holding 2015	% holding 2014
Royal Hotel	Mpumalanga Regional Training Trust	100.00 %	100.00 %
100 Ordinary shares of R1 each		100.00 %	100.00 %

During the 2012/13 financial year the entity signed a lease agreement with the Department of Public Works Roads and Transport (DPWRT) for the lease of Royal Hotel in Pilgrims Rest for a period of 9 years effective from the 1st October 2012. MRTT then formed a company (MR TT Royal Hotel Pilgrims Rest (Pty) Ltd) to run the affairs of the Royal Hotel and thereby the company is a subsidiary of MRTT as MRTT has significant control in the strategic and operations of the hotel. MRTT performs management and centralized administration functions for the operating subsidiary. The intercompany account is the balance as at the end of the financial year.

Notes to the Annual Financial Statements

29. Budgeted versus actual information

The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from 1 April 2014 to 31 March 2015.

Reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the Year Ended 31 March 2014 is presented above. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for the general government sector and the financial statements consolidate all entities controlled by the entity. There is also a bases difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

28.1 The positive variance is due the entity getting more projects in the financial year.
28.2 The budget amount was received in full from the department of Education and there was no adjustment to the allocation.
28.3 The unfavourable variance is due to Fixed Contractors and employees for the projects that were awarded during the year.
28.4 The unfavourable variance is due to the increase in projects.
28.5 The unfavourable variance is due to the new learner registration system purchased in the year.

30. Operating lease obligation

Figures in Rand	2015	2014
Minimum lease payments due		
– within one year	1,448,523	633,003
– in second to fifth year inclusive	1,097,334	91,417
Present value of minimum lease payments	**2,545,857**	**724,420**

Operating lease payments represent rentals payable by the organisation for certain of its office properties and office equipment.

"The budget is prepared on a cash basis and the financial statements on the accrual basis"

Notes to the Annual Financial Statements

31. Irregular expenditure

Figures in Rand	2015	2014
Minimum lease payments due		
Opening balance	5,259,660	4,305,314
Add: Irregular Expenditure – current year	128,135	954,346
Total	**5,387,795**	**5,259,660**

Figures in Rand	2015	2014
Analysis of expenditure awaiting condonation per age classification		
current year	128,135	954,346
Prior years	5,259,660	4,305,314
Total	**5,387,795**	**5,259,660**

Figures in Rand	2015	2014
Details of irregular expenditure – current year	–	–
Details of irregular expenditure condoned Condonation was subsequent to the financial year end sought and approved by the accounting authority.	–	–

PART E

Mpumulanga Regional Training Trust

Consolidated Annual Financial Statements for the year ended 31 March 2015

Registered under Schedule 3C of the Public Finance Management Act
(PFMA), 1999
(Act No. 1 of 1999)
And
Non-Profit Company under the Companies Act, 2008 (Act No. 71 of 2008).
Company Registration Number: 1993/006132/08

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Statement of Responsibility for the Annual Financial Statements

The accounting authority is responsible for monitoring the preparation and the integrity of the financial statements and related information included in this annual report. In order for the accounting authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act and other applicable legislation, it has developed and maintained a system of internal controls.

The accounting authority acknowledges that the accounting authority is ultimately responsible for a system of internal financial controls established by MRTT and place considerable importance on maintaining strong control environment. To enable the accounting authority to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout MRTT and all employees are required to maintain the highest ethical standards in ensuring the MRTT's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management is on identifying, assessing and monitoring all known forms of risk across MRTT.

While operating risk cannot be fully eliminated, MRTT endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints. Monitoring of these controls includes a regular review of their operations by the accounting authority and independent oversight by an audit committee.

As part of the system of internal control, the outsourced internal audit function conducts operational, financial and specific audits and coordinates audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and with the prescribed Standards of Generally Recognised Accounting Practices (GRAP). They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

The accounting authority believes that the Mpumalanga Regional Training Trust will continue to be a going concern in the foreseeable future due to the availability of funding for its operations. For this reason the accounting authority continues to adopt the going concern basis in preparing the annual financial statements.

The accounting authority approved the annual financial statements for the year ended 31 March 2015 as set out on pages 115 to 139 on 22 May 2015 which were signed on its behalf by –

Mrs. F.D Mthembu
Chairperson

Mr N.D Moropane
Chief Executive Officer

Report of the Auditor-General to the Mpumalanga Provincial Legislature on the Mpumalanga Regional Training Trust, 31 March 2015

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the Mpumalanga Regional Training Trust set out on pages 115 to 139 which comprise the consolidated and separate statement of financial position as at 31 March 2015, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated and separate financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the 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 the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate 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 these consolidated and separate 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 consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis of qualification

Property, plant and equipment

6. I was unable to obtain sufficient appropriate audit evidence relating to the assumption used on the revaluation of R42 826 787 made to land and buildings included in property, plant and equipment. The entity's processes did not permit the application of alternative procedures. Consequently, I could not determine whether any adjustment was necessary to property, plant and equipment stated at R77 337 107, as disclosed in note 5 to the financial statements.

Qualified opinion

7. In my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Mpumalanga Regional Training Trust and its subsidiary as at 31 March 2015 and their financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the Companies Act.

Emphasis of matter

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

Material impairments

9. As disclosed in note 8 to the financial statements, the entity raised a provision for debt impairment amounting to R2 440 534 (2014: R2 813 732) on trade receivables, as the recoverability of these amounts is doubtful.

Additional matter

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

Other reports required by the Companies Act

11. As part of my audit of the financial statements for the year ended 31 March 2015, I have read the directors' report and the audit committee's report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and, accordingly, I do not express an opinion on them.

Report on other legal and regulatory requirements

12. 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 report the following findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report, non-compliance with legislation as well as 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.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2015:
    - Programme 2: technical training operations, on pages 26 to 32.
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programme. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following selected programme:

- Programme 2: technical training operations

Additional matter

18. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter:

Achievement of planned targets

19. Refer to the annual performance report on pages 15 to 49 for information on the achievement of the planned targets for the year.

Compliance with legislation

20. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows.

Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

22. The entity did not invite suppliers to enlist their names on the prospective supplier list (database) during the 2014-15 financial year, as required by paragraph 5.2 of *Practice note no. 8 of 2007/08*.

23. The entity did not update the list of prospective suppliers at least quarterly to include new suppliers that qualify for listing, as required by paragraph 5.2 of *Practice note no. 8 of 2007/08*.

24. One contract was awarded to a bidder based on preference points that had not been calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) and its regulations.

Expenditure management

25. The accounting authority did not take effective steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.

Leadership

27. The leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.
28. The leadership did not ensure the sufficient design and implementation of formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Financial and performance management

29. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
30. Financial statements were subject to material amendments resulting from the audit.
31. The financial statements were not reviewed for completeness and accuracy prior to submission for auditing.
32. Requested information was not submitted within the required timelines.

Auditor-General

Mbombela
31 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

General Information

Country of incorporation and domicile
South Africa

Nature of business and principal activities
Skills Development

Directors
Mrs F.D. Mthembu – Non-executive Director
(Chairperson of the Board)
Mr. N.D. Moropane – Executive Director
(Chief Executive Officer)
Mrs M.E. Letsoalo – Non-executive Director
Mr. M.J. Sibiya – Non-executive Director

Registered office
Corridor Crescent
Route N4 Business Park
Witbank Dam Road
Bureau de Paul Building No 8
Ben Fleur
X11
Witbank

Business address
Corridor Crescent
Route N4 Business Park
Witbank Dam Road
Bureau de Paul Building No 8
Ben Fleur
X11
Witbank

Postal address
Private Bag X7288
Emalahleni
1035

Telephone number 013 656 0875

Fax Number 013 656 0632

Bankers
Standard Bank of South Africa

External Auditors
Auditor–General South Africa

Internal Auditors
Sithole SS Auditors

Secretary
Ms QTP Mthethwa

Company registration number
1993/006132/08

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2015.

MRTT has an audit committee that operates in terms of the Board's approved Audit Committee Charter.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The effectiveness of internal control

Our review of the findings of the internal audit work, which was based on the risk assessments conducted with regard to the public entity, revealed certain weaknesses, which have been raised with the public entity.

We are of the opinion, based on the information and explanations provided by Management, the internal auditors, as well as discussions with the independent external auditors (AGSA) on the result of its audits, that the internal accounting controls are operating to ensure that the financial records may be relied upon for preparing the annual financial statements and that accountability for assets and liabilities is maintained. From the various reports of the internal auditors, the Audit Report on the Annual Financial Statements and the Management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures has been reported. We can report that the system of internal control for the period under review was effective, although it requires improvements.

The following internal audit work was completed during the period under review:

- Strategic Risk Assessment.
- Operational Risk Assessment.
- Payroll Management.
- Debtors Management.
- Budget Management.
- Supply Chain Management.
- Audit of Predetermined Objectives.
- Asset Management.

The following were areas of concern:

The internal control weaknesses identified and reported by both the internal auditors and the external auditors were not adequately addressed by Management, and these weaknesses are not being eliminated from year to year.

Our review of the findings of the internal audit work, which was based on the risk assessments conducted with regard to the public entity, revealed certain weaknesses, which have been raised with the public entity.

- The Audit Committee has an oversight responsibility with regard to risk management processes. During the period under review, the committee monitored the implementation of risk management and reviewed progress on a quarterly basis.

- Review and assessments of the entity's strategic risks will continue to be carried out by the Audit Committee on a quarterly basis.
- The Quality Management and Monthly /Quarterly Reports submitted are in terms of the PFMA
- The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the entity during the period under review.

In-Year Management and Monthly/Quarterly Report

The public entity has been reporting monthly and quarterly to the Treasury as is required by the PFMA

Evaluation of Financial Statements

We reviewed the annual financial statements prepared by the public entity:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with both the Auditor-General and Management.
- Reviewed the Auditor-General's Management Report and Management's response to it.
- Reviewed significant adjustments resulting from the audit.
- Reviewed action plans pertaining to findings by the Auditor-General for prior year.

Auditor's Report

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General

Mr JK Sithole
Chairperson of the Audit Committee
Mpumalanga Regional Training Trust (MRTT)
Date: 12 August 2015

Report of the Accounting Authority

The accounting authority has pleasure in presenting its report for the year ended 31 March 2015.

1. Review of activities

Main business and operations

The company is engaged in skills development and operates principally in South Africa–Mpumalanga Province.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Deficit 2015:	R26 772 252
Deficit 2014:	R6 425 590

2. Post balance sheet events

There were no significant subsequent events to year end and the directors are not aware of any matter or circumstances arising since the end of the financial year.

3. Directors' interest in contracts

Directors do not currently have any interest in the contractual dealings of the company.

4. Directors

The directors of the company during the year are as follows:

- Mrs. F.D. Mthembu–Non-executive Director (Chairperson of the Board)
- Mr. N.D. Moropane–Executive Director (Chief Executive Officer)
- Mrs M.E. Letsoalo–Non-executive Director
- Mr. M.J. Sibiya–Non-executive Director

5. Secretary

The secretary of the company during the year was Ms QTP Mthethwa.

Business address	**Corridor Crescent** Route N4 Business Park Witbank Dam Road Bureau de Paul Building No 8 Ben Fleur X11 Witbank
Postal address	Private bag X7288 Emalahleni 1035

6. Auditors

The Auditor-General South Africa audits the financial statements in accordance with Section 4(3) of the Public Audit Act, Act No. 25 of 2004.

