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**EAST RAND WATER CARE COMPANY (ERWAT) NPC**  
(REGISTRATION NUMBER 1992/005753/08)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## General Information

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**Legislation governing the municipal entity's operations.** Municipal Finance Management Act (Act No. 56 of 2003) and the Companies Act (Act No. 71 of 2008). The annual financial statements have been audited in compliance with the companies act and municipal finance management act.

**Accounting Officer** N P Twala

**Chief Financial Officer (C.F.O)** W I Louw

**Directors**

J Mojapelo (Chairperson)  
MM Mochatsi  
EE Themba  
N Koni (previously - N Sidondi)  
NP Twala (Managing director)  
K Wall  
EM Phasha  
L Bokaba  
D Coovadia

**Registered office**

Hartebeesfontein Office Park  
R25 (Bapsfontein/Bronkhorstspuit)  
Kempton Park  
1619

**Business address**

Hartebeesfontein Office Park  
R25 (Bapsfontein/Bronkhorstspuit)  
Kempton Park  
1619

**Postal address**

P O Box 13106  
Norkem Park  
1631

**Bankers** ABSA Bank

**Auditors** Auditor-General South Africa  
61 Central Street, Houghton

**Secretary** Fushion Corporate Secretarial Services

**Company registration number** 1992/005753/08

**Preparer** The annual financial statements were internally compiled by:  
Eden Botha (B.Com-B.Compt)  
Financial Manager

**Reviewer** The annual financial statements were internally reviewed by:  
Wim Louw (Honours B.Compt)  
Chief Financial Officer

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

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The reports and statements set out below comprise the annual financial statements presented to the AGSA for audit:

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### Abbreviations

DBSA	Development Bank of South Africa
SCM	Supply Chain Management
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
INCA	Infrastructure Finance Corporation Limited Trading
AGSA	Auditor-General South Africa

# **EAST RAND WATER CARE COMPANY (ERWAT) NPC**

Annual Financial Statements for the year ended 30 June 2015

## **Director's Responsibility and Approval**

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The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly represent the state of affairs of ERWAT as at the end of the financial year and the results of its operations and cash flows for the period ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The directors has reviewed ERWAT's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that ERWAT has access to adequate resources to continue in operational existence for the foreseeable future.

ERWAT is wholly dependent on EKHURULENI METROPOLITAN MUNICIPALITY for continued funding of operations. The annual financial statements are prepared on the basis that ERWAT is a going concern and that the EKURHULENI METROPOLITAN MUNICIPALITY has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the directors are primarily responsible for the financial affairs of ERWAT, he is supported by the entity's external auditors.

The external auditors are responsible for auditing ERWAT's annual financial statements. The annual financial statements have been examined by ERWAT's external auditors and their report is presented on page ....

The annual financial statements set out on page 5 to 53, which have been prepared on the going concern basis, were approved by the board of directors on 31 August 2015 and were signed on its behalf by:

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**Director**  
**J Mojapelo (Chairperson)**

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**Director**  
**NP Twala (Chief Executive Officer)**

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Director's Report

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The directors submit the report for the year ended 30 June 2015.

### 1. Review of activities

#### Main business and operations

ERWAT is a municipal entity. The principal activity of the company is the conveyance and treatment of waste water and the provision of related engineering services and products. The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

ERWAT has obtained a Nedbank loan facility of R 550 000 000 to upgrade the Welgedacht plant.

Net surplus of the entity was R113,108,968 (restated 2014: surplus R139,884,221).

### 2. Going concern

We draw attention to the fact that at 30 June 2015, the entity had an accumulated surplus of R1,236,879,031 and that the entity's total assets exceed its liabilities by R1,236,879,031.

The existence of ERWAT is dependent on the continued support of Ekurhuleni Metropolitan Municipality by way of service charges for treatment of waste water and the provision of related engineering services paid each year in terms of a service delivery agreement entered into between ERWAT and Ekurhuleni Metropolitan Municipality.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year, that would require adjustment to or disclosure in the financial statements.

### 4. Share capital / contributed capital

ERWAT does not have share capital since it is a Non Profit Company.

### 5. Secretary

The secretary position of the municipal entity has been contracted to Fushion Corporate Secretarial Services:

Business address

Corporate Corner 2, Unit 2  
Marco Polo Street  
Highveld  
Centurion  
0169

Postal address

PO Box 68528  
Highveld  
0169

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Trade debtors	3	42,285,838	38,072,974
Other receivables from exchange transactions	4	57,670,049	12,988,577
Other financial assets	5	8,452,987	7,942,248
Cash and cash equivalents	6	87,264,592	13,813,870
		<b>195,673,466</b>	<b>72,817,669</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	1,547,094,638	1,272,754,016
Intangible assets	8	2,354,931	2,015,694
		<b>1,549,449,569</b>	<b>1,274,769,710</b>
Non-Current Assets		1,549,449,569	1,274,769,710
Current Assets		195,673,466	72,817,669
<b>Total Assets</b>		<b>1,745,123,035</b>	<b>1,347,587,379</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	9	54,577,103	78,603,837
Provisions	10	20,397,552	18,820,108
Current portion of long term borrowing	11	10,389,014	16,299,870
		<b>85,363,669</b>	<b>113,723,815</b>
<b>Non-Current Liabilities</b>			
Non-current portion of long term borrowings	11	394,902,335	87,853,501
Employee benefit obligation	12	27,978,000	22,240,000
		<b>422,880,335</b>	<b>110,093,501</b>
Non-Current Liabilities		422,880,335	110,093,501
Current Liabilities		85,363,669	113,723,815
<b>Total Liabilities</b>		<b>508,244,004</b>	<b>223,817,316</b>
Assets		1,745,123,035	1,347,587,379
Liabilities		(508,244,004)	(223,817,316)
<b>Net Assets</b>		<b>1,236,879,031</b>	<b>1,123,770,063</b>
Accumulated surplus		1,236,879,031	1,123,770,063

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
Service charges	14	525,600,660	486,667,278
Development contribution		16,968,083	4,622,110
Gain on fair value adjustment		425,927	2,101,642
Other income	15	70,986,025	80,598,912
Interest received - investment		4,536,216	4,033,625
Dividends received		91,137	114,288
Government grants & subsidies		50,000,000	51,622,989
<b>Total revenue</b>	<b>13</b>	<b>668,608,048</b>	<b>629,760,844</b>
<b>Expenditure</b>			
General Expenses	16	(61,747,165)	(56,671,101)
Employee related costs	17	(211,005,907)	(179,775,185)
(Debt impairment) / Debt impairment reversal	18	(1,502,470)	1,464,078
Depreciation and amortisation	19	(32,661,100)	(28,110,322)
Finance costs	20	(23,028,122)	(10,286,465)
Repairs and maintenance		(81,102,645)	(77,324,078)
Bulk purchases	21	(143,284,993)	(135,223,962)
<b>Total expenditure</b>		<b>(554,332,402)</b>	<b>(485,927,035)</b>
		-	-
Total revenue		668,608,048	629,760,844
Total expenditure		(554,332,402)	(485,927,035)
<b>Operating surplus</b>		<b>114,275,646</b>	<b>143,833,809</b>
Profit / (Loss) on disposal of assets		(1,166,678)	(3,949,588)
<b>Surplus for the year</b>		<b>113,108,968</b>	<b>139,884,221</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	R 984,032,784 R	984,032,784
Adjustments		
Prior period error (Note 27)	R (536,810)R	(536,810)
<b>Restated balance at 01 July 2013</b>	<b>R 983,495,974 R</b>	<b>983,495,974</b>
Changes in net assets		
Adjustment directly through accumulated surplus	R 389,868 R	389,868
Surplus/ (Deficit) recognised directly in net assets	R 389,868 R	389,868
Restated surplus for the year	R 139,884,221 R	139,884,221
<b>Restated* Balance at 01 July 2014</b>	<b>R 1,123,770,063</b>	<b>1,123,770,063</b>
Changes in net assets		
Surplus for the year	R 113,108,968	113,108,968
Total changes	R 113,108,968	113,108,968
<b>Balance at 30 June 2015</b>	<b>R 1,236,879,031</b>	<b>1,236,879,031</b>



# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Notes	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		525,600,660	486,667,278
Development contribution		16,968,083	4,622,110
Grants		50,000,000	50,000,000
Interest income		4,536,216	4,033,625
Dividends earned		91,137	114,288
Other receipts		20,589,219	62,465,991
		617,785,315	607,903,292
<b>Payments</b>			
Employee costs		(203,690,694)	(170,623,774)
Suppliers and other		(310,246,118)	(259,514,687)
Finance costs		(23,028,122)	(10,286,465)
		(536,964,934)	(440,424,926)
Total receipts		617,785,315	607,903,292
Total payments		(536,964,934)	(440,424,926)
<b>Net cash flows from operating activities</b>	23	<b>80,820,381</b>	<b>167,478,366</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(307,831,251)	(309,678,464)
Proceeds from sale of property, plant and equipment	7	73,847	489,033
Purchase of other intangible assets	8	(750,233)	(56,395)
<b>Net cash flows from investing activities</b>		<b>(308,507,637)</b>	<b>(309,245,826)</b>
<b>Cash flows from financing activities</b>			
Movements in long term borrowing		301,137,978	(15,899,726)
<b>Net cash flows from financing activities</b>		<b>301,137,978</b>	<b>(15,899,726)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>73,450,722</b>	<b>(157,667,186)</b>
Cash and cash equivalents at the beginning of the year		13,813,870	171,481,057
<b>Cash and cash equivalents at the end of the year</b>	6	<b>87,264,592</b>	<b>13,813,870</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>											
<b>Financial Performance</b>											
Service charges	525,600,660	-	525,600,660	-		525,600,660	525,600,660		-	100 %	100 %
Investment revenue	2,631,570	-	2,631,570	-		2,631,570	4,627,353		1,995,783	176 %	176 %
Other own revenue	97,975,033	-	97,975,033	-		97,975,033	88,380,035		(9,594,998)	90 %	90 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>626,207,263</b>	<b>-</b>	<b>626,207,263</b>	<b>-</b>		<b>626,207,263</b>	<b>618,608,048</b>		<b>(7,599,215)</b>	<b>99 %</b>	<b>99 %</b>
Employee costs	(233,770,721)	-	(233,770,721)	-	-	(233,770,721)	(211,005,907)	-	22,764,814	90 %	90 %
Debt impairment	(129,205)	-	(129,205)		-	(129,205)	(1,502,470)	-	(1,373,265)	1,163 %	1,163 %
Depreciation and amortisation	(31,918,549)	-	(31,918,549)		-	(31,918,549)	(32,661,100)	-	(742,551)	102 %	102 %
Finance charges	(31,499,044)	-	(31,499,044)	-	-	(31,499,044)	(23,028,122)	-	8,470,922	73 %	73 %
Materials and bulk purchases	(161,665,808)	-	(161,665,808)	-	-	(161,665,808)	(143,284,993)	-	18,380,815	89 %	89 %
Other expenditure	(167,223,936)	-	(167,223,936)	-	-	(167,223,936)	(144,016,488)	-	23,207,448	86 %	86 %
<b>Total expenditure</b>	<b>(626,207,263)</b>	<b>-</b>	<b>(626,207,263)</b>	<b>-</b>	<b>-</b>	<b>(626,207,263)</b>	<b>(555,499,080)</b>	<b>-</b>	<b>70,708,183</b>	<b>89 %</b>	<b>89 %</b>
Total revenue (excluding capital transfers and contributions)	626,207,263	-	626,207,263	-	-	626,207,263	618,608,048	-	(7,599,215)	99 %	99 %
Total expenditure	(626,207,263)	-	(626,207,263)	-	-	(626,207,263)	(555,499,080)	-	70,708,183	89 %	89 %
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>63,108,968</b>		<b>63,108,968</b>	<b>100 %</b>	<b>100 %</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	50,000,000	-	50,000,000	-		50,000,000	50,000,000		-	100 %	100 %
Surplus/(Deficit)	-	-	-	-	-	-	63,108,968	-	63,108,968	100 %	100 %
Capital transfers and contributions	50,000,000	-	50,000,000	-	-	50,000,000	50,000,000	-	-	100 %	100 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>		<b>50,000,000</b>	<b>113,108,968</b>		<b>63,108,968</b>	<b>226 %</b>	<b>226 %</b>
Surplus (Deficit) after capital transfers and contributions	50,000,000	-	50,000,000	-	-	50,000,000	113,108,968	-	63,108,968	226 %	226 %
<b>Surplus/(Deficit) for the year</b>	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>		<b>50,000,000</b>	<b>113,108,968</b>		<b>63,108,968</b>	<b>226 %</b>	<b>226 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	396,765,238	-	396,765,238	-		396,765,238	308,581,483		(88,183,755)	78 %	78 %
<b>Sources of capital funds</b>											
EMM Grant	50,000,000	-	50,000,000	-		50,000,000	50,000,000		-	100 %	100 %
Borrowing	314,846,689	-	314,846,689	-		314,846,689	128,785,541		(186,061,148)	41 %	41 %
Internally generated funds	31,918,549	-	31,918,549	-		31,918,549	129,795,942		97,877,393	407 %	407 %
<b>Total sources of capital funds</b>	<b>396,765,238</b>	<b>-</b>	<b>396,765,238</b>	<b>-</b>		<b>396,765,238</b>	<b>308,581,483</b>		<b>(88,183,755)</b>	<b>78 %</b>	<b>78 %</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	86,964,672	-	86,964,672	-		86,964,672	80,820,381		(6,144,291)	93 %	93 %
Net cash from (used) investing	(396,765,238)	-	(396,765,238)	-		(396,765,238)	(308,507,637)		88,257,601	78 %	78 %
Net cash from (used) financing	146,993,801	-	146,993,801	-		146,993,801	301,137,978		154,144,177	205 %	205 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(162,806,765)</b>	<b>-</b>	<b>(162,806,765)</b>	<b>-</b>		<b>(162,806,765)</b>	<b>73,450,722</b>		<b>236,257,487</b>	<b>(45)%</b>	<b>(45)%</b>
Cash and cash equivalents at the beginning of the year	201,649,764	-	201,649,764	-		201,649,764	13,813,870		(187,835,894)	7 %	7 %
Net increase / (decrease) in cash and cash equivalents	(162,806,765)	-	(162,806,765)	-	-	(162,806,765)	73,450,722	-	(236,257,487)	(45)%	(45)%
Cash and cash equivalents at the beginning of the year	201,649,764	-	201,649,764	-	-	201,649,764	13,813,870	-	187,835,894	7 %	7 %
<b>Cash and cash equivalents at year end</b>	<b>38,842,999</b>	<b>-</b>	<b>38,842,999</b>	<b>-</b>		<b>38,842,999</b>	<b>87,264,592</b>		<b>(48,421,593)</b>	<b>225 %</b>	<b>225 %</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2014</b>				
<b>Financial Performance</b>				
Service charges				486,667,278
Investment revenue				4,147,913
Other own revenue				87,322,664
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>578,137,855</b>
Employee costs	-	-	-	(179,775,185)
Debt impairment	-	-	-	1,464,078
Depreciation	-	-	-	(24,793,946)
Finance charges	-	-	-	(10,286,465)
Materials and bulk purchases	-	-	-	(135,223,962)
Other expenditure	-	-	-	(141,261,143)
<b>Total expenditure</b>	-	-	-	<b>(489,876,623)</b>
Total revenue (excluding capital transfers and contributions)	-	-	-	578,137,855
Total expenditure	-	-	-	(489,876,623)
<b>Surplus/(Deficit)</b>				<b>88,261,232</b>
Transfers recognised - capital				51,622,989
Surplus/(Deficit)	-	-	-	88,261,232
Capital transfers and contributions	-	-	-	51,622,989
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>139,884,221</b>
Surplus (Deficit) after capital transfers and contributions	-	-	-	139,884,221
<b>Surplus/(Deficit) for the year</b>				<b>139,884,221</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				309,734,858

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts (Appropriation Statement)

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				167,478,366
Net cash from (used) investing				(309,245,826)
Net cash from (used) financing				(15,899,726)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(157,667,186)</b>
Cash and cash equivalents at the beginning of the year				171,481,057
Net increase / (decrease) in cash and cash equivalents	-	-	-	(157,667,186)
Cash and cash equivalents at the beginning of the year	-	-	-	171,481,057
<b>Cash and cash equivalents at year end</b>				<b>13,813,871</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

#### Basis of Preparation

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

#### 1.1 Significant judgmental and sources of estimation uncertainty

In the process of applying the entity's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### Trade receivables/ held to maturity investments and/or loans and receivables

ERWAT assesses its trade receivables, 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 surplus or deficit, management makes judgments 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, 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.

##### Other financial assets

ERWAT follows the guidance of GRAP 104 to determine when another financial asset is impaired. This determination requires significant judgment. In making this judgment, ERWAT evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Short-term investments are not to be made with financial institutions with ratings lower than A1/F1 as defined in the National Rating Definitions. ERWAT's exposure to any one financial institution, for short-term investments, is limited as follows:

> A1+ / F1+ Short Term Rating: 5% of institution's total equity as published from time to time in the Banking Sector Credit Ratings Report;

> A1 / F1 Short Term Rating: 4% of institution's total equity as published from time to time in the Banking Sector Credit Ratings Report.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by ERWAT is the current bid price.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

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The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. ERWAT uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

ERWAT reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

### Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, and its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

#### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity and
- the cost or the fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.



# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

The entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

The entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation starts when the asset is available for use. Work in progress is not depreciated. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets.

