WATERBERG FET COLLEGE
(REGISTRATION NUMBER 991102502)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Further education and training
Councillors	Dr Mohapi WMB Modisha IW - Chairperson Mailula SP Maja MM Maredi SE Masoga MC Sutherland S Teffo LJ Tsebe PH
Registered office	36 Hooge street Mokopane 0600
Business address	36 Hooge street Mokopane 0600
Postal address	Postnet suite #59 Private Bag X2449 Mokopane 0600
Bankers	First National Bank
Auditors	Tsebang Inc. Chartered Accountants and Auditors
College council secretary	Fransie Peinaar
Audit committee	Mathabatha YSM - Chairperson Fenyane SLE Poopedi MD

Index

The reports and statements set out below comprise the annual financial statements presented to the governing council:

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2012 financial year of Waterberg FET College.

1. Audit Committee Members and Attendance

The audit committee was established and consist of the members listed here under and should meet at least four times a year as per its approved charter. During the current year four meetings were held.

The members of the audit committee are:

Name	Qualification	Number of meetings attended
Mathabatha YSM (Chair person)	Bcom Accounting (UNISA) Bcom honours (University of the North) Diploma In taxation (RAU) Diploma in Municipal Finance (University of Johannesburg)	3
Poopedi MD	Bcom Accounting (University of Limpopo) Honours Bcompt (UNISA) Member of SAIPA	2
Fenyane SLE	BA, B.ED and H.ED (University of Limpopo) BBA (University of Stellenbosch) MBA (University of Stellenbosch)	4

The audit committee members were appointed with effect from 14 August 2007 and members have remained unchanged for the year.The audit committee is considered to have the correct experience, qualifications and skills to carry out their responsibilities effectively.

2. Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 25(1)(c) of the Further Education and Training Act no 16 of 2006 and section 77 of the Public Finance Management Act, 1999 (Act no 1. of 1999) and Treasury regulation 3.1. We further report that we conducted our affairs in compliance with this charter.

3. The effectiveness of internal control

We report that as part of our mandate to provide oversight to the council we have considered the following:

- the efficiency and effectiveness of the system of internal control applied by the council,
- risk management,
- the Annual Financial Statements,
- the management report of external auditors,
- the quality of in year management and monthly/quarterly reports submitted to the council.

Based on the information provided to the Audit Committee by management, it would appear that the system of internal control was not entirely effective for the year under review. Management responses to weaknesses identified indicate that these will be addressed going forward.

4. Evaluation of financial statements

We have:

- reviewed and discussed the annual financial statements which are recommended by the council.
- reviewed the external auditor's report and management responses thereto.
- reviewed council's compliance with legal and regulatory provisions.
- reviewed significant adjustments resulting from the audit.

Audit Committee Report

5. External audit report

We concur with and accept the external audit report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted, read together with the audit report.

Mathabatha YSM
Chairperson Audit Committee
Waterberg FET College

Responsibility for the Annual Financial Statements

The council is responsible for monitoring the preparation of and integrity of the annual financial statements and related information included in the annual report.

In order for the council to discharge its responsibilities, management has developed and continues to develop a system of internal control. The council has the ultimate responsibility for the system of internal controls and reviews its operation.

The internal control includes a risk based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are executed and recorded in accordance with generally accepted business practices and the college's policies and procedures.
These controls are implemented by trained, skilled personnel with appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and appropriate control framework.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate disclosure in line with accounting philosophy of the college. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The council believes that the college will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements set out on pages 6 to 35, which have been prepared on the going concern basis, were approved by the college council on 20 May 2013 and were signed on its behalf by:

Modisha IW
Chairperson of the college council

Council Report

The council of Waterberg FET College must perform all the functions, which are necessary to govern the public FET College. The principal of a Public Further Education and Training Institution is responsible for the management and authorisation of the institution. This is duly stated in Section 13 of the FET Act no 16 of 2006.

1. COLLEGE

Waterberg FET College is a public further education and training institution which has been established according to the FET Act no 98 of 1998. The College is registered with the Limpopo Department of Education in terms of the Provincial Regulations for Registration of Institution, and its EMIS number is 991102502. The college is deemed accredited by UMALUSI, the quality assurance body responsible for general and further education and training institution, with regards to quality assurance of programmes.

Waterberg FET College is a dynamic multi-campus FET institution. Waterberg FET College is a merger between Potgietersrus Technical College and Lebowakgomo Commercial College. Since 2002 the two colleges were merged into one college by the Department of Education to increase the size of learner numbers and to ensure efficient use of scarce resources.

The college operates across two municipalities namely Lepelle-Nkumpi and Mogalakwena through 5 training centres.

2. VISION

Waterberg FET College is the leader in the provision of quality learning and marketable skills.

3. MISSION

Waterberg FET College is a dynamic multi-campus FET institution which:

- ensure quality Human Resources development through sound policies;
- provide adequate, relevant and accreditable infrastructure;
- provide quality and effective management;
- ensure accessibility and affordability of programs;
- provide programs that meet the needs of the place of work;
- ensure sustainable partnerships.

4. VALUES

The College lives the slogan: ‘Together ensuring success’. We recognize that our success in Futher Education and Training requires:

- Honest dealings;
- Excellent services;
- Upholding integrity to build confidence;
- Being accountable for own actions;
- Accepting ownership of one’s actions;
- Unity in our work;
- Recognition of richness in diversity;
- Respect for differences of opinions.

5. FINANCES

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

Net surplus of the college was R 7 352 640 (2011: R 13 637 835 profit).

Council Report

6. EVENTS AFTER THE REPORTING DATE

The councillors are not aware of any matter or circumstance arising since the end of the financial year.