Statement of Financial Performance
for the year ended 31 March 2015

		Group		Company	
		2015	2014	2015	2014
	Note(s)	R	R	R	R
Revenue					
Revenue from non-exchange transactions	1	86 650 000	99 139 800	86 650 000	99 139 800
Revenue from exchange transactions	2	29 857 084	24 853 577	21 430 043	18 794 586
Other Income	3	11 572	19 154	11 572	18 593
Total revenue		**116 518 656**	**124 012 531**	**108 091 615**	**117 952 979**
Expenses	4				
Personnel	4.1	70 337 510	60 206 135	70 337 510	60 206 135
Administrative	4.2	6 531 153	7 015 278	6 531 153	7 015 278
Finance costs	4.3	–	2 002	–	2 002
Other operating expenses	4.4	61 178 440	59 398 182	52 431 905	52 221 044
Depreciation and amortisation expense	5 & 6	3 018 925	2 705 803	3 018 925	2 705 803
Debt impairment		2 224 880	1 110 721	2 224 880	1 110 721
Total expenses		**143 290 908**	**130 438 121**	**134 544 373**	**123 260 983**
Deficit for the period		**(26 772 252)**	**(6 425 590)**	**(26 452 758)**	**(5 308 004)**

Statement of Financial Position

as at 31 March 2015

	Note	Group		Company	
		2015	2014	2015	2014
		R	R	R	R
Assets					
Non-current assets					
Property, plant and equipment	5	77 337 107	37 390 081	77 005 080	37 014 672
Intangible assets	6	323 202	254 603	323 202	254 603
Investment in Subsidiary		0	0	100	100
		77 660 309	37 644 684	77 328 382	37 269 375
Current assets					
Cash and cash equivalents	7	30 181 804	31 943 931	30 104 687	31 928 328
Receivables from exchange transactions	8	8 980 455	7 731 936	4 997 347	4 875 989
Receivables from non-exchange transactions	9	1 139 800	1 139 800	1 139 800	1 139 800
Inventories	10	594 702	600 781	352 050	399 190
Prepayments		0	62 643	0	0
Inter Company account – Royal Hotel	21	0	0	3 977 515	2 906 723
		40 896 761	41 479 091	40 571 399	41 250 030
Total Assets		**118 557 070**	**79 123 775**	**117 899 781**	**78 519 405**
Liabilities					
Current liabilities					
Payables from exchange transactions	11	27 525 353	7 273 918	26 023 760	6 144 638
Employee benefits	12	6 662 003	3 534 782	6 662 003	3 534 782
Total Liabilities		**34 187 356**	**10 808 700**	**32 685 763**	**9 679 420**
Net assets					
Investment in Subsidiary	21	0	0	0	100
Accumulated surplus		24 250 329	51 022 477	25 094 633	51 547 287
Reserves		60 119 385	17 292 598	60 119 385	17 292 598
		84 369 714	68 315 075	85 214 018	68 839 985
Total liabilities and reserves		**118 557 070**	**79 123 775**	**117 899 781**	**78 519 405**

Statement of Changes in Net Assets
for the year ended 31 March 2015

	Note	Non-distributable Reserves R	Accumulated Surplus R	Total Equity R
Balance as at 1 April 2013		17 292 598	57 288 154	74 580 852
Deficit for the year		–	(6 425 590)	(6 425 590)
Prior period error		–	160 017	160 017
Restated balance as at 1 April 2013		**17 292 598**	**51 022 581**	**68 315 279**
Restated balance as at 1 April 2014		17 292 598	51 022 581	68 315 279
Revaluation of land and buildings	5	42 826 787	–	42 826 787
Deficit for the year		–	(26 772 252)	(26 772 252)
Balance as at 31 March 2015		**60 119 385**	**24 250 329**	**84 369 814**

Cash Flow Statement
for the year ended 31 March 2015

		Group		Company	
		2015	2014	2015	2014
	Note(s)	R	R	R	R
Cash flows from operating activities					
Cash receipts from stakeholders					
Cash receipts from government entities (Transfers)		86 650 000	98 000 000	86 650 000	98 000 000
Cash receipts from own generated income		37 165 656	19 739 499	37 060 608	19 376 990
Interest received		1 116 312	631 198	1 116 312	631 198
Cash paid to stakeholders					
Personnel and Suppliers		(125 558 266)	(117 817 800)	(125 558 266)	(117 817 800)
Finance costs		–	(2 002)	–	(2 002)
Net cash flows from operating activities	**13**	**(626 298)**	**550 895**	**(731 346)**	**188 386**
Cash flows from investing activities					
Purchase of fixed assets and intangible assets	5 & 6	(897 001)	(3 877 829)	(853 465)	(3 499 860)
Purchase of intangible assets		(263 340)	(234 159)	(263 340)	(234 159)
Proceeds from disposal of fixed assets		24 510	–	24 510	–
Net cash flows from investing activities		**(1 135 831)**	**(4 111 988)**	**(1 092 295)**	**(3 734 019)**
Net increase / (decrease) in cash and cash equivalents		(1 762 127)	(3 561 093)	(1 823 641)	(3 545 633)
Cash and cash equivalents at beginning of the year	7	31 943 931	35 505 024	31 928 328	35 473 961
Cash and cash equivalents at end of period	**7**	**30 181 804**	**31 943 931**	**30 104 687**	**31 928 328**

Statement of Comparison of Budget and Actual Amounts for MRTT
for the year ended 31 March 2015

Budget on Cash Basis	Approved Budget R	Actual Amounts R	Difference: Budget and Actual R	Note on variance
Receipts				
Transfers from other government entities	86 650 000	86 650 000	–	25.1
Revenue from exchange transactions	13 529 412	21 441 615	(7 912 203)	25.2
Other revenue	–	–	–	25.3
Total receipts	**100 179 412**	**108 091 615**	**(7 912 203)**	
Payments				
Personnel	58 235 846	70 337 510	(12 101 664)	25.4
Goods and services	40 919 792	64 206 863	(23 287 071)	25.4
Capital Expenditure	1 023 774	1 116 805	(93 031)	25.6
Total payments	**100 179 412**	**135 661 178**	**(35 481 766)**	
Net receipts	**–**	**(27 569 563)**	**27 569 563**	

Accounting policies
for the year ended 31 March 2015

1. Basis of preparation

1.1. Basis for measurement

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

1.2. Functional and presentation currency

These financial statements are presented in South African Rands, which is the Mpumalanga Regional Training Trust's functional currency. All financial information presented in rends has been rounded to the nearest rand, unless otherwise stated.