The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
<b>Land &amp; buildings</b>	
• Land	Indefinite
• Buildings	14 - 80 years
<b>Infrastructure</b>	
• Waste Water Purification Works	3 - 82 (Change: 2014 was 4 – 82 years)
• Electrical components	15 - 40 years
• Mechanical components	3 - 40 (Changed: 2014 was 7 – 40 years)
• Perimeter protection	8 - 27 (Changed: 2014 was 7 – 27 year)
• Roads	25 – 57 years
• Leased plant	13 – 68 years
<b>Furniture and fixtures</b>	
• Furniture and fittings	5 - 80 (Changed: 2014 was 6 – 80 years)
• IT equipment	4 – 23 years
• Office equipment	5 – 35 years
<b>Motor vehicles</b>	6 - 27 (Changed: 2014 was 6 – 28 years)
<b>Plant and machinery</b>	5 – 29 years

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Intangible assets

An asset is identified as an intangible asset when it is capable of being separated or divided- from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are subsequently measured at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 - 23 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.5 Financial instruments

a) Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- (i) the entity designates at fair value at initial recognition or
- (ii) are held for trading.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility

b) Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

c) Financial instruments at fair value comprise financial assets or financial liabilities that are:

- (i) derivatives;
- (ii) combined instruments that are designated at fair value;
- (iii) instruments held for trading. A financial instrument is held for trading if:
  - (1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - (2) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Financial instruments (continued)

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or of financial assets is impaired.

##### a) Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

##### b) Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### a) Financial assets

The entity derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### b) Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

# **EAST RAND WATER CARE COMPANY (ERWAT) NPC**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.5 Financial instruments (continued)**

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

# **EAST RAND WATER CARE COMPANY (ERWAT) NPC**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.6 Post-employment benefit**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Retirement funds**

The entity contributes to defined contribution and defined benefit funds. These funds are multi-employer funds.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member, where these funds as classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the entity will increase Contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

#### **Medical Aid: Continued Members**

The entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the entity for the remaining portion.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Provisions and contingencies

A provision is recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

#### a) Leave provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

#### b) Incentive bonus provision

A provision for incentive bonuses is raised. The bonuses will only be approved by the board of directors if they are satisfied with ERWAT's performance at the end of the financial year.

### 1.8 Impairment of cash-generating assets and non-cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount or when the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount or the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Impairment of cash-generating assets and non-cash-generating assets (continued)

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

When estimating the value in use of a cash-generating asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows. The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach;
- Service units approach

#### Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount or recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.9 Revenue from exchange transactions

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.



# **EAST RAND WATER CARE COMPANY (ERWAT) NPC**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.9 Revenue from exchange transactions (continued)**

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Income earned on agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the entity's right to receive payment is established.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- The entity has transferred to the buyer the significant risks and rewards of ownership.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **1.10 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Transfers, including Grants and Receipts**

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

#### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

#### **Services in-kind**

Services in-kind are not recognised.

# **EAST RAND WATER CARE COMPANY (ERWAT) NPC**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.11 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Operating leases – lessor**

Operating lease revenue is recognised as revenue 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 revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **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 or liability.

#### **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.

Minimum 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 of on the remaining balance of the liability.

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

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

Minimum 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 of on the remaining balance of the liability.

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

### **1.12 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policies on Impairment of Assets.

Capitalisation is suspended during extended periods in which active development is interrupted. Extended periods is periods that exceeds 3 months. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. When the economic entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.13 Income Tax

The Entity is exempt from tax due to it being a Non Profit Company.

### 1.14 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.17 Budget information

The approved budget is prepared in accordance with legislative requirements on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of this financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

### 1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

# **EAST RAND WATER CARE COMPANY (ERWAT) NPC**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.18 Related parties (continued)**

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed, except for transactions with controlled entities, which are disclosed in full.

### **1.19 Events after reporting date**

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

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

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

### **1.20 Commitments**

The entity discloses commitments for each class of capital assets (PPE and Intangible assets) recognized in the financial statements as well as future minimum lease payments under non-cancellable operating leases for each of the following periods:

- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years.

### **1.21 Going concern**

These annual financial statements have been prepared on a going concern basis.

### **1.22 Comparative figures**

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact in the process of being assessed
• GRAP 18: Segment Reporting	01 July 2015	Impact in the process of being assessed
• GRAP 105: Transfers of functions between entities under common control	01 July 2015	None - currently not applicable
• GRAP 106: Transfers of functions between entities not under common control	01 July 2015	None - currently not applicable
• GRAP 107: Mergers	01 July 2015	None - currently not applicable
• GRAP 20: Related parties	01 July 2015	Not material - mostly in-line with IPSAS20
• IGRAP 11: Consolidation – Special purpose entities	01 July 2015	None - currently not applicable
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 July 2015	None - currently not applicable
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 July 2015	None - currently not applicable
• GRAP 7 (as revised 2010): Investments in Associates	01 July 2015	None - currently not applicable
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 July 2015	None - currently not applicable
• GRAP32: Service Concession Arrangements: Grantor	01 July 2015	None - currently not applicable
• GRAP108: Statutory Receivables	01 July 2015	Impact in the process of being assessed
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 July 2015	None - currently not applicable
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 July 2015	None - currently not applicable

### 3. Trade debtors

#### Gross balances

Business development receivables	3,266,342	2,937,207
Laboratory receivables	1,863,585	1,554,880
Sundry receivables	1,410,337	1,353,179
Operations receivables	1,844,919	294,767
Related party debtors	36,594,454	33,372,659
	<b>44,979,637</b>	<b>39,512,692</b>

#### Less: Allowance for impairment

Business development - Provision for bad debts	(1,386,924)	-
Laboratory - Provision for bad debts	(950,273)	(987,454)
Sundry - Provision for bad debts	(356,602)	(452,264)
	<b>(2,693,799)</b>	<b>(1,439,718)</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>3. Trade debtors (continued)</b>		
<b>Net balance</b>		
Business development receivables	1,879,418	2,937,207
Laboratory receivables	913,312	567,426
Sundry receivables	1,053,735	900,915
Operations receivables	1,844,919	294,767
Related party debtors	36,594,454	33,372,659
	<b>42,285,838</b>	<b>38,072,974</b>
<b>Business Development - Debtors</b>		
Current (0-30 Days)	1,629,194	1,799,542
31 - 60 Days	416,891	857,682
61 - 90 Days	405,463	251,842
91 - 120+ Days	814,794	28,141
<b>Sub-total</b>	<b>3,266,342</b>	<b>2,937,207</b>
Less: Allowance for impairment	(1,386,924)	-
<b>Total</b>	<b>1,879,418</b>	<b>2,937,207</b>
<b>Laboratory - Debtors</b>		
Current (0-30 Days)	292,910	328,136
31 - 60 Days	327,928	200,247
61 - 90 Days	136,117	50,488
91 - 120+ Days	1,106,630	976,009
<b>Sub-total</b>	<b>1,863,585</b>	<b>1,554,880</b>
Less: Allowance for impairment	(950,273)	(987,454)
<b>Total</b>	<b>913,312</b>	<b>567,426</b>
<b>Sundry - Debtors</b>		
Current (0-30 Days)	934,072	836,719
31 - 60 Days	4,848	49,612
61 - 90 Days	4,254	17,823
91 - 120+ Days	467,163	449,025
<b>Sub-total</b>	<b>1,410,337</b>	<b>1,353,179</b>
Less: Allowance for impairment	(356,602)	(452,264)
<b>Total</b>	<b>1,053,735</b>	<b>900,915</b>
<b>Operations - Debtors</b>		
Current (0-30 Days)	987,380	211,069
31 - 60 Days	766,483	87,348
61 - 90 Days	1,430	(4,367)
91 - 120+ Days	89,626	717
<b>Sub-total</b>	<b>1,844,919</b>	<b>294,767</b>
Less: Allowance for impairment	-	-
<b>Total</b>	<b>1,844,919</b>	<b>294,767</b>
<b>Related party debtors</b>		
Current (0 -30 days)	9,287,118	16,912,106
31 - 60 days	2,963,691	2,669,323
61 - 90 days	2,066,193	2,539,723
91 - 120+ days	22,277,452	11,251,507
<b>Sub-total</b>	<b>36,594,454</b>	<b>33,372,659</b>
Less: Allowance for impairment	-	-
<b>Total</b>	<b>36,594,454</b>	<b>33,372,659</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 3. Trade debtors (continued)

#### Reconciliation of allowance for impairment

Current (0 -30 days)	(308,678)	(12,230)
31 - 60 days	(75,049)	(9,081)
61 - 90 days	(322,596)	(10,129)
91 - 120+ days	(1,987,476)	(1,408,278)
	<b>(2,693,799)</b>	<b>(1,439,718)</b>

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(1,439,717)	(2,903,795)
Contributions to allowance	(1,502,470)	1,464,078
Debt impairment written off against allowance	248,388	-
	<b>(2,693,799)</b>	<b>(1,439,717)</b>

#### Credit quality of trade debtors

The credit quality of trade debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

#### Trade debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 1,957,936 (2014: R 1,566,514) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1,441,101	1,200,565
2 months past due	224,668	312,255
3 months past due	292,167	53,694
<b>Total</b>	<b>1,957,936</b>	<b>1,566,514</b>