7. TAXATION AND VAT

The College is exempt from income tax in terms of Section 10(1)(cN) of the Income Tax Act.

The College is not a Value Added Tax registered institution.

8. COUNCIL MEMBERS

The members of the council during the 2012 financial year are as follows:

- **Surname:** Modisha (Chairperson)
  First Name: Isaiah Wilskut
  Date of appointment: 14 August 2007 to date
  Qualifications: Certificate in Accounting and Finance, Management Development Programme, Corporate governance Certificate Programme, Certificate in Management of Minerals and Mining

- **Surname**: Mailula (CEO)
  First Name: Selaelo Patrick
  Date of appointment: 1 April 2008 to date
  Qualifications: B Com, Short courses attended: Project Management, Financial Management, Strategic Planning, Organisational Development, Change Management, Leadership.

- **Surname:** Dr. Mohapi
  First Name: William Montgomery Bernard
  Date of appointment: 28 May 2008 to date
  Qualifications: 1978 – BA, 1985 - B.Ed, 1968 - M.Sc Ed , 1991 - D.Ed, 2000 - Master Diploma Human Resources Management

- **Surname:** Maredi
  First Name: Sehlophe Emmanual
  Date of appointment: 29 August 2007 to date
  Qualifications: 1977 – BA, 1981 - BA Hons, 1969 – PTC Hebron College of Education, 1993 - Management: Human Resources Manchester UK, Qualified Assessor, Qualified Moderator

- **Surname:** Prof. Teffo
  First Name: Lesiba Joseph
  Date of appointment: 28 May 2008 to date
  Qualifications: 1978 - BA UNIN, 1983 - BA Hons, 1990 - B. Juris, 1993 – LLB, 1990 - PhD Philosophy, 1976 - Primary Teachers Certificate

- **Surname:** Masoga
  First Name: Matome Calvin
  Date of appointment: April 2008 to date
  Qualifications: Teachers qualifications, Project Management in Public Development management

- **Surname:** Sutherland
  First Name: Simon Robert Edward
  Date of appointment: 6 December 2011
  Resignation: July 2012
  Qualifications: Diploma in Hotel Management, Assessor, Moderator, Chef City and Guilds

- **Surname:** Tsebe
  First Name: Puleng Herman
  Date of appointment: 18 March 2009
  Qualifications: Teachers certificate, Certificate Financial Management

9. Auditors

Tsebang Inc. were appointed in accordance with section 25(2) of the Further Education and Training College Act no 16 of 2006.

Council Report

10. Corporate Governance Report

Corporate Governance
The council is committed to exhibiting best practices in all aspects of corporate governance. This summary describes the manner in which the college has applied the principles set out in the King III Report, its purpose is to help the readers of the accounts understand how the principles have been applied.

The college complies with all the provisions of king III Report in so far as they apply to the Further Education and Training Sector, and it has complied throughout the year ended 31 December 2012.

The college

The composition of the college council is set out on paragraph 8 above. It is the council's responsibility to bring independent judgemental to bear on issues of strategy, performance, resources and standards of conducts.

The college cuncil is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding projects targets, proposed capital expenditure, quality matters and personnel related matters such as safety and environmental issues. The council meet at each term.

The college conducts its business through a number of committees. Each committee has terms of reference which have been approved by the council. Paragraph 12(1) of the standard college statute of the FET college Act, No 16 of 2006 states that the college council should appoint the following committees: an executive committee; an audit committee; Finance committee: a condition of employment committee; a planning and resource committee and such other committees as may be required.

Council is able to take independent, professional advice in furtherance of their duties at the college‘s expense and have access to dedicated secretary appointed by the council and responsible to the council for ensuring that council operations are carried out effectively, the appointment, evaluation and removal of the secretary are matters of the council college.

Formal agendas, papers and reports are supplied to the council members in a timely manner and prior to council meetings and briefings are also provided on ad- hoc basis where necessary.

The college has strong and independent none executive members and no individuals or group dominates its decision making process. The college considers that each of its non-executive council members are independent of management and free from any business or other relationships, which could materially interfere with the exercise of their independent judgment.

There is a clear division of responsibility in that the role of the chairperson and the principal are separated.

Statement of Financial Position

	Note(s)	2012 R	Restated 2011 R
Assets			
Non current assets			
Biological assets	3	299 485	149 460
Property, plant and equipment	4	62 792 839	60 654 227
Other financial assets	5	109 811	6 533 721
Operating lease asset	7	-	2 161
		63 202 135	**67 339 569**
Current assets			
Other financial assets	5	20 905 195	-
Operating lease asset	7	2 161	5 339
Inventories	8	1 091 230	48 662
Trade and other receivables	9	10 372 522	7 996 354
Cash and cash equivalents	10	25 319 629	18 608 635
		57 690 737	**26 658 990**
Total assets		**120 892 872**	**93 998 559**
Equity and liabilities			
Equity			
Retained income		90 982 962	83 630 322
Reserves	11	3 596 564	3 596 564
		94 579 526	**87 226 886**
Liabilities			
Non-current liabilities			
Finance lease obligation	12	62 674	439 290
Deferred income	13	18 018 168	-
		18 080 842	**439 290**
Current liabilities			
Finance lease obligation	12	376 615	397 639
Trade and other payables	14	7 855 889	5 934 744
		8 232 504	**6 332 383**
Total liabilities		**26 313 346**	**6 771 673**
Total equity and liabilities		**120 892 872**	**93 998 559**

