

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted funds).

	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation received 2005/06
Programmes	R'000	R'000	R'000	R'000
1. Administration	303,567	280,770	22,797	253,833
2. International Trade and Economic Development	125,699	124,488	1,211	109,347
3. Enterprise and Industry Development	1,536,978	1,536,014	964	1,195,102
4. Consumer and Corporate Regulatory Division	150,686	150,121	565	110,240
5. The Enterprise Organisation	1,528,000	1,434,051	93,949	1,630,020
6. Trade and Investment South Africa	227,995	223,581	4,414	312,577
7. Marketing	69,103	68,913	190	61,925
TOTAL	3,942,028	3,817,938	124,090	3,673,044

Explanation of funds not requested/not received:

Programme 1 - Funds for the disaster recovery project as well as Variation Orders for alterations to *the dti* campus.

Programme 2 - Funds for compensation of employees, due to vacancies.

Programme 3 - Funds for compensation of employees, due to vacancies.

Programme 4 - Funds for compensation of employees, due to vacancies.

Programme 5 - Funds for BPO, Staple Food Fortification Programme and SMEDP were not requested as expected, – included as part of roll over request.

Programme 6 - Expenditure less than anticipated due to the non approval of National Automotive Industry virement.

Programme 7 - Expenditure less than anticipated due to the project for the redesign of an existing website not being commissioned.

2. Departmental revenue to be surrendered to revenue fund

	Note	2006/07 R'000	2005/06 R'000
Tax revenue		2,106	3,243
Sales of goods and services other than capital assets	2.1	24,903	323
Fines, penalties and forfeits*		107,483	47,543
Interest, dividends and rent on land	2.2	75,237	75,017
Sale of capital assets	2.3	55	-
Financial transactions in assets and liabilities	2.4	34,308	38,395
Transfer received	2.5	45	38,767
Total revenue collected		244,137	203,288
Departmental revenue collected		244,137	203,288

*Refers to fines imposed by the Competition Commission. A directive from National Treasury indicated that all fines imposed by the Competition Commission be deposited via **the dti** into the National Revenue Fund.

	2006/07 R'000	2005/06 R'000
2.1 Sales of goods and services other than capital assets		
Sales of goods and services produced by the department	24,903	313
Other sales	24,903	313
Sales of scrap, waste and other used current goods	-	10
Total	24,903	323
2.2 Interest, dividends and rent on land and buildings		
Interest	5,230	10,017
Dividends	70,007	65,000
Total	75,237	75,017
2.3 Sale of capital assets		
Other capital assets	55	-
Total	55	-
2.4 Financial transactions in assets and liabilities		
Nature of recovery		
Other Receipts including Recoverable Revenue	34,308	38,395
Total	34,308	38,395
2.5 Transfers received		
Other governmental units	-	38,767
Public corporations and private enterprises	45	-
Total	45	38,767
3. Local and foreign aid assistance Assistance received in cash: Other		
Foreign		
Opening Balance	114,789	13,345
Revenue	201,062	102,959
Expenditure	(255,942)	(1,515)
Current year surplus/(deficit)	(54,880)	101,444
Closing Balance	59,909	114,789
Analysis of balance		
Local and foreign aid unutilised	59,909	114,789
Closing balance	59,909	114,789

4. Compensation of employees

4.1 Salaries and Wages

	Note	2006/07 R'000	2005/06 R'000
Basic salary		180,991	151,455
Performance award		3,809	3,803
Service based		767	862
Compensative/circumstantial		3,933	3,508
Periodic payments		6,451	2,210
Service bonus		9,598	8,769
Home owners allowance		1,017	872
Other non-pensionable allowances		29,530	22,827
Foreign allowance		20,155	13,033
Total		<u>256,251</u>	<u>207,340</u>

