



Annual Financial Statements

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REPORT OF THE AUDITOR-GENERAL FOR THE YEAR ENDED 31 MARCH 2008

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE FINANCE, ACCOUNTING, MANAGEMENT CONSULTING AND OTHER FINANCIAL SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2008.

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying Financial Statements of the Finance, Accounting, Management Consulting and other Financial Services Sector Education and Training Authority which comprise the Statement of Financial Position as at 31 March 2008, Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory Notes as set out on pages 28 to 61.

Responsibility of the Accounting Authority for the Financial Statements

2. The Accounting Authority is responsible for the preparation and fair presentation of these Financial Statements in accordance with the basis of accounting determined by the National Treasury, as set out in Accounting Policy note 1 to the Financial Statements and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate Accounting Policies
 - making accounting estimates that are reasonable in the circumstances

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No 25 of 2004) (PAA) and section 14(6)(a) of the Skills Development Act, 1998 (Act No 97 of 1998), my responsibility is to express an opinion on these Financial Statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the Financial Statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of Accounting Policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the Financial Statements
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Basis of Accounting

8. The public entity's policy is to prepare Financial Statements on the basis of accounting determined by the National Treasury, as set out in Accounting Policy note 1 to the Financial Statements.

Opinion

9. In my opinion the Financial Statements present fairly, in all material respects, the financial position of the Finance, Accounting, Management Consulting and other Financial Services Sector Education and Training Authority as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in Accounting Policy note 1 to the Financial Statements and in the manner required by the PFMA.

Emphasis of Matter

Without qualifying my audit opinion, I draw attention to the following matter:

Restatement of Corresponding Figures

10. As disclosed in Accounting Policy Note 2 and in Note 23 to the Annual Financial Statements, the Accounting Policy for the recognition and measurement of Skills Development Levy income has been amended by National Treasury and the Department of Labour on the basis of a revised interpretation of the Skills Development Act (Act No 97 of 1998) and the Skills Development Levies Act (Act No 9 of 2001). The corresponding figures have been restated as a result of the revised interpretation.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibility in the audit of the Financial Statements:

Matters of Governance

11. The PFMA tasks the Accounting Authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of Governance	Yes	No
Audit Committee		
The public entity had an Audit Committee in operation throughout the financial year.	✓	
The Audit Committee operates in accordance with approved, written terms of reference.	✓	
The Audit Committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
Internal Audit		
The public entity had an internal audit function in operation throughout the financial year.	✓	
The internal audit function operates in terms of an approved internal audit plan.	✓	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	✓	
Other Matters of Governance		
The Annual Financial Statements were submitted for audit as per the legislated deadlines (section 55 of the PFMA).	✓	
The Financial Statements submitted for audit were not subject to any material amendments arising from the audit.	✓	
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
The prior year's external audit recommendations have been substantially implemented.	✓	

OTHER REPORTING RESPONSIBILITIES REPORT ON PERFORMANCE INFORMATION

12. I have reviewed the performance information as set out on pages 64 to 66.

Responsibility of the Accounting Authority for the Performance Information

13. The Accounting Authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the Annual Report and audited Financial Statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

14. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No 31057 of 15 May 2008.

15. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

16. I believe that the evidence I have obtained is sufficient and appropriate to report that no findings have been identified as a result of my review.

APPRECIATION

17. The assistance rendered by the staff of the Finance, Accounting, Management Consulting and other Financial Services Sector Education and Training Authority during the audit is sincerely appreciated.

Auditor - General

Pretoria
31 July 2008

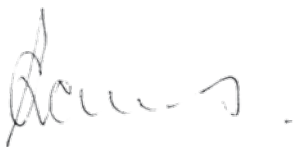


A U D I T O R - G E N E R A L



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

The Annual Financial Statements for the year ended 31 March 2008, set out on pages 28 to 61, have been approved by the Accounting Authority on 22 May 2008 in terms of Section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 as amended, and are signed on their behalf by:



CHERYL JAMES
Chief Executive Officer



MPUSENG MOLOI
Chairman

REPORT OF THE ACCOUNTING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2008

HONOURABLE MINISTER, IT IS WITH PLEASURE THAT THE ACCOUNTING AUTHORITY PRESENTS TO YOU THE ANNUAL FINANCIAL STATEMENTS OF THE SETA FOR FINANCE, ACCOUNTING, MANAGEMENT CONSULTING AND OTHER FINANCIAL SERVICES FOR THE PERIOD 1 APRIL 2007 TO 31 MARCH 2008.

GOVERNANCE

As Fasset's Accounting Authority, it is the Management Board's responsibility to prepare Financial Statements that fairly present Fasset's financial position at 31 March 2008, and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2008. Once again, the Board of Fasset is of the opinion that appropriate Accounting Policies, supported by reasonable and prudent judgement and estimates, have been applied on a consistent, going concern basis and the Financial Statements comply with GAAP.

With regard to systems and controls, these include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Further, the management of these financial affairs has been undertaken in accordance with the Financial and Procurement Policies which have been put in place, and which comply with the King II Code on Corporate Governance. In addition, all necessary structures, policies and procedures are in place in order to ensure compliance with the requirements of the PFMA. These include an independent Audit Committee, a Fraud Prevention Plan and Internal Auditors. Fasset therefore complies with best practice, and with all legislation with regard to governance, and this continues to be a crucial and very serious aspect of the functioning at the Seta.

Various additional responsibilities are incumbent on the Board, ie providing strategic direction to Fasset; determining strategies and policies; and managing performance against agreed strategies and business plans. In order for the Board to successfully implement its mandate, new Management Board members are thoroughly capacity built into the skills

development and Fasset environments via a comprehensive induction and on-going training programme. A process of self-assessment and discussion of performance by the Management Board has also been implemented and it is hoped that this will serve as an additional useful tool in ensuring effective functioning of the Board.

GOING CONCERN

The Accounting Authority is of the opinion that Fasset will continue as a going concern to 31 March 2009. The following reasons form the basis of our conclusion:

- Fasset has met all its budgetary requirements for the current year and will continue to do so in the future;
- Fasset has assessed all its legal opinions and does not consider that this will impact the going concern assumption.

NSDS

Fasset's achievements in terms of NSDS targets are reflected in Appendix A (page 63).

GENERIC NATURE OF PRIOR PERIOD ERROR

As a collective, Setas and their respective stakeholders further interpreted various legislation and accounting principles governing revenue recognition flowing from Skills Development Levies which necessitated the restatement of revenue in line with GRAP 3.

During prior years the Setas recognised revenue when the employers submitted the EMP201 to SARS, whilst it is now recognised on the receipts of funds or the allocation from DoL, whichever comes first. This revenue was approximately delayed by two months.

The calculation for the provision of grants has been affected by this interpretation as well as the allocation as far as Admin Expenditure is concerned. For further disclosure please refer to Note 23 of the Annual Financial Statements.



REMUNERATION

In terms of Fasset Policy, the Management Board is not remunerated. The remuneration of the CEO and COO, who are full-time employees, is reflected below.