Statement of Comprehensive Income

	Note(s)	2012 R	Restated 2011 R
Revenue	16	44 187 731	43 316 088
Other income	30	517 456	175 229
Operating expenses	31	(38 638 578)	(30 394 956)
Operating surplus	17	**6 066 609**	**13 096 361**
Investment revenue	18	1 289 149	775 513
Fair value adjustments on biological assets	19	150 025	-
Finance costs	20	(153 143)	(234 039)
Surplus for the year		**7 352 640**	**13 637 835**
Other comprehensive income		-	-
Total comprehensive income		**7 352 640**	**13 637 835**

Statement of Changes in Equity

	Capital replacement reserve R	Accumulated surplus R	Total equity R
Opening balance as previously reported	3 596 564	64 275 272	67 871 836
Adjustments			
Prior period error - note 27	-	5 717 215	5 717 215
Balance at 01 January 2011 as restated	**3 596 564**	**69 992 487**	**73 589 051**
Changes in equity			
Total comprehensive income for the year	-	13 637 835	13 637 835
Total changes	-	13 637 835	13 637 835
Opening balance as previously reported	3 596 564	80 147 043	83 743 607
Adjustments			
Prior period errors - note 27	-	3 483 279	3 483 279
Balance at 01 January 2012 as restated	**3 596 564**	**83 630 322**	**87 226 886**
Changes in equity			
Total comprehensive income for the year	-	7 352 640	7 352 640
Balance at 31 December 2012	**3 596 564**	**90 982 962**	**94 579 526**
Note(s)	11		

Statement of Cash Flows

	Note(s)	2012 R	Restated 2011 R
Cash flows from operating activities			
Cash receipts from customers		60 120 812	46 642 675
Cash paid to suppliers and employees		(32 582 716)	(21 186 582)
Cash generated from operations	22	27 538 096	25 456 093
Interest income		1 289 149	775 513
Finance costs		(153 143)	(234 039)
Net cash from operating activities		**28 674 102**	**25 997 567**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(7 084 188)	(12 171 414)
Purchase of financial assets		(20 000 000)	(515 949)
Redemption of financial assets		5 518 715	-
Purchase of biological assets	3	-	(149 460)
Net cash from investing activities		**(21 565 473)**	**(12 836 823)**
Cash flows from financing activities			
Finance lease payments		(397 640)	(438 440)
Total cash movement for the year		**6 710 989**	**12 722 304**
Cash at the beginning of the year		18 608 635	5 886 331
Total cash at end of the year	10	**25 319 624**	**18 608 635**

Accounting Policies

1. General information

Summary of significant accounting policies

The principle accounting policies applied in preparation of these financial statements are set out below. These policies have been significantly applied to all years presented.

Summary of significant accounting policies

The principle accounting policies applied in preparation of these financial statements are set out below. These policies have been significantly applied to all years presented.

The principle accounting policies applied in preparation of these financial statements are set out below.
These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Summary of significant accounting policies

The annual financial statements were authorised for issue by the council on 20 May 2013.

Waterberg FET College is a Public Further Education and Training College establised under the Further Education and Training Act No 16 of 2006. Waterberg FET College is domiciled in Mokopane, South Africa and the principal activities of the College relate to further education and training.

The presentational currency of Waterberg FET College is South African Rands and all amounts are rounded off to the nearest Rand.

Basis of preparation

The annual financial statements of Waterberg FET College have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP), and in terms of Further Education and Training Act no 16 of 2006 as prescribed by the Minister of Higher Education and Training. The annual financial statements have been prepared on the historical cost basis, as modified by revaluation of fair value through profit and loss financial assets and at amortized financial assets and financial liabilities.

The preparation of annual financial statements in conformity with SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise judgemental in the process of applying the College accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements in note 5.

Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and the related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Critical accounting estimates and assumptions

The college makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.These estimates and assumptions that have significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are addressed below.

Impairment of receivables

The college tests whether trade receivables have suffered any impairment in accordance with the accounting policy in note 1.4 and 1.7. Assets that individually significant are considered separately for impairment. When these assets are impaired, any impairment loss is recognised directly against the related assets. Assets which are individually significant and group of smaller balances are considered for impairment on a portfolio basis, based on similar credit risk.

Impairment losses are recognised in an “allowance account for credit losses “until impairment can be identified with individual assets, and, at that point, the allowance is written off against the individual asset .Subsequent recoveries of amounts previously written off are credit in the income statement. Refer to note 8 for the carrying amount of receivables and impairment provided for 2012.

Accounting Policies

1.1 Summary of significant accounting policies (continued)

b) Property, Plant and Equipment

Property, Plant and Equipment are reviewed whenever events indicate that the carrying amount may not be recoverable. An impairment loss is recognized in respect of the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. An impairment loss or reversal of an impairment loss is recognized as an expense / income in the statement of comprehensive income as incurred.

c) Going concern

The college's forecast and projections taking account of reasonably possible changes in operating circumstances show that the college should be able to operate within its financing.

The council has reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. The college therefore continues to adopt the going concern basis in preparing its annual financial statement.

Trade receivables, Held to maturity investments and loans and receivables

The college assesses its trade receivables and held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the college makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.2 Biological assets

An college shall recognise a biological asset or agricultural produce when, and only when:
- the college controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the college; and
- the fair value or cost of the asset can be measured reliably.

Biological assets (living animals and plants) are measured on initial recognition and thereafter at each reporting date at fair value less costs to sell. IAS 41 determines that there is a rebuttable presumption that the fair value of a biological asset can be measured reliably. However, in the (unlikely) event that quoted market prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, the biological asset(s) concerned should be measured at cost less accumulated depreciation and accumulated impairment losses.

Agricultural produce (harvested from an college's biological assets) should be measured at fair value less costs to sell at the point of harvest.