#### Receivables from exchange transactions encumbered

Receivables with a carrying value of R42 285 838 (2014: R0) are encumbered in respect of long-term borrowing, as disclosed in the long term borrowing note 11. ERWAT has agreed to cede to its controlling entity claims against its book debtors, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of Ekurhuleni Metropolitan Municipality all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd, and the guarantee provided by Ekurhuleni Metropolitan Municipality in favour of Nedbank Ltd as guarantee for the loan remains in effect

### 4. Other receivables from exchange transactions

Deposits	2,551,574	2,551,573
PAYE - Refund	7,770	-
Prepayments	33,052,043	575,304
VAT receivable	22,058,662	9,861,700
	<b>57,670,049</b>	<b>12,988,577</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 5. Other financial asset

Name of entity	Carrying amount 2015	Carrying amount 2014	Fair value 2015	Fair value 2014
Sanlam demutualisation shares	1,035,567	963,918	1,035,567	963,918
Old Mutual demutualisation shares	1,506,862	1,601,109	1,506,862	1,601,109
Old mutual unit trust	5,910,558	5,377,221	5,910,558	5,377,221
	<b>8,452,987</b>	<b>7,942,248</b>	<b>8,452,987</b>	<b>7,942,248</b>

### Fair value

The fair values, determined annually at the end of the reporting period, were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,100	18,200
Bank balances	87,247,492	13,795,670
	<b>87,264,592</b>	<b>13,813,870</b>

### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA bank - current account	81,431,231	13,565,002	155,230,946	84,851,231	13,565,002	155,230,946
ABSA bank - salary account	2,396,261	230,668	616,070	2,396,261	230,668	616,070
Petty cash and floats	-	-	-	17,100	18,200	15,900
INCA bank	-	-	15,618,141	-	-	15,618,141
<b>Total</b>	<b>83,827,492</b>	<b>13,795,670</b>	<b>171,465,157</b>	<b>87,264,592</b>	<b>13,813,870</b>	<b>171,481,057</b>

### 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 (if available) or historical information about counterparty default rates. There is no restriction on ERWAT's ability to realise the cash balance.

### 7. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation / Accumulated impairment	Carrying value	Cost	Accumulated depreciation / Accumulated impairment	Carrying value
Land and buildings	53,287,317	(6,258,482)	47,028,835	45,480,462	(5,646,239)	39,834,223
Plant and machinery	28,219,601	(11,439,803)	16,779,798	24,796,071	(11,192,704)	13,603,367
Furniture and fixtures	14,803,013	(5,799,356)	9,003,657	13,114,442	(4,965,266)	8,149,176
Motor vehicles	30,201,626	(9,073,931)	21,127,695	29,191,079	(7,372,958)	21,818,121
Capital work in progress	692,582,460	-	692,582,460	493,175,797	-	493,175,797
Infrastructure: Waste water purification works	1,021,626,310	(261,054,117)	760,572,193	932,053,122	(235,879,790)	696,173,332
<b>Total</b>	<b>1,840,720,327</b>	<b>(293,625,689)</b>	<b>1,547,094,638</b>	<b>1,537,810,973</b>	<b>(265,056,957)</b>	<b>1,272,754,016</b>



# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	39,834,223	7,829,265	-	(167)	(614,111)	(20,375)	47,028,835
Plant and machinery	13,603,367	4,882,882	-	251,268	(1,720,617)	(237,102)	16,779,798
Furniture and fixtures	8,149,176	2,432,610	(168,301)	(6,731)	(1,330,550)	(72,547)	9,003,657
Motor vehicles	21,818,121	1,556,964	-	-	(2,065,741)	(181,649)	21,127,695
Capital work in progress	493,175,797	199,406,663	-	-	-	-	692,582,460
Infrastructure: Waste water purification works	696,173,332	91,722,867	-	(244,370)	(26,544,373)	(535,263)	760,572,193
	<b>1,272,754,016</b>	<b>307,831,251</b>	<b>(168,301)</b>	<b>-</b>	<b>(32,275,392)</b>	<b>(1,046,936)</b>	<b>1,547,094,638</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	128,616,421	2,185,470	-	(90,426,331)	(451,749)	(89,588)	39,834,223
Plant and machinery	43,607,229	5,274,497	-	(33,210,931)	(1,537,220)	(530,208)	13,603,367
Furniture and fixtures	6,412,460	3,394,550	-	18	(1,195,463)	(462,389)	8,149,176
Motor vehicles	12,525,215	11,380,868	(158,297)	-	(1,929,665)	-	21,818,121
Capital work in progress	265,415,047	229,208,607	-	(1,447,857)	-	-	493,175,797
Infrastructure: Waste water purification works	540,073,768	58,234,472	-	123,637,262	(22,609,831)	(3,162,339)	696,173,332
	<b>996,650,140</b>	<b>309,678,464</b>	<b>(158,297)</b>	<b>(1,447,839)</b>	<b>(27,723,928)</b>	<b>(4,244,524)</b>	<b>1,272,754,016</b>

#### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	493,175,797	-	493,175,797
Additions/capital expenditure	185,847,980	13,558,683	199,406,663
	<b>679,023,777</b>	<b>13,558,683</b>	<b>692,582,460</b>

#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	265,415,047	265,415,047
Additions/capital expenditure	229,208,606	229,208,606
Prior period error (Note 27)	(1,447,857)	(1,447,857)
	<b>493,175,796</b>	<b>493,175,796</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 7. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

The work in progress has been restated by (R1 447 857) due to an expense been incorrectly captured as an asset previously, which has been corrected.

Grootvlei Biosure plant (Carrying value 2015: R0; 2014 R0) is not currently operational as the Grootvlei mine was liquidated. The contract between ERWAT and the new owners of the Aurora mine could not be renewed due to the financial difficulties the new owners are experiencing. The probability is that the plant can be used in the near future as there will be development in the area where the plant is situated.

#### Leased Assets:

The following works included under Infrastructure, are leased assets:

Dekema  
Rondebolt  
Benoni  
Rynfield  
Esther Park

The liability is R10 per year per lease and the lease agreements' period is indefinite until both parties decide to cancel the lease agreement. Assets, indirectly related to these works, with a carrying amounts of R7,426,750 (2014: R7,758,737), are included within the class Infrastructure: Waste water purification works above.

Fully depreciated assets with the acquisition cost of R1 216 486 has a nil value at the 30 June 2015. During the useful life review it was anticipated that the assets will be derecognised within the next 12 months.

### 8. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation / Accumulated impairment	Carrying value	Cost	Accumulated amortisation / Accumulated impairment	Carrying value
Computer software	4,779,212	(2,424,281)	2,354,931	4,063,289	(2,047,595)	2,015,694

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	2,015,694	750,233	(385,708)	(25,288)	2,354,931

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	2,381,474	56,395	(386,395)	(35,780)	2,015,694

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>9. Payables from exchange transactions</b>		
Trade payables	40,558,885	65,811,592
Payments received in advanced - contract in progress	3,000,000	-
Deposits	10,230	19,830
Accrued bonus	4,279,927	3,765,386
Payroll creditors	20,701	2,124,857
Related party payables	6,095,842	6,055,799
Retention	491,383	307,369
Credit balances in debtors	74,312	94,173
Other payables	8,081	330,335
Unidentified deposits	33,088	84,733
Cheque reversal	4,654	9,763
	<b>54,577,103</b>	<b>78,603,837</b>

### Accrued bonus

A provision for 13th cheque, to be paid in November is raised. As an employee retires, deceases or resigns a pro-rata bonus will be paid out at the specific date.

The directors consider the carrying amount of payables from exchange transactions to approximate fair value.

### 10. Provisions

#### Reconciliation of provisions - June 2015

	Opening Balance	Additions	Utilised during the year	Total
Incentive Bonus provision	7,904,288	4,231,071	(4,110,484)	8,024,875
Leave pay provision	10,915,820	6,861,560	(5,404,704)	12,372,676
	<b>18,820,108</b>	<b>11,092,631</b>	<b>(9,515,188)</b>	<b>20,397,552</b>

#### Reconciliation of provisions - June 2014

	Opening Balance	Additions	Utilised during the year	Total
Incentive bonus provision	7,447,322	4,145,747	(3,688,781)	7,904,288
Leave pay provision	9,048,413	5,611,947	(3,744,540)	10,915,820
	<b>16,495,735</b>	<b>9,757,694</b>	<b>(7,433,321)</b>	<b>18,820,108</b>

### Incentive bonus provision

A provision for incentive bonuses is estimated at year end. The incentive bonus will be paid out if the Board of Directors are satisfied with ERWAT's performance. The amount will be determined by the Board and the date of payment will only be when the board approves the incentive bonuses.

