

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

These amounts are not recognised in the annual financial statements and are disclosed to enhance the usefulness of the annual financial statements.

	Note	2006/07 R'000	2005/06 R'000
22. Contingent liabilities			
Liable to	Nature		
Motor vehicle guarantees	Employees	Annex 3A 978	1,255
Housing loan guarantees	Employees	Annex 3A 957	1,355
Claims against the department		Annex 3B 11,713	11,980
Other departments (interdepartmental unconfirmed balances)	Annex 5	-	8,923
Total		13,648	23,513

23. Commitments**Current expenditure**

Approved and contracted	32,944	34,785
	<u>32,944</u>	<u>34,785</u>

Capital expenditure

Approved and contracted	760	532
	<u>760</u>	<u>532</u>

Total Commitments	33,704	35,317
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24. Accruals**Listed by economic classification**

	30 Days	30+ Days	Total	Total
Goods and services	1,888	266	2,154	1,866
Machinery and Equipment	365	-	365	-
Total	2,253	266	2,519	1,866

Listed by programme level

Administration	1,208	196
International Trade and Economic Development	73	198
Enterprise and Industry Development	601	342
Consumer and Corporate Regulation	345	525
The Enterprise Organisation	14	233
Trade and Investment South Africa	140	191
Marketing	138	181
	2,519	1,866
Confirmed balances with other departments	Annex 5 167	-
Confirmed balances with other government entities	Annex 5 3	20
	170	20

25. Employee benefits

	<i>Note</i>	2006/07 R'000	2005/06 R'000
Leave entitlement		5,740	4,799
Thirteenth cheque		6,016	4,992
Performance awards		229	119
Capped leave commitments		9,843	9,543
Total		21,828	19,453

26. Lease commitments

26.1 Operating leases

2005/06

Later than 1 year and not later than 5 years
Total present value of lease liabilities

Machinery and equipment	Total
458	458
458	458

26.2 Finance leases**

2006/07

Not later than one year
 Later than one year and not later than five years
 Later than five years
Total present value of lease liabilities

Machinery and equipment	Total
1,494	1,494
537	537
2,031	2,031

2005/06

Not later than one year
 Later than one year and not later than five years
Total present value of lease liabilities

Machinery and equipment	Total
1,962	1,962
1,962	1,962

Analysis

Condoned
Total

1,962	1,962
1,962	1,962

**This note excludes leases relating to public private partnership as they are separately disclosed to note 35.

	Note	2006/07 R'000	2005/06 R'000
27. Irregular expenditure			
27.1 Reconciliation of irregular expenditure			
Opening balance		2,870	21,719
Add: Irregular expenditure – current year		1,210	26,310
Less: Amounts condoned		(4,080)	(45,159)
Current expenditure		4,080	45,159
Irregular expenditure awaiting condonement		-	2,870
Analysis			
Current		-	1,689
Prior years		-	1,181
		-	2,870

27.2 Irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings		
OCE printers/copiers	No disciplinary steps could be taken	-	535
Konica printers/copiers	No disciplinary steps could be taken	-	242
Nashua printers/copiers	No disciplinary steps could be taken	-	912
		-	1,689

28. Key management personnel

	No. of Individuals		
Political office bearers (provide detail below)	3	2,218	1,801
Officials			
Level 15 to 16	10	6,125	4,740
Level 14	4	2,382	1,563
Total		10,726	8,104

Political office bearers consist of:

- Minister M Mpahlwa,
- Deputy Minister E Thabethe and
- Deputy Minister RH Davies.

29. Public Private Partnership

ANNEXURE TO DISCLOSURE NOTE 29 (PPP)

Nature of the arrangement

the dti campus Public Private Partnership (PPP) is based on a partnership between **the dti** and the City of Tshwane under which the City owns the land. The City will also own all fixed assets erected thereon. **the dti** will enjoy the peaceful and undisturbed benefits of a sustained collaborative working and unified service delivery environment, to be provided by Rainprop (Pty) Ltd, the private sector partner, who signed an experience delivery agreement with **the dti**. A separate Project Enablement Agreement, ensuring renewal rights under succeeding rebiddings of the PPP or some other future arrangement, binds the City and **the dti**.

Significant terms of the arrangement as they might affect future cash flows

The construction of **the dti** campus was finalised during the first half of 2004, where after the move and decant took place between May 2004 and November 2004. The retail areas on the campus became operational shortly thereafter.

During the reporting period, **the dti** paid amounts totaling R759 113, 03 to the following suppliers for support services relating to the PPP agreement: R 82, 994.85 Utho Capital, for financial and BEE advisory services

- R497, 699.94 Turner and Townsend, for transactional advisory services
- R40 968,44 AJA Quantity surveyors, for surveyor services
- R95, 383.80 Semenya Furumele Consulting, for auditing assistance
- R42, 066.00 Thlokomelo Management for utilities management services

Unitary payments are based on a baseline amount of R108,6million per annum, which will appreciate at CPIX on 1 July of each year. Cash flows in the form of unitary payments and payments to Rainprop Pty Ltd towards pass-through costs commenced during April 2004 and totaled R120,305million for the 2006/07 reporting period, as compared to the R120,187million for the 2005/06 financial year. Payments of R5,447million were made during the reporting period in respect of a variation orders, as compared to the R9,690million that was paid during the 2005/06 financial year. (*Variation orders related to changes and additions to the design of the building, and changes to accommodate increased numbers of staff.*)

Cash flows in the form of pass-through cost to Rainprop Pty Ltd for services such as rates, electricity, water and consumables, amounted to R9,05million. Performance deductions to the amount of R45 000 was charged and recovered from Rainprop Pty Ltd, whilst a credit of R533,000 was also received for items relating to insurance, security and communication technology.