A gain or loss arising on initial recognition of biological assets fair value less costs to sell is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the college; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	indefinite
Buildings	50 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Computer equipment	3 years
Leasehold improvements	5 years
Operational equipment	4 years
Audio visual equipment	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - held for trading
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the college has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the entity assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

1.4 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the college has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

Accounting Policies

1.6 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.7 Government grants

Government grants are recognised when there is reasonable assurance that:
- the college will comply with the conditions attaching to them; and
- the grants will be received.

Government grants relating to cost recognised are recognised in the financial year to which the grants relates. The grants are therefore matched with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are deducted from the related expense.

1.8 Revenue

Tuition and residence fees

Tuition and residence fees are recognised as income at fair value of consideration received or receivable in the period which they relate (academic year). Revenue from tuition and residence fees are recognised with reference to the stage of completion at the reporting date, based on the service performed to date as a percentage to the total services to be performed by the college. Deposits provided by the prospective students are treated as current liabilities until the related fees becomes due to the college.

Private grants

Private grants and donations are recognised as income at the fair value of consideration received or receivable in the period to which they relate. Any such ncome is recognised as income in the financial period when the college is entitled to use those funds. Therefore funds that will not be used until some specified future periods or occurence are deferred to deferred income and released to the statement of comprehensive income as the college becomes entitled to the funds.

Grants received to compensate for expenses to be incurred are often prescriptive in nature and therefore it is recognised over a certain period under the terms of the grant. Prescriptive grant income is recognised with reference to the stage of completion at the reporting date. If the stage of completion cannot be measured reliably , the recognition of this income is limited to the expenses incurred. The balance is recognised as deferred income in the statement of financial position.

Rental income

Where the college retains the significant risks and benefits of ownership of an item under a lease agreement it is classified as operating lease. The receipts in respect of operating lease are recognised on a straight line basis in the statement of comprehensive income over the period of the lease.

Interest income

Interest is recognised, in profit or loss, using the effective interest rate method.

Other sales and services

Income derived from other sales and services is are recognised at fair value in the period in which they accrue.

1.9 Tax

The college is exempt from income tax in terms of section 10(1)(cN) of the Income Tax Act no 58 of 1962.

Notes to the Annual Financial Statements

	2012	2011
	R	R

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

IFRS 9 (AC 146) Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 01 January 2013.

The company expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the college's annual financial statements.

IAS 19 (AC 116) Employee Benefits Revised

- Require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements
- Introduce enhanced disclosures about defined benefit plans
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarification of miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

The effective date of the amendment is for years beginning on or after 01 January 2013.

The company expects to adopt the amendment for the first time in the 2013 annual financial statements.

It is unlikely that the amendment will have a material impact on the college's annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company’s accounting periods beginning on or after 01 January 2013 or later periods but are not relevant to its operations:

Notes to the Annual Financial Statements

	2012 R	2011 R

3. Biological assets

	2012 Cost / Valuation	2012 Accumulated depreciation	Carrying value	2011 Cost / Valuation	2011 Accumulated depreciation	Carrying value
Cattle	51 500	-	51 500	50 000	-	50 000
Sheep	48 500	-	48 500	4 200	-	4 200
Pigs	26 700	-	26 700	4 000	-	4 000
Goats	43 000	-	43 000	13 800	-	13 800
Chickens	129 785	-	129 785	77 460	-	77 460
Total	**299 485**	**-**	**299 485**	**149 460**	**-**	**149 460**

Reconciliation of biological assets - 2012

	Opening balance	Gains arising from changes in fair value	Total
Cattle	50 000	1 500	51 500
Sheep	4 200	44 300	48 500
Pigs	4 000	22 700	26 700
Goats	13 800	29 200	43 000
Broilers	77 460	52 325	129 785
	149 460	**150 025**	**299 485**

Reconciliation of biological assets - 2011

	Opening balance	Additions through business combinations	Total
Cattle	-	50 000	50 000
Sheep	-	4 200	4 200
Pigs	-	4 000	4 000
Goats	-	13 800	13 800
Broilers	-	77 460	77 460
	-	**149 460**	**149 460**

Non – Financial information

Quantities of each biological asset		
Cattle: bull	1	-
Cattle: heifer	6	-
Cattle: cow	7	-
Cattle: nearly mount bulls	2	-
Sheep: ewe	17	-
Sheep: ram	2	-
Goat: buck	1	-
Goat: doe	16	-
Pig: bor	4	-
Pig: sow	20	-
Pig: piglets	30	-
Broilers: chickens	4 955	-
Broilers: layers	67	-
	5 128	**-**

Pledged as security

Notes to the Annual Financial Statements

	2012	2011
	R	R

3. Biological assets (continued)

None of the biological assets have been pledged as security.

A register containing the information required by section 25 of the Further Education and Training College's Act 16 of 2006 is available for inspection at the registered office of the college.

4. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	55 658 676	(1 927 235)	53 731 441	50 747 450	(1 548 383)	49 199 067
Furniture and fixtures	3 579 480	(2 515 338)	1 064 142	3 460 264	(2 210 340)	1 249 924
Motor vehicles	2 351 646	(1 759 510)	592 136	2 217 239	(1 415 768)	801 471
Office equipment	11 869 880	(6 813 851)	5 056 029	10 932 592	(5 282 676)	5 649 916
IT equipment	9 539 897	(7 369 621)	2 170 276	9 821 755	(6 239 270)	3 582 485
Audio visual equipment	472 495	(293 680)	178 815	422 304	(250 940)	171 364
Total	**83 472 074**	**(20 679 235)**	**62 792 839**	**77 601 604**	**(16 947 377)**	**60 654 227**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	49 199 067	4 911 226	-	(378 852)	53 731 441
Furniture and fixtures	1 249 924	119 217	-	(304 999)	1 064 142
Motor vehicles	801 471	134 407	-	(343 742)	592 136
Office equipment	5 649 916	937 288	-	(1 531 175)	5 056 029
IT equipment	3 582 485	931 859	(84 557)	(2 259 511)	2 170 276
Audio visual equipment	171 364	50 191	-	(42 740)	178 815
	60 654 227	**7 084 188**	**(84 557)**	**(4 861 019)**	**62 792 839**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land and buildings	43 542 584	6 588 067	(931 584)	49 199 067
Furniture, fittings and office equipment	493 860	983 249	(227 185)	1 249 924
Motor vehicles	803 971	354 363	(356 863)	801 471
Equipment and operational equipment	5 610 344	1 774 067	(1 734 495)	5 649 916
IT equipment	2 945 417	2 393 373	(1 756 305)	3 582 485
Audiovisual equipment	157 553	78 295	(64 484)	171 364
	53 553 729	**12 171 414**	**(5 070 916)**	**60 654 227**

Assets subject to finance lease (Net carrying amount)

Office equipment	295 477	587 367
IT equipment	700	3 500

Refer to the note 12 for the disclosures of the finance leases obligation.

None of the property, plant and equipment unless otherwise specified, have been pledged as security.

A register containing the information required by section 25 of the Further Education and Training College's Act 16 of 2006 is available for inspection at the registered office of the college.

Notes to the Annual Financial Statements

	2012 R	2011 R

5. Other financial assets

	2012 R	2011 R
At amortized cost		
First National Bank	5 000 000	-
Fixed deposit held for three months with 4.87% returns.		
ABSA	10 000 000	-
Fixed deposit held for three months with 5.11 % returns.		
First National Bank	5 000 000	-
Fixed deposit held for three months with 4.96% returns.		
	20 000 000	**-**
At fair value through profit and loss		
Aeterno Investments 269 (Pty) Ltd	905 195	6 430 015
Investment bears interest at 10% per annum		
Standard Bank Investment	109 811	103 706
The investment bears a return in form of distributions and capital appreciation		
	1 015 006	**6 533 721**
Total other financial assets	**21 015 006**	**6 533 721**
Non-current assets		
At amortized cost	109 811	6 533 721
Current assets		
At amortized cost	20 000 000	-
At fair value through profit or loss	905 195	-
	20 905 195	**-**
	21 015 006	**6 533 721**

Financial assets are dominated in the following currencies:

	2012 R	2011 R
Rand	21 015 006	6 533 721

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	At amortized cost	Fair value through profit or loss	Total
Other financial assets	1 015 007	20 000 000	21 015 007
Trade and other receivables	11 174 177	-	11 174 177
Cash and cash equivalents	25 319 629	-	25 319 629
	37 508 813	**20 000 000**	**57 508 813**

2011

	Amortized cost	Total
Other financial assets	6 533 721	6 533 721
Trade and other receivables	8 588 298	8 588 298
Cash and cash equivalents	18 608 634	18 608 634
	33 730 653	**33 730 653**

Notes to the Annual Financial Statements

	2012 R	2011 R

7. Operating lease asset

	2012 R	2011 R
Non-current assets	-	2 161
Current assets	2 161	5 339
	2 161	**7 500**

Future minimum lease payments under non-cancellable operating leases		
not later than one year;	20 200	59 456
later than one year and not later than five years;	-	20 200
	20 200	**79 656**

The college entered into lease arrangements with Copcom Outdoor (Pty) Ltd for stand number 25/80 Mokopane on the 25 April 2008. The lease contract has been entered into for a period of five years with monthly rental payable amounting to R 4000, the rent payable shall escalate by 6% per annum on aniversary of the lease.

8. Inventories

	2012 R	2011 R
Consumables	1 091 230	48 662

9. Trade and other receivables

	2012 R	2011 R
Trade receivables	8 145 446	4 142 495
Deposits	67 928	67 928
Department of Higher Education and Training	1 976 900	3 688 000
Sundry debtors	182 248	97 931
	10 372 522	**7 996 354**

None of the financial assets that are fully performing have been renegotiated in the last year.

	2012 R	2011 R
Student receivables	14 883 463	6 096 973
Less: provision for impairment	(6 528 305)	(1 954 478)
Less: receivables written off	(209 712)	-
	8 145 446	**4 142 495**
Other receivables	1 976 900	3 688 000
Non financial assets		
Sundry receivables	182 248	97 930
Deposit	67 928	67 928
Trade and other receivables	**10 372 522**	**7 996 354**

Fair value of trade and other receivables

The fair value of trade and other receivables approximate the carrying amounts.

Trade and other receivables impaired

The trade and other receivables were impaired and the amount of the provision was R (6 738 017) on 31 December 2012 (2011: R (1 954 478)).

Reconciliation of provision for impairment of trade and other receivables

	2012 R	2011 R
Opening balance	1 954 478	-
Provision for impairment	6 528 305	1 954 478
Unused amounts reversed	(1 954 478)	-
	6 528 305	**1 954 478**

Notes to the Annual Financial Statements

	2012 R	2011 R

9. Trade and other receivables (continued)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of comprehensive income. Amounts charged to the statement of comprehensive income are generally written off when there is no expectation of recovering the debt.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012 R	2011 R
Cash on hand	4 264	4 000
Bank balances	25 315 365	18 604 635
	25 319 629	**18 608 635**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates.

