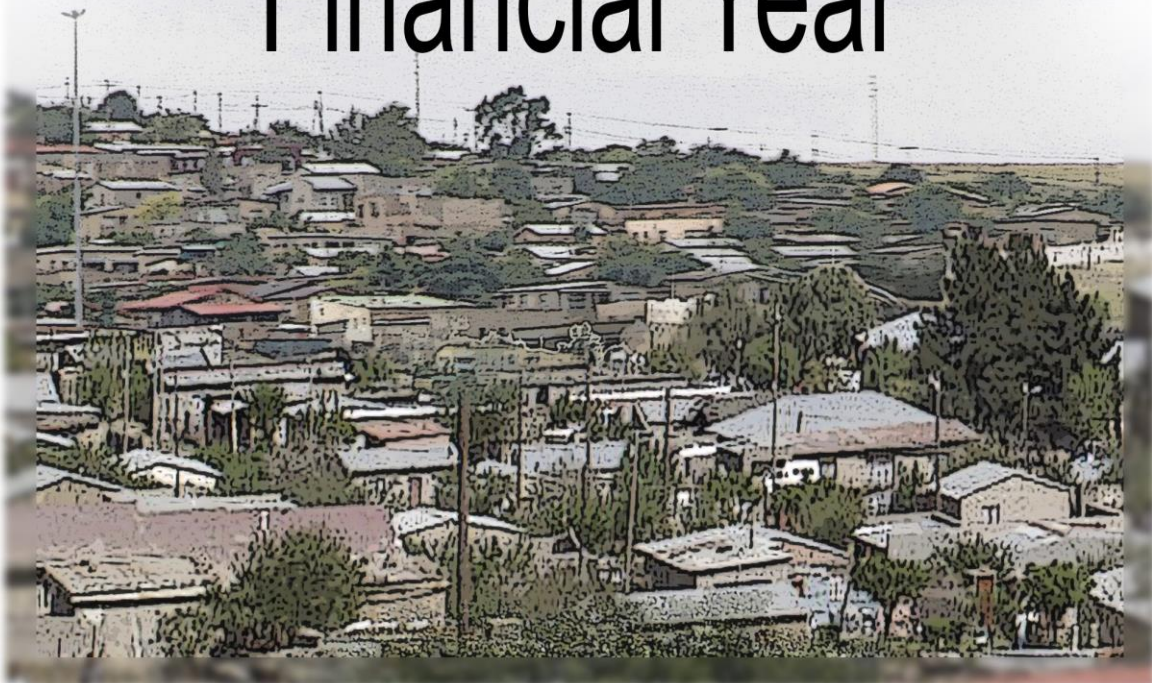


# Chapter 7

## Annual Financial Statements for the 2012/13 Financial Year





**NKETOANA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### General Information

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<b>Legal form of entity</b>	Local Municipality Demarcation number:FS193
<b>Nature of business and principal activities</b>	Providing municipal service and maintain the best interests of the local community mainly in the Reitz area.
<b>Mayoral council</b>	M.Molapisi ( Mayor ) P.Nkomo ( Speaker ) M.Malindi (Executive Member) M.Mphaka (Executive Member ) M. Blignaut (Executive Member ) M.Moloedi (Executive Member )
<b>Councillors</b>	G.Nhlapo P.Mofokeng T.Radebe M.Nakedi M.Mosia M.Semela K..Mokoena N.Shabalala P.Sibeko P.Moshoadiba S.Du Preez S.Henning
<b>Grading of local authority</b>	Medium Capacity Grade 3 in terms of the Remuneration of Public office Bearers Act
<b>Accounting Officer</b>	L.I Mokgatlhe (Municipal Manager )
<b>Chief Finance Officer (CFO)</b>	Fikile Mzizi (Acting Chief Finance Officer)
<b>Registered office</b>	Corner Church and Voortrekker Reitz 9810
<b>Business address</b>	Corner Church and Voortrekker Reitz 9810
<b>Postal address</b>	P.O. Box 26 Reitz 9810
<b>Bankers</b>	ABSA (Primary bank)
<b>Auditors</b>	Auditor General South Africa

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## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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## **Nketoana Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