### Leave pay provision

The liability is based on the total accrued leave days at year end. The payment of the leave and the amount are uncertain as employees take their leave at different stages during the year.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>11. Long term borrowings</b>		
<b>At amortised cost</b>		
Bank loan - ABSA (Unsecured)	-	9,168,400
ABSA - @ 8.13% Redeemable 31/05/2015		
ABSA - @ 8.13% Redeemable 31/05/2015		
ABSA - @ 7.13% Redeemable 31/05/2015		
Bank loan - Nedbank (Secured)	317,377,884	-
Six month jibar plus 2.32% currently @ 8.99% Redeemable 30/11/2029		
Bank loan - INCA (Unsecured)	69,168,932	73,059,745
INCA @ 7.00% Redeemable 28/06/2024		
Bank loans - DBSA (Unsecured)	18,744,533	21,925,225
DBSA @ 15% Redeemable 30/09/2020,		
DBSA @ 9.56% Redeemable 30/09/2020		
<b>Total long term borrowings</b>	<b>405,291,349</b>	<b>104,153,370</b>

Receivables with a carrying value of R42 285 838 (2014: R0) are encumbered in respect of long-term borrowing, as disclosed in the Trade debtors note 3. ERWAT has agreed to cede to its controlling entity claims against its book debtor, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of Ekurhuleni Metropolitan Municipality all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd, and the guarantee provided by Ekurhuleni Metropolitan Municipality in favour of Nedbank Ltd as guarantee for the loan remains in effect.

### Non-current portion of long term borrowings

At amortised cost	<b>394,902,335</b>	<b>87,853,501</b>
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### Current portion of long term borrowings

At amortised cost	<b>10,389,014</b>	<b>16,299,870</b>
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## 12. Employment benefit obligation

The amounts recognised in the statement of financial position are as follows:

### Carrying value

Opening balance	(22,240,000)	(16,087,801)
Benefits paid	794,000	550,000
Net expense recognised in the statement of financial performance	(6,532,000)	(6,702,000)
	<b>(27,978,000)</b>	<b>(22,239,801)</b>

The obligation is due to a post-retirement medical aid benefit offered by ERWAT. In the event, when a medical aid contributing employee retires, ERWAT will continue to pay 66% of the medical aid contribution provided that the requirements of the policy are met by the employee.

### Net expense recognised in the statement of financial performance

Current service cost	766,000	1,309,000
Interest cost	2,091,000	1,901,000
Actuarial losses	3,675,000	3,492,199
	<b>6,532,000</b>	<b>6,702,199</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 12. Employment benefit obligation (continued)

#### Key assumptions used

An actuarial valuation was performed by IAC independent actuaries and consultants at 30 June 2015. An actuarial valuation was performed by P.W.C Pricewaterhouse Coopers at 30 June 2014.

The key financial assumptions are as follows:

Discount rates used	8.91 %	9.40 %
General medical cost inflation	8.42 %	9.00 %
Proportion of retiring members who are married	90.00 %	90.00 %
Average retirement age	63 years	63 years
Number of children under the age of 21	0	0

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Defined benefit plan	(32,921,000)	(24,048,000)
Service cost	(1,246,000)	(772,000)
Interest Cost	(2,935,000)	(2,144,000)

### 13. Revenue

Service charges	525,600,660	486,667,278
Development contribution	16,968,083	4,622,110
Financial instruments - Fee income	425,927	2,101,642
Other income	70,986,025	80,598,912
Interest received - investment	4,536,216	4,033,625
Dividends received	91,137	114,288
Government grants & subsidies	50,000,000	51,622,989
	<b>668,608,048</b>	<b>629,760,844</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	525,600,660	486,667,278
Financial instruments - Fee Income	425,927	2,101,642
Other income	70,986,025	80,598,912
Interest received - investment	4,536,216	4,033,625
Dividends received	91,137	114,288
	<b>601,639,965</b>	<b>573,515,745</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Transfer revenue

Government grants & subsidies	50,000,000	51,622,989
Development contribution	16,968,083	4,622,110
	<b>66,968,083</b>	<b>56,245,099</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>14. Service charges</b>		
Sewerage and sanitation charges	525,600,660	486,667,278
<b>15. Other income</b>		
Discount received	277,876	253,073
Housing and leases	274,947	225,374
Income: Commercial business	18,562,981	20,430,567
Income: Laboratory	12,574,191	14,020,717
Income: Operations	4,210,004	5,981,449
Income: Technical	34,489,076	38,689,956
Insurance claims received	278,684	183,413
Learnership income	196,763	693,807
Sale of scrap	25,253	200
Tender Income	96,250	120,356
	<b>70,986,025</b>	<b>80,598,912</b>
<b>16. General expenses</b>		
Advertising	641,609	1,121,747
Assessment rates & municipal charges	2,466,950	2,007,045
Auditors remuneration (Note 22)	1,252,437	1,495,197
Bank charges	1,356,490	221,444
Cleaning	688,105	746,908
Conferences and seminars	836,632	710,541
Computer expenses	1,733,009	1,408,548
Consulting and professional fees	10,534,401	10,078,220
Consumables	530,627	515,078
Donations	901,085	647,748
Entertainment	1,093,412	990,082
SARS Penalties (Note 42)	39,860	-
Flowers	173,970	160,626
Laboratory charges	3,973,245	3,345,723
Lease rental	1,200,737	1,156,348
Hiring of fleet	8,783,876	6,919,626
Health and safety expense	2,809,489	4,057,501
Marketing	1,938,504	1,022,067
Postage and courier	16,970	8,617
Printing and stationery	646,859	913,747
Rental of equipment	620,081	998,868
Research and development costs	821,534	1,145,272
Security	9,228,720	6,822,321
Sewerage and waste disposal	50,117	41,243
Stolen cash written off	649	-
Subscriptions and membership fees	90,703	134,908
Telephone and fax	1,924,275	2,091,763
Transport and freight	2,874,760	2,900,412
Training	2,398,815	2,204,143
Travel	2,119,244	2,805,358
	<b>61,747,165</b>	<b>56,671,101</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>17. Employee related costs</b>		
Basic	122,193,310	99,234,354
Bonus	9,103,276	7,839,824
Bursary schemes	570,512	435,577
Car allowance	5,126,094	4,756,183
Cell phone and data card allowance	410,800	283,600
Company contributions	35,585,851	36,170,638
Housing benefits and allowances	1,203,763	1,039,016
Leave pay provision charge	6,861,562	5,611,950
Long-service awards	195,196	829,078
Long-term benefits - incentive scheme	4,231,072	4,143,200
Overtime payments	15,447,889	10,653,906
Other short term costs	234,896	191,000
Post - retirement medical expense	4,477,442	4,875,609
Protective clothing	793,213	672,120
Recruitment	1,804,283	698,249
Remuneration of non-executive directors	1,621,753	1,525,149
Sanlam disability fund	73,715	-
Workmen's compensation	1,071,280	815,732
	<b>211,005,907</b>	<b>179,775,185</b>

### Remuneration of the chief executive officer

Annual Remuneration	1,171,511	1,099,936
Car Allowance	120,000	120,000
Performance Bonuses	177,274	160,188
Contributions to UIF, Medical and Pension Funds	291,991	266,484
Telephone and data card allowance	52,800	44,000
<b>Sub-total</b>	<b>1,813,576</b>	<b>1,690,608</b>
Business travel subsistence allowance	-	32,018
<b>Total</b>	<b>1,813,576</b>	<b>1,722,626</b>

### Remuneration of chief finance officer

Annual Remuneration	953,378	899,069
Car Allowance	102,000	102,000
Performance Bonuses	131,558	120,223
Contributions to UIF, Medical and Pension Funds	265,673	240,353
Telephone and data card allowance	40,800	34,000
<b>Sub-total</b>	<b>1,493,409</b>	<b>1,395,645</b>
Business travel subsistence allowance	-	151
<b>Total</b>	<b>1,493,409</b>	<b>1,395,796</b>

### Remuneration of executive managers

Annual Remuneration	5,519,552	6,054,165
Car Allowance	465,600	521,600
Performance Bonuses	565,717	431,402
Contributions to UIF, Medical and Pension Funds	1,449,866	1,557,479
Telephone and Data card allowance	244,800	238,000
<b>Sub-total</b>	<b>8,245,535</b>	<b>8,802,646</b>
Business travel subsistence allowance	-	149,753
<b>Total</b>	<b>8,245,535</b>	<b>8,952,399</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>17. Employee related costs (continued)</b>		
<b>Remuneration of non - executive directors</b>		
Annual Remuneration	1,563,313	1,342,800
Travel claims	17,020	6,834
<b>Sub-total</b>	<b>1,580,333</b>	<b>1,349,634</b>
Business travel subsistence allowance	41,420	175,515
<b>Total</b>	<b>1,621,753</b>	<b>1,525,149</b>
<b>In-kind benefits</b>		
The following directors Z Letjane, EE Themba, T Phasa, M Mochatsi, N Koni have use of company owned laptops and 3G cards. Directors Phasha and Mochatsi have the use of a company owned cell phones. These salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.		
<b>18. (Debt impairment) / Debt impairment reversal</b>		
Reversal of impairment allowance	(1,439,717)	(2,903,795)
Contributions to debt impairment allowance	2,693,799	1,439,717
Debts impaired written off against allowance	248,388	-
	<b>1,502,470</b>	<b>(1,464,078)</b>
<b>19. Depreciation and amortisation</b>		
Property, plant and equipment	32,275,392	27,723,927
Intangible assets	385,708	386,395
	<b>32,661,100</b>	<b>28,110,322</b>
<b>20. Finance costs</b>		
Interest on long term borrowings	20,762,980	8,385,465
SARS interest (Note 42)	174,142	-
Unwinding of discount - Interest	2,091,000	1,901,000
	<b>23,028,122</b>	<b>10,286,465</b>
<b>21. Bulk purchases</b>		
Electricity	98,242,576	91,950,576
Water	2,513,355	1,935,861
Sewerage purification	42,529,062	41,337,525
	<b>143,284,993</b>	<b>135,223,962</b>
<b>22. Auditors' remuneration</b>		
Fees	1,252,437	1,495,197



# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Cash generated from operations</b>		
Surplus	113,108,968	139,884,221
<b>Adjustments for:</b>		
Depreciation and amortisation	32,661,099	28,110,322
Loss on sale of assets and liabilities	1,166,679	7,265,964
Impairment of assets	-	(3,316,376)
Debt impairment	1,502,470	(1,464,078)
Movements in retirement benefit assets and liabilities	5,738,000	6,152,199
Movements in provisions	1,577,444	2,324,375
Fair value adjustments	(425,927)	(2,101,642)
PPE adjustments relating to prior years	-	1,794,776
<b>Changes in working capital:</b>		
Other receivables from exchange transactions	(38,199,845)	(18,697,722)
Other financial assets	(510,739)	(2,175,699)
Movement in other financial assets due to fair value	425,927	2,101,642
Payables from exchange transactions	(24,026,733)	8,658,572
VAT	(12,196,962)	564,801
Unspent conditional grants and receipts	-	(1,622,989)
	<b>80,820,381</b>	<b>167,478,366</b>

## 24. Capital Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	-	275,755,466
• Buildings	4,769,169	-
• Computer Equipment	1,448,344	-
• Furniture & Fittings	203,577	-
• Implements & Machinery	5,070,526	-
• Intangibles	845,963	-
• Motor Vehicles	9,225	-
• Office Equipment	29,952	-
• Waste water works	93,687,512	-
• Workshop tools	747,466	-
	<b>106,811,734</b>	<b>275,755,466</b>

This committed expenditure relates to plant, property and equipment and will be financed by available bank facilities.

The prior year 2013/14 year commitments per asset class is not available hence the prior year is disclosed as a total and not per class.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	720,152	1,193,064
- in second to fifth year inclusive	120,960	841,112
	<b>841,112</b>	<b>2,034,176</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 25. Contingencies

Contingencies are broken down into the following categories:

Category A - Bank Guarantees

Category B - Guarantees

Category C - Legal Matters

#### Category A - Bank Guarantees

Eskom- 70920408242	954,600	954,600
Eskom - 70920408830	950,000	950,000
Stadsraad - Springs	90,000	90,000
Stadsraad - Midrand	94,200	94,200
Stadsraad - Kempton Park	80,750	80,750
Eskom - 32489934242	61,400	61,400
Randwaterraad - 32489934243	15,750	15,750
Eskom - 32489934244	33,300	33,300
Eskom - 32489934245	46,500	46,500
Eskom - 32489934207	69,000	69,000
Town council of Benoni	163,000	163,000
Stradsraad - Brakpan	22,000	22,000
Stradsraad - Heidelberg	87,100	87,100
Eskom - 32489934248	109,800	109,800
Stadsraad - Bokburg	145,000	145,000
	<b>2,922,400</b>	<b>2,922,400</b>

#### Category B - Guarantees

M.A. Sathekge - Standard Bank	14,000	14,000
D. Moshomane - Saambou Bank	5,900	5,900
WM & C Rossouw - Standard Bank	9,000	9,000
C.P. Mokgolobotho	3,800	3,800
	<b>32,700</b>	<b>32,700</b>

#### Category C - Legal Matters

Madikezele & Nyati attorney (a)***	506,730	-
<b>Total contingencies</b>	<b>3,461,830</b>	<b>2,955,100</b>

#### Notes:

\*\*\***(a)** Litigation is in the process against ERWAT relating to a dispute with Madikezele & Nyati attorneys who alleges that ERWAT owes them R506,730 for legal work done. ERWAT will only pay the amount after the courts have taxed the account.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 26. Related parties

Relationships

Directors

Controlling entity and other members of group

Refer to directors report note

Ekurhuleni Metropolitan Municipality, Other members of the group: Brakpan Bus Company and Ekurhuleni Development Company, Pharoe Park Housing Company, Germiston Housing Company, Lethabong Housing Institute.

### Related party balances

#### Amounts included in payables from exchange transactions regarding related parties

Ekurhuleni Metropolitan Municipality	6,095,842	6,055,799
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#### Amounts included in receivables from exchange transactions

Ekurhuleni Metropolitan Municipality	36,594,454	33,372,659
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#### Grants received

Ekurhuleni Metropolitan Municipality	50,000,000	51,622,989
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### Related party transactions

#### Prepayment received

Ekurhuleni Metropolitan Municipality	3,000,000	-
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#### Purchases from related parties

Ekurhuleni Metropolitan Municipality	64,438,458	59,107,798
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#### Sales to related parties

Ekurhuleni Metropolitan Municipality	596,539,571	528,898,741
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### Guarantee and debtors ceded

The controlling entity guaranteed the Nedbank loan of ERWAT, with a carrying value of R317 377 884 (2014:R0) as disclosed in the Long-term borrowing note 11. The guarantee shall expire at 15h00, 10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract.

ERWAT has agreed to cede to its controlling entity claims against its book debtor, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of Ekurhuleni Metropolitan Municipality all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd, and the guarantee provided by Ekurhuleni Metropolitan Municipality in favour of Nedbank Ltd as guarantee for the loan remains in effect.

The remuneration of the non-executive directors, executive directors and senior managers are included the employee related costs note 17.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>27. Prior period errors</b>		
<b>2012/13</b>		
<b>Company Contributions to SARS</b>	<b>2010/11</b>	<b>2011/12</b>
Trade payables - PAYE control account	-	(79,462)
Trade payables - SDL control account	(82,269)	(170,408)
Trade payables - UIF control account	(13,140)	(23,384)
Plant, property and equipment	-	(42,944)
PAYE - Company contribution	-	79,462
SDL - Company contribution	82,269	170,408
UIF - Company contribution	13,140	23,384
Repairs and maintenance	-	42,944
	-	-

Due to a system error on ERWAT's payroll package, SDL and UIF was under paid to SARS for the 2010/11, 2011/12, 2012/13 financial years. PAYE was not paid over on two project contractors as they invoiced ERWAT and was not included on the payroll. ERWAT has since rectified the payroll system and verified calculations to ensure this error is not repeated. All contractors are loaded on the payroll in order for ERWAT to pay PAYE on their salaries. This resulted in an understatement of company contributions, penalties and interest and an understatement of trade payables. **Refer to note 42.**

The work in progress additions included an item which related to repairs and maintenance expense and was incorrectly recorded as an asset. The assets was decreased by R42 944, and repairs and maintenance has been increased by R42 944 in 2012/13.

The total adjustment to the statement of change in net assets for the 2012/13 financial year was **R536 810** (R493 866 + R42 944).

### 2013/14

#### Company Contributions to SARS

During the 2013/14 financial year ERWAT had paid a company contribution to SARS for PAYE, UIF and SDL which related to the 2012/13 financial year. The error resulted in ERWAT over stating the company contributions by R185 776 and under stating trade payables by R185 776.

#### Plant, property and equipment:

The work in progress additions included an item which related to repairs and maintenance expense and was incorrectly recorded as an asset. The assets was decreased by R1 404 912 and repairs and maintenance has been increased by R1 404 912 in 2013/14.

The net restatement profit amounted to **R1 219 136** (R1 404 912 - R185 776) for the 2013/14 financial year.

#### Financial instruments disclosure note:

The financial instruments disclosure note relating to financial liabilities - payables from exchange transactions was R74 530 361 and should have been R78 820 689. This has no effect on the financial statements as it was a disclosure error.

The correction of the error(s) results in adjustments as follows:

<b>Statement of financial position</b>	<b>2013/14</b>	<b>2012/13</b>
Property, plant and equipment	(1,404,912)	(42,944)
Trade payables - PAYE control account	-	(79,462)
Trade payables - SDL control account	185,776	(363,969)
Trade payables - UIF control account	-	(50,435)
<b>Statement of Financial Performance</b>		
Company contribution	(185,776)	493,866
Repairs and maintenance	1,404,912	42,944

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 28. Risk management

#### Capital

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

#### Liquidity risk

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

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	10,389,014	29,570,909	157,038,955	208,292,471
Payables from exchange transactions	54,577,104	-	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	16,299,870	7,740,350	26,845,427	53,210,219
Payables from exchange transactions	78,820,689	-	-	-

#### Interest rate risk

The entity's interest rate risk arises from long term-borrowings. ERWAT manages interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/deficit.

At year end, financial instruments exposed to interest rate risk is indicated in note 11. ERWAT's income and operating cash are substantially independent of changes in market rates.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

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### 28. Risk management (continued)

#### Capital risk management

##### Credit Risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

##### Price risk

The entity is exposed to equity securities price risks because of investments held by the entity and classified on the statement of financial position as other financial assets.