11. Reserves

	2012 R	2011 R
Capital replacement fund	3 596 564	3 596 564

12. Finance lease obligation

	2012 R	2011 R
Minimum lease payments due		
- within one year	428 396	517 100
- in second to fifth year inclusive	65 814	465 360
	494 210	982 460
less: future finance charges	(55 071)	(208 214)
Present value of minimum lease payments	**439 139**	**774 246**
Non-current liabilities	62 674	439 290
Current liabilities	376 615	397 639
	439 289	**836 929**

It is college policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 5 years and the average effective borrowing rate is 15.50%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10% - 25% per annum. No arrangements have been entered into for contingent rent.

The college's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Notes to the Annual Financial Statements

	2012 R	2011 R

13. Deferred income

Grants received during the year	(49 075 523)	(19 827 690)
Amounts released to statement of comprehensive income	31 057 355	19 827 690
	(18 018 168)	**-**

Deferred income relates to government grants and subsidies received during the year from the following institutions:

Agricultural Sector Education and Training Authority (AgriSETA)
Agricultural Sector Education and Training Authority(AgriSETA) has granted the college funds in respect of the farm machines, equipment maintenance workers program and learning programmes at the college.

Department of Higher Education and Training (DHET)
Funding by the Department of Higher Education and Training (DHET) granted to FET colleges that offer approved programmes in support of the skills Development according to norms and standards for funding FET Colleges.

Department of Public Works
Funding to incentivise the increase of job creation efforts in infrastructure, environment and culture programmes through the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

National Youth Development Agency
The National Youth Development Agency has granted the college funds in respect of the YouthBuild program to enhance the preparation and training of students for employment and self-employment opportunities.

Transport Education and Training Authority (TETA)
The Transport Education and Training Authority (TETA) has granted the college funds to train 20 learners to obtain their code 8 driving licenses.

The National Student Financial Aid Scheme of South Africa (NSFAS)
The National Student Financial Aid Scheme of South Africa (NSFAS) provides financial aid through study loans and bursaries to college students for academically deserving and financially needy students.

The National Skills Fund (NSF)
The National Skills Fund used to address significant national skills priorities. Funds are allocated to the college for a range of funding including farming equipment and occupational programmes in the 2013 financial year.

14. Trade and other payables

Trade payables	1 331 234	773 189
Student creditors	5 795 257	4 499 739
Unknown deposits	621 993	554 411
Sundry creditor	107 405	107 405
	7 855 889	**5 934 744**

Fair value of trade and other payables

Trade payables were recognised at its fair value at year end.

Notes to the Annual Financial Statements

	2012 R	2011 R

15. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	437 128	437 128
Trade and other payables	7 305 715	7 305 715
	7 742 843	**7 742 843**

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	829 427	829 427
Trade and other payables	5 384 572	5 384 572
	6 213 999	**6 213 999**

16. Revenue

	2012	2011
Tuition fees	28 707 562	23 226 142
Farm income	658 631	262 255
Private subsidies	2 453 415	422 691
Goverment grants and subsidies	12 368 123	19 405 000
	44 187 731	**43 316 088**
Agricultural Sector Education and Training Authority (AgriSETA)		
Grant received during the year	(270 375)	-
Amounts taken to Statement of Comprehensive Income	270 375	-
	-	**-**
Department of Higher Education and Training (DHET)		
Opening balance	3 688 000	5 990 667
Grants received during the year	(12 417 100)	(21 707 667)
Amounts taken to Statement of Comprehensive Income	10 706 000	19 405 000
	1 976 900	**3 688 000**
Department of Public Works		
Grant received during the year	(712 391)	-
Amounts taken to Statement of Comprehensive Income	712 391	-
	-	**-**
National Youth Development Agency Grant (NYDA)		
Grant received during the year	(1 311 500)	-
Amounts taken to Statement of Comprehensive Income	379 606	-
	(931 894)	**-**

Notes to the Annual Financial Statements

	2012 R	2011 R
16. Revenue (continued)		
Transport Education and Training Authority (TETA)		
Grant received during the year	(225 000)	-
Amounts taken to Statement of Comprehensive Income	225 000	-
	-	**-**
National Student Financial Aid Scheme(NSFAS)		
Grants received during the year	(22 140 445)	-
Amounts taken to Statement of Comprehensive Income	74 752	-
Amounts taken to student debtors	16 235 871	-
	(5 829 822)	**-**
National Skills Fund (NSF)		
Grants received during the year	(11 256 400)	-
Other private grants and subsidies		
Grants received during the year	(2 453 415)	(422 690)
Amounts taken to Statement of Comprehensive Income	2 453 415	422 690
	-	**-**

17. Operating surplus

Operating surplus for the year is stated after accounting for the following:

	2012 R	2011 R
Operating lease charges		
Premises		
• Contractual amounts	-	69 559
Equipment		
• Contractual amounts	1 086 231	539 863
	1 086 231	**609 422**
Loss on disposal of property, plant and equipment	(84 557)	-
Depreciation on property, plant and equipment	4 861 017	5 070 917
Employee costs	2 832 240	2 615 476

18. Investment revenue

	2012 R	2011 R
Interest revenue		
Other financial assets	481 285	-
Bank	807 864	775 513
	1 289 149	**775 513**

19. Fair value adjustments

	2012 R	2011 R
Biological assets - (Fair value model)	150 025	-

20. Finance costs

	2012 R	2011 R
Interest paid	-	9 965
Finance leases	153 143	224 074
	153 143	**234 039**

21. Auditors' remuneration

	2012 R	2011 R
Fees	193 358	263 883

Notes to the Annual Financial Statements

	2012 R	2011 R
22. Cash generated from operations		
Surplus for the year	7 352 640	13 637 835
Adjustments for:		
Depreciation on property, plant and equipment	4 861 017	5 070 917
Loss on sale of fixed assets	84 557	-
Interest received	(1 289 149)	(775 513)
Finance costs	153 143	234 039
Fair value adjustments on biological assets	(150 025)	-
Movements in operating lease assets and accruals	5 339	1 974
Changes in working capital:		
Inventories	(1 042 568)	(48 662)
Trade and other receivables	(2 376 168)	3 667 307
Trade and other payables	1 921 145	3 668 196
Deferred income	18 018 165	-
	27 538 096	**25 456 093**