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#### **Abbreviations**

<b>DBSA</b>	<b>Development Bank of South Africa</b>
<b>SA GAAP</b>	<b>South African Statements of Generally Accepted Accounting Practice</b>
<b>GRAP</b>	<b>Generally Recognised Accounting Practice</b>
<b>GAMAP</b>	<b>Generally Accepted Municipal Accounting Practice</b>
<b>VAT</b>	<b>Value Added Tax</b>
<b>IAS</b>	<b>International Accounting Standards</b>
<b>IMFO</b>	<b>Institute of Municipal Finance Officers</b>
<b>IPSAS</b>	<b>International Public Sector Accounting Standards</b>
<b>MFMG</b>	<b>Municipal Finance Management Grant</b>
<b>LG SETA</b>	<b>Local Government Sector Education Training Authority</b>
<b>MFMA</b>	<b>Municipal Finance Management Act</b>
<b>MIG</b>	<b>Municipal Infrastructure Grant</b>
<b>ABSA</b>	<b>Amalgamated Bank of South Africa</b>
<b>MSIG</b>	<b>Municipal System Improvement Grant</b>
<b>SARS</b>	<b>South African Revenue Service</b>



## **Nketoana Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is 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 accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then 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 judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer 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 the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is 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 accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

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Accounting Officer  
L.I Mokgatlhe

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	301 342	211 506
Receivables from non-exchange transactions	5	10 044 888	6 078 201
VAT receivable	6	3 469 164	3 502 201
Receivables for exchange transaction	7	69 785 812	60 069 845
Cash and cash equivalents	8	3 698 369	17 128 369
		<b>87 299 575</b>	<b>86 990 122</b>
<b>Non-Current Assets</b>			
Biological assets that form part of an agricultural activity	9	11 500	11 200
Investment property	10	2 958 485	3 076 742
Property, plant and equipment	11	595 503 185	618 313 028
Intangible assets	12	156 352	717 924
Investments	13	4 282 973	4 174 208
		<b>602 912 495</b>	<b>626 293 102</b>
Non-current assets held for sale and assets of disposal groups	14	2 250 000	2 583 593
<b>Total Assets</b>		<b>692 462 070</b>	<b>715 866 817</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	15	15 637 427	20 364 854
VAT payable	16	17 625 069	11 516 511
Consumer deposits	17	1 228 563	1 191 285
Unspent conditional grants and receipts	18	5 489 578	5 657 957
Other financial liabilities	19	427 786	430 325
Bank overdraft	8	14 088 697	-
		<b>54 497 120</b>	<b>39 160 932</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	19	12 765 548	13 270 832
Provisions	20	7 178 766	6 289 757
Employee benefit obligations	21	6 972 000	6 586 000
		<b>26 916 314</b>	<b>26 146 589</b>
<b>Total Liabilities</b>		<b>81 413 434</b>	<b>65 307 521</b>
<b>Net Assets</b>		<b>611 048 636</b>	<b>650 559 296</b>
<b>Net Assets</b>			
Accumulated surplus		611 048 636	650 559 296

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	76 524 578	74 593 511
Rental of facilities and equipment		415 297	323 901
Interest received (trading)		16 416 211	15 529 229
Discount received		-	7 654
Recoveries		-	8 353 558
Other income	23	1 607 433	2 034 288
Interest received - investment	24	1 501 123	962 951
<b>Total revenue from exchange transactions</b>		<b>96 464 642</b>	<b>101 805 092</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	26	16 194 067	11 008 056
Government grants & subsidies	27	117 791 362	93 689 626
Public contributions and donations	28	2 043 939	10 441 162
Fines		115 585	195 850
<b>Total revenue from non-exchange transactions</b>		<b>136 144 953</b>	<b>115 334 694</b>
<b>Total revenue</b>	25	<b>232 609 595</b>	<b>217 139 786</b>
<b>Expenditure</b>			
Bulk purchases	29	(28 834 798)	(17 391 204)
Contracted services	39	(12 622 881)	(8 925 128)
Debt impairment	30	(44 402 410)	(43 155 573)
Depreciation and amortisation	31	(65 992 159)	(63 963 155)
Finance costs	32	(2 254 743)	(1 418 917)
General Expenses	33	(43 454 968)	(24 965 893)
Impairment loss	14	(333 593)	-
Personnel	34	(57 012 665)	(47 067 072)
Remuneration of councillors	35	(4 924 503)	(4 338 252)
Repairs and maintenance		(9 007 640)	(10 510 882)
<b>Total expenditure</b>		<b>(268 840 360)</b>	<b>(221 736 076)</b>
<b>Operating deficit</b>	36	<b>(36 230 765)</b>	<b>(4 596 290)</b>
Gain (loss) on disposal of assets and liabilities	36	102 341	(29 956)
Fair value adjustments	37	85 220	149 615
		<b>187 561</b>	<b>119 659</b>
<b>Deficit for the year</b>		<b>(36 043 204)</b>	<b>(4 476 631)</b>



## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	666 614 801	666 614 801
Adjustments		
Correction of errors	(8 723 598)	(8 723 598)
Prior year adjustments	(2 855 276)	(2 855 276)
Balance at 01 July 2011 as restated	655 035 927	655 035 927
Changes in net assets		
Surplus for the year	(4 476 631)	(4 476 631)
Total changes	(4 476 631)	(4 476 631)
Opening balance as previously reported	650 559 304	650 559 304
Adjustments		
Correction of errors	932 528	932 528
Prior year adjustments	(4 399 992)	(4 399 992)
Balance at 01 July 2012 as restated	647 091 840	647 091 840
Changes in net assets		
Surplus for the year	(36 043 204)	(36 043 204)
Total changes	(36 043 204)	(36 043 204)
Balance at 30 June 2013	611 048 636	611 048 636
Refer note 43 - Prior period error & adjustments		

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		53 902 600	43 963 187
Grants		118 052 625	93 689 626
Interest income		1 501 123	962 951
Other receipts		1 809 721	3 097 497
		<b>175 266 069</b>	<b>141 713 261</b>
<b>Payments</b>			
Employee costs		(61 937 168)	(50 947 630)
Suppliers		(98 671 161)	(58 628 376)
Finance costs		(945 498)	(986 333)
		<b>(161 553 827)</b>	<b>(110 562 339)</b>
<b>Net cash flows from operating activities</b>	<b>40</b>	<b>13 712 242</b>	<b>31 150 922</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(40 664 791)	(23 228 890)
Proceeds from sale of property, plant and equipment	11	352 907	-
Purchase of other intangible assets	12	(152 147)	(755 759)
Proceeds from sale of financial assets		(23 545)	(27 365)
Proceeds from sale of biological assets that form part of an agricultural activity	9	-	27 500
Other cash item		-	(1 112)
<b>Net cash flows from investing activities</b>		<b>(40 487 576)</b>	<b>(23 985 626)</b>
<b>Cash flows from financing activities</b>			
Repayment of non-current borrowings		(743 363)	(194 527)
<b>Net cash flows from financing activities</b>		<b>(743 363)</b>	<b>(194 527)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(27 518 697)</b>	<b>6 970 769</b>
Cash and cash equivalents at the beginning of the year		17 128 369	10 157 600
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>(10 390 328)</b>	<b>17 128 369</b>

## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

#### Statement of Financial Performance

##### Revenue

##### Revenue from exchange transactions

Service charges	89 532 000	(4 825 000)	<b>84 707 000</b>	76 524 578	<b>(8 182 422)</b>
Rental of facilities and equipment	557 000	145 000	<b>702 000</b>	415 297	<b>(286 703)</b>
Interest received (trading)	13 211 000	3 162 000	<b>16 373 000</b>	16 416 211	<b>43 211</b>
Other income	3 313 000	10 812 000	<b>14 125 000</b>	1 607 433	<b>(12 517 567)</b>
Interest received - investment	1 946 000	(595 000)	<b>1 351 000</b>	1 501 123	<b>150 123</b>
<b>Total revenue from exchange transactions</b>	<b>108 559 000</b>	<b>8 699 000</b>	<b>117 258 000</b>	<b>96 464 642</b>	<b>(20 793 358)</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	13 636 000	2 540 000	<b>16 176 000</b>	16 194 067	<b>18 067</b>
Operating grants & subsidies	81 223 000	-	<b>81 223 000</b>	117 791 362	<b>36 568 362</b>

##### Transfer revenue

Public contributions and donations	-	-	-	2 043 939	<b>2 043 939</b>
Fines	215 000	(113 279)	<b>101 721</b>	115 585	<b>13 864</b>

<b>Total revenue from non-exchange transactions</b>	<b>95 074 000</b>	<b>2 426 721</b>	<b>97 500 721</b>	<b>136 144 953</b>	<b>38 644 232</b>
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<b>Total revenue</b>	<b>203 633 000</b>	<b>11 125 721</b>	<b>214 758 721</b>	<b>232 609 595</b>	<b>17 850 874</b>
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##### Expenditure

Personnel	(52 629 000)	-	<b>(52 629 000)</b>	(57 012 665)	<b>(4 383 665)</b>
Remuneration of councillors	(5 080 000)	-	<b>(5 080 000)</b>	(4 924 503)	<b>155 497</b>
Depreciation and amortisation	(61 168 000)	(2 000 000)	<b>(63 168 000)</b>	(65 992 159)	<b>(2 824 159)</b>
Impairment loss/ Reversal of impairments	-	-	-	(333 593)	<b>(333 593)</b>
Finance costs	(1 080 000)	-	<b>(1 080 000)</b>	(2 254 743)	<b>(1 174 743)</b>
Debt impairment	(10 000 000)	(30 000 000)	<b>(40 000 000)</b>	(44 402 410)	<b>(4 402 410)</b>
Repairs and maintenance	(9 633 000)	-	<b>(9 633 000)</b>	(9 007 640)	<b>625 360</b>
Bulk purchases	(23 037 000)	(10 008 000)	<b>(33 045 000)</b>	(28 834 798)	<b>4 210 202</b>
Contracted Services	(9 227 000)	(1 400 000)	<b>(10 627 000)</b>	(12 622 881)	<b>(1 995 881)</b>
General Expenses	(20 774 000)	(6 329 000)	<b>(27 103 000)</b>	(43 454 968)	<b>(16 351 968)</b>

<b>Total expenditure</b>	<b>(192 628 000)</b>	<b>(49 737 000)</b>	<b>(242 365 000)</b>	<b>(268 840 360)</b>	<b>(26 475 360)</b>
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<b>Operating deficit</b>	<b>11 005 000</b>	<b>(38 611 279)</b>	<b>(27 606 279)</b>	<b>(36 230 765)</b>	<b>(42 653 288)</b>
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Gain on disposal of assets and liabilities	-	-	-	102 341	<b>102 341</b>
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Fair value adjustments	-	-	-	85 220	<b>85 220</b>
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Capital grants received	34 018 000	8 000 000	<b>42 018 000</b>	-	<b>(42 018 000)</b>
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	<b>34 018 000</b>	<b>8 000 000</b>	<b>42 018 000</b>	<b>187 561</b>	<b>(41 830 439)</b>
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<b>Deficit before taxation</b>	<b>45 023 000</b>	<b>(30 611 279)</b>	<b>14 411 721</b>	<b>(36 043 204)</b>	<b>(50 454 925)</b>
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>45 023 000</b>	<b>(30 611 279)</b>	<b>14 411 721</b>	<b>(36 043 204)</b>	<b>(50 454 925)</b>
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## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	301 342	<b>301 342</b>	
Receivables from non-exchange transactions	-	-	-	10 044 888	<b>10 044 888</b>	
VAT receivable	-	-	-	3 469 164	<b>3 469 164</b>	
Consumer debtors	47 699 000	-	<b>47 699 000</b>	69 785 812	<b>22 086 812</b>	
Cash and cash equivalents	4 351 000	-	<b>4 351 000</b>	3 698 369	<b>(652 631)</b>	
	<b>52 050 000</b>	-	<b>52 050 000</b>	<b>87 299 575</b>	<b>35 249 575</b>	
<b>Non-Current Assets</b>						
Biological assets that form part of an agricultural activity	-	-	-	11 500	<b>11 500</b>	
Investment property	-	-	-	2 958 485	<b>2 958 485</b>	
Property, plant and equipment	1 132 006 000	(2 000 000)	<b>1 130 006 000</b>	595 503 185	<b>(534 502 815)</b>	
Intangible assets	-	-	-	156 352	<b>156 352</b>	
Investments	4 351 000	-	<b>4 351 000</b>	4 282 973	<b>(68 027)</b>	
	<b>1 136 357 000</b>	<b>(2 000 000)</b>	<b>1 134 357 000</b>	<b>602 912 495</b>	<b>(531 444 505)</b>	
Non-current assets held for sale and assets of disposal groups	-	-	-	2 250 000	<b>2 250 000</b>	
<b>Total Assets</b>	<b>1 188 407 000</b>	<b>(2 000 000)</b>	<b>1 186 407 000</b>	<b>692 462 070</b>	<b>(493 944 930)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	-	-	-	427 786	<b>427 786</b>	
Payables from exchange transactions	18 831 000	-	<b>18 831 000</b>	15 637 421	<b>(3 193 579)</b>	
VAT payable	13 992 000	-	<b>13 992 000</b>	17 625 069	<b>3 633 069</b>	
Consumer deposits	-	-	-	1 228 563	<b>1 228 563</b>	
Unspent conditional grants and receipts	1 001 000	-	<b>1 001 000</b>	5 489 578	<b>4 488 578</b>	
current portion of Non-Current borrowings	131 000	-	<b>131 000</b>	-	<b>(131 000)</b>	
Bank overdraft	-	-	-	14 088 697	<b>14 088 697</b>	
	<b>33 955 000</b>	-	<b>33 955 000</b>	<b>54 497 114</b>	<b>20 542 114</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	8 634 000	-	<b>8 634 000</b>	12 765 548	<b>4 131 548</b>	
Employee benefit obligations	-	-	-	6 972 000	<b>6 972 000</b>	
Provisions	-	-	-	7 178 766	<b>7 178 766</b>	
	<b>8 634 000</b>	-	<b>8 634 000</b>	<b>26 916 314</b>	<b>18 282 314</b>	
<b>Total Liabilities</b>	<b>42 589 000</b>	-	<b>42 589 000</b>	<b>81 413 428</b>	<b>38 824 428</b>	
<b>Net Assets</b>	<b>1 145 818 000</b>	<b>(2 000 000)</b>	<b>1 143 818 000</b>	<b>611 048 642</b>	<b>(532 769 358)</b>	



## Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	103 940 000	-	103 940 000	53 902 600	(50 037 400)	
Grants	127 778 000	(4 527 000)	123 251 000	118 052 625	(5 198 375)	
Interest income	15 157 000	-	15 157 000	1 501 123	(13 655 877)	
Other receipts	-	-	-	1 809 721	1 809 721	
	<b>246 875 000</b>	<b>(4 527 000)</b>	<b>242 348 000</b>	<b>175 266 069</b>	<b>(67 081 931)</b>	
<b>Payments</b>						
Employee costs	(57 709 000)	-	(57 709 000)	(61 937 168)	(4 228 168)	
Suppliers	(133 839 000)	-	(133 839 000)	(98 671 161)	35 167 839	
Finance costs	(1 080 000)	-	(1 080 000)	(945 498)	134 502	
	<b>(192 628 000)</b>	<b>-</b>	<b>(192 628 000)</b>	<b>(161 553 827)</b>	<b>31 074 173</b>	
<b>Net cash flows from operating activities</b>	<b>54 247 000</b>	<b>(4 527 000)</b>	<b>49 720 000</b>	<b>13 712 242</b>	<b>(36 007 758)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	-	-	-	(40 664 791)	(40 664 791)	
Proceeds from sale of property, plant and equipment	-	-	-	352 907	352 907	
Purchase of other intangible assets	-	-	-	(152 147)	(152 147)	
Movement in debtors	5 048 000	-	5 048 000	-	(5 048 000)	
Movement in receivables	(178 000)	-	(178 000)	-	178 000	
Movement in investments	(152 000)	-	(152 000)	-	152 000	
Proceeds from sale of financial assets	-	-	-	(23 545)	(23 545)	
<b>Net cash flows from investing activities</b>	<b>4 718 000</b>	<b>-</b>	<b>4 718 000</b>	<b>(40 487 576)</b>	<b>(45 205 576)</b>	
<b>Cash flows from financing activities</b>						
Repayment of other financial liabilities	(344 000)	-	-	(743 363)	(743 363)	
Movement in consumer deposit	(253 000)	-	-	-	-	
<b>Net cash flows from financing activities</b>	<b>(597 000)</b>	<b>-</b>	<b>-</b>	<b>(743 363)</b>	<b>(743 363)</b>	
Net increase/(decrease) in cash and cash equivalents	58 368 000	(4 527 000)	54 438 000	(27 518 697)	(81 956 697)	
Cash and cash equivalents at the beginning of the year	(14 163 000)	-	(14 163 000)	17 128 369	31 291 369	
<b>Cash and cash equivalents at the end of the year</b>	<b>44 205 000</b>	<b>(4 527 000)</b>	<b>40 275 000</b>	<b>(10 390 328)</b>	<b>(50 665 328)</b>	