4.2 Social contributions

4.2.1 Employer contributions

Pension		19,458	16,009
Medical		7,857	7,184
Bargaining council		25	21
Insurance		-	1
Total		<u>27,340</u>	<u>23,215</u>
Total compensation of employees		<u>283,591</u>	<u>230,555</u>
Average number of employees		<u>817</u>	<u>741</u>

5. Goods and services

Advertising		11,481	7,856
Attendance fees (including registration fees)		2,092	1,158
Bank charges and card fees		91	153
Bursaries (employees)		519	532
Communication		12,407	13,674
Computer services		4,851	11,492
Consultants, contractors and special services		76,730	89,194
Courier and delivery services		1,812	1,603
Tracing agents and debt collections		1	-
Drivers' licences and permits		13	14
Entertainment		1,295	1,277
External audit fees	5.1	4,015	4,236
Equipment less than R5,000		323	445
Firearm handling fees		-	1
Freight service		9	-
Inventory	5.2	8,083	9,102
Legal fees		4,341	3,458
Maintenance, repairs and running costs		5,554	1,490
Municipal services		1,014	-

	Note	2006/07 R'000	2005/06 R'000
Operating leases		23,443	12,705
Personnel agency fees		200	652
Photographic services		28	146
Plant flowers and other decorations		157	70
Printing and publications		6,448	9,055
Professional bodies and membership fees		110	352
Resettlement costs		3,323	3,789
Subscriptions		2,662	1,479
Storage of furniture		174	72
Owned leasehold property expenditure		465	557
Translations and transcriptions		364	143
Transport provided as part of the departmental activities		-	5
Travel and subsistence	5.3	66,285	50,634
Venues and facilities		128,325	102,400
Protective, special clothing & uniforms		84	94
Training & staff development		591	937
Total		<u>367,290</u>	<u>328,775</u>

5.1 External audit fees

Regulatory audits		2,862	3,328
Performance audits		-	705
Other audits		1,153	203
Total		<u>4,015</u>	<u>4,236</u>

5.2 Inventory

Domestic consumables		69	36
Food and Food supplies		1	6
Parts and other maintenance material		-	17
Stationery and printing		7,996	9,019
Medical supplies		17	24
Total		<u>8,083</u>	<u>9,102</u>

5.3 Travel and subsistence

Local		23,945	20,644
Foreign		42,340	29,990
Total		<u>66,285</u>	<u>50,634</u>

6. Financial transactions in assets and liabilities

Other material losses written off	6.1	637	5,542
Debts written off	6.2	7,497	15,269
Forex losses	6.3	6	16
Total		<u>8,140</u>	<u>20,827</u>

	Note	2006/07 R'000	2005/06 R'000
6.1 Other material losses			
Labour Dispute		200	322
Other		187	53
Fruitless Expenditure		145	44
Civil claim in respect of Public Private Partnership		-	5,123
Court settlement		105	-
Total		637	5,542
6.2 Debts written off			
Staff Debts		91	101
General Export Incentive Scheme		7,386	15,140
Other		15	11
Regional Industrial Development Programme		-	17
Export Market Incentive Assistance		5	-
Total		7,497	15,269
6.3 Forex losses			
Mission Accounts		6	16
Total		6	16
6.4 Irrecoverable amounts written off			
General Export Incentive Scheme		(7,386)	(15,140)
Other		(102)	(50)
Total		(7,488)	(15,190)
7. Transfers and subsidies			
Provinces and municipalities	Annex 1A, 1B	58,361	580
Departmental agencies and accounts	Annex 1C	1,369,077	913,087
Universities	Annex 1D	6,000	-
Foreign governments and international organisations	Annex 1F	20,082	13,720
Public corporations and private enterprises	Annex 1E	1,649,529	2,113,117
Non-profit institutions	Annex 1G	14,747	4,120
Households	Annex 1H	585	705
Total		3,118,381	3,045,329