1.3. Significant judgments and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is given in the following notes:

Impairment of Debtors

Impairment is recognised for estimated losses on individually significant trade receivables and on a group of trade receivables with similar credit risk that are assessed to be impaired based on objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables as a result of one or more events that occurred during the reporting year. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

Fair value estimates

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock is made to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

Property, plant and equipment

Property, vehicles, plant and equipment is depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets

Intangible assets are amortised over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of non-financial assets

The Mpumalanga Regional Training Trust assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Mpumalanga Regional Training Trust estimates the recoverable amount of the asset.

Provisions and contingent assets and liabilities

A provision is a liability of uncertain timing or amount. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note for Provisions.

1.4. Going concern

These financial statements are prepared in accordance with the going concern principle. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.5. Accrual Basis of accounting

These financial statements are prepared in accordance with the accrual basis where transactions, other events and conditions are recognised when they occur and are recognised in the period to which they relate and not only recognised when cash is paid or received.

2. Standards of General Recognised Accounting Practice effective for financial periods commencing on or after 1 April 2014

	Standard of GRAP	Effective date
GRAP 21	Impairment of Non – cash generating Assets	1 April 2012
GRAP 23	Revenue from Non – exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 26	Impairment of Cash –generating assets	1 April 2012
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments improvements to the Standards of GRAP Amendments to IFRS 7 – Financial Instruments : Disclosures	1 April 2012
GRAP 24	Presentation of Budget Information in the Financial Statements	1 April 2012

3. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Recognition

Financial assets and financial liabilities are recognised on the statement of financial position when MRTT becomes a party to the contractual provisions of the instrument.

All “regular way” purchases and sales of financial liabilities are recognised using trade date accounting.

Accounting policies
for the year ended 31 March 2015

Measurement

Financial assets
Financial assets are initially measured at their cost; which is the fair value of the consideration given, plus the transaction costs, except in the case of financial assets carried at fair value through profit or loss where transaction costs are immediately expensed.

3.1. Receivables from non-exchange transaction

Accounts receivables are stated at amortised cost using the effective interest rate method reduced by appropriate allowances for impairment. Accounts receivables are financial assets that have fixed or determinable payments and are not quoted in an active market.

Impairment of receivables
Impairment is recognised for estimated losses on individually significant trade receivables and on a group of trade receivables with similar credit risk that are assessed to be impaired based on objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables as a result of one or more events that occurred during the reporting year. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

For customers who have defaulted, management makes judgments based on an assessment of their ability to make payments based on credit worthiness and historical write-off experience. Should the financial condition of the customers change, actual write-offs could differ significantly from the impairment.

3.2. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by MRTT unless otherwise stated. All financial liabilities are measured at amortised cost, comprising original debt less principle payments and amortisations.

3.3. Financial liabilities

MRTT's principle financial liabilities are accounts payable.

Payables from exchange transactions
Accounts and other payables are stated at their nominal value.

Short-term payables with no interest rate are measured at the original invoice amount if the effect of discounting on individual transactions is immaterial. All payables are settled within 30 days.

Derecognition
MRTT derecognises a financial asset (or where applicable part thereof) only when:

- the right to receive cash flows from the asset have expired;
- MRTT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- MRTT has transferred its rights to receive cash flows from the asset and either
  i. has transferred substantially all the risks and rewards of the asset or
  ii. Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange

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or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in the surplus or deficit for the year.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when MRTT has a legally enforceable right to set off recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Risk Management of financial assets and liabilities:

It is the policy MRTT to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Sufficient cash is maintained to manage MRTT's liquidity risk.

Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuates because of changes in market interest rates. Management has assessed the impact of interest rate risk on the operations of the entity and considers the risk to be negligible.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the entities income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

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 MRTT ; or 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

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or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

3.4. Revenue

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefit will flow to the MRTT and the revenue can be reliable measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from non-exchange transactions
Transfers from other government entities are recognized as income only when there is reasonable assurance that the grant will be received from government during the relevant financial year.

Revenue from service-based activities is recognised after making an appropriate adjustment for the provision of future services. This deferred income provision is determined by the amount of work that still needs to be performed in relation to the total transaction.

Revenue from non-exchange transactions constitutes transfer payments from the Department of Education of Mpumalanga.

Revenue from exchange transactions
Revenue from the rendering of services is recognised upon performance of services and when services are consumed by the customer.

Interest income
Interest income is recognised on a time proportion basis taking account of the principal outstanding and the nominal rate over the period to maturity when it is determined that such income will accrue to the Mpumalanga Regional Training Trust. Rental income is recognised on a straight line over the term of the lease.

Gains or losses on disposal of property, plant and equipment
Gains or losses on disposal are included in surplus or deficit for the year and are determined by comparing sales proceeds to the carrying amounts.

Other income
Other income is recognised when it is probable that future economic benefits will flow to MRTT and is measured at their fair-value of the consideration received or receivable.

Irregular, fruitless and wasteful expenditure
Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including the Public Finance Management Act.

Irregular, fruitless and wasteful expenditure that has been condoned or will not be recovered from employees will be included in the Statement of Financial Performance, and where the expense is recoverable from the employee, the necessary debtor is created.

3.5. Property, plant and equipment

Property, plant and equipment comprise of Land and Buildings, domestic equipment, computer equipment, furniture and fittings, office equipment and motor vehicles and are stated at historical costs less accumulated depreciation.

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for the year ended 31 March 2015

Recognition
The cost of an item of property, plant and equipment is be recognised as an asset if, and only if:

(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
(b) the cost or fair value of the item can be measured reliably

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment and depreciated accordingly.

Measurement at recognition
An item of property, plant and equipment that qualifies for recognition as an asset is be measured at its cost. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Repairs and maintenance
Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are expensed during the financial year in which they are incurred.

Subsequent expenditures
Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits or service potential associated with the item will flow to MRTT and the cost of the item can be measured reliably.

Depreciation
Depreciation is charged against the assets on a straight line basis so as to fully depreciate the asset to its net residual at the end of its useful live, from the date available for use.

The assets bought specifically for a project and intended for donation at the end of the project's life are depreciated over the life of the contract as the residual value at that point will be nil.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if necessary, at each financial year-end.

Depreciation on movable assets is charged to the Statement of financial performance.