23. Commitments

Authorised capital expenditure

Already contracted for		
• Construction of New Central Administration Building	16 242 061	-
• Security services	44 719	-
Orders placed before year end	1 835 877	-

This committed expenditure contract entered into with Matakanye construction relates to the construction of new central administration offices.

Security services commited expenditure relates to 8 month contract signed with Sun Rise Security Services from June 2012 - January 2013.

24. Contingencies

Contingent liability

Helping hands Security CC has a pending claim amounting to R 87 700 against Waterberg FET college dating over two years. This case was instituted after the college cancelled a security service contract due to dissatisfaction with the services provided. According to the entity's attorneys, it is highly probable that the college will win the case and it is probable that the college will not to pay the claimed amount.

Contingent asset

Waterberg FET college is in negotiation with Stanlib investment regarding possible interest from an investment of R6.2 million dating from prior years. The capital of R6.2 million has been recovered in full and almost all the interest has been recovered. The interest balance of R77, 995.00 is as a result of a higher interest rate currently under negotiation between both parties. The parties had initially agreed on a lower rate but because repayments have been in installments, a higher rate is being negotiated. According to the college's attorneys, it is highly probable that the college will recover all amounts under negotiation.

Notes to the Annual Financial Statements

	2012 R	2011 R

25. Related parties

Relationships	
Public Entities and Government Departments	Agricultural Sector Education and Training Authority (AgriSETA) Department of Higher Education and Training (DHET) Department of Public Works National Skills Fund National Youth Development Agency(NYDA) National Student Financial Aid Scheme (NSFAS) Transport Education and Training Authority (TETA)
Private sponsors	South African Chefs Association Platreef mine Anglo platinum United States Agency for International Development (USAID)
Associate of member of key management	Schalk Pienaar Prokureurs

Related party balances

	2012 R	2011 R
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Higher Education and Training	1 976 900	3 688 000
National Youth Development Agency	(931 894)	-
National Student Financial Aid Scheme	(5 829 871)	-
National Skills Fund	(11 256 400)	-

Related party transactions

	2012 R	2011 R
Grants and subsidies received from related parties		
Agricultural Sector Education and Training Authority (AgriSETA)	(270 375)	-
Department of Higher Education and Training (DHET)	(10 706 000)	(19 405 000)
National Youth Development Agency(NYDA)	(379 606)	-
Department of Public Works	(712 391)	-
National Student Financial Aid Scheme (NSFAS)	(22 140 445)	-
Transport Education and Training Authority (TETA)	(225 000)	-
United States Agency for International Development (USAID)	(178 573)	(134 691)
Anglo Platinum	(1 545 000)	-
South African Chefs Association(SACA)	(692 608)	(288 000)
Platreef mine	(37 234)	-
Legal fees		
Schalk Pienaar Prokureurs	69 606	-

Notes to the Annual Financial Statements

	2012 R	2011 R

26. Emoluments

Council Members

2012

	Sitting allowance after tax	Travelling	Total
Modisha IW (Chairperson)	-	5 857	5 857
Mathabatha YSM	-	7 402	7 402
Maredi SE	39 559	47 940	87 499
Masoga MC	14 385	7 954	22 339
Dr Mohapi WMB	16 678	50 750	67 427
Sutherland S	1 439	188	1 627
Teffo LJ	9 350	21 001	30 351
Maja MM	3 596	470	4 066
Tsebe PH	12 227	2 603	14 830
	97 234	**144 165**	**241 398**

Remuneration of personnel cost paid by Department of Education

2012

	Basic salary	Medical aid	Pension fund	Bonus	Housing allowance	Other costs	Total
Personnel costs	30 670 890	1 817 940	3 723 590	2 448 133	1 746 966	771 217	41 178 736

Since the conversion of the FET College Funding into a Conditional Grant, the National Department of Education was administering these funds as a schedule 4 Conditional Grant. Funding for FET Colleges, including PERSAL allocation has been transferred to the Provincial Education Departments (PDE's). The PED's have been paying salaries to college employees who were paid through PERSAL. The PDE's were therefore used as an agent to pay salaries on behalf of the FET Colleges. The PERSAL costs incurred by the PDE's for the college are therefore disclosed above as per circular FET Circular 02/2013 dated the 7 May 2013.

27. Prior period errors

Prior period error effected in terms of IAS 8- Accounting policies, Changes in estimates and Errors

Cash and cash equivalents
The balance of The First National Bank project account 62072132253 as per 31 December 2011 actual bank statement did not agree to the 2011 signed financial statements. This has resulted in a decrease of R 4 715 on cash and cash equivalents balance and increase in equity with the same amount.

Grants and subsidies
The subsidy from the Department of Higher Education and Training (DHET) received in 2012 relating to the 2011 year was not recognised correctly in the 2011 financial year. The allocation of income relating to the 2011 and 2010 year was recognised as revenue for the respective years. The error resulted an increase of R3 668 000 on receivables and decrease of R2 302 667 in revenue.