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

The capital structure of the entity consist of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 11, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the entity monitors capital on basis of the gearing.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial assets exposed to credit risk at 30 June 2015 were as follows:

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

Debtors	42,285,838	38,072,973
Deposits	2,551,573	2,551,573
Cash and cash equivalents	87,264,592	13,813,870
Listed shares	8,452,987	7,942,248
	<b>140,554,990</b>	<b>62,380,664</b>

#### Total borrowings

	2015	2014
Other financial liabilities	(405,291,349)	(104,153,371)
Less: cash and cash equivalents	87,264,592	13,813,870
Net debt	(318,026,757)	(90,339,501)
Total Net assets	1,236,879,031	1,123,770,063
<b>Total capital</b>	<b>918,852,274</b>	<b>1,033,430,562</b>

#### Debtors ceded

Trade debtors (note 3), with a carrying value of R42 285 838 (2014: R0) are encumbered in respect of long-term borrowing, as disclosed in the long term borrowing note 11. ERWAT has agreed to cede to its controlling entity claims against its book debtor, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of Ekurhuleni Metropolitan Municipality all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd. This cession shall endure for so long as ERWAT is indebted to Nedbank Ltd, in respect of the R550 million loan advanced by Nedbank Ltd, and the guarantees provided by Ekurhuleni Metropolitan Municipality in favour of Nedbank Ltd as guarantee for the loan remains in effect.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 28. Risk management (continued)

#### Market risk

##### Currency Risk

ERWAT only transacts in its functional currency (South African Rand) and its only involvement with foreign currencies relates to the situation where imported goods and services are procured.

In order to manage ERWAT's exposure related to the procurement of goods or services denominated in a foreign currency, the Rand value will be determined at the time of procurement, or where this not possible the Rand value will be determined as close as possible to the time of procurement.

### 29. Going concern

We draw attention to the fact that at 30 June 2015, the entity had an accumulated surplus of R1 236 879 031 and that the total assets exceed its liabilities by R1 236 879 031.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on the continued support of EKURHULENI METROPOLITAN MUNICIPALITY (parent municipality) by way of service charges for treatment of waste water and the provision of related engineering services paid each year in terms of the service delivery agreement entered into between ERWAT and EKURHULENI METROPOLITAN MUNICIPALITY.

### 30. Irregular expenditure

Opening balance restated	81,640,515	67,683,843
Add: Irregular Expenditure - current year	35,131,585	7,734,338
Add: Expenditure incurred in the current year relating to a prior period	1,999,659	6,222,333
	<b>118,771,759</b>	<b>81,640,514</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

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## Notes to the Annual Financial Statements

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<b>30. Irregular expenditure (continued)</b>		
<b>Incidents currently under investigation</b>		
Business conducted with three (3) suppliers without obtaining confirmation that their tax matters were in order.	-	195,274
Proper request for quotation procedures not followed due to oversight.	1,059,283	3,692,407
SCM regulation 12(3) on the aggregation of transaction for determination of the appropriate procurement process not fully adhered to.	401,373	1,098,792
SCM regulations on declaration interest for quotations below R200,000 not fully adhered to.	2,466,724	2,747,865
Internal SCM procedures not fully adhered to.	592,501	-
Irregular expenditure arising from the 2012/13 financial period, incurred in 2013/14 financial period. Relates to tenders awarded without obtaining confirmation that the selected bidder's municipal rates and taxes accounts were not in arrears by more than 90 days. (Including accruals)	-	600,056
The composition of the bid adjudication committee meetings held on 3 February 2015 not fully in accordance with Municipal Supply Chain Management Regulation 29(2). Split as indicated by BAC finding subsection 3	30,611,704	-
Irregular expenditure arising from the 2011/12 financial period, incurred in the 2012/13 and 2013/14 financial period. Relates to tenders that were awarded without obtaining confirmation that the selected bidder's tax matters are in order.	1,999,659	5,622,277
	<b>37,131,244</b>	<b>13,956,671</b>

In the 2011/12 financial year a transaction with a value of R36 724 366 was incorrectly disclosed as irregular expenditure. As the contractor withdrew from the project and no expenditure was incurred, the irregular expenditure should not have been disclosed.

As the error occurred before the earliest prior period presented, GRAP 3.44(b) requires restatement of opening balances of assets, liabilities and net assets for the earliest prior period presented. It is however impracticable to disclose the 2012/13 comparative figures to effect the correction, as the only figure affected is the balance itself which is also contained in 2013/14 comparative figures.

The opening balance of the irregular expenditure for the 2013/14 financial year was R118,364,881 prior to the correction of R36,724,366 (R81,640,515 after correction).

During the 2014/15 financial period disciplinary proceedings were instituted against three (3) officials for the contravention of the laws and regulations governing supply chain management. None of these officials are still in the employ of ERWAT. No monetary value could be attributed to these instances as the investigation to determine the extent of the contravention is still in progress.

### 31. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Board of directors and includes a note to the annual financial statements.

The details of the deviations disclosed were documented and reported to the board of directors.

#### The expenses incurred, as listed hereunder, have been approved

Emergencies	9,791,620	4,792,131
Sole suppliers	6,028,864	328,493
Impracticability	16,238,062	34,272,524
	<b>32,058,546</b>	<b>39,393,148</b>



# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 32. Financial instruments disclosure

#### Categories of financial instruments

#### 2015

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	8,452,987	-	8,452,987
Trade debtors	-	42,285,838	42,285,838
Other receivables from exchange transactions	-	57,670,049	57,670,049
Cash and cash equivalents	-	87,264,592	87,264,592
	<b>8,452,987</b>	<b>187,220,479</b>	<b>195,673,466</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	54,577,104	54,577,104
Long-term borrowings - Current	10,389,014	10,389,014
Long term borrowings - Non current	394,902,335	394,902,335
	<b>459,868,453</b>	<b>459,868,453</b>

#### 2014

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	7,942,248	-	7,942,248
Trade debtors	-	38,072,974	38,072,974
Other receivables from exchange transactions	-	12,988,577	12,988,577
Cash and cash equivalents	-	13,813,870	13,813,870
	<b>7,942,248</b>	<b>64,875,421</b>	<b>72,817,669</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	78,603,837	78,603,837
Long term borrowings - Current	16,299,870	16,299,870
Long term borrowings - Non current	87,853,501	87,853,501
	<b>182,757,208</b>	<b>182,757,208</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>Financial instruments disclosure (continued)</b>		
<b>Financial instruments in Statement of financial performance</b>		
<b>2015</b>		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	4,536,216	4,536,216
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(20,937,122)	(20,937,122)
Penalties on late payment of UIF,PAYE,SDL	(39,860)	(39,860)
Debt impairment	(1,502,740)	(1,502,740)
Gain on fair value adjustment - investment	425,927	425,927
	<b>(17,517,579)</b>	<b>(17,517,579)</b>
<b>2014</b>		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	4,033,625	4,033,625
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(8,385,465)	(8,385,465)
Debt impairment	1,464,078	1,464,078
Gain on fair value adjustment - other financial assets	2,101,642	2,101,642
	<b>(786,120)</b>	<b>(786,120)</b>
<b>33. Grants and subsidies received</b>		
<b>Capital grants</b>		
Government grants - controlling entity	50,000,000	51,622,989
<b>34. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	556,796	-
Current year subscription / fee	1,252,437	1,495,197
Amount paid - current year	(1,590,233)	(938,401)
	<b>219,000</b>	<b>556,796</b>
<b>PAYE and UIF</b>		
Opening balance - Restated 2014	2,122,885	129,897
Current year subscription / fee	30,207,885	24,196,528
Amount paid - current year	(32,338,540)	(22,203,540)
	<b>(7,770)</b>	<b>2,122,885</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	10,573	-
Current year subscription / fee	47,494,830	44,160,441
Amount paid - current year	(47,499,838)	(44,149,868)
	<b>5,565</b>	<b>10,573</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
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### 34. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	22,058,662	9,861,701
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All VAT returns have been submitted by the due date throughout the year.

### 35. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Movement during the year

Balance at the beginning of the year	-	1,622,989
Additions during the year	50,000,000	50,000,000
Income recognition during the year	(50,000,000)	(51,622,989)
	-	-

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 36. Budget differences

#### Material differences between budget and actual amounts

A budgeted income for the year was set to be R626 207 263 of which ERWAT managed to receive R668 608 048 (including grants received). Although it is only a -1% decrease, sundry income is below the budget with 27%, development contribution received has not been budgeted for and the investment revenue is 76% higher than budget.

Sundry income in the Technical department is 30% less than the budget as the technical department made a decision during November 2014 to reduce reliance on hire equipment and utilise internal capacity on Ekurhuleni Metropolitan Municipality owned pump stations. The reduction in workload, in particular, hired equipment, has a direct impact on the income. Sundry income in the Commercial Business department is 25% less due to loss of projects and still waiting for new projects to be adjudicated. The development contribution received during the financial year amounted to R16 968 083, not budgeted for, based on the fact that ERWAT is not sure when we will receive the contribution and the amount of contribution. Investment revenue is higher than budgeted due to a higher bank balance than budgeted.