Useful lives
The following are the estimated useful lives of the different categories of assets and which are depreciated on the straight-line method over the following periods:

Machinery and equipment	20 years
Motor vehicles	10 years
Office equipment	20 years
Office furniture	20 years
Domestic equipment	20 years
Computer equipment	10 years

The useful lives and residual values of property, plant and equipment are reviewed at the end of each financial year. These useful lives and residual values are estimated by management based on historic analysis and other available information.

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for the year ended 31 March 2015

Derecognition
The carrying amount of an item of property, plant and equipment is de-recognized:

On disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. Gains are not be classified as revenue.

Immovable assets
Items of land and buildings are stated at revalued amounts, less accumulated depreciation on buildings and accumulated impairment losses. Additions to items of land and buildings are recorded at cost.

Cost comprises of all expenditure directly attributable to bringing the asset to its condition necessary for it to be capable of operating in the manner intended by management.

Revaluations are done every five years such that the carrying amount does not differ materially from that which would

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. Any accumulated depreciation and any accumulated impairment loss is eliminated against the gross carrying amount of the asset upon revaluation. On disposal of previously revalued property, plant and equipment, any amount relating to that asset remaining in the revaluation reserve is transferred to accumulated surplus.

Land is not depreciated. Depreciation on the buildings is calculated on a straight line basis over the expected useful lives of each major component of buildings assets. Depreciation on buildings is charged to the Statement of Financial Performance.

Useful life

Buildings	20 years

3.6. Intangible assets

Initial recognition
Intangible asset is recognised if, and only if 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.

Intangible assets consist of computer software. Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Accounting policies
for the year ended 31 March 2015

Purchased computer software and the direct costs associated with the customisation and installation thereof, are capitalised and amortised over estimated useful lives of the assets from the date that they are available for use.

Measurement

Intangible assets are initially recognised at cost.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands is recognised in surplus/ (loss) as incurred.

Amortisation

Each item is amortised over its useful life once it is available for use. Amortisation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

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.

Useful lives

Intangible assets are amortised over the following periods, considered to be their estimated useful lives: Computer software 3 years

Derecognition

The carrying amount of intangible assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are included in surplus or deficit for the year and are determined by comparing sales proceeds with the carrying amounts.

3.7. Inventory

Recognition

Inventories 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 of the inventories can be measured reliably.

Measurement

Inventories that qualify for recognition as assets are initially measured at cost.

Where inventories are acquired at no cost, or for nominal consideration, their costs is their fair value as at the date of acquisition.

Measurement after recognition

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for: distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Recognition as an expense

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

Accounting policies
for the year ended 31 March 2015

Inventory is carried in the financial statements at the lower of cost and net realisable value. Cost is determined using the fair value method. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Any write down of inventory to net realisable value is recognised immediately in the Statement of Financial Performance as an expense.

The cost of inventories is assigned by using the first-in, first-out (FIFO) .

3.8. Impairment of non-monetary assets

At each reporting date, MRTT reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard. Losses and reversals of impairment losses are separately disclosed in the income statement.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is recognized whenever the carrying amount of the cash generating unit exceeds its recoverable amount.

A previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Revalued assets reversal of impairment is done through the revaluation surplus / reserve

3.9. Provisions

Recognition

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Accounting policies

for the year ended 31 March 2015

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Measurement

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. 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 reversed.

3.10. Leased assets

Operating leases

Leases that MRTT enters into as a lessee, and where the lessor retains substantially all the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are charged against revenue on a straight-line basis over the term of the lease.

3.11. Employee benefits

Leave benefits

Annual leave is provided over the period the leave accrues. In the case of accumulating compensated leave benefit, the Mpumalanga Regional Training Trust recognizes the cost when the employee renders the service that increases their entitlement to the future compensated absences. In the case of non-accumulating compensated absences, the Mpumalanga Regional Training Trust recognizes the leave cost when the absence occurs.

Annual bonus plans

The Mpumalanga Regional Training Trust recognizes the expected cost of annual bonus payments where there is a present legal or constructive obligation to make these payments as a result of past events and a reliable estimate of the obligation can be made by the Mpumalanga Regional Training Trust. The Mpumalanga Regional Training Trust considers the present obligation to exist when the Mpumalanga Regional Training Trust has no realistic alternative but to make the payments related to performance bonuses.

Retirement benefits

The Mpumalanga Regional Training Trust contributes to the employees' retirement benefits through a contribution to the funded defined contribution plan. Once the Mpumalanga Regional Training Trust has paid the contributions, the Mpumalanga Regional Training Trust has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

Medical benefits

The Mpumalanga Regional Training Trust contributes to the employees' medical benefits through a contribution to the employees' medical aid scheme. Once the Mpumalanga Regional Training Trust has paid the contributions, the Mpumalanga Regional Training Trust has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

The Mpumalanga Regional Training Trust has no payment obligations for retired employees; as such no provision is made for post-retirement medical benefits.

Accounting policies
for the year ended 31 March 2015

3.12. Unauthorised, irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure other than unauthorised expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Finance Management Act 1999 (Act No.1 of 1999).

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 or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act 1999 (Act No.1 of 1999).

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.

All unauthorized, irregular, fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

3.13. Related Party Transactions

The Mpumalanga Regional Training Trust constitutes part of the provincial government in terms of the Public Finance Management Act (Act no. 1 of 1999).

In terms of IPSA 20 Related party means parties are considered to be related if one party has the ability to:

(a) control the other party, or
(b) Exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:

(a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by, the reporting entity;
(b) Associates (see IPSAS 7, "Investments in Associates");
(c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
(d) Key management personnel, and close members of the family of key management personnel; and
(e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

The following are deemed not to be related: [IPSAS .12]

In the context of this Standard, the following are deemed not to be related parties:

(a) (I) Providers of finance in the course of their business in that regard; and
(ii) Trade unions;
in the course of their normal dealings with an entity by virtue only of those dealings (although they may circumscribe the freedom of action of an entity or participate in its decision-making process); and

3.14. Investments in subsidiaries

Subsidiaries are entities, including unincorporated partnerships and companies without a share capital that are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidated annual financial statements
The consolidated annual financial statements incorporate the assets, liabilities, income, expenses

Accounting policies

for the year ended 31 March 2015

and cash flows of the Corporation and its subsidiaries. The results of the subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. Inter-company transactions and balances are eliminated on consolidation.