Transactions that may affect future cash flows include an amount of R23,226million that was placed in dispute following unresolved issues in terms of the facilities management of the PPP agreement. A net saving of R7,27million was also realised on furniture as part of the capital provision of the concessionaire agreement, which amount will be made available to **the dti** to fund security improvements.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007

Nature and extent of:

Right to use specified assets:

The Concessionaire, who will have direct rights of use under its land availability agreement with the City, will manage the land and buildings owned by the City.

The Concessionaire, having in this manner mobilised the capital assets, will provide experience delivery services to **the dti** as contractually defined by an “experience delivery matrix” over the term of the concession. **the dti** will enjoy the benefits as deemed contractually appropriate by the Concessionaire in the fulfillment of its obligations to **the dti**.

Obligation to provide rights or obtain services.

The City is obliged to provide rights to the Concessionaire under **the dti** /City Project Enablement Agreement, as explained above. At the same time, **the dti** has rights to obtain services under its concession agreement with the private sector PPP partner.

Obligations to acquire or build items of property, plant and equipment.

The Concessionaire will bear the risks of such obligations and associated risks.

Obligations to deliver, or rights to receive specified assets at the end of the concession period:

the dti will have no obligations of any kind to deliver either fixed or moveable assets to any party at the end of the agreement.

Fixed assets, including buildings erected thereon by the Concessionaire as part of its asset mobilisation programme for the project, will at the end of the agreement become assets of the City. **the dti** will have rights against the City to compel the transfer of the rights of use of those assets on behalf of **the dti**, to a successor or the Concessionaire for successive periods, number of successions not less than one.

The moveable assets mobilised by the Concessionaire will fall to the Concessionaire at the end of the agreement for re-use or disposal as it may deem fit, in accordance with the generic provisions of PPP practice.

Renewal and termination options:

the dti has rights of termination of contract or step-in as determined in the concession agreement, all such rights consistent with PPP practice in South Africa. The execution of such rights is subject to TA3 authority from Treasury.

Other rights and obligations:

A broad range of rights reflective of PPP practice, as regulated by Treasury under Chapter 16 of the PFMA, will apply. Rights of overhaul are part of the lifecycle maintenance and handover obligations of the Concessionaire, with lifecycle maintenance obligations clearly specified in the Maintenance Reserve Account (MRA), as an integrated part of the concession agreement.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

2006/07
R'0002005/06
R'000

30. Provisions

Potential irrecoverable debts

Private enterprises

280,759

301,586

Total

280,759

301,586

31. Tangible Capital Assets

MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER

for the year ended 31 March 2007

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
Building and other fixed structures	6	25	4,005	-	4,036
Non-residential buildings	6	25	-	-	31
Other fixed structures			4,005	-	4,005
Machinery and equipment	30,288		15,807	228	45,867
Transport assets	2,874	-	1,001	228	3,647
Computer equipment	22,719	-	13,168	-	35,887
Furniture and office equipment	3,625	-	1,564	-	5,189
Other machinery and equipment	1,070	-	74	-	1,144
Total tangible assets	30,294	25	19,812	228	49,903

31.1 ADDITIONS TO TANGIBLE CAPITAL ASSETS PER ASSET REGISTER

for the year ended 31 March 2007

	Cash	Non-cash	(Capital Work in Progress current costs)	Received current, not paid (Paid current year, received prior year)	Total
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000	Cost R'000
Building and other fixed structures	4,005	-	-	-	4,005
Other fixed structures	4,005	-	-	-	4,005
Machinery and equipment	15,807	-	-	-	15,807
Transport assets	1,001	-	-	-	1,001
Computer equipment	13,168	-	-	-	13,168
Furniture and office equipment	1,564	-	-	-	1,564
Other machinery and equipment	74	-	-	-	74
Total	19,812	-	-	-	19,812

31.2 DISPOSALS OF TANGIBLE CAPITAL ASSETS PER ASSET REGISTER

for the year ended 31 March 2007

	Sold (Cash)	Non-Cash	Total Cost	Cash Received Actual
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000
Machinery and equipment	228	-	228	55
Transport assets	228	-	228	55
Total	228	-	228	55

31.3 MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER for the year ended 31 March 2006

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Building and other fixed structures	6	-	-	6
Non-residential buildings	6	-	-	6
Machinery and equipment	29,045	5,899	4,656	30,288
Transport assets	1,396	1,478	-	2,874
Computer equipment	19,121	3,805	207	22,719
Furniture and office equipment	7,218	498	4,091	3,625
Other machinery and equipment	1,310	118	358	1,070
Total tangible assets	29,051	5,899	4,656	30,294

32. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER for the year ended 31 march 2007

	Opening balance	Current Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
Computer software	250	-	7,506	-	7,756
Total intangible assets	250	-	7,506	-	7,756

32.1 ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER for the year ended 31 March 2007

	Cash	Non-Cash	(Develop- ment work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000	Cost R'000
Computer software	7,506	-	-	-	7,506
TOTAL	7,506	-	-	-	7,506

32.2 CAPITAL INTANGIBLE ASSET MOVEMENT SCHEDULE for the year ended 31 March 2006

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Building and other fixed structures	250	-	-	250
Total tangible assets	250	-	-	250