MPUSENG MOLOI
Chairman

Chief Executive Officer's Remuneration

	2007/08	2006/07	
Pension	R0	R0	Not paid by Fasset. Employees are personally responsible for pension contributions.
Medical	R0	R0	Not paid by Fasset. Employees are personally responsible for medical aid contributions.
Allowances: Car and Subsistence	R48 000	R48 000	Included as part of structuring of package.
Base Remuneration	R1 027 000	R741 981	
Total Guaranteed Cost to Company	R1 075 000	R789 981	Benchmarked annually
Non Guaranteed (At Risk) Remuneration	R107 500	R78 998	The Fasset incentive scheme is benchmarked and negotiated annually. The incentive is dependent on personal performance, Seta core function (department) performance and the results of an external evaluation of Seta performance.
Total Guaranteed and Non-Guaranteed Remuneration	R1 182 500	R868 979	

Chief Operating Officer's Remuneration

	2007/08	2006/07	
Pension	R0	R0	Not paid by Fasset. Employees are personally responsible for pension contributions.
Medical	R0	R0	Not paid by Fasset. Employees are personally responsible for medical aid contributions.
Allowances: Car and Subsistence	R13 846	R13 846	Included as part of structuring of package.
Base Remuneration	R738 664	R554 908	
Total Guaranteed Cost to Company	R752 510	R568 754	Benchmarked annually
Non Guaranteed (At Risk) Remuneration	R75 250	R56 875	The Fasset incentive scheme is benchmarked and negotiated annually. The incentive is dependent on personal performance, Seta core function (department) performance and the results of an external evaluation of Seta performance.
Total Guaranteed and Non-Guaranteed Remuneration	R827 760	R625 629	

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2008**

	Note	2007/08 R'000	2006/07 R'000
REVENUE			
Skills Development Levy transfer from non-exchange transactions	2	166 925	136 316
Skills Development Levy penalties and interest from non-exchange transactions		819	879
National Skills Fund income	14	14 519	27 762
Donations for special projects		-	6
Investment income	3	10 398	7 839
Other income	4	2	14
Total Revenue		192 663	172 816
EXPENSES			
Employer grant and project expenses	5	(148 924)	(135 983)
Administration expenses	6	(15 944)	(14 207)
National Skills Fund expenses	14	(14 519)	(27 762)
Special project expenditure		-	(6)
Total Expenses		(179 387)	(177 958)
NET SURPLUS/(DEFICIT) FOR THE YEAR	1	13 276	(5 142)



STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2008

	Note	2007/08 R'000	2006/07 R'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	747	811
Intangible assets	8	29	20
Current Assets			
Accounts receivable from non-exchange transactions	9	4 446	2 942
Accounts receivable - Other	10	1 045	947
Loans receivable	11	3 000	-
Cash and cash equivalents	12	121 077	111 624
Total Assets		130 344	116 344
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	13	57 095	56 410
National Skills Fund received in advance	14	3 482	3 533
Provisions	15	283	193
Total Liabilities		60 860	60 136
NET ASSETS		69 484	56 208
Funds and Reserves			
Administration reserve		776	831
Employer grant reserve		951	274
Discretionary reserve		67 757	55 103
TOTAL FUNDS AND RESERVES		69 484	56 208

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2008**

	Note	Administration Reserve R'000	Employer Grant Reserve R'000	Discretionary Reserve R'000	Unappropriated Surplus R'000	Total R'000
Balance at 1 April 2006 as previously reported		874	89	71 434	-	72 397
Effect of change in interpretation of legislation	23	-	-	(11 047)	-	(11 047)
Balance at 1 April 2006 as restated		874	89	60 387	-	61 350
Net deficit per Statement of Financial Performance		-	-	-	(5 142)	(5 142)
Allocation of unappropriated surplus	1	3 280	11 583	(20 005)	5 142	-
Excess reserves transferred to discretionary reserve		(3 323)	(11 398)	14 721	-	-
Balance at 31 March 2007 as restated		831	274	55 103	-	56 208
Net surplus per Statement of Financial Performance		-	-	-	13 276	13 276
Allocation of unappropriated surplus	1	5 288	21 470	(13 482)	(13 276)	-
Excess reserves transferred to discretionary reserve		(5 343)	(20 793)	26 136	-	-
Balance at 31 March 2008		776	951	67 757	-	69 484

An amount of R776 000 (2007: R831 000) is retained in the administration reserve equal to the carrying value of Property, plant and equipment and Intangible assets.

A provision of R951 000 (2007: R274 000) is disclosed in the employer grant reserve for newly-registered member companies, participating after the legislative cut-off date.



**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	Note	2007/08 R'000	2006/07 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Activities			
Cash receipts from stakeholders		166 511	135 632
Levies, interest and penalties received	2	168 823	136 116
Other cash receipts from stakeholders		(2 312)	(484)
Cash paid to stakeholders, suppliers and employees		(181 508)	(175 002)
Grants and project payments		(144 430)	(135 443)
Special projects		(14 519)	(27 768)
Project payments for the National Skills Fund		(3 000)	-
Compensation of employees		(5 755)	(4 854)
Payments to suppliers and other		(13 804)	(7 385)
VAT received		-	448
Cash utilised in operations	16	(14 997)	(39 370)
Interest received	3	10 211	7 708
Special projects	14	14 468	29 005
Net cash inflow/(outflow) from operating activities		9 682	(2 657)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, plant, equipment and Intangible assets	7 & 8	(229)	(221)
Net cash outflow from investing activities		(229)	(221)
Net increase/(decrease) in cash and cash equivalents		9 453	(2 878)
Cash and cash equivalents at beginning of year	12	111 624	114 502
Cash and cash equivalents at end of year	12	121 077	111 624

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by the respective accounting standards.

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP) and the Public Finance Management Act (PFMA) (Act No 1 of 1999), as amended, including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP

- GRAP 1: Presentation of financial statements
- GRAP 2: Cash flow statements
- GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of GAAP

- AC101: Presentation of financial statements
- AC118: Cash flow statements
- AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the Financial Statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the Financial Statements:

Terminology differences:

Standard of GRAP

- Statement of Financial Performance
- Statement of Financial Position

- Statement of Changes in Net Assets
- Net assets
- Surplus/deficit
- Accumulated surplus/deficit
- Contributions from owners
- Distributions to owners

Replaced Statement of GAAP

- Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Equity
- Profit/loss
- Retained earnings
- Share capital
- Dividends

The Cash Flow Statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the Statement of Financial Position such as:

- a. receivables from non-exchange transactions, including taxes and transfers
- b. taxes and transfers payable
- c. trade and other payables from non-exchange transactions

Amount and nature of any restrictions on cash balances is required.

The principal Accounting Policies adopted in the preparation of these Financial Statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

2. REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable. Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably.



2.1 Levy Income

The Accounting Policy for the recognition and measurement of Skills Development Levy (SDL) income has been amended on the basis of a revised interpretation of the Skills Development Act (the Act), 1998 (Act No 97 of 1998), as amended (SDA) and the Skills Development Levies Act (the Levies Act), 1999 (Act No 9 of 1999), as amended (SDLA).

SDL transfers are recognised when it is probable that future economic benefits will flow to the Seta and these benefits can be measured reliably. This occurs when the Department of Labour (DoL) either makes an allocation or a payment, whichever comes first, to the Seta, as required by Section 8 of the Levies Act. The new policy was effective from 1 April 2007.