Company annual financial statements

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably

3.15. Prior period errors

Prior period errors are omissions from and misstatements in the financial statements for one or more prior periods arising from failure to use/misuse of reliable information that was available when the financial statements for that period were issued, and could not have been reasonably expected to be taken into account in those financial statements. Corrections of all errors will be made retrospectively as follows:

Restatement of comparative amounts for prior periods in which error occurred or if the error occurred before that date, restate opening balance of assets, liabilities and net assets for earliest period presented.

Where it is impractical to determine the period specific effects of the error, opening balances for the earliest period practicable will be restated.

"Subsidiaries are entities, including unincorporated partnerships and companies without a share capital that are controlled by the Group"

Notes to the Consolidated Annual Financial Statements
for the year ended 31 March 2015

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
1. Revenue from non exchange transactions				
Transfers from provincial government	86 650 000	99 139 800	86 650 000	99 139 800
2. Revenue from exchange transactions				
Rendering of service	29 857 485	24 853 577	21 430 043	18 794 586
3. Other revenue				
Bad debts recovered	11 572	18 593	11 572	18 593
Other income	0	561	–	0
	11 572	19 154	11 572	18 593
Total Revenue	**116 519 057**	**124 012 531**	**108 091 615**	**117 952 979**

4. Operating and administrative expenditure

Operating and administrative expenditure includes:

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
4.1 Personnel				
Basic	50 651 859	43 293 575	50 651 859	43 293 575
Medical aid	671 810	620 192	671 810	620 192
Statutory payments	11 686 988	10 680 737	11 686 988	10 680 737
Provident and Pension fund	6 894 868	5 296 316	6 894 868	5 296 316
Allowances	431 984	315 315	431 984	315 315
	70 337 509	**60 206 135**	**70 337 509**	**60 206 135**

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
4.2 Administrative				
Rates and Taxes	826 122	549 606	826 122	549 606
Communication	1 160 162	1 341 574	1 160 162	1 341 574
Insurance	410 790	683 915	410 790	683 915
Motor fleet	907 860	850 692	907 860	850 692
Lease costs	524 177	526 479	524 177	526 479
Security	999 959	947 269	999 959	947 269
Rent paid	772 581	838 167	772 581	838 167
Printing and stationary	536 324	654 525	536 324	654 525
Repairs and maintaince	52 358	231 672	52 358	231 672
Other Admin Expenses	340 820	391 379	340 820	391 379
	6 531 153	**7 015 278**	**6 531 153**	**7 015 278**
4.3 Finance costs				
Interest paid	0	2 002	0	2 002
	0	**2 002**	**0**	**2 002**
4.4 Other operating expenses				
Professional fees	1 456 300	2 779 276	1 456 300	2 779 276
Audit fees	3 269 369	276 879	3 269 369	276 879
Bank charges	350 826	11 861	350 826	11 861
Training material cost	9 735 486	1 707 613	9 735 486	1 707 613
Staff appointment and Recruitment cost	310 320	7 449	310 320	7 449
Marketing costs	715 053	4 787 551	715 053	4 787 551
Subsistence and travel	3 685 231	32 066 641	3 685 231	32 066 641
Other operating costs	39 515 605	17 760 912	32 909 320	17 760 912
	59 038 190	**59 398 182**	**52 431 905**	**59 398 182**

Notes to the Consolidated Annual Financial Statements
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	31 March 2015		
Summary	Cost/ Valuation R	Accumulated depreciation R	Carrying value R
Owned assets			
Land and Buildings	81 522 342	(13 375 349)	68 146 993
Summary			
Machinery and equipment	2 941 201	(982 202)	1 958 999
Motor vehicles	5 277 906	(2 350 491)	2 927 415
Office equipment	3 352 864	(1 570 101)	1 782 763
Office furniture	950 282	(342 414)	607 868
Domestic equipment	1 989 453	(725 097)	1 274 166
Computer equipment	1 070 209	(431 306)	638 903
Total	**97 104 257**	**(19 776 960)**	**77 337 107**

The land and buildings were revalued on 27 March 2015 by an independent appraiser registered as a Professional Associated Valuer with the South African Council for the Property Valuers Profession on a depreciated net replacement value with reference to recent market transactions on arm's length basis. The next revaluation will be performed by the entity for during the year that will end 31 March 2020. Land and buildings are re-valued every 5 years.

The fair values were determined directly by reference to observable prices and an active market or recent market transactions on arms length terms.

5. Property, plant and equipment

5.1 Movement March 2014 financial year

	31 March 2014 Carrying Value R	Additions R	Revaluation / (Disposals) R	Depreciation R	31 March 2015 Carrying Value R
Owned Assets					
Land and buildings	27 026 702.00	40 560.00	42 826 787.00	(1 747 050.00)	68 146 999.00
Machinery and equipment	1 965 399.00	511 338.00	(328 129.00)	(189 609.00)	1 958 999.00
Motor vehicles	3 271 399.00	–	(144 505.00)	(276 705.00)	2 850 189.00
Office equipment	2 102 012.00	16 411.00	(11 602.00)	(307 647.00)	1 799 174.00
Office furniture	898 346.00	77 226.00	(238 664.00)	(68 222.00)	668 686.00
Domestic equipment	1 420 303.00	185 775.00	(84 359.00)	(257 272.00)	1 274 257.00
Computer equipment	705 920.00	66 886.00	(59 004.00)	(74 999.00)	638 803.00
Total	**37 390 081.00**	**898 196.00**	**41 960 524.00**	**(2 921 504.00)**	**77 337 107.00**

Details of properties	
Re of Farm Nyamassan 137 JU. The property includes a hotel building, a double storey building, a single storey building, a manager's dwelling, a lapa, a guard room, two small garden store rooms and a swimming pool. The site area is 29,423 square meters.	38 800 000
Erf 1603, Kabokweni (Registered as Erf 1458). The property includes an office block, 2 workshops and ablution block. The site area is 5,328 square metres.	6 355 000
Erf 5 Ferrobank. The property includes an industrial building, workshops, ablutions and internal offices. The site area is 29,282 square metres.	17 973 000
Erf 21 Corridor Hill Township, remainder of Zeekoeiwater Number 31, JS Stand 19, and the site area measures 1, 995 square metres and situated in a proposed township to be known Corridor Hill.	3 205 000
Erf 312 Witbank Township, Registration Division J.S. in the Province of Mpumalanga (58 French Street).	1 814 000
Total	**68 146 999**

