

UGU DISTRICT MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

Municipality 2010 R		Note	Group 2010 R
NET ASSETS AND LIABILITIES			
868 788 193	Net Assets (Community Wealth)		873 318 908
868 788 193	Accumulated Surplus	2	873 318 908
248 791 167	Non-Current Liabilities		248 791 167
221 274 202	Long-term Liabilities	3	221 274 202
21 537 738	Retirement Benefit Liabilities	4	21 537 738
5 979 226	Non-current Provisions	5	5 979 226
370 311 518	Current Liabilities		371 243 534
17 765 540	Consumer Deposits	6	17 765 540
2 158 779	Provisions	7	2 158 779
127 513 048	Creditors	8	128 443 160
188 580 895	Unspent Conditional Grants and Receipts	9	188 580 895
3 954	Operating Lease Payables	10	5 857
4 465	Bank Overdraft	21	4 465
34 284 837	Current Portion of Long-term Liabilities	3	34 284 837
1 487 890 878	Total Net Assets and Liabilities		1 493 353 609
ASSETS			
1 252 405 399	Non-Current Assets		1 253 129 215
1 240 220 620	Property, Plant and Equipment	11	1 240 756 147
12 155 890	Intangible Assets	12	12 344 280
100	Non-current Investments	14	-
28 789	Long-term Receivables	15	28 789
235 485 479	Current Assets		240 224 393
7 546 988	Inventory	16	7 546 988
1 001 039	Non-current Assets Held-for-Sale	17	1 001 039
45 275 748	Consumer Debtors	18	45 275 748
9 439 785	Other Debtors	19	11 712 013
19 474 078	VAT Receivable	20	19 583 043
152 736 683	Bank, Cash and Cash Equivalents	21	155 094 405
11 158	Current Portion of Long-term Receivables	15	11 158
1 487 890 878	Total Assets		1 493 353 609

UGU DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Note	Group
2010			2010
R			R
REVENUE			
246 729 458	Service Charges	23	246 729 458
792 249	Rental of Facilities and Equipment	24	792 249
9 885 446	Interest Earned - External Investments	25	10 020 351
38 474 536	Interest Earned - Outstanding Debtors	25	38 474 536
526 279 024	Government Grants and Subsidies Received	26	528 419 024
1 509 328	Public Contributions and Donations	27	1 509 328
107 833 455	Other Revenue	28	109 039 806
-	Other Gains on Continued Operations	38	3 204 503
931 503 496	Total Revenue		938 189 254
EXPENDITURE			
194 765 871	Employee Related Costs	29	198 015 582
6 466 540	Remuneration of Councillors	30	6 565 015
-	Collection Costs		-
44 718 176	Depreciation and Amortisation	31	44 826 347
18 177 847	Impairment Losses	32	18 177 847
32 213 391	Repairs and Maintenance		32 255 949
9 300 073	Finance Costs	33	9 304 273
25 672 081	Bulk Purchases	34	25 672 081
16 712 687	Contracted Services	35	16 712 687
215 868 942	Grants and Subsidies Paid	36	207 868 942
180 915 243	General Expenses	37	187 563 705
-	Other Losses on Continued Operations		3 467
28 574	Loss on Disposal of Property, Plant and Equipment		28 574
744 839 425	Total Expenditure		746 994 469
186 664 070	SURPLUS FOR THE YEAR		191 194 785

Refer to Appendix E(1) for explanation of variances

UGU DISTRICT MUNICIPALITY

MUNICIPALITY - STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
Balance at 30 June 2009	-	682 124 123	682 124 123
2010		-	
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)		-	-
Restated Balance	-	682 124 123	682 124 123
Surplus for the year		186 664 070	186 664 070
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Donations / Grants utilised to obtain PPE		-	-
Interest received		-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2010	-	868 788 193	868 788 193

GROUP - STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
Balance at 30 June 2009	-	682 124 123	682 124 123
2010		-	
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)		-	-
Restated Balance	-	682 124 123	682 124 123
Surplus for the year		191 194 785	191 194 785
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Donations / Grants utilised to obtain PPE		-	-
Interest received		-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2010	-	873 318 908	873 318 908

Details on the movement of the Reserves are set out in Note 2.

UGU DISTRICT MUNICIPALITY
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		830 378 048	835 714 692
Cash paid to Suppliers and Employees		(677 588 413)	(647 294 402)
Cash generated from / (utilised in) Operations	41	152 789 634	188 420 290
Interest received	25	48 494 887	14 140 734
Interest paid	33	(9 304 273)	(8 514 190)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		191 980 249	194 046 834
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(379 246 228)	(225 691 851)
Purchase of Intangible Assets	12	(7 656 603)	(1 312 948)
Decrease / (Increase) in Non-current Investments	14	15 676 174	(1 900 488)
Decrease / (Increase) in Long-term Receivables	15	46 282	27 177
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(371 176 908)	(228 878 110)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	3	148 666 873	16 103 131
Loans repaid	3	(10 481 864)	(7 107 970)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		138 185 009	8 995 161
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(41 011 650)	(25 836 115)
Cash and Cash Equivalents at the beginning of the year	21	196 101 591	221 937 705
Cash and Cash Equivalents at the end of the year	21	155 089 940	196 101 591

UGU DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010 R		2010 R
	1. GENERAL INFORMATION	
	<p>Ugu District Municipality is a local government institution in Port Shepstone, Kwa-Zulu Natal. The addresses of its registered office and principal place of business are disclosed in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p> <p>Ugu - South Coast Tourism is a municipal entity in Port Shepstone, Kwazulu-Natal. The addresses of its registered office and principal place of business are disclosed in the introduction and overview of the Annual Report. The principal activities of the entity are disclosed in the Annual Report.</p>	
	2. ACCUMULATED SURPLUS	
	The Accumulated Surplus consists of the following Reserves:	
450 040	Capital Replacement Reserve (CRR)	450 040
42 045 163	Capitalisation Reserve	42 045 163
2 687 161	Donations and Public Contributions Reserve	2 687 161
575 408 823	Government Grants Reserve	575 408 823
248 197 007	Accumulated Surplus / (Deficit) due to the results of Operations	252 727 722
<u>868 788 193</u>	Total Accumulated Surplus	<u>873 318 908</u>
	<p>The Capital Replacement Reserve is a reserve to finance future capital expenditure and is invested in Financial Instrument Investments. See Notes 14 and 21 for more detail.</p> <p>The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures community wealth and is not backed by cash.</p> <p>The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures community wealth and is not backed by cash.</p> <p>The Government Grants Reserve equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures community wealth and is not backed by cash.</p> <p>Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.</p>	
	3. LONG-TERM LIABILITIES	
20 300 000	Local Registered Stock	20 300 000
226 116 260	Annuity Loans	226 116 260
9 142 779	Finance Lease Liabilities	9 142 779
<u>255 559 040</u>	Sub-total	<u>255 559 040</u>
34 284 837	Less: Current Portion transferred to Current Liabilities	34 284 837
20 300 000	Local Registered Stock	20 300 000
7 018 972	Annuity Loans	7 018 972
6 965 865	Finance Lease Liabilities	6 965 865
<u>221 274 202</u>	Total Long-term Liabilities	<u>221 274 202</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

3.1 Summary of Arrangements

Local Registered Stock is repaid over a period of 1 year and at interest rates varying from 15,60% to 16,80% per annum. Local Registered Stock is not secured.