	Note	2006/07 R'000	2005/06 R'000
8. Expenditure for capital assets			
Buildings and other fixed structures	31	4,005	-
Machinery and equipment	31	15,807	5,818
Software and other intangible assets	32	7,506	-
Computer software		7,506	-
Total		27,318	5,818

9. Unauthorised expenditure

9.1 Reconciliation of unauthorised expenditure

Opening balance	72,551	72,551
Amounts approved by Parliament/Legislature (with funding)	-	-
Current expenditure	-	-
Unauthorised expenditure awaiting authorisation	72,551	72,551

9.2. Analysis of prior unauthorised expenditure (2005/06)

Incident	Disciplinary steps taken/criminal proceedings	
Second National Conference on Small Business [No Treasury approval for bank]	Referred to SCOPA	202
Appointment of consultants [Tender procedure not followed]	Referred to SCOPA	109
National Pavilions [Exceeded tender price]	Referred to SCOPA	1,477
Removal Recruitment [Procurement procedures not followed]	Referred to SCOPA	62
Appointment of consultants [Tender procedure not followed]	Referred to SCOPA	25
National Pavilions [Exceeded tender price]	Referred to SCOPA	647
Award Ceremony [Tender procedure not followed]	Referred to SCOPA	27
Cellular Companies [Tender procedure not followed]	Referred to SCOPA	376
HR Recruitment [Overspending of the vote]	Referred to SCOPA	6,375
EMIA Exhibitions [Overspending of the vote]	Referred to SCOPA	11,456
GEIS Intershore [Overspending of the vote]	Referred to SCOPA	14,186
GEIS Shurlock [Overspending of the vote]	Referred to SCOPA	229
GEIS [Overspending of the vote]	To be referred to SCOPA	31,075
Compensation in terms of bilateral treaty [Overspending of the vote]	To be referred to SCOPA	6,154
Staff debts written off [Overspending of the vote]	To be referred to SCOPA	98
Other [Overspending of the vote]	To be referred to SCOPA	53
		72,551

	Note	2006/07 R'000	2005/06 R'000
10. Fruitless and wasteful expenditure			
10.1 Reconciliation of fruitless and wasteful expenditure			
Opening balance		123	75
Fruitless and wasteful expenditure – current year		42	93
Current		42	93
Amounts condoned		-	(45)
Current expenditure		-	45
Transfer to receivables (condoned)		(145)	-
Fruitless and wasteful expenditure awaiting condonement		20	123
10.2 Analysis of current fruitless and wasteful expenditure (2006/07)			
Incident		Disciplinary steps taken/ criminal proceedings	
No show		Written off	4
Cancellation fee		Written off	32
Other		Written off	6
			42
11. Cash and cash equivalents			
Consolidated Paymaster General Account		83,871	217,781
Disbursements		43	52
Cash on hand		30	30
Total		83,944	217,863
12. Other financial Assets			
Non-current			
Local			
Staff Debts (Bursary, salary overpayments, Rent Deposits)		37	37
Other		39	39
Total		76	76
13. Prepayments and advances			
Travel and subsistence		406	389
Prepayments		273	-
Advances paid to other entities		468	-
Total		1,147	389

	Note				2006/07 R'000	2005/06 R'000
14. Receivables						
		Less than one year	One to three years	Older than three years	Total	Total
Private enterprises	14.1	1,549	548	289,719	291,816	312,707
Staff debtors	14.2	2,035	582	1,161	3,778	2,583
Other debtors	14.4	1,295	2,059	348	3,702	2,751
Claims recoverable	Annex 4	2,344	2,296	951	5,591	4,819
Total		7,223	5,485	292,179	304,887	322,860

14.1 Private enterprises

General Export Incentive Scheme	281,785	301,586
Regional Industrial Development Programme	588	579
Export Marketing and Investment assistance	7,894	7,376
Small Medium Enterprise Development Programme	65	-
Other	1,484	3,166
Total	291,816	312,707