Notes to the Consolidated Annual Financial Statements
for the year ended 31 March 2015

	31 March 2013 Carrying Value	Additions	Disposals	Depreciation	31 March 2014 Carrying Value
	R	R	R	R	R
Owned Assets					
Land and buildings	27 688 587.00	1 047 611.00	–	(1 709 496.00)	27 026 702.00
Machinery and equipment	1 616 399.00	445 140.00	–	(96 140.00)	1 965 399.00
Motor vehicles	3 209 400.00	324 193.00	–	(262 194.00)	3 271 399.00
Office equipment	1 494 806.00	938 232.00	–	(331 026.00)	2 102 012.00
Office furniture	814 065.00	151 010.00	–	(66 729.00)	898 346.00
Domestic equipment	648 830.00	910 208.00	–	(126 034.00)	1 433 004.00
Computer equipment	708 841.00	61 435.00	(12 701.00)	(64 356.00)	693 219.00
Total	**36 180 928.00**	**3 877 829.00**	**(12 701.00)**	**(2 655 975.00)**	**37 390 081.00**

Details of properties:	
Re Of Farm Nyamassan 137 JU. The property includes a hotel building, a double storey building, a single storey building, a manager's dwelling, a lapa, a guard room, two small garden store rooms and a swimming pool. The site area is 29,423 square meters.	12 978 634
Erf 1603, Kabokweni (Registered as Erf 1458). The property includes an office block, 2 workshops and ablution block. The site area is 5,328 square metres.	2 989 634
Erf 5 Ferrobank. The property includes an industrial building, workshops, ablutions and internal offices. The site area is 29,282 square metres.	7 886 283
Erf 21 Corridor Hill Township, remainder of Zeekoeiwater Number 31, JS Stand 19, and the site area measures 1, 995 square metres and situated in a proposed township to be known Corridor Hill.	2 510 000
Erf 312 Witbank Township, Registration Division J.S. in the Province of Mpumalanga (58 French Street).	1 323 779

6. Intangible assets

31 March 2015	Carrying value 1 April 2014	Amortisation for the year	Additions	Net Book Value
Computer Software	254 603	(194 744)	263 340	323 199

31 March 2014	Carrying value 1 April 2013	Amortisation for the year	Additions	Net Book Value
Computer Software	92 058	(71 614)	234 159	254 603

7. Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand and balance with the bank. Cash and cash equivalents included in the cash flow statement comprise the following:

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
Cash on hand and balances in banks	11 404 483	17 860 460	11 327 366	17 844 857
Short term investments	18 777 321	14 083 471	18 777 321	14 083 471
	30 181 804	**31 943 931**	**30 104 687**	**31 928 328**

Notes to the Consolidated Annual Financial Statements
for the year ended 31 March 2015

8. Receivables from exchange transactions

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
Gross trade receivables	11 417 432	10 529 282	7 434 324	7 673 335
Allowance for impairment	(2 440 534)	(2 813 732)	(2 440 534)	(2 813 732)
	8 976 898	**7 715 550**	**4 993 790**	**4 859 603**
Prepayments	–	12 829	–	12 829
Deposits	3 557	3 558	3 557	3 558
	8 980 455	**7 731 937**	**4 997 347**	**4 875 990**

9. Receivables from non exchange transactions

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
Transfers from provincial government	1 139 800	1 139 800	1 139 800	1 139 800
	1 139 800	**1 139 800**	**1 139 800**	**1 139 800**

The carrying value of trade and other receivables is at their fair value due to the short term nature of these instruments.

10. Inventories

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
Consumables	**594 702**	**600 781**	**352 050**	**399 190**

11. Payables from exchange transactions

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
Trade payables	8 133 117	2 056 876	7 359 883	927 696
Deposits received	830 573	111 926	294 800	111 926
Accruals	1 537 734	4 914 963	1 537 734	4 914 963
Income received in advance	16 831 343	190 153	16 831 343	190 153
	27 332 767	**7 273 918**	**26 023 760**	**6 144 738**

12. Employee benefits

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
Balance at the beginning of the year	3 534 782	2 551 407	3 534 782	2 551 407
Provision utilised	(509 549)	(527 647)	(509 549)	(527 647)
Provision raised in current year	3 636 770	1 511 022	3 636 770	1 511 022
Balance at the end of the year	**6 662 003**	**3 534 782**	**6 662 003**	**3 534 782**

Notes to the Consolidated Annual Financial Statements
for the year ended 31 March 2015

This provision is created based on staff leave days outstanding at year end which might have to be paid out to them if they are to leave the company. The leave pay provision was calculated based on cost to company for each individual and the leave days not taken at year end for each individual employee.

13. Reconciliation of net cash flows from operating activities

	2015 R	2014 R
Surplus / (Deficit) for the year	(26 772 247)	(6 425 590)
Adjustments for the year		
Depreciation of property, plant and equipment	3 105 903	2 727 590
Non-cash item	834 283	339 990
Changes in working capital		
(Increase) / Decrease in trade and other receivables	(1 055 633)	(366 016)
(Increase) / Decrease in inventories	29 165	(30 443)
Increase / (decrease) in income received in advance		45 868
(Decrease)/Increase in trade and other payables	23 232 291	4 259 496
Cash generated by operations	**626 238**	**550 895**

14. Auditors' remuneration

	Group		Company	
	2015 R	2014 R	2 015 R	2014 R
External audit fees	2 346 217	2 472 492	2 167 769	2 313 199
Internal audit fees	1 101 600	466 077	1 101 600	466 077
	3 447 817	**2 938 569**	**3 269 369**	**2 779 276**