In terms of Section 3(1) and 3(4) of the Levies Act, registered member companies of the Seta pay an SDL of 1% of the total payroll cost to the South African Revenue Service (SARS), who collects the levies on behalf of DoL. Companies with an annual payroll cost less than R500 000 are exempted in accordance with Section 4(b) of the Levies Act as amended, effective 1 August 2005.

80% of SDL is paid over to the Seta (net of the 20% contribution to the National Skills Fund (NSF)). The Seta was not in a position to verify that SARS has collected all potential skills levy income.

Levy income is recognised on the accrual basis.

Revenue is adjusted for inter-seta transfers due to employers changing Setas. Such adjustments are separately disclosed as inter-seta transfers. The amount of the inter-seta adjustment is calculated according to the most recent Standard Operating Procedure issued by DoL.

When a new employer is transferred to the Seta, the levies transferred by the former Seta are recognised as revenue and allocated to the respective category to maintain its original identity.

2.2 Interest and Penalties

Interest and penalties received on the SDL are recognised on the accrual basis.

2.3 Funds allocated by the NSF for Special Projects

Funds transferred by the NSF are accounted for in the Financial Statements of the Seta as a liability until the related eligible special project expenses are incurred, then the liability is extinguished and revenue recognised.

2.4 Government Grants and Other Donor Income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income, as and when the conditions are met. Unconditional grants received are recognised when the amounts have been received.

2.5 Investment Income

Interest income is accrued on a time-proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

3. GRANTS AND PROJECT EXPENDITURE

A registered employer may recover a maximum of 50% of its total levy payment as a mandatory grant (excluding interest and penalties) by complying with the criteria in accordance with the SDA 1998, Seta Grant Regulations regarding monies received and related matters (the Seta Grant Regulations).

Mandatory Grants

Grants are equivalent to 50% of the total levies contributed by employers during the corresponding financial period, if the employer meets the criteria in the Seta Grant Regulations.

Discretionary Grant and Project Expenditure

A Seta may, out of surplus monies and in accordance with criteria as defined in the Seta Grant Regulations, allocate funds

to employers and other associations or organisations. The criteria for allocating funds are approved by the Seta Board. Where necessary it can be required of interested employers, associations or organisations to complete and submit a funding application for consideration and approval by the Seta.

A Seta may allocate discretionary grants to employers who have submitted an application for a discretionary grant in the prescribed form, within the agreed upon cut-off period.

Project expenditure comprises:

- costs that relate directly to the specific project
- costs that are attributable to project activity in general and can be allocated to the project
- such other costs as are specifically chargeable to the Seta under the terms of the contract

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics.

Discretionary grant and project costs are recognised as expenses in the period in which they are incurred.

Retrospective Adjustments by SARS

The Seta refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the Seta is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment, net of bad debts and the provision for irrecoverable amounts.

4. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, as amended
- The SDA, as amended

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure is charged against the respective class of expense in the period in which it is incurred.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less any subsequent accumulated depreciation, and adjusted for any impairments. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (ie impairment losses are recognised).

The gain or loss on disposal of Property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount and is taken into account in determining operating surplus.

6. INTANGIBLE ASSETS

Intangible assets is stated at cost less any subsequent accumulated amortisation and adjusted for any impairments. Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (ie impairment losses are recognised).



The gain or loss on disposal of Intangible assets is determined as the difference between the sale proceeds and the carrying amount and is taken into account in determining operating surplus.

7. LEASING

Finance leases consistent with the definition set out in the Treasury Regulations refer to a contract that transfers the risks, rewards, rights and obligations incident to ownership to the lessee and is recorded as a purchase of Property, plant and equipment by means of long-term borrowing. All other leases are classified as operating leases.

Payments made under operating leases (leases other than finance leases) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

8. PROVISIONS

Provisions are recognised when the Seta has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Long-term provisions are discounted to net present value.

8.1 Provision for Employee Entitlements

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to reporting date. Provisions included in the Statement of Financial Position are provisions for leave (based on the current salary rates).

Termination benefits are recognised and expensed only when the payment is made.

No provision has been made for retirement benefits as the Seta does not provide for retirement benefits for its employees.

9. GRANTS

Mandatory Grant Payments

A liability is recognised for mandatory grant payments once the specific criteria set out in the Seta Grant Regulations have been complied with by member companies and it is probable that the Seta will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. This measurement involves an estimate, based on the amount of levies received.

Discretionary Grant Payments

A liability is recognised for discretionary grant payments once the specific criteria set out in the Seta Grant Regulations, and any additional criteria as approved by the Seta Board, have been complied with by member companies and it is probable that the Seta will approve the grant application for payment. The liability is measured at the net present value of the expected future cash outflow as determined in accordance with the Act. This measurement involves an estimate, based on the amount of levies received.

Discretionary Projects

No provision is made for projects approved at year-end, unless the service in terms of the contract has been delivered. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the Notes to the Annual Financial Statements.

10. FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are recognised on the Seta's Statement of Financial Position when the Seta becomes a party to the contractual provisions of the instrument.

Financial Assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a

contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

All financial assets of the Seta were categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market, are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Financial Liabilities

All financial liabilities of the Seta were classified as other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

11. RESERVES

Net Assets are classified based on the restrictions placed on the distribution of monies received in accordance with the Seta Grant Regulations as follows:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus



Employer levy payments are set aside in terms of the Act and the Seta Grant Regulations for the purposes indicated in the table below.

	2007/08 %	2006/07 %
Administration costs of the Seta	10	10
Employer grant fund levy	50	50
Discretionary grants and projects	20	20
Received by the Seta	80	80
Contribution to the NSF	20	20
	<u>100</u>	<u>100</u>

In addition, contributions received from public service employers in the national or provincial spheres of government may be used to fund the Seta's administration costs.

Interest and penalties received from SARS, as well as interest received on investments, is utilised for discretionary grant projects.

Surplus funds in the administration reserve, and unallocated funds in the employer grant reserve, are moved to the discretionary fund reserve. Provision is made in the administration reserve equal to the net book value of depreciable assets. Provision is made in the employer grant reserve for newly-registered member companies, participating after the legislative cut-off date.

12. COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

13. TAXATION

No provision has been made for taxation, as the Seta is exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act No 58 of 1962).