Annuity Loans are repaid over periods varying from 1 to 19 years and at interest rates varying from 2,65% to 11,00% per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles with lease term periods of 3 years. The effective interest rate on Finance Leases is between 11,41% and 12,50% . Capitalised Lease Liabilities are secured over the items of vehicles leased.

R17 838 885 has been invested specifically in a ring-fenced account for the repayment of Long-term Liabilities. See Notes 14 and 44 for more detail.

Refer to Appendix "A" for more detail on Long-term Liabilities.

3.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms of not more than 3 years . The effective interest rate on Finance Leases is between 11,41% and 12,50%.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

Present Value of Lease Payments 2010 R		Minimum Lease Payments 2010 R	Present Value of Lease Payments 2010 R
6 306 028	Within one year	6 306 028	6 306 028
3 744 482	In the second to third years, inclusive	3 744 482	3 744 482
<u>10 050 510</u>		<u>10 050 510</u>	<u>10 050 510</u>
907 730	Less: Future Finance Obligations	907 730	907 730
<u>9 142 779</u>	Present Value of Minimum Lease Obligations	<u>9 142 779</u>	<u>9 142 779</u>
(6 965 865)	Less: Amounts due for settlement within 12 months (Current Portion)		(6 965 865)
<u><u>2 176 914</u></u>	Finance Lease Obligations due for settlement after 12 months (Non-current Portion)		<u><u>2 176 914</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

Included in these classes are the following significant leases:

R 2 176 914	(i) Vehicles	R 2 176 914
11 months	- Instalments are payable monthly in arrears	11 months
11.57%	- Average period outstanding	11.57%
R 83 321	- Average effective interest rate, based on prime	R 83 321
	- Average monthly instalment	

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
4. RETIREMENT BENEFIT LIABILITIES		
4.1 Post-retirement Health Care Benefits Liability		
20 565 203	Balance at beginning of Year	20 565 203
1 604 539	Contributions to Provision	1 604 539
22 169 742	Balance at end of Year	22 169 742
(632 004)	Transfer to Current Provisions	(632 004)
21 537 738	Total Post-retirement Health Care Benefits Liability	21 537 738

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Aid Benefit Plan are made up as follows:

426	In-service Members (Employees)	426
39	Continuation Members (Retirees, widowers and orphans)	39
465	Total Members	465

The liability in respect of past service has been estimated as follows:

11 804 839	In-service Members	11 804 839
8 817 789	Continuation Members	8 817 789
20 622 628	Total Liability	20 622 628

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2010 is estimated to be R1 318 923, whereas the cost for the ensuing year is estimated to be R1 264 965.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

9.14%	Discount rate	9.14%
7.18%	Health Care Cost Inflation Rate	7.18%
1.82%	Net Effective Discount Rate	1.82%
63	Expected Retirement Age - Females	63
63	Expected Retirement Age - Males	63

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	Movements in the present value of the Defined Benefit Obligation were as follows:	
20 526 171	Balance at the beginning of the year	20 526 171
1 318 923	Current service costs	1 318 923
1 832 730	Interest cost	1 832 730
(690 754)	Benefits paid	(690 754)
(2 364 443)	Actuarial losses / (gains)	(2 364 443)
20 622 628	Present Value of Fund Obligation at the end of the Year	20 622 628
1 547 114	Actuarial losses / (gains) unrecognised	1 547 114
22 169 742	Total Recognised Benefit Liability	22 169 742
	The amounts recognised in the Statement of Financial Position are as follows:	
20 622 628	Present value of fund obligations	20 622 628
20 622 628	Unfunded Accrued Liability	20 622 628
1 547 114	Unrecognised actuarial gains / (losses)	1 547 114
22 169 742	Total Benefit Liability	22 169 742
	The amounts recognised in the Statement of Financial Performance are as follows:	
1 318 923	Current service cost	1 318 923
1 832 730	Interest cost	1 832 730
(1 547 114)	Actuarial losses / (gains)	(1 547 114)
1 604 539	Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 604 539
	The history of experienced adjustments is as follows:	
20 622 628	Present Value of Defined Benefit Obligation	20 622 628
20 622 628	Deficit	20 622 628
(214 812)	Experienced adjustments on Plan Liabilities	(214 812)
	In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.	
	The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:	
	Increase:	
623 300	Effect on the aggregate of the current service cost and the interest cost	623 300
3 506 752	Effect on the defined benefit obligation	3 506 752
	Decrease:	
(490 100)	Effect on the aggregate of the current service cost and the interest cost	(490 100)
(2 823 706)	Effect on the defined benefit obligation	(2 823 706)
	The municipality expects to make a contribution of R3,121 million to the Defined Benefit Plans during the next financial year.	
	Refer to Note 49, "Multi-employer Retirement Benefit Information", for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.	