A budgeted expenditure of R626 207 263 has been set by ERWAT, of which ERWAT has managed to spend R555 499 080 or 89% of the budget. The under expenditure is mainly derived from interest paid and bulk purchases. ERWAT had planned to receive a loan which would bear interest during the first quarter but the loan only came into effect late in the second quarter, resulting in a saving on interest. Bulk purchases was under spent by 11%, mainly due to improved efficiencies at the ERWAT plants, resulting in lower purchases of chemicals.

ERWAT has a capital expenditure budget of R396 765 238 for the year, of which R308 581 433 (78%) has been spent, the under expenditure is due to delays in the tender process and the withdrawal of a contractor from a significant contract (R29 million).

The cash at hand at the end of the financial year is R87 264 592, which is higher than budgeted due to the under spending on capital. ERWAT had also withdrawn more funds than budgeted, from the loan account, and this resulted in more cash on hand.

### 37. Change in estimate

#### Property, plant and equipment

There was a change in useful lives review which had the following impact:

Depreciation expense before remaining useful lives review:	R422 882
Depreciation expense after remaining useful lives review:	R402 512
Future reduction in depreciation due to review:	R20 370

### 38. Events after the reporting date

At 30 June 2015 Transwerk and Coca-Cola were handed over and provided as bad debts in full. After 30 June 2015 Transwerk has paid R189 021 and Coca-Cola has paid R39 178 and the provision for bad debts has been reduced subsequently with these amounts.

### 39. Utilisation of Long-term liabilities reconciliation

Outstanding long-term liabilities	104,153,373	120,053,097
Redemption of loans	(16,357,376)	(15,384,672)
Additional loan	314,846,689	-
	405,291,348	104,668,425
Used to finance property, plant and equipment	(402,642,686)	(104,153,373)
	<b>2,648,662</b>	<b>515,052</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>39. Utilisation of Long-term liabilities reconciliation (continued)</b>		
<b>Outstanding long-term liabilities</b>		
Opening balance	104,153,373	120,053,097
Reversal of prior year	-	(572,558)
Capital	298,489,313	(15,384,672)
Year end interest accrual	-	57,506
	<b>402,642,686</b>	<b>104,153,373</b>

## 40. Comparative figures

Certain comparative figures have been reclassified to enhance presentation and/or where consequential amendments, due to other standards becoming effective, was required.

An amount of R4 280 303 has been transferred from the profit / (loss) on disposal of assets to the impairment loss for better disclosure on the annual financial statements. The profit / (loss) on disposal of assets is now showing a profit of R330 715 instead of a loss of R3 949 588 and the impairment loss is now (R4 280 303) for the 2013/14 financial year instead of nil.

In the note for the provision for incentive bonus the amount of R299 303 was shown as an under provision and we have moved it to additions to be consistent with 2014/15 disclosure.

Receivables from exchange transactions has been reclassified as trade debtors and other receivables from exchange transactions. Receivables from exchange transactions amounting to R51 061 551 was transferred to trade debtors amounting to R38 072 974 and other receivables from exchange transactions amounting to R12 988 577.

The effects of the reclassification are as follows:

### Statement of financial position

Provisions	-	299,303
Provisions	-	(299,303)
Receivables from exchange transactions	-	(51,061,551)
Trade debtors	-	38,072,974
Other receivables from exchange transactions	-	12,988,577

### Statement of Financial Performance

Profit / (Loss) on disposal of asset	-	4,280,303
Impairment loss	-	(4,280,303)

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 41. Member and executive managers emoluments

#### Remuneration of non-executive directors

	Salary or Fee	Bonuses and performance related payments	Medical Contributions	Travel allowance/claim	Telephone and data card	Retirement fund contribution	Total package 2015	Total package 2014
<b>Non-Executive Members</b>								
EM Phasha	266,463	-	-	1,528	-	-	267,991	343,019
MM Mochatsi	266,463	-	-	4,584	-	-	271,047	253,904
N Koni - (previously - N Sidondi)	266,463	-	-	3,334	-	-	269,797	250,941
J Mojapelo - (Chairperson from 01 May 2015)	60,705	-	-	-	-	-	60,705	-
K Wall (appointed 01 May 2015)	44,411	-	-	-	-	-	44,411	-
L Bokaba (appointed 01 May 2015)	44,411	-	-	-	-	-	44,411	-
D Coovadia (appointed 01 May 2015)	44,411	-	-	-	-	-	44,411	-
EE Themba- (term ended as Chairperson 30 April 2015)	347,936	-	-	6,667	-	-	354,603	251,311
ZE Letjane (term ended 30 April 2015)	222,053	-	-	907	-	-	222,960	250,459
<b>Subtotal</b>	<b>1,563,316</b>	<b>-</b>	<b>-</b>	<b>17,020</b>	<b>-</b>	<b>-</b>	<b>1,580,336</b>	<b>1,349,634</b>
<b>Subsistence Allowance</b>							<b>41,420</b>	<b>175,515</b>
<b>Total</b>							<b>1,621,756</b>	<b>1,525,149</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 41. Member and executive managers emoluments (continued)

	Salary or Fee	Bonuses and performance related payments	Medical Contributions	Travel allowance/claim	Telephone and data card	Retirement fund contribution	Total package 2015	Total package 2014
<b>Chief executive officer</b>								
NP Twala	1,171,511	177,274	54,204	120,000	52,800	237,787	1,813,576	1,690,608
<b>Subtotal</b>	<b>1,171,511</b>	<b>177,274</b>	<b>54,204</b>	<b>120,000</b>	<b>52,800</b>	<b>237,787</b>	<b>1,813,576</b>	<b>1,690,608</b>
<b>Subsistence Allowance</b>							-	32,018
<b>Total</b>							<b>1,813,576</b>	<b>1,722,626</b>
<b>Executive Managers</b>								
W Louw - Finance (H.O.D)	953,378	131,558	71,963	102,000	40,800	193,710	1,493,409	1,395,645
TS Mhlongo - Technical (H.O.D)	1,001,574	129,510	-	96,000	40,800	203,397	1,471,281	1,370,793
FM Mabunda - Operations (H.O.D)	879,088	64,719	68,288	144,000	40,800	178,481	1,375,376	1,262,110
M Tsotetsi - Commercial Business (H.O.D)	870,845	60,072	73,916	48,000	40,800	176,803	1,270,436	1,162,528
RW Barnes - H.R (H.O.D)	967,854	121,712	61,923	78,000	40,800	196,520	1,466,809	1,368,470
JW Wilken - Development (H.O.D)	981,306	130,083	56,752	69,600	40,800	199,245	1,477,786	1,371,091
M Hilton Company Secretary	-	-	-	-	-	-	-	1,185,197
A Chapman - Lab (H.O.D)	818,885	59,621	68,288	30,000	40,800	166,254	1,183,848	1,082,455
<b>Subtotal</b>	<b>6,472,930</b>	<b>697,275</b>	<b>401,130</b>	<b>567,600</b>	<b>285,600</b>	<b>1,314,410</b>	<b>9,738,945</b>	<b>10,198,289</b>
<b>Subsistence Allowance</b>							-	149,753
<b>Total</b>							<b>9,738,945</b>	<b>10,348,042</b>

# EAST RAND WATER CARE COMPANY (ERWAT) NPC

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>42. Fruitless and wasteful expenditure</b>		
The expenditure, as listed hereunder, have not been approved/condoned	-	-
Opening balance	-	-
SARS Penalties - PAYE, SDL and UIF	39,860	-
SARS Interest on late payment of PAYE,SDL and UIF	174,142	-
Incentive bonus exceeds approved pay out	209,800	-
Excess paid - sick leave taken	138,376	-
<b>Closing balance</b>	<b>562,178</b>	<b>-</b>

### SARS Penalties and interest

Due to a system error on ERWAT's payroll package, SDL and UIF was under paid to SARS, which resulted in penalties and interest due to late payment to SARS. PAYE was not paid over on two project contractors as they invoiced ERWAT and was not included on the payroll. The PAYE was claimed back from the contractors, however one contractors, contractor's portion had to be written off as we cannot get hold of him.

ERWAT has since rectified the payroll system and verified calculations to ensure this error is not repeated. All contractors are loaded on the payroll in order for ERWAT to pay PAYE on their salaries. No disciplinary action needs to be taken.

### Incentive bonus exceeds approved pay out

The Board approved a lump sum bonus pay out, however the employee list used to apportion the amount did not include all employees entitled to an incentive bonus which resulted in a higher pay out. ERWAT will ensure that the list submitted for bonus are correct. No disciplinary action needs to be taken.

### Excess sick leave paid

An employees took more sick leave in one calendar year, commencing on 1 July 2014 to 30 June 2015, than the 90 days entitlement for a three year period. The employee received remuneration after the limit of 90 days was reached.

ERWAT has implemented an income protection benefit which will assist employees on long term ill health to continue receiving an income. ERWAT would be able to recoup the excess sick leave pay from his leave days as well as the income protection benefit as the employee passed away. No disciplinary action needs to be taken