14. CONSUMABLE INVENTORY

An individual consumable purchase, in excess of R1 000, is recognised as an asset on the date of acquisition and measured at the cost of the acquisition. It is subsequently recognised in surplus or deficit as it is consumed.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

1. ALLOCATION OF NET SURPLUS FOR THE CURRENT YEAR TO RESERVES

	Employer Grants Reserve					Total Discretionary R'000	
	Total per Statement of Financial Performance 2007/08 R'000	Administration Reserve R'000	Mandatory Skills Grant R'000	Discretionary Grants R'000	Special Projects R'000		Projects R'000
Total Revenue	192 663	21 232	103 601	42 094	14 519	11 217	67 830
Skills Development Levy transfer from non-exchange transactions							
Levy transfer: Administration (10%)	21 230	21 230	-	-	-	-	-
Levy transfer: Employer grants (70%)	145 695	-	103 601	42 094	-	-	42 094
Skills Development Levy penalties and interest from non-exchange transactions	819	-	-	-	-	819	819
National Skills Fund income	14 519	-	-	-	14 519	-	14 519
Donations for special projects	-	-	-	-	-	-	-
Investment income	10 398	-	-	-	-	10 398	10 398
Other income	2	2	-	-	-	-	-
Total Expenses	179 387	15 944	82 131	9 141	14 519	57 652	81 312
Administration expenses	15 944	15 944	-	-	-	-	-
Donations for special projects	-	-	-	-	-	-	-
National Skills Fund expenses	14 519	-	-	-	14 519	-	14 519
Employer grants and project expenses	148 924	-	82 131	9 141	-	57 652	66 793
Net surplus per Statement of Financial Performance allocated	13 276	5 288	21 470	32 953	-	(46 435)	(13 482)

ALLOCATION OF NET DEFICIT FOR THE PRIOR YEAR TO RESERVES

	Employer Grants Reserve					Discretionary Reserve			Total Discretionary R'000
	Total per Statement of Financial Performance 2006/07 R'000	Administration Reserve R'000	Mandatory Skills Grant R'000	Discretionary Grants R'000	Special Projects R'000	Projects R'000			
Total Revenue	172 816	17 487	84 759	34 084	27 768	8 718		70 570	
Skills Development Levy transfer from non-exchange transactions									
Levy transfer: Administration (10%)	17 473	17 473	-	-	-	-	-	-	
Levy transfer: Employer grants (70%)	118 843	-	84 759	34 084	-	-	-	34 084	
Skills Development Levy penalties and interest from non-exchange transactions	879	-	-	-	-	879	-	879	
National Skills Fund income	27 762	-	-	-	27 762	-	-	27 762	
Donations for special projects	6	-	-	-	6	-	-	6	
Investment income	7 839	-	-	-	-	7 839	-	7 839	
Other income	14	14	-	-	-	-	-	-	
Total Expenses	177 958	14 207	73 176	10 577	27 768	52 230		90 575	
Administration expenses	14 207	14 207	-	-	-	-	-	-	
Donations for special projects	6	-	-	-	6	-	-	6	
National Skills Fund expenses	27 762	-	-	-	27 762	-	-	27 762	
Employer grants and project expenses	135 983	-	73 176	10 577	-	52 230	-	62 807	
Net deficit per Statement of Financial Performance allocated	(5 142)	3 280	11 583	23 507	-	(43 512)		(20 005)	

2. SKILLS DEVELOPMENT LEVY TRANSFER FROM NON-EXCHANGE TRANSACTIONS

The total levy transfer per the Statement of Financial Performance is as follows:

	2007/08 R'000	2006/07 R'000
Levy transfer: Administration	21 230	17 473
Levies received	21 365	17 338
Levies received from DoL	21 555	16 973
Government levies received	431	331
Inter-seta transfers in	455	119
Inter-seta transfers out	(1 076)	(85)
Levies accrued	(135)	135
Levy transfer: Employer grants	103 601	84 759
Levies received	104 275	84 085
Levies received from DoL	107 378	84 220
Inter-seta transfers in	2 274	1 149
Inter-seta transfers out	(5 377)	(1 284)
Levies accrued	(674)	674
Levy transfer: Discretionary grants	42 094	34 084
Levies received	42 364	33 814
Levies received from DoL	43 597	33 688
Inter-seta transfers in	917	405
Inter-seta transfers out	(2 150)	(279)
Levies accrued	(270)	270
	<u>166 925</u>	<u>136 316</u>

3. INVESTMENT INCOME

	2007/08 R'000	2006/07 R'000
Interest income		
Accruals on bank deposits	187	131
Bank deposits	10 211	7 708
	<u>10 398</u>	<u>7 839</u>

4. OTHER INCOME

	2007/08 R'000	2006/07 R'000
Other income comprises:		
Bad debt recovered	2	-
Insurance claim settlement	-	14
	<u>2</u>	<u>14</u>



5. EMPLOYER GRANT AND PROJECT EXPENSES

	2007/08 R'000	2006/07 R'000
Mandatory grants	82 131	73 176
Disbursed	77 040	75 409
Movement in provisions and accruals	5 091	(2 233)
Discretionary grants	9 141	10 577
Disbursed	8 047	8 900
Movement in provisions and accruals	1 094	1 677
Project expenditure	57 652	52 230
Disbursed	59 343	51 134
Movement in provisions and accruals	(1 691)	1 096
	<u>148 924</u>	<u>135 983</u>

6. ADMINISTRATION EXPENSES

	2007/08 R'000	2006/07 R'000
Advertising, marketing and promotions, communication	723	418
Allowance for doubtful debts	(287)	279
Bad debts written off	107	197
Consultancy and service provider fees	6.1 5 581	4 368
Cost of employment	6.2 5 845	4 850
Depreciation/Amortisation	268	264
Entertainment expenses	14	13
External auditor's remuneration	435	373
Legal fees	42	165
Loss on disposal of Property, plant and equipment	16	-
Maintenance, repairs and running costs	136	49
Operating lease rentals (minimum lease payments)	885	973
Remuneration to members of the audit committee	125	150
Staff training and development	185	116
Travel and subsistence	318	88
Other	1 551	1 904
Development and implementation of policies and procedures	44	402
Insurance	332	317
Internal audit fees	342	283
Other administration expenses	667	752
Telephone	166	150
	<u>15 944</u>	<u>14 207</u>

6.1 Consultancy and Service Provider Fees

Consultancy and service provider fees relates to the expenses incurred in respect of the outsourced finance, information technology maintenance and support and supply chain management functions of Fasset.

6.2 Cost of Employment

	2007/08 R'000	2006/07 R'000
Salaries and wages	5 818	4 828
Basic salaries	5 167	4 353
Performance awards	480	397
Temporary staff	117	45
Leave provision	54	33
Social contributions		
UIF	23	22
SDL	4	-
	<u>5 845</u>	<u>4 850</u>
Average number of employees	20	20

Refer to the report by the Accounting Authority on pages 28 and 29 for disclosure concerning the emoluments of the Chief Executive Officer and Chief Operating Officer.

7. PROPERTY, PLANT AND EQUIPMENT

	2007/08		
	Cost R'000	Accumulated Depreciation R'000	Closing Carrying Amount R'000
Computer equipment	462	(330)	132
Office furniture and fittings	509	(201)	308
Office equipment	772	(465)	307
Balance at end of year	<u>1 743</u>	<u>(996)</u>	<u>747</u>
Made up as follows:			
Owned assets	1 743	(996)	747
			-
	2006/07		
	Cost R'000	Accumulated Depreciation R'000	Closing Carrying Amount R'000
Computer equipment	459	(338)	121
Office furniture and fittings	466	(153)	313
Office equipment	770	(393)	377
Balance at end of year	<u>1 695</u>	<u>(884)</u>	<u>811</u>
Made up as follows:			
Owned assets	1 695	(884)	811



Movement Summary 2008

	2007/08				Carrying Amount 2008 R'000
	Carrying Amount 2007 R'000	Additions R'000	Disposals R'000	Depreciation Charge R'000	
Computer equipment	121	89	-	(78)	132
Office furniture and fittings	313	43	-	(48)	308
Office equipment	377	78	(16)	(132)	307
Balance at end of year	<u>811</u>	<u>210</u>	<u>(16)</u>	<u>(258)</u>	<u>747</u>