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	5. NON-CURRENT PROVISIONS	
5 979 226	Provision for Long-term Service	5 979 226
<u>5 979 226</u>	Total Non-current Provisions	<u>5 979 226</u>
	The movement in Non-current Provisions are reconciled as follows:	
	Long-term Service	
4 874 279	Balance at beginning of year	4 874 279
1 995 837	Contributions to provision	1 995 837
<u>6 870 116</u>		<u>6 870 116</u>
(890 890)	Transfer to current provisions	(890 890)
<u>5 979 226</u>	Balance at end of year	<u>5 979 226</u>
	5.1 Long-service Awards	
	The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.	
	The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.	
	At year-end, 879 employees were eligible for Long-service Awards.	
	The Current-service Cost for the year ending 30 June 2010 is estimated to be R818 999, whereas the cost for the ensuing year is estimated to be R1 255 246.	
	The principal assumptions used for the purposes of the actuarial valuations were as follows:	
9.04%	Discount rate	9.04%
6.38%	Salary Cost Inflation Rate	6.38%
2.50%	Net Effective Discount Rate	2.50%
63	Expected Retirement Age - Females	63
63	Expected Retirement Age - Males	63
	Movements in the present value of the Defined Benefit Obligation were as follows:	
5 356 719	Balance at the beginning of the year	5 356 719
818 999	Current service costs	818 999
471 724	Interest cost	471 724
(482 440)	Benefits paid	(482 440)
705 114	Actuarial losses / (gains) recognised	705 114
<u>6 870 116</u>	Present Value of Fund Obligation at the end of the Year	<u>6 870 116</u>
-	Actuarial losses / (gains) unrecognised	-
<u>6 870 116</u>	Total Recognised Benefit Liability	<u>6 870 116</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	The amounts recognised in the Statement of Financial Position are as follows:	
6 870 116	Present value of fund obligations	6 870 116
6 870 116	Unfunded Accrued Liability	6 870 116
-	Actuarial gains / (losses) not recognised	-
6 870 116	Total Benefit Liability	6 870 116
	The amounts recognised in the Statement of Financial Performance are as follows:	
818 999	Current service cost	818 999
471 724	Interest cost	471 724
705 114	Actuarial losses / (gains)	705 114
1 995 838	Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 995 838
	The history of experienced adjustments is as follows:	
6 870 116	Present Value of Defined Benefit Obligation	6 870 116
6 870 116	Deficit	6 870 116
755 438	Experienced adjustments on Plan Liabilities	755 438
	In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.	
	The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:	
	Increase:	
97 481	Effect on the aggregate of the current service cost and the interest cost	97 481
463 123	Effect on the defined benefit obligation	463 123
	Decrease:	
(86 300)	Effect on the aggregate of the current service cost and the interest cost	(86 300)
(416 646)	Effect on the defined benefit obligation	(416 646)
	The municipality expects to make a contribution of R1 836 811 to the defined benefit plans during the next financial year.	
	6. CONSUMER DEPOSITS	
17 765 540	Water	17 765 540
17 765 540	Total Consumer Deposits	17 765 540
553 580	Guarantees held in lieu of Water Deposits	553 580

Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can apply the deposit as payment for any outstanding balances on the account.

No interest is paid on Consumer Deposits held.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
7. PROVISIONS		
635 885	Performance Bonus	635 885
632 004	Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 4 above)	632 004
890 890	Current Portion of Non-Current Provisions (See Note 5 above):	890 890
890 890	Long-term Service	890 890
2 158 779	Total Provisions	2 158 779
Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.		
The movement in current provisions are reconciled as follows:		
Performance Bonus		
780 214	Balance at beginning of year	780 214
198 430	Contributions to provision	198 430
(342 759)	Expenditure incurred	(342 759)
635 885	Balance at end of year	635 885
Current Portion of Non-Current Provisions:		
Long-term Service		
482 440	Balance at beginning of year	482 440
890 890	Contributions to provision	890 890
(482 440)	Expenditure incurred	(482 440)
890 890	Balance at end of year	890 890
Post-retirement Benefits		
690 754	Balance at beginning of year	690 754
632 004	Contributions to provision	632 004
(690 754)	Expenditure incurred	(690 754)
632 004	Balance at end of year	632 004
8. CREDITORS		
28 528 521	Trade Creditors	29 132 271
3 173 485	Payments received in Advance	3 192 112
11 802 594	Retentions	11 802 594
7 220 811	Staff Bonuses	7 220 811
8 035 498	Staff Leave	8 035 498
49 795 096	Projects	49 795 096
18 957 043	Other Creditors	19 264 780
127 513 048	Total Creditors	128 443 160

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
135 505 930	9.1 Conditional Grants from Other Spheres of Government	135 505 930
89 641 950	National Government Grants	89 641 950
44 358 534	Provincial Government Grants	44 358 534
1 505 446	Other Spheres of Government	1 505 446
53 074 964	9.2 Other Conditional Receipts	53 074 964
52 948 239	Developers' Contributions	52 948 239
126 725	Public Contributions	126 725
188 580 895	Total Conditional Grants and Receipts	188 580 895
<p>The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.</p> <p>See Note 26 for the reconciliation of Grants from Government and Note 27 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.</p> <p>Refer to Appendix "F" for more detail on Conditional Grants.</p>		
10. OPERATING LEASE LIABILITIES / PAYABLES		
<p>Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:</p>		
25 426	Balance at beginning of year	25 426
1 225 145	Operating Lease expenses recorded	1 246 908
(1 246 617)	Operating Lease payments effected	(1 266 477)
3 954	Total Operating Lease Liabilities	5 857
10.1 Leasing Arrangements		
The Municipality as Lessee:		
<p>Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.</p>		
10.2 Amounts payable under Operating Leases		
<p>At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:</p>		
1 202 618	Office Equipment:	1 202 618
1 037 522	Within one year	1 037 522
165 096	In the second to third years, inclusive	165 096
-	Over three years	-
1 202 618	Total Operating Lease Arrangements	1 202 618

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	The following payments have been recognised as an expense in the Statement of Financial Performance:	
1 225 145	Minimum lease payments	1 246 908
1 225 145	Total Operating Lease Expenses	1 246 908

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the rentor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the rentor upon termination of the agreement.
- (iv) The municipality has to enter into a forced maintenance agreement with the rentor.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11. PROPERTY, PLANT AND EQUIPMENT