15. Directors and Managements emoluments

Directors' remuneration: non executive members

Fees for services as Board members

	2015 R	2014 R
Mrs FD Mthembu	402 068	619 467
Mrs ME Letsoalo	243 949	356 616
Mrs SN Motloung – Resigned 15 October 2013	–	53 985
Mr MJ Sibiya	359 689	416 881
	1 005 706	**1 446 949**

Executive Management

Name	Basic Salary R	Short term employment benefits R	Post employment benefits R	Total R
ND Moropane – CEO	1 928 015	441 608	273 471	2 643 094
MS Makgoba – GM Corporate	884 471	174 164	125 262	1 183 897
MG Jafta – CFO	919 868	138 725	125 262	1 183 855
MM Makibelo – GM Centres	165 311	11 145	20 877	197 333
R Oostihuizen – GM HTA	877 368	181 664	125 262	1 184 294
	4 775 033	**947 306**	**670 134**	**6 392 473**

Notes to the Consolidated Annual Financial Statements
for the year ended 31 March 2015

16. Retirement benefits

Defined contribution plan

The employer contributes a percentage of an employee's salary to the Sanlam pension fund which is subject to the Pension Fund Act. The employer has no obligation other than to make the monthly payments and no further risk. The risk of market movements lies with the employee. The treatment is to expense the contributions in the month to which they relate.

	2015 R	2014 R
Total company contribution	6 894 868	5 296 316

17. Lease commitments

Operating lease payments represent rentals payable by the organisation for certain of its office properties.

Future minimum lease payments as at 31 March 2015

	0 to 1 year R	2 to 5 years R
Future lease payments	1 448 523	1 097 334

Future minimum lease payments as at 31 March 2014

	0 to 1 year R	2 to 5 years R
Future lease payments	633 003	91 417

18. Commitments

Commitments represent future contractual commitments the organisation have engaged itself with other parties whereby cash outflows will be legally expected from the organisation.

Commitments as at 31 March 2015:

	2015 R	2014 R
Commitments	3 175 052	1 089 740

19. Taxation

The company is exempt from both Income Tax and Value Added Tax in terms of the provisions of section 10(1) (cN) of the Income Tax Act and section 24(1) of the VAT Act respectively.

20. Unauthorised, irregular, fruitless and wasteful expenditure

20.1. Fruitless and wasteful expenditure

2013/14 Financial year

Penalties and interest amounting to R 1, 683.00 were paid to suppliers as a result of late payments made during the financial year under review.

20.2. Irregular expenditure

An irregular expenditure of R 128 135 was incurred during this financial year due to errors in the calculation during the evaluation of the tender.

Notes to the Consolidated Annual Financial Statements
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21. Related parties disclosures

During the year the company entered into the following transaction with the following related parties:

2015

Nature of business	Relationship to company	Interest paid to related party R	Purchases by related party R	Receipts from related party R	Inter Company account R
Department of Education	Controlling Department	–	19 886 148	86 650 000	–

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly and indirectly. Information regarding the earnings of directors, executive and non – executive, has been disclosed separately in note 15.

22. Contingent liability

MRTT has as at 31 March 2014 the following contingent liabilities

A labour court matter between MRTT and a former employee who is contesting compensation after being dismissed. The amount being contested in R106, 956. The case is still ongoing and MRTT waits for a labour court date as the employee did not pitch up for the 16th of May 2014 court date and the case was postponed with costs to the employee. The matter is still in the "court-roll" for the date of sat-down in the future, therefore, the matter is still on-going. The supporting documents from the Labour court showing the status quo remains – Management, is therefore of the view that it remains a contingent liability.

23. Risk management

Liquidity risk

MRTT's risk to liquidity is a result of the funds available to cover future commitments. MRTT manages the liquidity risk through an ongoing review of future commitments and the cash flows arising from allocations by the Provincial Department of Education.

Interest rate risk

MRTT's exposure to the interest rate is limited MRTT has no significant interest bearing liabilities.

Liquidity risk

The financial liabilities maturity analysis of MRTT, for the reporting period shows contractual cash outflows on an undiscounted basis as below

Financial Instrument	Current interest rate %	Due in less than a year R	Due in one to two years R	Due in two to three years R	Due in three to four years R	Due after five years R
Trade and other payables	9.25%	27 889 888	–	–	–	–

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. MRTT only deposits cash with major banks with high quality credit standing and limits exposure to any other counter party.

Currency risk

Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. MRTT is not exposed to any material foreign exchange risk arising from various currency exposures. MRTT does not hedge foreign exchange fluctuations.

Price Risk

MRTT is not exposed to equity securities price risk because there are no investments held by MRTT and classified as either for sale or at fair value through surplus or deficit.

24. Investment in subsidiary

During the financial year 2012/13 review the entity signed a lease agreement with the Department of Public Works Roads and Transport (DPWRT) for the lease of Royal Hotel in Pilgrims Rest for a period of 9 years effective from the 1st October 2012. MRTT then formed a company (MR TT Royal Hotel Pilgrims Rest (Pty) Ltd) to run the affairs of the Royal Hotel and thereby the company is a subsidiary of MRTT as MRTT has significant control in the strategic and operations of the hotel. MRTT performs management and centralized administration functions for the operating subsidiary. The following consolidated annual financial statements include the financial information for the 12 months ended 31 March 2015 of Royal Hotel.

25. Budget vs. actual information

The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from 1 April 2014 to 31 March 2015.

Reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the Year Ended 31 March 2015 is presented above. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for the general government sector and the financial statements consolidate all entities controlled by the entity. There is also a bases difference: the budget is prepared on a cash basis and the financial statements on the accrual basis. The reasons for variances are listed below:

25.1 The positive variance is due the entity getting more projects in the financial year.
25.2 The budget amount was received in full from the department of Education and there was no adjustment to the allocation.
25.3 The unfavourable variance is due to Fixed Contractors and employees for the projects that were awarded during the year.
25.4 The unfavourable variance is due to the increase in projects.

Additional text

25.5 The unfavourable variance is due to the new learner registration system purchased in the year.

26. Accounting frameworks of Holding company and subsidiary

The holding company uses GRAP as the accounting framework and the subsidiary uses IFRS for SMEs. There has been no adjustment necessary and the consolidated AFS are consistent.


MRTT