14.2 Staff Debtors

Other	140	55
Rent Deposit	3,576	2,465
Bursary	53	23
Telephone	4	1
Travel and Subsistence	1	36
Petty Cash	4	3
Total	3,778	2,583

14.3 Other debtors

Bursary	221	88
Salary overpayment out of service	257	93
Leave Without Pay	70	73
Cell phone	-	4
Other (fraud, overpayment to creditors)	3,154	2,493
Total	3,702	2,751

	Note	2006/07 R'000	2005/06 R'000
14.4 Debts revised			
GEIS related		(2,736)	(195,957)
Total		(2,736)	(195,957)
15. Investments			
Non-Current			
Shares and other equity			
IDC A Shares – 1,000,000 at cost		1,000	1,000
IDC B Shares – 1,391,969,357 at cost		1,391,969	1,391,969
Total		1,392,969	1,392,969
Total non-current		1,392,969	1,392,969
Analysis of non current investments			
Opening balance		1,392,969	1,392,969
Closing balance	Annex 2B	1,392,969	1,392,969
16. Loans			
Public corporations		206,250	206,250
Total		206,250	206,250
Analysis of Balance			
Opening balance		206,250	206,250
Closing balance		206,250	206,250
A loan to finance the shareholding of Ernani Investments in Khula Enterprises Limited and in Business Partners Limited. The loan is unsecured interest free and has no repayment period.			
17. Voted funds to be surrendered to the Revenue Fund			
Opening balance		41,833	148,399
Transfer from Statement of Financial Performance		137,350	276,209
Voted funds not requested/not received	17.1	(124,090)	(234,376)
Paid during the year		(42,157)	(148,399)
Closing balance		12,936	41,833
17.1 Voted funds not requested/not received			
Funds to be rolled over		109,400	234,376
Funds not to be requested		14,690	-
		124,090	234,376

	<i>Note</i>	2006/07 R'000	2005/06 R'000
18. Departmental revenue to be surrendered to the Revenue Fund			
Opening balance		138,186	117,232
Transfer from Statement of Financial Performance		244,137	203,288
Paid during the year		(289,290)	(182,334)
Closing balance		<u>93,033</u>	<u>138,186</u>

19. Payables – current

Description	<i>Notes</i>	30 Days	30+ Days	Total	Total
Amounts owing to other entities	<i>Annex 5</i>	170	-	170	20
Other payables	<i>19.1</i>	5,029	570	5,599	6,522
Total		<u>5,199</u>	<u>570</u>	<u>5,769</u>	<u>6,542</u>

19.1 Other payables

Description (Identify major categories, but list material amounts)		
PAYE	140	284
Other	-	40
Creditors (World Trade Organisation fees = R 5, 390, Other = R 69)	5,459	6,198
Total	<u>5,599</u>	<u>6,522</u>

20. Net cash flow available from operating activities

Net surplus/(deficit) as per Statement of Financial Performance	326,607	580,941
Add back non cash/cash movements not deemed operating activities	(481,736)	(421,537)
(Increase)/decrease in receivables – current	17,973	218,546
(Increase)/decrease in prepayments and advances	(758)	1,530
(Increase)/decrease in other current assets	103	(48)
Increase/(decrease) in payables – current	(773)	(17,367)
Proceeds from sale of capital assets	(55)	-
Expenditure on capital assets	27,318	5,818
Surrenders to Revenue Fund	(331,447)	(330,733)
Voted funds not requested/not received	(124,090)	(234,376)
Other non-cash items	(70,007)	(64,907)
Net cash flow generated by operating activities	<u>(155,129)</u>	<u>159,404</u>

<i>Note</i>	2006/07 R'000	2005/06 R'000
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21. Reconciliation of cash and cash equivalents for cash flow purposes

Consolidated Paymaster General account	83,871	217,781
Disbursements	43	52
Cash on hand	30	30
Total	<u>83,944</u>	<u>217,863</u>