Municipality:
30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	44 667 596	740 849 918	71 299 326	46 932 052	-	903 748 892
Cost	50 025 303	1 561 094 954	72 100 789	90 975 058	-	1 774 196 104
- Completed Assets	42 741 831	1 447 962 393	23 859 990	89 330 706	-	1 603 894 920
- Under Construction	7 283 472	113 132 561	48 240 799	1 644 352	-	170 301 184
Correction of error (Note 40)	-	-	-	-	-	-
Accumulated Impairment Losses	(0)	0	-	-	-	(0)
Accumulated Depreciation:	(5 357 707)	(820 245 036)	(801 463)	(44 043 006)	-	(870 447 212)
- Cost	(5 357 707)	(820 245 036)	(801 463)	(44 043 006)	-	(870 447 212)
- Revaluation	-	-	-	-	-	-
Acquisitions	12 089 856	14 877 843	-	18 301 905	-	45 269 604
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	6 562 139	255 569 578	70 201 881	1 407 615	-	333 741 213
- Cost	6 562 139	255 569 578	70 201 881	1 407 615	-	333 741 213
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(851 017)	(27 703 609)	(795 333)	(12 443 837)	-	(41 793 795)
- Based on Cost	(851 017)	(27 703 609)	(795 333)	(12 443 837)	-	(41 793 795)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	(9 557)	-	(19 017)	-	(28 574)
- Cost	-	(55 150)	-	(19 017)	-	(74 167)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	45 593	-	-	-	45 593
- Based on Cost	-	45 593	-	-	-	45 593
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	(378 606)	-	(378 606)
- Cost	-	-	-	(1 759 178)	-	(1 759 178)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	1 380 572	-	1 380 572
- Based on Cost	-	-	-	1 380 572	-	1 380 572
- Based on Revaluation	-	-	-	-	-	-
Impairment Losses	-	(338 113)	-	-	-	(338 113)
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2010	62 468 574	983 246 060	140 705 874	53 800 112	-	1 240 220 620
Cost	68 677 298	1 831 487 224	142 302 670	108 906 383	-	2 151 373 576
- Completed Assets	54 831 687	1 462 785 086	23 859 990	105 854 416	-	1 647 331 179
- Under Construction	13 845 611	368 702 139	118 442 680	3 051 967	-	504 042 397
Accumulated Impairment Losses	(0)	(338 113)	-	-	-	(338 113)
Accumulated Depreciation:	(6 208 724)	(847 903 051)	(1 596 796)	(55 106 271)	-	(910 814 842)
- Cost	(6 208 724)	(847 903 051)	(1 596 796)	(55 106 271)	-	(910 814 842)
- Revaluation	-	-	-	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group:
30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	44 667 596	740 849 918	71 299 326	46 932 052	-	903 748 892
Cost	50 025 303	1 561 094 954	72 100 789	90 975 058	-	1 774 196 104
- Completed Assets	42 741 831	1 447 962 393	23 859 990	89 330 706	-	1 603 894 920
- Under Construction	7 283 472	113 132 561	48 240 799	1 644 352	-	170 301 184
Correction of error (Note 40)	-	-	-	-	-	-
Accumulated Impairment Losses	(0)	0	-	-	-	(0)
Accumulated Depreciation:	(5 357 707)	(820 245 036)	(801 463)	(44 043 006)	-	(870 447 212)
- Cost	(5 357 707)	(820 245 036)	(801 463)	(44 043 006)	-	(870 447 212)
- Revaluation	-	-	-	-	-	-
Acquisitions	12 089 856	14 877 843	-	18 537 317	-	45 505 016
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	6 562 139	255 569 578	70 201 881	1 407 615	-	333 741 213
- Cost	6 562 139	255 569 578	70 201 881	1 407 615	-	333 741 213
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(851 017)	(27 703 609)	(795 333)	(12 519 176)	-	(41 869 135)
- Based on Cost	(851 017)	(27 703 609)	(795 333)	(12 519 176)	-	(41 869 135)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	(9 557)	-	(22 484)	-	(32 040)
- Cost	-	(55 150)	-	(154 880)	-	(210 030)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	45 593	-	132 396	-	177 990
- Based on Cost	-	45 593	-	132 396	-	177 990
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	(378 606)	-	(378 606)
- Cost	-	-	-	(1 759 178)	-	(1 759 178)
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	1 380 572	-	1 380 572
- Based on Cost	-	-	-	1 380 572	-	1 380 572
- Based on Revaluation	-	-	-	-	-	-
Impairment Losses	-	(338 113)	-	-	-	(338 113)
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements:	-	-	-	378 920	-	378 920
- Cost	-	-	-	663 778	-	663 778
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	(284 858)	-	(284 858)
- Based on Cost	-	-	-	(284 858)	-	(284 858)
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2010	62 468 574	983 246 060	140 705 874	54 335 639	-	1 240 756 147
Cost	68 677 298	1 831 487 224	142 302 670	109 669 710	-	2 152 136 903
- Completed Assets	54 831 687	1 462 785 086	23 859 990	106 617 743	-	1 648 094 506
- Under Construction	13 845 611	368 702 139	118 442 680	3 051 967	-	504 042 397
Accumulated Impairment Losses	(0)	(338 113)	-	-	-	(338 113)
Accumulated Depreciation:	(6 208 724)	(847 903 051)	(1 596 796)	(55 334 071)	-	(911 042 642)
- Cost	(6 208 724)	(847 903 051)	(1 596 796)	(55 334 071)	-	(911 042 642)
- Revaluation	-	-	-	-	-	-

Other movements of Property, Plant and Equipment to the amount of R378 920 are in respect of the implementation of Property, Plant and Equipment transferred from the former Hibiscus Coast Tourism Body to the newly established Entity.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
11. PROPERTY, PLANT AND EQUIPMENT (Continued)		
11.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
11.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
1 001 039	Other	1 001 039
1 001 039	Carrying Value of PPE retired from active use and held for disposal	1 001 039
11.3 Assets pledged as security:		
The municipality's obligations under Finance Leases (see Note 3) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
11.4 Impairment of Property, Plant and Equipment:		
The total amount of R338 113 disclosed for impairment losses on property, plant and equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
36 447	Infrastructure: Sewerage	36 447
301 667	Infrastructure: Water	301 667
338 113	Total Impairment of Property, Plant and Equipment	338 113
Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.		
11.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:		
There was no change in the estimated useful life of various assets of the municipality for the financial year 2009/2010:		
11.6 Land and Buildings carried at Fair Value:		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R

12. INTANGIBLE ASSETS

<u>12 155 890</u>	At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>12 344 280</u>
--------------------------	-------------------------------------------------------------------------	--------------------------

The movement in Intangible Assets is reconciled as follows:

Total		Municipality		Group	
		Computer Software	Servitudes	Computer Software	Servitudes
7 595 443	Carrying values at 01 July 2009	5 486 805	2 108 638	5 486 805	2 108 638
15 846 243	Cost	13 737 605	2 108 638	13 737 605	2 108 638
(8 250 800)	Accumulated Amortisation	(8 250 800)	-	(8 250 800)	-
7 484 828	Acquisitions:	7 215 494	269 334	7 387 268	269 334
7 484 828	Purchased	7 215 494	269 334	7 387 268	269 334
-	Internally Developed	-	-	-	-
(2 924 381)	Amortisation:	(2 924 381)	-	(2 957 212)	-
(2 924 381)	Purchased	(2 924 381)	-	(2 957 212)	-
-	Internally Developed	-	-	-	-
-	Disposals:	-	-	-	-
-	At Cost	-	-	-	-
-	At Accumulated Amortisation	-	-	-	-
-	Transfers:	-	-	49 446	-
-	At Cost	-	-	58 825	-
-	At Accumulated Amortisation	-	-	(9 378)	-
12 155 890	Carrying values at 30 June 2010	9 777 918	2 377 972	9 966 307	2 377 972
23 331 071	Cost	20 953 099	2 377 972	21 183 698	2 377 972
(11 175 181)	Accumulated Amortisation	(11 175 181)	-	(11 217 391)	-

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

The following restrictions apply to Intangible Assets:

- Axapta Financial Software:
 - (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.
 - (ii) The system may be used on only one database at any one time.
 - (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
 - (iv) The municipality has no intellectual property rights to the system.