Notes to the Annual Financial Statements

	2012 R	2011 R

27. Prior period errors (continued)

Property, plant and equipment
Payments for lease of office equipment and modems leased were incorrectly accounted for as general expenses instead of a finance lease. The error resulted in an increase in of R 642 461 on property, plant and equipment, increase of R 831 928 on finance lease liability, increase of R 234 949 on finance charges, increase of R 336 638 on depreciation and decrease of R 548 638 in rental expenses.

Student accounts
The error on student receivables relates to the system problem and resulted in student receivables to be overstated by R591 943 and student creditors to be understated by R550 176 and accumulated surplus to be overstated by R1 142 119.

Trade and other payables
The error on payables relates to personnel expenditure amounting to R36 109, based on 2011 statement of account from the supplier the balance was zero however an accrual was raised for the particular supplier.

Water and electricity account for 2011 year end amounting to R 2 446 was raised twice for the same invoice. The errors resulted in decrease of R 38 555 on trade a other payables and general expenses.

Operating lease asset
IAS 17 paragraph 50 states that lease income from operating leases shall be recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

The college did not straight line lease income as required by IAS 17 above. This resulted in an increase of R 7 500 on operating lease asset and decrease of R 1 974 in rental income.

Notes to the Annual Financial Statements

	2012 R	2011 R

27. Prior period errors (continued)

The effect of the restatement is summarised below:

Statement of financial position	
Increase in trade and other payables	(360 421)
Increase in accumulated surplus	(4 726 296)
Decrease in cash and cash equivalents	(4 715)
Increase in sundry receivables	3 688 000
Increase in finance lease liability	(836 928)
Increase in finance lease asset cost	1 460 149
Increase accumulated depreciation	(869 283)
Increase in operating lease asset	7 500
	(2 233 937)

Statement of comprehensive income	
Decrease in general expenses	(38 555)
Decrease in revenue	2 302 667
Increase in finance charges	224 074
Increase in depreciation	292 415
Decrease in rental expense	(548 638)
	2 233 937

28. Comparative figures

Certain comparative figures have been reclassified

Purchase of feeds and medications was incorrectly classified as biological assets as a result consumables (inventory) were understated and biological assets overstated.

Government grants and other subsidies received were previously classified as other income as a result other income was overstated with R21 850 961 and revenue understated with the same amount.

The effects of the reclassification are as follows:

Statement of Financial Position	
Biological assets	(48 662)
Inventory	48 662
Statement of comprehensive income	
Other income	(21 850 961)
Revenue	21 850 961

29. Risk management

Capital risk management

The college's objectives when managing capital are to safeguard the college's ability to continue as a going concern in order to provide benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

Financial risk management

The college’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Notes to the Annual Financial Statements

	2012 R	2011 R

29. Risk management (continued)

Liquidity risk

The college's risk to liquidity is a result of the funds available to cover future commitments. The college manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the college's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2012	**within 1 year**	**in second to fifth year**
Finance lease obligation	376 615	62 675
Trade and other payables	7 305 715	-

At 31 December 2011	**Less than 1 year**	**in second to fifth year**
Finance lease obligation	397 638	439 289
Trade and other payables	5 384 571	-

Interest rate risk

As the college has significant interest-bearing assets amounting to R 21 015 006 , the college's income on this interest-bearing assets are substantially dependent of changes in market interest rates.

Credit risk

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

Trade receivables are mainly comprised of student debtors. Management evaluates credit risk relating to student debtors on an ongoing basis. If student debtors are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the student debtors, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored.

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

Financial instrument		
Trade and other receivables	10 372 522	7 996 354
Cash and cash equivalents	25 319 629	18 608 635
Other financial assets	21 015 006	6 533 721

30. Other income

Bad debts recovered	-	8 418
Sale of tender documents	74 575	-
Donation	14 000	28 045
Insurance setlement	250 121	37 970
Sundry income	178 760	100 796
	517 456	**175 229**

Notes to the Annual Financial Statements

31. General expenses

	2012 R	2011 R
Accounting fees	-	82 019
Advertising	1 444 480	1 103 164
Bad debts written off	209 712	-
Bank charges	138 699	187 032
Cleaning	212 912	498 749
Consumables	3 143 948	5 560 785
Council expenditure	271 767	355 568
Depreciation on property and equipment	4 861 017	5 070 917
Employee related costs	2 832 240	2 615 476
Equipment - Contractual amounts	1 086 231	539 863
Audit fees	193 358	263 883
Insurance	602 732	495 733
Bad debts impairment	4 573 828	-
Legal and consultant fees	968 358	256 392
License fees	642 668	353 321
Loss on sale of equipment	84 557	-
Membership fees	-	41 238
Motor vehicle expenses	12 898	-
Occupational expenses	89 599	-
Personnel expenses	728 334	660 182
Premises - Contractual amounts	-	69 559
Printing and stationery	835 560	582 922
Project expenses	1 413 871	472 534
Purchases of feeds and medication	132 316	-
Repairs and maintenance	1 521 341	1 584 467
Security	1 821 536	1 332 633
Staff welfare	9 252	-
Student expenses	6 222 030	4 591 069
Subscriptions	38 427	-
Communication and postage	1 645 270	986 611
Training	662 954	1 019 447
Travel - local	560 000	437 296
Unemployement insurance fund	29 504	36 021
Water and electricity	1 649 179	1 198 075
	38 638 578	**30 394 956**

32. Fruitless and wasteful expenditure

	2012 R	2011 R
Interest on water and electricity account	10 074	-
Interest on SARS account	5 421	-
Interest on telephone account	7 601	-
	23 096	**-**

Fruitless and wasteful expenditure disclosed above relates to interest charged on late payments of supplier accounts