Movement Summary 2007

	2006/07				Carrying Amount 2007 R'000
	Carrying Amount 2006 R'000	Additions R'000	Disposals R'000	Depreciation Charge R'000	
Computer equipment	115	88	-	(82)	121
Office furniture and fittings	333	26	-	(46)	313
Office equipment	421	83	-	(127)	377
Balance at end of year	<u>869</u>	<u>197</u>	<u>-</u>	<u>(255)</u>	<u>811</u>

8. INTANGIBLE ASSETS

	2007/08		
	Cost R'000	Accumulated Amortisation/ Impairment R'000	Closing Carrying Amount R'000
Computer software	90	(61)	29
Balance at end of year	<u>90</u>	<u>(61)</u>	<u>29</u>
Made up as follows:			
Owned assets	90	(61)	29

	2006/07		
	Cost R'000	Accumulated Amortisation/ Impairment R'000	Closing Carrying Amount R'000
Computer software	71	(51)	20
Balance at end of year	<u>71</u>	<u>(51)</u>	<u>20</u>
Made up as follows:			
Owned assets	71	(51)	20

Movement Summary 2008

	2007/08				Carrying Amount 2008 R'000
	Carrying Amount 2007 R'000	Additions R'000	Disposals R'000	Amortisation R'000	
Computer software	20	19	-	(10)	29
Balance at end of year	20	19	-	(10)	29

Movement Summary 2007

	2006/07				Carrying Amount 2007 R'000
	Carrying Amount 2006 R'000	Additions R'000	Disposals R'000	Amortisation R'000	
Computer software	5	24	-	(9)	20
Balance at end of year	5	24	-	(9)	20

During the current financial year, computer software was reclassified from Property, plant and equipment to Intangible assets. Computer software complies with the definition of Intangible assets, which is an identifiable non-monetary asset without physical substance. The amortisation expense has been included in the line item 'Depreciation/Amortisation' in Note 6, administration expenses.

9. ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

		2007/08 R'000	2006/07 R'000
SDL debtors		-	1 079
Admin levy debtors		-	135
Employer grant levy debtors		-	674
Discretionary grant debtors		-	270
Inter-seta debtors	24	3 838	1 552
Employer receivables	9.1	764	754
Allowance for doubtful debts	9.1	(156)	(443)
		4 446	2 942



9.1 Employer Receivables

	2007/08 R'000	2006/07 R'000
Overpayment to employers	764	754
Allowance for doubtful debt	(156)	(443)
Effect of retrospective adjustments on affected employers	<u>608</u>	<u>311</u>

R764 000 (2007: R754 000) was recognised as a receivable relating to the overpayment to the employer in earlier periods, as a result of inaccurate information received, and is based on the amount of such grant overpayments. An amount of R156 000 (2007: R443 000) was provided for as doubtful debts.

10. ACCOUNTS RECEIVABLE - OTHER

	2007/08 R'000	2006/07 R'000
Deposits	121	119
Interest receivable	181	127
Prepaid expenses	743	687
Santam insurance settlement	-	14
	<u>1 045</u>	<u>947</u>

11. LOANS RECEIVABLE

	2007/08 R'000	2006/07 R'000
NSF receivable	<u>3 000</u>	<u>-</u>

R3 000 000 was paid to service providers who had met the contractual obligations for the NSF project. Fasset paid these service providers due to delays in the receipt of the drawdown funds from DoL.

12. CASH AND CASH EQUIVALENTS

	2007/08 R'000	2006/07 R'000
Cash at bank and in hand	3 920	3 816
Cash at bank	3 918	3 814
Cash in hand	2	2
Short-term investments/instruments	117 157	107 808
Cash and cash equivalents at end of year	<u>121 077</u>	<u>111 624</u>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short-term bank deposits was 9.7% (2007: 7.9%).

The SDA regulations state that a Seta may, if not otherwise specified by the PFMA, invest the monies in accordance with the investment policy approved by the relevant Seta.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the Seta, as a public entity that is listed in Schedule 3A of the Public Finance Management Act, Act No1 of 1999, must invest surplus funds with the Corporation for Public Deposits.

As the Seta was exempted by the National Treasury from the requirement of Treasury Regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with an investment policy as required by Treasury Regulation 31.3.5.

In the current year, an amount of R3 411 000 (2007: R3 553 000) included in the cash at bank balance represents the excess NSF project funds which will be transferred to DoL. The remaining amount of R71 000 will be utilised once the agreed contractual conditions have been met.

13. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

		2007/08 R'000	2006/07 R'000
Skills development grants payable - mandatory		23 082	20 273
Skills development grants payable - discretionary		11 361	8 633
Project creditors		14 143	15 834
Inter-seta payables	24	636	413
Employer payables		1 376	807
SARS payable	13.1	3 584	9 084
Service provider fees outstanding		973	-
Sundry payables		1 940	1 366
Trade payables		1 172	882
Other accrued		768	484
		57 095	56 410

13.1 SARS Payables

	2007/08			Closing Balance R'000
	Opening Balance R'000	Change in Estimate R'000	Addition R'000	
Provision for levies incorrectly received	(2 810)	11	(785)	(3 584)
Levies identified from variance reports	(6 274)	6 274	-	-
	(9 084)	6 285	(785)	(3 584)



	2006/07			
	Opening Balance R'000	Change in Estimate R'000	Addition R'000	Closing Balance R'000
Provision for levies incorrectly received	(1 443)	(347)	(1 020)	(2 810)
Levies identified from variance reports	1 254	-	(7 528)	(6 274)
	<u>(189)</u>	<u>(347)</u>	<u>(8 548)</u>	<u>(9 084)</u>

An amount of R3 584 000 (2007: R2 810 000) relates to levies incorrectly contributed by employers, and paid over by SARS and DoL, after being exempted from contributing Skills Development Levies due to new legislation which came into effect from 1 August 2005. An amount of Rnil (2007: R6 274 000) relates to levies incorrectly received by the Seta.

14. NATIONAL SKILLS FUND: SPECIAL PROJECTS

	2007/08 R'000	2006/07 R'000
Opening balance	3 533	2 290
Received during the year	14 324	30 519
Eupec	-	13 116
KZN/Limpopo	-	17 403
Bonani/Thuthuka projects	14 324	-
Interest received	144	95
Utilised and recognised as revenue - conditions met:	(14 519)	(27 762)
Eupec	(244)	(8 383)
KZN/Limpopo	(5)	(19 379)
Bonani/Thuthuka projects	(14 270)	-
Repaid to NSF (closure of projects)	-	(1 609)
Closing balance	<u>3 482</u>	<u>3 533</u>

The accounting policy to account for Special Projects is set out in the Accounting Policy Note 3.3. During the current year, conditional funds of R14 324 000 (2007: R30 519 000) were received from the NSF. Additional funding was received for the extension of the Thuthuka Small Practices CTA Work Readiness Programme and the Bonani Work Readiness Programme. This amount was recognised as a liability until the conditions attached were met.

During the year, R14 519 000 (2006: R27 762 000) eligible project special expenses were incurred and a corresponding amount was recognised as revenue. An amount of Rnil (2007: R1 609 000), relating to phase one of the Eupec project was repaid to the NSF. As at year end, an amount of R3 411 000 (2007: R3 553 000) represents the excess NSF project funds which will be transferred to DoL. The remaining amount of R71 000 (2007: Rnil) continues to be accounted for as a liability until the agreed contractual conditions have been met.

15. PROVISIONS

	Employee Leave Provision R'000	2007/08 R'000	2006/07 R'000
Opening carrying amount	193	193	197
Amounts utilised	(54)	(54)	(33)
Change in estimate	144	144	29
Closing carrying amount	283	283	193
Current	283	283	193

The leave provision is calculated based on the number of leave days outstanding at year end and the total cost of employment.

16. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET SURPLUS/(DEFICIT)

	2007/08 R'000	2006/07 R'000
Net surplus/(deficit) as per Statement of Financial Performance	13 276	(5 142)
Adjusted for non-cash items:		
Depreciation/Amortisation	268	264
Loss on disposal of Property, plant and equipment	16	-
Bad debts written off	107	197
Allowance for doubtful debts	(287)	279
Increase/(Decrease) in provisions - relating to employment	90	(4)
Special project income recognised	(14 519)	(27 768)
Adjusted for items separately disclosed:		
Investment income	(10 398)	(7 839)
Adjusted for working capital changes:		
Increase in receivables from non-exchange transaction	(1 324)	(1 372)
Decrease/(Increase) in receivables - other	89	(205)
Increase in loans receivable	(3 000)	-
Increase in payables	685	1 772
Movement in VAT receivable	-	448
Cash utilised in operations	(14 997)	(39 370)

17. CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. Fasset has received the approval from National Treasury for the retention of surplus funds.



18. COMMITMENTS

18.1 Discretionary Reserve

Of the balance of R67 757 000 (2007: R55 103 000) available in the discretionary reserve at the end of March 2008, R67 757 000 (2007: R55 103 000) has been approved and allocated for future projects and skills priorities as set on pages 51 to 53. Amounts for expenses that have already been contracted or incurred, and therefore included in grant expenses in the Statement of Financial Performance, are also indicated.

NSDS Indicator	Project Name	Opening Balance 2006/07 R'000	Approved by Accounting Authority R'000	Utilised R'000	Opening Balance 2007/08 R'000	Approved by Accounting Authority R'000	Utilised R'000	Total R'000
NSDS 1								
2.8	Learnership - Entry Level*	45	-	(45)	-	-	-	-
	Sub-Total Year 2 Project Fund	45	-	(45)	-	-	-	-
NSDS 2								
2.7	SDF Capacity Building*	158	-	(158)	-	-	-	-
1.1	Research*	174	-	(88)	86	-	(86)	-
2.4	IIP	264	-	(30)	234	(204)	(10)	20
2.8	Transformation Strategy*	172	-	(71)	101	-	(101)	-
2.8	Thuthuka CTA/QE 2004/05*	108	(108)	-	-	-	-	-
	Sub-Total Year 3 Project Fund	876	(108)	(347)	421	(204)	(197)	20
NSDS 3								
2.7	ABET Training*	883	202	(717)	368	-	(368)	-
1.2	SDF Capacity Building*	118	-	(118)	-	-	-	-
2.8	Learnership Implementation Tools	898	(1)	(520)	377	-	(209)	168
2.8	Debt Collection Learnership	2 001	-	5	2 006	-	(785)	1 221
4.2	BDO Spencer Stewart Work Readiness Programme*	6	-	(6)	-	-	-	-
4.2	Thuthuka RAU Undergraduate Programme*	133	(133)	-	-	-	-	-
	Sub-Total Year 4 Project Fund	4 039	68	(1 356)	2 751	-	(1 362)	1 389

* Closed projects

NSDS Indicator	Project Name	Opening Balance 2006/07 R'000	Approved by Accounting Authority R'000	Utilised R'000	Opening Balance 2007/08 R'000	Approved by Accounting Authority R'000	Utilised R'000	Total R'000
2.8	CPE*	2 274	433	(2 707)	-	-	-	-
4.2	Thuthuka CTA/QE WRP*	2 232	(1 367)	(736)	129	(106)	(23)	-
2.2	SMME Intervention - FSAs 2005/06*	880	-	(880)	-	-	-	-
5.4	Strategic Marketing*	341	-	(341)	-	-	-	-
4.2	SHA NQF 5 WRP*	48	-	(48)	-	-	-	-
4.2	The Skills Framework NQF 5 WRP*	544	-	(544)	-	-	-	-
4.2	Thuthuka - Jhb University CTA 2006*	2 452	(534)	(1 918)	-	-	-	-
4.2	CIIMA Tirisano learnership Phase 2*	1 158	(1 008)	(150)	-	-	-	-
2.8	Learnership Grant per PDI*	28 609	(32 409)	3 800	-	-	-	-
4.2	Centralised Marketing Year 5*	528	(35)	(306)	187	(57)	(130)	-
	Sub-Total Year 5 Project Fund	39 066	(34 920)	(3 830)	316	(163)	(153)	-
	NSDS 2							
4.2	Bonani NQF 5 WRP*	10 201	15	(10 216)	-	-	-	-
4.2	Thusanani NQF 6 WRP*	4 822	80	(4 902)	-	-	-	-
4.2	Centralised Marketing Year 6 Social Development Projects	170	(50)	(17)	103	-	16	119
4.2	Scimathus Phase 3*	490	(82)	(408)	-	-	-	-
4.2	Thuthuka UFH Post Graduate 2006/07*	4 409	(2 043)	(1 074)	1 292	(296)	(996)	-
4.2	Thuthuka Small Practices CTA WRP	6 148	5	(3 186)	2 967	-	(1 202)	1 765
4.2	Thuthuka WRP 2006*	453	(102)	(351)	-	-	-	-
	Sub-Total Year 6 Project Fund	26 693	(2 177)	(20 154)	4 362	(296)	(2 182)	1 884

* Closed projects

NSDS Indicator	Project Name	Opening Balance 2006/07 R'000	Approved by Accounting Authority R'000	Utilised R'000	Opening Balance 2007/08 R'000	Approved by Accounting Authority R'000	Utilised R'000	Total R'000
4.2	Project Management Year 7*	-	1 040	(1 040)	-	-	-	-
4.2	Strategic Marketing Year 7*	-	1 450	(483)	967	-	(967)	-
2.2	SMME Intervention - FSAs 2006/07*	-	1 100	(802)	298	-	(298)	-
2.8	Lifelong learning Year 7	-	4 650	(1 442)	3 208	93	(2 612)	689
5.3	Strategic Quality Assurance Interventions	-	500	(32)	468	-	-	468
2.8	Learnership Cash Grant Year 7*	-	31 408	(15 310)	16 098	(17 698)	1 600	-
1.2	SDF Upskilling*	-	40	(3)	37	-	(37)	-
4.2	Bonani 2 WRP*	-	16 516	(5 765)	10 751	(4)	(10 747)	-
4.2	Centralised Marketing Year 7	-	60	-	60	40	-	100
4.2	Thusanani 2 WRP 2007-2009	-	15 739	(1 532)	14 207	-	(9 353)	4 854
4.2	Ihukisa WRP 2007*	-	1 248	(89)	1 159	(5)	(1 154)	-
	Sub-Total Year 7 Project Fund	-	73 751	(26 498)	47 253	(17 574)	(23 568)	6 111
2.2	SMME Intervention - FSA 2007/08	-	-	-	-	2 500	(1 868)	632
2.7	Abet 2007/08	-	-	-	-	200	(47)	153
2.8	Learnership Cash Grant Year 8	-	-	-	-	15 667	(14 903)	764
2.8	Lifelong learning Year 8	-	-	-	-	6 200	(2 885)	3 315
4.2	Bonani 3 WRP	-	-	-	-	23 203	(4 840)	18 363
4.2	Thuthuka Full-Time CTA 2008-2010	-	-	-	-	28 105	(747)	27 358
4.2	Thuthuka Repeat QE Part 1 2007-2009	-	-	-	-	7 869	(3 068)	4 801
4.2	ORT CAT WRP 2008/09	-	-	-	-	2 519	(230)	2 289
4.2	Strategic Marketing Year 8	-	-	-	-	830	(426)	404
1.1	Research	-	-	-	-	1 450	(1 176)	274
	Sub-Total Year 8 Project Fund	-	-	-	-	88 543	(30 190)	58 353
	Total Project Expenditure	70 719	36 614	(52 230)	55 103	70 306	(57 652)	67 757

* Closed projects

18.2 Operating Leases

Total of future minimum lease payments under non-cancelable leases:

	2007/08 R'000	2006/07 R'000
Not later than one year	716	651
Later than one year and not later than five years	787	1 503
	<u>1 503</u>	<u>2 154</u>

The operating lease relates to building premises used for office accommodation. The lease agreement was renewed on 1 September 2005 and will be operational for a period of four years and seven months, expiring on 31 March 2010. No provision was made for an option to renew the lease on expiry. A deposit of R113 032 was paid on inception of the lease which is refunded upon termination of the lease. The deposit amount will be reduced by any outstanding costs and will accrue interest at 2% per annum. The rental escalates annually on 1 September by 10%.

19. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

To the best of our knowledge, no material losses through criminal conduct or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2008.

20. FINANCIAL INSTRUMENTS

In the course of the Seta's operations it is exposed to interest rate, credit, liquidity and market risk. The Seta has developed a comprehensive risk strategy in terms of TR 28.1 in order to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

The Seta's exposure to cash flow interest rate risk and the effective interest rates on financial instruments at reporting date are as follows:

	2007/08			
	Floating Rate		Non-Interest Bearing Rate	
	Amount R'000	Effective Interest Rate	Amount R'000	Total R'000
Assets				
Cash	121 077	9.7%	-	121 077
Accounts receivable - other	-	-	1 045	1 045
<i>Total financial assets</i>	<u>121 077</u>	<u>-</u>	<u>1 045</u>	<u>122 122</u>
Liabilities				
Trade and other payables	-	-	(17 056)	(17 056)
<i>Total financial liabilities</i>	<u>-</u>	<u>-</u>	<u>(17 056)</u>	<u>(17 056)</u>



	2006/07			
	Floating Rate		Non-Interest Bearing Rate	
	Amount R'000	Effective Interest Rate	Amount R'000	Total R'000
Assets				
Cash	111 624	7.9%	-	111 624
Accounts receivable - other	-	-	947	947
<i>Total financial assets</i>	<u>111 624</u>	<u>-</u>	<u>947</u>	<u>112 571</u>
Liabilities				
Trade and other payables	-	-	(17 200)	(17 200)
<i>Total financial liabilities</i>	<u>-</u>	<u>-</u>	<u>(17 200)</u>	<u>(17 200)</u>

Credit Risk

Financial assets, which potentially subject the Seta to the risk of non-performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable.

The Seta limits its counter-party exposure by only dealing with well-established financial institutions approved by National Treasury. The Seta's exposure is continuously monitored by the Accounting Authority. Credit risk in respect of SARS is limited as it is a government entity of sound reputation.

Credit risk with respect to levy-paying employers is limited due to the nature of the income received. The Seta's concentration of credit risk is limited to the industry (Financial and Accounting Services) in which the Seta operates. No events occurred in the industry (Financial and Accounting Services) during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. The Seta is exposed to a concentration of credit risk, as significant amounts are owed by SARS and DoL. This concentration of risk is limited as SARS/DoL is a government entity with a sound reputation.

Liquidity Risk

The Seta manages liquidity risk through proper management of working capital, capital expenditure and actual vs forecasted cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Market Risk

The Seta is exposed to fluctuations in the employment market, for example, sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the Seta is aware of.

FAIR VALUES

The Seta's financial instruments consist mainly of cash and cash equivalents, account and other receivables and account and other payables. No financial instruments were carried at an amount in excess of its fair value.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and Cash Equivalents

Cash and cash equivalents comprise cash held by the Seta and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Accounts Receivable

The carrying amount of accounts receivable is net of allowance for any doubtful debt, estimated by the Accounting Authority based on prior experience. The carrying amount of these assets approximates their fair value.

Accounts Payable

The carrying amount of account and other payables approximates their fair value due to the relatively short-term maturity of these financial liabilities.

21. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Seta's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of Property, plant and equipment and Intangible assets

The Seta reviews the estimated useful lives of Property, plant and equipment and Intangible assets at the end of each annual reporting period (Refer Note 7 and Note 8 for the carrying values of Property, plant and equipment and Intangible assets). The Seta is currently established until 31 March 2010 and in terms of the Act, read with Government Notice No R.1082 of 7 September 1999, a Seta is required to apply to the Minister for a renewal of its certificate of establishment by 1 April 2009.

In the light of the requirement to apply for a renewal of a Seta's certificate of establishment, Management was required to consider how it impacts the period over which assets are expected to be available for use by the Seta. Management determined, consistent with the prior year, that the useful life of assets should not be limited by the Seta's establishment until 31 March 2010. Management's determination of useful life also impacts the determination of the residual value of assets.



The following useful lives are used in the calculation of depreciation/amortisation:

Computer equipment	3 years
Intangible assets/Computer software	2 years
Office furniture and fittings	10 years
Office equipment	5 years

The Seta has reviewed the residual values used for the purposes of depreciation calculations in light of the amended definition of residual value. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. Residual values will be reviewed annually in the future.

22. NEW ACCOUNTING PRONOUNCEMENTS

Various revisions have been made to the statements of GAAP which become effective in future years. None of these revisions will have an impact on the financial statements of the Seta.

At the date of authorisation of these Financial Statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the Seta and may have an impact on future Financial Statements:

GRAP 9	Revenue from exchange transactions	1 April 2009
GRAP 12	Inventories	1 April 2009
GRAP 13	Leases	1 April 2009
GRAP 17	Property, plant and equipment	1 April 2009
GRAP 100	Non-current assets held for sale and discontinued operations	1 April 2009
GRAP 102	Intangible assets	1 April 2009
GRAP 24	Presentation of budget information in Financial Statements	Not yet effective

An entity shall apply Standards of GRAP for Annual Financial Statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with Section 91(1)(b) of the PFMA.

GRAP 9 - Revenue from Exchange Transactions

The Standard provides additional South African public-sector-specific examples of revenue transactions, however, it does not significantly differ from IAS 29 (AC 111) - Revenue. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of exchange transactions for which a Seta is expected to account.

GRAP 12 - Inventories

The Standard provides additional guidance on the recognition and the initial measurement of inventories, including recognising inventories acquired at no cost, or for nominal consideration, at fair value as at the date of acquisition. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of inventory for which a Seta is expected to account.

GRAP 13 - Leases

The Standard clarifies that the leases standard should still be applied even where legislation may prohibit an entity from entering into certain types of lease agreements. It further adds an additional requirement to disclose the depreciation and finance charge relating to the leased asset under-accounted for as a finance lease by the lessee.

GRAP 17 - Property, Plant and Equipment

On initial application, the Standard requires that assets which were acquired at no cost, or for a nominal cost, are accounted for at fair value as at the date of acquisition. This treatment is different to the current treatment which accounts for such assets at cost. We do not expect this to significantly impact the carrying value of assets.

GRAP 100 - Non-Current Assets held for Sale and Discontinued Operations

The Standard provides public-sector-specific examples and refers to non-cash-generating assets that are relevant to the public sector, however, it does not significantly differ from IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of such transactions for which a Seta is expected to account.

GRAP 102 - Intangible Assets

This Standard is drawn primarily from the International Accounting Standard on Intangible assets (IAS 38). The Standard does provide additional public-sector-specific examples. It also expands the identifiability criterion in the definition of an Intangible asset to include contractual rights arising from binding arrangements, and to exclude rights granted by statute. The Standard will also require, where an Intangible asset is acquired at no cost or for a nominal consideration, that its cost is recorded as its fair value as at the date it is acquired.

Guidance on website costs, together with an appendix to illustrate the relevant accounting principles, has been included in this Standard from SIC Interpretation 32 Intangible Assets – Website Costs.

An entity shall apply Standards of GRAP for Annual Financial Statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with Section 91(1)(b) of the PFMA. This date has not yet been published as at the date of this set of Financial Statements.



23. EFFECT OF CHANGE IN INTERPRETATION OF LEGISLATION

The Accounting Policy for the recognition and measurement of SDL income has been revised in line with the revised interpretation of the SDA and the SDLA. The effect of the restatement of the Financial Statements is summarised below.

	2006/07 R'000
Decrease in opening discretionary reserves at 1 April 2006	<u>(11 047)</u>
Decrease in SDL: transfer from non-exchange transactions	(2 293)
Decrease in SDL: penalties and interest from non-exchange transactions	(145)
Increase in employer grant and project expenses	(1 252)
Decrease in administration expenses	51
	<u>(3 639)</u>
Decrease in accounts receivable from non-exchange transactions	(26 076)
Increase in accounts receivable from exchange transactions	381
Decrease in trade and other payables	11 009
Decrease in discretionary reserves	<u>(14 686)</u>

24. RELATED PARTY TRANSACTIONS

24.1 Transactions with other Setas

Inter-seta transactions and balances arise due to the movement of employers from one Seta to another. No other transactions occurred during the year with other Setas. The balances at year-end included in receivables and payables are:

Note	2007/08 R'000		2006/07 R'000		
	Amount of the Transaction	Amount Receivable/ (Payable)	Amount of the Transaction	Amount Receivable/ Payable	
Receivables	9	3 646	3 838	1 673	1 552
AGRISETA		28	28	-	-
BANKSETA		248	65	165	165
CETA		-	-	5	-
CTFL		-	-	37	37
HWVSETA		23	23	-	-
INSETA		51	51	7	7
ISETT		-	-	-	2
MAPP		-	-	4	4
MQA		-	-	11	11
PSETA		-	3	-	3
SASSETA		14	33	-	88
SERVICES		3 210	3 563	1 417	1 235
TETA		-	-	27	-
VW&R SETA		72	72	-	-
Payables	13	(8 603)	(636)	(1 648)	(413)
AGRISETA		41	41	41	33
BANKSETA		46	46	18	18
CETA		7	7	5	4
ETDP SETA		44	-	-	-
FOODBEV		-	-	22	-
HWVSETA		28	27	-	-
INSETA		38	51	63	54
ISETT		70	70	102	94
MAPP		-	-	15	15
MQA		226	216	107	-
MERSETA		110	110	50	5
SASSETA		215	13	1	22
SERVICES		7 728	7	1 216	133
TETA		11	11	-	-
THETA		9	9	(17)	10
VW&R SETA		2	-	25	25
Other		28	28	-	-
Total		(4 957)	3 202	25	1 139



24.2 Transactions with Other Related Parties

The Setra has, in the normal course of its operations, entered into certain transactions with entities either related to DoL, or which had a nominated representative serving on the Setra's Management Board.

Related Party	Nature of Relationship	Transaction Type	2007/08 R'000		2006/07 R'000	
			Amount of the Transaction	Amount Receivable/(Payable)	Amount of the Transaction	Amount Receivable/(Payable)
Receivables						
Bonani and Thuthuka Projects	Related to DoL	NSF income	14 270	3 000	-	-
NSF Eupec, KZN and Limpopo Projects	Related to DoL	NSF income	250	-	27 762	-
Payables						
Bonani and Thuthuka Projects	Related to DoL	NSF expense	14 270	(3 482)	-	-
NSF Eupec, KZN and Limpopo Projects	Related to DoL	NSF expense	250	-	27 762	(3 533)
Anglo Operations Ltd	Maryanne Trollope (Board Member)	Discretionary grants	1 996	(1 700)	1 808	(1 854)
Deloitte	Dorothy Ndleiyana (Board Member)	Discretionary grants	2 710	(1 602)	593	(944)
		Consultancy and other service provider fees	5 581	(973)	4 552	33
Industrial Development Corporation	Holger Fischer (Board Member)	Discretionary grants	627	(600)	(2)	(543)
Institute of Internal Auditors	Bill Shellard (Board Member)	Discretionary grants	-	-	121	-
Institute for Public Finance and Auditing	Zahra Cassim (Board Member)	Discretionary grants	-	-	58	-
Independent Regulatory Board for Auditors	Kariem Hoosain (Board Member)	Discretionary grants	11	-	14	(3)
KPMG	Paolo Giuricich (Board Member)	Discretionary grants	1 553	(2 628)	1 077	(1 075)
Master Business Services CC	Shirley Olsen (Board Member)	Discretionary grants	25	-	25	-
PricewaterhouseCoopers	Robert Capper (Board Member)	Discretionary grants	900	(900)	457	-
		Training costs	(32)	(32)	-	-

The above transactions occurred under terms that were no more favorable than those available in similar arm's length dealings. Discretionary grants comprise of the Strategic Cash Grant, Learnership Cash Grant and project funding disbursed in accordance with the priorities as defined in the Sector Skills Plan. The amounts outstanding are unsecured and will be settled in relation to the NSF by incurring qualifying expenditure or in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debt in respect of the amounts owed by related parties.



Elsie Wabile
Thusanani WRP 2 (2007)



Ramoseli Koalibane
Bonani 2 WRP (2007)



Lazarus Makube
Bonani 2 WRP (2007)



Excellent Maseko
Bonani 2 WRP (2007)