Refer to Appendix "B" for more detail on Intangible Assets.

12.1 Significant Intangible Assets:

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	12.2 Intangible Assets with Indefinite Useful Lives:	
	The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:	
1 504 422	Carrying Value of Servitudes: Sewerage Distribution	1 504 422
873 550	Carrying Value of Servitudes: Water Reticulation	873 550
2 377 972	Total Carrying Value of Intangible Assets with Indefinite Useful Lives	2 377 972
	Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturity date.	
	12.3 Impairment of Intangible Assets:	
	No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.	
	13. INVESTMENT PROPERTY	
	The municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.	
	14. NON-CURRENT INVESTMENTS	
	Unlisted	
100	Investment in Municipal Entities - at cost	-
100		-
	Financial Instruments	
17 838 885	Fixed Deposits	17 838 885
17 838 885		17 838 885
	Total Investments	
17 838 985	All Investments	17 838 885
(17 838 885)	Less: Short-term Portion transferred to Current Investments	(17 838 885)
100	Total Non-current Investments	-
	Council's valuation of Unlisted Investments	
100	Investment in Municipal Entities	-
100		-

Unlisted Investments comprise the following:

(i) Investments in Municipal Entities as described below.

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 12,90 % to 13,39 % per annum.

Fixed Deposits of R17 838 885 are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 44.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
Investment in Municipal Entities		
The municipality exercises control in the following company, located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital:		
<i>Ugu South Coast Tourism (Pty) Ltd:</i>		
100	Issued Share Capital (R)	-
100.00%	Percentage controlled by Council (%)	0.00%
-	Non-Current Liabilities	-
1 747 268	Current Liabilities	-
704 138	Non-Current Assets	-
4 710 684	Current Assets	-
11 481 256	Total Revenue	-
11 020 390	Total Expenditure	-
-	Indebtness of Municipal Entity (R)	-
-	Dividend Received (R)	-
-	Management Fees Received (R)	-
-	Administration Fees Received (R)	-
9 152 796	Grant allocated to Municipal Entity (R)	-
100	Management's valuation of the investment in the Municipal Entity (R)	-

All thirteen members serving on the board of directors of the Municipal Entity are nominated by the municipality's Executive Committee (13/13 = 100.00%).

The municipality's maximum liability towards the Municipal Entity is R10.

15. LONG-TERM RECEIVABLES

39 947	Gross Balances	39 947
21 654	Officials: Relocation Loans	21 654
18 293	Sundry Loans	18 293
-	Provision for Impairment	-
-	Officials: Relocation Loans	-
-	Sundry Loans	-
39 947	Net Balances	39 947
11 158	Less: Current Portion transferred to Current Receivables	11 158
11 158	Officials: Relocation Loans	11 158
-	Sundry Loans	-
28 789	Total Long-term Receivables	28 789

RELOCATION LOANS

Relocation Loans granted to officials are expensed after 36 months' service in the municipality. A pro rata amount is recovered should an official leave the service of the municipality within the 36 month period.

SUNDRY LOANS

Sundry Loans comprise expenditure recoverable from officials for damages caused to municipal property. The debt is repaid by monthly deductions of R800. One official was dismissed in February 2008, but has signed a consent to judgement.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
16. INVENTORY		
1 717 295	Consumable Stores - at cost	1 717 295
5 168 426	Maintenance Materials - at cost	5 168 426
620 033	Water - at cost	620 033
41 235	Goods Held-for-Sale	41 235
7 546 988	Total Inventory	7 546 988
Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.		
The cost of water production for the year amounted to R3,07 per kilolitre.		
The cost of Inventories recognised as an expense during the period was R5 985 523.		
Inventories of R357 867 are expected to be utilised only after more than twelve months.		
17. NON-CURRENT ASSETS HELD-FOR-SALE		
1 001 039	Property Held-for-Sale - at cost	1 001 039
1 001 039	Total Non-current Assets Held-for-Sale	1 001 039
-	Liabilities associated with Non-current Assets Held-for-Sale	-
1 001 039	Net Non-current Assets Held-for-Sale	1 001 039
17.1 Property Held-for-Sale		
The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2010.		
18. CONSUMER DEBTORS		
88 709 703	Gross Balances	88 709 703
61 977 807	Service Debtors	61 977 807
21 354 635	Water Rate Debtors	21 354 635
5 377 261	Other Trade Debtors	5 377 261
43 433 956	Provision for Impairment	43 433 956
40 781 469	Service Debtors	40 781 469
-	Water Rate Debtors	-
2 652 487	Other Trade Debtors	2 652 487
45 275 748	Total Consumer Debtors	45 275 748

Included in Consumer Debtors is an amount of R3,1 million in respect of the consumption of metered services not billed as at 30 June.

UGU DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010 R		2010 R
	Consumer Debtors are billed monthly, latest end of month. The Credit Control Policy states that the average credit period for Consumer Debtors is 30 days. Except for Water Rates, no interest and collection fees are charged on trade receivables. Such interest is charged at a fixed rate of 15,0% (fifteen percent) per annum on the outstanding balance. A once-off collection fee of 10,0% (ten percent) is raised after 31 January annually. The municipality enforces its approved Credit Control Policy to ensure the recovery of Consumer Debtors.	
	The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.	
	18.1 Ageing of Consumer Debtors	
	Sewerage: Ageing	
	<u>Current:</u>	
7 330 160	0 - 30 days	7 330 160
	<u>Past Due:</u>	
2 290 061	31 - 60 Days	2 290 061
706 701	61 - 90 Days	706 701
948 829	91 - 120 Days	948 829
5 649 616	+ 120 Days	5 649 616
16 925 366	Total	16 925 366
	Water: Ageing	
	<u>Current:</u>	
17 790 719	0 - 30 days	17 790 719
	<u>Past Due:</u>	
5 297 904	31 - 60 Days	5 297 904
1 885 918	61 - 90 Days	1 885 918
3 296 619	91 - 120 Days	3 296 619
16 781 281	+ 120 Days	16 781 281
45 052 441	Total	45 052 441
	Water Rates: Ageing	
	<u>Current:</u>	
1 068 619	0 - 30 days	1 068 619
	<u>Past Due:</u>	
2 873	31 - 60 Days	2 873
1 314	61 - 90 Days	1 314
9 736	91 - 120 Days	9 736
20 272 094	+ 120 Days	20 272 094
21 354 635	Total	21 354 635
	Other Debtors: Ageing	
	<u>Current:</u>	
-	0 - 30 days	-
	<u>Past Due:</u>	
-	31 - 60 Days	-
-	61 - 90 Days	-
-	91 - 120 Days	-
5 377 261	+ 120 Days	5 377 261
5 377 261	Total	5 377 261
	As at 30 June 2010 Consumer Debtors of R37 846 432 were past due but not impaired. The age analysis of these Consumer Debtors are as follows:	
7 590 838	31 - 60 Days	7 590 838
227 618	61 - 90 Days	227 618
1 300 467	91 - 120 Days	1 300 467
9 967 328	+ 120 Days	9 967 328
19 086 250	Total	19 086 250

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
18.2 Reconciliation of the Provision for Impairment		
28 410 599	Balance at beginning of year	28 410 599
14 846 112	Impairment Losses recognised	14 846 112
-	Impairment Losses reversed	-
177 245	Amounts recovered	177 245
-	Amounts written off as uncollectable	-
43 433 956	Balance at end of year	43 433 956

In terms of the financial instruments classification (Note 48.1), management has classified consumer debtors as loans and receivables for the purposes of assessing interest rate risk, credit risk and liquidity (Notes 48.4, 48.6.2 and 48.10). The concentration of credit risk has been on residential consumers. Consequently, in determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for more than 90 days (2009: 90 days). In management's professional judgement, no further credit provision is required in excess of the Provision for Impairment.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer Debtors are presented net of a provision for impairment.

No provision has been made in respect of government debt and Water Rates as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

18.3 Ageing of impaired Consumer Debtors

-	<u>Past Due:</u>	-
2 366 315	31 - 60 Days	-
2 954 717	61 - 90 Days	2 366 315
38 112 924	91 - 120 Days	2 954 717
	+ 120 Days	38 112 924
43 433 956	Total	43 433 956

19. OTHER DEBTORS

2 885 225	Government Subsidy Claims	4 999 225
10 470	Municipal Entities	-
1 017 415	Sundry Deposits	1 017 415
8 411 900	Sundry Debtors	8 580 598
12 325 010		14 597 238
(2 885 225)	Less: Provision for Impairment	(2 885 225)
9 439 785	Total Other Debtors	11 712 013

The average credit period for **Government Grants and Subsidies** is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Insurance Claims are amounts which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	Included in Sundry Deposits is an amount of R539 737 in respect of cash deposits made to Eskom for the supply of electricity.	
	Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.	
	Other Debtors of the Entity have been ceded to the bank as security for the bank overdraft facility.	
	19.1 Reconciliation of Provision for Impairment	
2 002 201	Balance at beginning of year	2 002 201
2 993 622	Impairment Losses recognised	2 993 622
-	Impairment Losses reversed	-
-	Amounts recovered	-
(2 110 598)	Amounts written off as uncollectable	(2 110 598)
2 885 225	Balance at end of year	2 885 225

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

The Provision for Impairment on Other Debtors (Loans and Receivables) exists predominantly due to the possibility that these debts may not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to most of these debtors being sundry in nature. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

The following loans and receivables are included in the total amount of the Provision for Impairment :

-	Sundry Debtors	-
2 885 225	Government Subsidy Claims	2 885 225
-	Other	-
2 885 225	Total Provision for Impairment on Other Debtors	2 885 225

20. VAT RECEIVABLE

19 474 078	Vat Receivable	19 583 043
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

The municipality was undergoing a VAT audit at year-end to confirm the completeness and validity of the net VAT due to the municipality.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
21. BANK, CASH AND CASH EQUIVALENTS		
152 736 683	Bank, Cash and Cash Equivalents	155 094 405
(4 465)	Bank Overdraft	(4 465)
152 732 218	Total Bank, Cash and Cash Equivalents	155 089 940
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
21.1 Current Investment Deposits		
26 546 485	Call Deposits	28 037 571
5 488 964	Notice Deposits	5 524 964
17 838 885	Short-term Portion of Investments	17 838 885
49 874 334	Total Current Investment Deposits	51 401 420
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6,25 % to 8,65 % per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 6,25 % to 8,65 % per annum.		
Short-term Investment Deposits are attributable to Funds as follows:		
-	Capital Replacement Reserve	-
-	External Financing Fund	-
32 035 449	Unspent Conditional Grants	32 035 449
17 838 885	Repayment of Long-term Liabilities	17 838 885
-	Available for Operational Purposes	1 527 087
49 874 334	Total Short-term Investment Deposits	51 401 420
21.2 Bank Accounts		
102 857 239	Cash in Bank	103 672 937
(4 465)	Bank Overdraft	(4 465)
102 852 775	Total Bank Accounts	103 668 472
The Municipality has the following bank accounts:		
Absa Bank Ltd - Port Shepstone		
<i>Account Number 406 668 6529 (Primary Bank Account):</i>		
30 042 339	Cash book balance at beginning of year	30 042 339
12 033 008	Cash book balance at end of year	12 033 008
30 042 339	Bank statement balance at beginning of year	30 042 339
12 033 008	Bank statement balance at end of year	12 033 008
<i>Account Number 406 668 6472 (General Bank Account):</i>		
3 791 348	Cash book balance at beginning of year	3 791 348
4 984 163	Cash book balance at end of year	4 984 163
4 898 155	Bank statement balance at beginning of year	4 898 155
6 531 144	Bank statement balance at end of year	6 531 144

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	<i>Account Number 406 668 6294 (Collection Account):</i>	
49 775	Cash book balance at beginning of year	49 775
<u>735 260</u>	Cash book balance at end of year	<u>735 260</u>
49 775	Bank statement balance at beginning of year	49 775
<u>735 260</u>	Bank statement balance at end of year	<u>735 260</u>
	<i>Account Number 406 671 0647 (Consumer Deposits Bank Account):</i>	
546 714	Cash book balance at beginning of year	546 714
<u>(4 465)</u>	Cash book balance at end of year	<u>(4 465)</u>
546 714	Bank statement balance at beginning of year	546 714
<u>434 242</u>	Bank statement balance at end of year	<u>434 242</u>
	<i>Account Number 406 660 3763 (Salaries Account):</i>	
5 249	Cash book balance at beginning of year	5 249
<u>366</u>	Cash book balance at end of year	<u>366</u>
52 518	Bank statement balance at beginning of year	52 518
<u>53 516</u>	Bank statement balance at end of year	<u>53 516</u>
	<i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>	
3 462 447	Cash book balance at beginning of year	3 462 447
<u>3 849 306</u>	Cash book balance at end of year	<u>3 849 306</u>
3 462 447	Bank statement balance at beginning of year	3 462 447
<u>3 849 306</u>	Bank statement balance at end of year	<u>3 849 306</u>
	<i>Account Number 406 668 6367 (MIG Project Account):</i>	
7 550 367	Cash book balance at beginning of year	7 550 367
<u>9 032 140</u>	Cash book balance at end of year	<u>9 032 140</u>
7 550 367	Bank statement balance at beginning of year	7 550 367
<u>9 032 140</u>	Bank statement balance at end of year	<u>9 032 140</u>
	<i>Account Number 407 187 0797 (Disaster Account):</i>	
212 170	Cash book balance at beginning of year	212 170
<u>209 722</u>	Cash book balance at end of year	<u>209 722</u>
212 170	Bank statement balance at beginning of year	212 170
<u>209 722</u>	Bank statement balance at end of year	<u>209 722</u>
	<i>Account Number 407 198 0239 (Market Account):</i>	
461 736	Cash book balance at beginning of year	461 736
<u>13 274</u>	Cash book balance at end of year	<u>13 274</u>
461 736	Bank statement balance at beginning of year	461 736
<u>13 273</u>	Bank statement balance at end of year	<u>13 273</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	<i>Account Number 407 626 7341 (EFF Bank Account):</i>	
-	Cash book balance at beginning of year	-
<u>72 000 000</u>	Cash book balance at end of year	<u>72 000 000</u>
-	Bank statement balance at beginning of year	-
<u>72 000 000</u>	Bank statement balance at end of year	<u>72 000 000</u>
	Standard Bank - Port Shepstone Branch	
	<i>Account Number 05 330 000 9 (Direct Deposits Account):</i>	
-	Cash book balance at beginning of year	-
<u>-</u>	Cash book balance at end of year	<u>-</u>
-	Bank statement balance at beginning of year	-
<u>-</u>	Bank statement balance at end of year	<u>-</u>
	The Entity has the following bank accounts:	
	Absa Bank Ltd - Port Shepstone	
	<i>Account Number 4074 2365 6586 (Primary Bank Account):</i>	
-	Cash book balance at beginning of year	-
<u>-</u>	Cash book balance at end of year	<u>815 697</u>
-	Bank statement balance at beginning of year	-
<u>-</u>	Bank statement balance at end of year	<u>815 697</u>
	Bank Accounts are attributable to Funds as follows:	
450 040	Capital Replacement Reserve	450 040
156 545 446	Unspent Conditional Grants	156 545 446
(54 142 712)	Available for / (Utilised by) Operational Purposes	(53 327 014)
<u>102 852 775</u>	Total Bank and Cash	<u>103 668 472</u>
	Interest on overdrawn current accounts are charged at the banker's prime rate. Interest is earned at different rates per annum on favourable balances.	
	21.3 Cash and Cash Equivalents	
5 110	Cash Floats and Advances	20 049
-	Other Cash Equivalents	-
<u>5 110</u>	Total Cash on hand in Cash Floats, Advances and Equivalents	<u>20 049</u>
	22. OPERATING LEASE ASSETS / RECEIVABLES	
	The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.	
	23. SERVICE CHARGES	
184 990 540	Sale of Water	184 990 540
61 738 918	Sewerage and Sanitation Charges	61 738 918
<u>246 729 458</u>	Total Service Charges	<u>246 729 458</u>
	The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.	

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
24. RENTAL OF FACILITIES AND EQUIPMENT		
-	Rental Revenue from Buildings	-
792 249	Rental Revenue from Other Facilities	792 249
792 249	Total Rental of Facilities and Equipment	792 249
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
25. INTEREST EARNED		
External Investments:		
1 828 100	Bank Account	1 961 064
5 894 636	Short-term Investments	5 896 576
2 162 711	Long-term Investments	2 162 711
9 885 446		10 020 351
Outstanding Debtors:		
1 028 968	Outstanding Billing Debtors	1 028 968
37 445 569	Fair Value adjustment of Service Charges	37 445 569
38 474 536		38 474 536
48 359 983	Total Interest Earned	48 494 887
The increase in fair value adjustment of service charges results from detailed information received from the new billing system implemented in July 2009. The previous year's calculations were a challenge due to the old system not being able to generate the required information. Going forward the municipality is confident of the accuracy of calculations. The difference in information available from the billing systems made it impossible for the municipality to apply this calculation retrospectively.		
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
7 722 735	Available-for-Sale Financial Assets	7 857 640
38 474 536	Loans and Receivables	38 474 536
2 162 711	Held-to-Maturity Investments	2 162 711
48 359 983		48 494 887

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
26. GOVERNMENT GRANTS AND SUBSIDIES		
120 121 000 35 147 000 14 538 236 <hr/> 169 806 237 356 472 787 <div style="border: 1px solid black; padding: 2px;"> 847 014 (192 325) 247 413 148 23 704 050 6 974 133 2 479 744 625 437 74 275 742 345 844 </div> <hr/> 526 279 024	Provincial Equitable Share Levies Replacement Other Grants Received Operational Grants Conditional Grants National: FMG Grant National: DEAT Grant National: MIG Grant National: DWAF Grant Provincial: Local Government Grants Provincial: Dept of Public Works Grant Provincial: Dept of Sport & Recreation Grant Provincial: Dept of Local Government & Traditional Affairs Grant Other Spheres of Government Grants: Industrial Development Corporation Total Government Grants and Subsidies	120 121 000 35 147 000 16 678 236 <hr/> 171 946 237 356 472 787 <div style="border: 1px solid black; padding: 2px;"> 847 014 (192 325) 247 413 148 23 704 050 6 974 133 2 479 744 625 437 74 275 742 345 844 </div> <hr/> 528 419 024
26.1 National: Equitable Share		
- 120 121 000 (120 121 000) <hr/> - <hr/> -	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	- 120 121 000 (120 121 000) <hr/> - <hr/> -
<p>In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.</p>		
26.2 National: Finance Management Grant (FMG)		
1 142 449 802 272 (847 014) <hr/> 1 097 707	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	1 142 449 802 272 (847 014) <hr/> 1 097 707
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.</p>		
26.3 National: Economic Affairs and Tourism Grant (DEAT)		
148 244 10 663 192 325 <hr/> 351 231	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	148 244 10 663 192 325 <hr/> 351 231
<p>The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.</p>		

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
26.4 National: Local Government Grants		
5 815 930 2 630 118 (6 527 600) (446 532) <hr style="border-top: 1px solid black;"/> 1 471 916	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	5 815 930 2 630 118 (6 527 600) (446 532) <hr style="border-top: 1px solid black;"/> 1 471 916
<p>Various grants are paid by Provincial Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA),2000. No funds have been withheld.</p>		
26.5 National: Municipal Infrastructure Grant (MIG)		
147 291 281 182 322 693 (40 876 515) (206 536 633) <hr style="border-top: 1px solid black;"/> 82 200 825	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	147 291 281 182 322 693 (40 876 515) (206 536 633) <hr style="border-top: 1px solid black;"/> 82 200 825
<p>The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure . No funds were withheld.</p>		
26.6 National: Dept of Water Affairs and Forestry Grant (DWAF)		
18 090 121 10 134 200 (10 877 351) (12 826 700) <hr style="border-top: 1px solid black;"/> 4 520 271	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	18 090 121 10 134 200 (10 877 351) (12 826 700) <hr style="border-top: 1px solid black;"/> 4 520 271
<p>DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan. No funds were withheld.</p>		
26.7 Provincial: Dept of Public Works Grant		
2 479 744 - (2 479 744) - <hr style="border-top: 1px solid black;"/> -	Balance unspent at beginning of year Current year receipts Conditions met - transferred to Revenue: Operating Expenses Conditions met - transferred to Revenue: Capital Expenses Conditions still to be met - transferred to Liabilities (see Note 9)	2 479 744 - (2 479 744) - <hr style="border-top: 1px solid black;"/> -
<p>Public Works Grants are utilised to construct or upgrade various infrastructure of informal settlement areas within the municipal district through utilising labour intensive construction methods in order to maximise job creation for local communities and opportunities for emerging contractors. No funds were transferred to the municipality for the year under review.</p>		

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	26.8 Provincial: Dept of Sport and Recreation Grant	
3 316 512	Balance unspent at beginning of year	3 316 512
134 554	Current year receipts	134 554
(625 437)	Conditions met - transferred to Revenue: Operating Expenses	(625 437)
-	Conditions met - transferred to Revenue: Capital Expenses	-
<u>2 825 629</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>2 825 629</u>

The purpose of the grant received from the Department of Sport and Recreation was to promote mass participation of a number of selected sport codes and related activities within disadvantaged communities in conjunction with other recreation federations, as well as to assist with the construction of the Ugu Sports and Leisure Centre. No funds were withheld.

	26.9 Provincial: Dept of Transport Grant	
270 063	Balance unspent at beginning of year	270 063
13 513	Current year receipts	13 513
-	Conditions met - transferred to Revenue: Operating Expenses	-
-	Conditions met - transferred to Revenue: Capital Expenses	-
<u>283 576</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>283 576</u>

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were transferred to the municipality for the year under review.

	26.10 Provincial: Dept of Cooperative Governance and Traditional Affairs Grant	
72 188 785	Balance unspent at beginning of year	72 188 785
43 336 286	Current year receipts	43 336 286
(32 628 995)	Conditions met - transferred to Revenue: Operating Expenses	(32 628 995)
(41 646 748)	Conditions met - transferred to Revenue: Capital Expenses	(41 646 748)
<u>41 249 329</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>41 249 329</u>

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. They are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre. No funds were withheld.

	26.11 Other Government: DBSA	
1 302 859	Balance unspent at beginning of year	1 302 859
65 143	Current year receipts	65 143
-	Conditions met - transferred to Revenue: Operating Expenses	-
-	Conditions met - transferred to Revenue: Capital Expenses	-
<u>1 368 002</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>1 368 002</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	26.12 Other Government: Industrial Development Corporation	
476 743	Balance unspent at beginning of year	476 743
6 545	Current year receipts	6 545
(345 844)	Conditions met - transferred to Revenue: Operating Expenses	(345 844)
-	Conditions met - transferred to Revenue: Capital Expenses	-
<u>137 444</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>137 444</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

26.13 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2010), government grant funding is expected to increase over the forthcoming two financial years 2010/2011 and 2011/2012.

27. PUBLIC CONTRIBUTIONS AND DONATIONS

-	Conditional Contributions	-
1 509 328	Unconditional Contributions	1 509 328
<u>1 509 328</u>	Total Public Contributions and Donations	<u>1 509 328</u>

27.1 Reconciliation of Conditional Public Contributions and Donations

27.1.1 Developers' Contributions

47 577 385	Balance unspent at beginning of year	47 577 385
5 370 854	Current year receipts	5 370 854
-	Conditions met - transferred to Revenue: Operating Expenses	-
-	Conditions met - transferred to Revenue: Capital Expenses	-
<u>52 948 239</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>52 948 239</u>

The District Municipality receives funds from Public Developers to provide municipal services to new developments. These contributions were utilised for this purpose. No funds have been withheld.

27.1.2 Public Contributions

309 876	Balance unspent at beginning of year	309 876
1 326 177	Current year receipts	1 326 177
(1 509 328)	Conditions met - transferred to Revenue: Operating Expenses	(1 509 328)
-	Conditions met - transferred to Revenue: Capital Expenses	-
<u>126 725</u>	Conditions still to be met - transferred to Liabilities (see Note 9)	<u>126 725</u>

The District Municipality receives funds from Public Donors to provide humanitarian aid in various instances. These contributions were utilised for these purposes. No funds have been withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
28. OTHER REVENUE		
93 768 323 13 825 739 149 727 89 666 <hr style="border-top: 1px solid black;"/> 107 833 455	Internal Recoveries Sundry Services Rendered Tender Deposits Forfeited Other Revenue Total Other Revenue	93 768 323 15 028 873 149 727 92 883 <hr style="border-top: 1px solid black;"/> 109 039 806
<p>The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are journalised from other trading and economic services.</p>		
29. EMPLOYEE RELATED COSTS		
116 077 422 34 240 242 19 176 060 1 150 877 20 178 135 342 759 3 600 376 <div style="border: 1px solid black; padding: 2px; width: fit-content;"> 2 137 922 2 304 455 (842 000) - </div> <hr style="border-top: 1px solid black;"/> 194 765 871	Salaries and Wages Contributions for UIF, Pensions and Medical Aids Travel, Motor Car, Accommodation, Subsistence and Other Allowances Housing Benefits and Allowances Overtime Payments Performance Bonuses Defined Benefit Plan Expense: Current Service Cost Interest Cost Net Actuarial (gains)/losses recognised Vested Past Service Cost Total Employee Related Costs	118 818 495 34 509 334 19 214 505 1 150 877 20 248 669 473 325 3 600 376 <div style="border: 1px solid black; padding: 2px; width: fit-content;"> 2 137 922 2 304 455 (842 000) - </div> <hr style="border-top: 1px solid black;"/> 198 015 582
<p>Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant. Loans to employees are set out in Note 15.</p>		
Municipality:		
<i>Remuneration of the Municipal Manager</i>		
570 016 - 413 020 89 369 11 201 <hr style="border-top: 1px solid black;"/> 1 083 605	Annual Remuneration Leave Encashed Car, Entertainment, Housing, