

	Note	2005 R'000	2004 R'000
7 Cash and cash equivalents			
Bank overdraft		(349 282)	(218 603)
		<u>(349 282)</u>	<u>(218 603)</u>
8 Receivables – current			
Trade receivables	8.1	518 041	1 934 256
Amounts owing by other departments	8.2	165 548	5 870
Staff debtors		567	2 122
Other debtors	8.3	17 425	21 353
VAT debtor		111 101	50 903
Advances		347	465
		<u>813 029</u>	<u>2 014 969</u>

8.1 Trade receivables

During the year, the opening accounts receivable balances were restated in order to reflect the existence of other accounts receivable balance that were not recognised in the prior year due to lack of supporting documentation. In subsequent periods, the necessary supporting documentation became available and the opening balances were restated in order to reflect this. This had an impact of increasing opening retained surplus by an amount of R1 815 787 000. This had no tax and outside shareholders' interest.

		Gross R'000	Taxation effect R'000	Net R'000
Increase opening retained earnings	2004	1 815 787	-	1 815 787
	2005	-	-	-

8.2 Amounts owing by other departments

Nature of Advance	Department		
Services rendered	National Departments	287	148
Services rendered	Eastern Cape	3 903	4 405
Services rendered	Western Cape	1 243	1 243
Services rendered	Northern Cape	74	74
Service rendered	Public Entities	154 867	-
Services rendered	Other international organisations	3 481	-
Services rendered	KwaZulu Natal	1 693	-
		<u>165 548</u>	<u>5 870</u>

	Note	2005 R'000	2004 R'000
8.3 Other debtors			
Cash receipts		-	126
Disbursements		-	1 128
Disallowance account		3	372
Advances granted		-	91
Payroll deduction debtors		12	372
Transport payment suspense account		6 058	-
Telephone control		4 174	-
Other		7 178	19 264
		<u>17 425</u>	<u>21 353</u>

9 Intangible assets-Computer software (Externally acquired)

At year end:			
Cost		52	27
Less: accumulated amortisation		<u>(24)</u>	<u>(8)</u>
Net book value		<u>28</u>	<u>19</u>

Movement for the period can be summarised as follows:

Opening net book value	19	-
Additions	25	27
Amortisation charge	<u>(16)</u>	<u>(8)</u>
Closing net book value	<u>28</u>	<u>19</u>

10 Property, plant and equipment – 2005

	Cost R'000	Accumulated Depreciation R'000	Net book Value R'000
Owned assets			
Appliances	535	(515)	20
Boreholes	1 268	(151)	1 117
Clothing and protective gear	1 119	(1 106)	13
Buildings	2 993	(358)	2 635
Computer equipment	4 977	(2 230)	2 747
Furniture	2 119	(956)	1 163
Machinery and equipment	6 767	(2 543)	4 224
Office equipment	1 261	(648)	613
Scientific instruments	1 921	(450)	1 471
Tools	132	(101)	31
Vehicles	229	(65)	164
Total assets	23 321	(9 123)	14 198

10 Property, plant and equipment 2004

A summary of fixed assets movements during the year is set out below:

Year ended 31 March 2005	Opening net book value	Additions R'000	Disposals R'000	Depre- ciation R'000	Closing net book value R'000
Owned assets at cost					
Appliances	232	225	-	(437)	20
Boreholes	1 248	-	-	(131)	1 117
Clothing and protective gear	-	1 119	-	(1 106)	13
Buildings	1 396	1 541	-	(302)	2 635
Computer equip- ment	1 914	2 672	-	(1 839)	2 747
Furniture	735	866	-	(438)	1 163
Machinery and equipment	4 632	1 662	-	(2 070)	4 224
Office equipment	376	819	-	(582)	613
Scientific instru- ments	605	1 276	-	(410)	1 471
Tools	-	132	-	(101)	31
Vehicles	131	83	-	(50)	164
Total assets	11 269	10 395	-	(7 466)	14 198

	Cost R'000	Accumulated Depreciation R'000	et book Value R'000
Owned assets			
Appliances	311	(79)	232
Boreholes	1 268	(20)	1 248
Buildings	1 452	(56)	1 396
Computer equipment	2 305	(391)	1 914
Furniture	1 253	(518)	735
Machinery and equipment	5 105	(473)	4 632
Office equipment	441	(65)	376
Scientific instruments	645	(40)	605
Vehicles	146	(15)	131
Total assets	12 926	(1 657)	11 269

A summary of fixed assets movements during the year is set out below:

Year ended 31 March 2005	Opening net book value	Additions R'000	Dispo- sals R'000	Depre- ciation R'000	Closing net book value R'000
Owned assets – Measured at cost					
Appliances	-	311	-	(79)	232
Boreholes carried at cost	-	1 268	-	(20)	1 248
Buildings	-	1 452	-	(56)	1 396
Computer equipment	-	2 305	-	(391)	1 914
Furniture	-	1 253	-	(518)	735
Machinery and equip- ment	-	5 105	-	(473)	4 632
Office equipment	-	441	-	(65)	376
Scientific instruments	-	645	-	(40)	605
Vehicles	-	146	-	(15)	131
Total assets	-	12 926	-	(1 657)	11 269

10.1 Property plant and equipment – Water Resources – 2005

This is a summary of the water resources items of property, plant and equipment that were revalued at the beginning of the 1999 financial year. These fixed assets were initially brought into the accounting records at their depreciated net replacement cost on 1 April 2003. The summary of these assets is as follows:

	Opening net cost R'000	Accumulated Depreciation R'000	Net book value R'000
Dams and weirs	21 297 874	(532 498)	20 765 376
Pump stations	250 850	(12 307)	238 543
Steel pipelines	4 369 653	(286 150)	4 083 503
Canals	11 679 517	(394 077)	11 285 440
Reservoirs	238 081	(10 875)	227 206
Water treatment works	245 283	(4 857)	240 426
Buildings: Residential	306 145	(17 709)	288 436
Tunnels	4 285 966	(107 505)	4 178 461
Buildings: Office	96 478	(5 581)	90 897
Concrete pipelines	1 334 185	(41 150)	1 293 035
Total assets	44 104 032	(1 412 709)	42 691 323

10.1 Property, plant and equipment – Water Resources – 2004 (Continued)

A summary of property, plant and equipment movements during the year is set out below

Description	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Net book value R'000
Dams and weirs	21 167 257	68 502	-	(470 383)	20 765 376
Pump stations	239 407	7 116	-	(7 980)	238 543
Steel pipelines	4 196 179	27 197	-	(139 873)	4 083 503
Canals	11 541 275	638	-	(256 473)	11 285 440
Reservoirs	205 198	26 568	-	(4 560)	227 206
Water treatment works	166 110	78 007	-	(3 691)	240 426
Buildings: Residential	295 832	-	-	(7 396)	288 436
Tunnels	4 273 426	-	-	(94 965)	4 178 461
Buildings: Office	93 228	-	-	(2 331)	90 897
Concrete pipelines	1 322 422	-	-	(29 387)	1 293 035
Total assets	43 500 334	208 028	-	(1 017 039)	42 691 323

In 1999 Africon and KPMG, professional engineers and accountants respectively revalued water resources assets to a replacement value. These firms are independent in relation to the department. The carrying value of these assets at revaluation date was R'nil. In subsequent years, the department used the producer price index to determine the replacement value of water resources infrastructure assets.

	Opening net cost R'000	Accumulated Depreciation R'000	Net book value R'000
Dams and weirs	21 229 372	(62 115)	21 167 257
Pump stations	243 734	(4 327)	239 407
Steel pipelines	4 342 456	(146 277)	4 196 179
Canals	11 678 879	(137 604)	11 541 275
Reservoirs	211 513	(6 315)	205 198
Water treatment works	167 276	(1 166)	166 110
Buildings: Residential	306 145	(10 313)	295 832
Tunnels	4 285 966	(12 540)	4 273 426
Buildings: Office	96 478	(3 250)	93 228
Concrete pipelines	1 334 185	(11 763)	1 322 422
Total assets	43 896 004	(395 670)	43 500 334

A summary of property, plant and equipment movements during the year is set out below

Description	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Net book value R'000
Dams and weirs	21 229 372	-	-	(62 115)	21 167 257
Pump stations	243 734	-	-	(4 327)	239 407
Steel pipelines	4 342 456	-	-	(146 277)	4 196 179
Canals	11 678 879	-	-	(137 604)	11 541 275
Reservoirs	211 513	-	-	(6 315)	205 198
Water treatment works	167 276	-	-	(1 166)	166 110
Buildings: Residential	306 145	-	-	(10 313)	295 832
Tunnels	4 285 966	-	-	(12 540)	4 273 426
Buildings: Office	96 478	-	-	(3 250)	93 228
Concrete pipelines	1 334 185	-	-	(11 763)	1 322 422
Total assets	43 896 004	-	-	(395 670)	43 500 334

10.2 Property plant and equipment – Water Service - 2005

This is a summary of the water services items of property, plant and equipment that were revalued at the beginning of 2003/2004 financial year.

	Net cost 2005 R'000	Accumulated Depreciation 2005 R'000	Net book Value 2005 R'000
Boreholes	430 583	(13 912)	416 671
Bulk distribution pipes	1 462 488	(26 816)	1 435 672
Pump stations	646 465	(14 779)	631 686
Reservoirs	1 360 227	(24 358)	1 335 869
Reticulation	2 075 546	(65 687)	2 009 859
Sewage treatment plant	441 460	(14 954)	426 506
Surface water (Weir/run-of-river)	454 095	-	454 095
Water treatment plant	685 128	(19 129)	665 999
Total assets	7 555 992	(179 635)	7 376 357

A summary of fixed assets movements during the year is set out below

Description	Opening balance	Additions	Disposals	Depreciation	Net book value
	2005	2005	2005	2005	2005
	R'000	R'000	R'000	R'000	R'000
Boreholes	542 359	-	(105 093)	(20 595)	416 671
Bulk distribution pipes	1 622 655	-	(154 702)	(32 281)	1 435 672
Pump stations	723 606	-	(73 792)	(18 128)	631 686
Reservoirs	1 540 113	-	(173 653)	(30 591)	1 335 869
Reticulation	2 268 880	-	(182 824)	(76 197)	2 009 859
Sewage treatment plant	450 350	-	(8 335)	(15 509)	426 506
Surface water (Weir/run-of-river)	579 590	-	(125 495)	-	454 095
Water treatment plant	833 103	-	(139 693)	(27 411)	665 999
Total assets	8 560 656	-	(963 587)	(220 712)	7 376 357

In April 2003, internal professional engineers revalued water service assets to a replacement value. The carrying value of these assets at revaluation date was R'nil.

Adjustment of prior year balances

During the year, the opening balance of the water service assets was restated. This was due to the clean up of the department's fixed assets register. The cost and accumulated depreciation of property, plant and equipment before adjustments were R9 563 721 000 and R282 079 000 respectively. The amended cost and accumulated depreciation were R9 953 501 000 and R226 923 000 respectively. This had an impact of increasing opening retained earnings by R55 156 000 and this had no tax and outside shareholder's impact.

		Gross	Taxation effect	Net
		R'000	R'000	R'000
Increase opening retained earnings	2004	55 156	-	55 156
	2005	-	-	-

10.2 Property plant and equipment – Water Service - 2004 (Restated)

Description	Net cost	Accumulated Depreciation	Net book Value
	2004	2004	2004
	R'000	R'000	R'000
Boreholes	557 996	(22 320)	535 676
Bulk distribution pipes	1 650 194	(33 004)	1 617 190
Pump stations	738 725	(18 468)	720 257
Reservoirs	1 565 184	(31 304)	1 533 880
Reticulation	2 336 244	(77 875)	2 258 369
Sewage treatment plant	465 305	(15 510)	449 795
Surface water (Weir/run-of-river)	579 590	-	579 590
Water treatment plant	853 263	(28 442)	824 821
Total assets	8 746 501	(226 923)	8 519 578

A summary of fixed assets movements during the year is set out below

Description	Restated opening balance	Disposals	Depreciation	Net book value
	2004	2004	2004	2004
	R'000	R'000	R'000	R'000
Boreholes	595 334	(36 627)	(23 031)	535 676
Bulk distribution pipes	1 787 569	(135 879)	(34 500)	1 617 190
Pump stations	895 090	(153 760)	(21 073)	720 257
Reservoirs	1 741 259	(174 189)	(33 190)	1 533 880
Reticulation	2 461 337	(123 741)	(79 227)	2 258 369
Sewage treatment plant	881 622	(406 922)	(24 905)	449 795
Surface water (Weir/run-of-river)	622 673	(43 083)	-	579 590
Water treatment plant	989 905	(133 180)	(31 904)	824 821
Total assets	9 974 789	(1 207 381)	(247 830)	8 519 578

	Note	2005	2004
		R'000	R'000
11 Provisions			
Opening balance		244 804	-
Raised during the period		249 015	244 804
Leave pay provision	18	223 353	224 264
Bonus provision	18	25 662	20 540
Utilised during the period		(244 804)	-
Closing balance		249 015	244 804

Note	2005 R'000	2004 R'000
12 Accounts payable		
Description		
Amounts owing to other departments	538	26 432
Other trade payables	41 295	23 026
Telkom claims payable	-	2 032
Other payables	-	2 920
WRF payables	3 411	3 532
TCTA	315 130	288 237
	<u>360 374</u>	<u>346 179</u>
13 Prepayments		
Advances received	-	421
Deposits received	-	184
	<u>-</u>	<u>605</u>
14 Cash flows utilised in operations		
Net (deficit) as per Income Statement	(3 516 798)	(1 250 482)
Interest received	(4 664)	(2 561)
	<u>(3 521 462)</u>	<u>(1 253 043)</u>
Adjusted for:	3 367 348	716 367
Impairment of receivables	2 163 192	64 364
Realised revaluation reserve	(963 587)	(820 852)
Depreciation and amortisation	1 245 235	679 414
Loss on transfer of schemes	922 508	793 441
Adjusted for non-cash items	(1 195 393)	2 023 638
Working capital changes	1 224 585	(1 695 173)
Net cash flow generated by operating activities	<u>(124 922)</u>	<u>(208 211)</u>
15 Cash generated (utilised) to (increase)/decrease working capital		
Decrease/(Increase) in receivables - current	1 201 940	(2 014 969)
Increase payables	13 589	346 784
Decrease/(Increase) in inventories	9 056	(26 988)
	<u>1 224 585</u>	<u>(1 695 173)</u>

16 Contingent liabilities

The contingent liabilities relate to various civil claims that had been instituted against the department.

Liable to		
Various	-	8 020
	<u>-</u>	<u>8 020</u>

17 Commitments

Capital expenditure

Approved and contracted/ordered	19 479	-
Approved but not yet contracted	-	56 634
Total Commitments	<u>19 479</u>	<u>56 634</u>

18 Employee benefits

Leave entitlement	223 353	224 264
Thirteenth cheque	21 339	20 437
Performance bonus	4 323	103
	<u>249 015</u>	<u>244 804</u>

19 Revaluation reserve

Opening balance	52 642 505	-
Revaluation reserve raised on revaluation of assets	208 028	54 280 577
Effect of transfer of assets to schemes	(963 587)	(820 852)
Balance as previously stated	<u>51 886 946</u>	<u>53 459 725</u>
Effect of restatement of assets balances		(817 220)
Closing balance	<u>51 886 946</u>	<u>52 642 505</u>



AUDITOR - GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE EQUIPMENT TRADING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 211 to 216 for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2 NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,

- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3 QUALIFICATION

The trading account's financial statements need to be prepared in accordance with Statements of Generally Accepted Accounting Practice, but the recording of the transactions are done on the Basic Accounting System, which is a cash recording system. This system does not provide for any accrual accounting and the relevant journal entries and as a result, information from manual and various computer systems are used to compile the financial statements.

Material misstatements are present on the financial statements and impacts on the fair presentation of:

- Property, plant and equipment and related depreciation in that:
 - R944 000 disclosed as thefts and losses in the income statement are not included in disclosure note 4.
 - R8 978 000 of rebuilding costs disclosed as expenses and not fixed assets,

- sale of equipment to the amount of R9 087 000 was not included in note 4.
- assets with a book value of R106 101 000 relating to the 2003-04 financial year have been restated and decreased to one Rand. This is not consistent with the accounting policy and results in the contravention of Statements of Generally Accepted Accounting Practice.
- Retained earning:
 - R1 522 000 of revenue relating to prior periods was included in the year under review but sufficient documentation could not be furnished to support the amounts.

4 ADVERSE AUDIT OPINION

In my opinion, because of the effect on the financial statements of the matters referred to in paragraph 3, the financial statements do not fairly present, in all material respects, the financial position of the Equipment Trading Account at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5 EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matter:

5.1 Re-submission of financial statements

Financial statements submitted on 31st May 2005, have officially, withdrawn, and re-submitted on 29th July 2005 due to material misstatements.

This is due to the lack of an appropriate, documented and approved policy and procedure framework.

6 APPRECIATION

The assistance rendered by the staff of the Equipment Trading Account during the audit is sincerely appreciated.

N. Manik

N Manik for Auditor-General
Pretoria
14/09/2005

MANAGEMENT REPORT OF EQUIPMENT
TRADING ACCOUNT FOR THE YEAR ENDING 31
MARCH 2005. REPORT BY THE ACCOUNTING
OFFICER TO THE EXECUTIVE AUTHORITY AND
PARLIAMENT OF THE REPUBLIC OF SOUTH
AFRICA

Operation Overview

The business of Equipment Trading Account is to hire out construction equipment to Departmental projects and schemes for their normal operation. The tariffs on rental equipment are based on recovery of a usage charge and maintenance recoupment.

Revenue collection is not a problem because the renting is mainly done within the operations of the Department: Water Affairs and Forestry.

Operating revenue increased by 26% because of increase in demand for equipment rental created by increase in construction and maintenance projects.

Progress with Financial Management Improvement

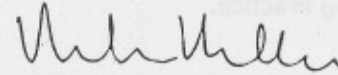
The Department is developing SAP financial module for Trading Accounts which will go live on 1 April 2006. This will enable the department to operate accrual accounting on integrated basis.

Effect of implementation of National Treasury Guideline (Asset Management Framework)

The implementation of this practise note has the effect of reducing the value of all pre 2003 assets to R1. As a consequence, the depreciation and profit reported do not reflect the commercial position of the trading account.

Approval

The annual financial statements have been approved by the Accounting Officer.



A.M. Muller
DIRECTOR-GENERAL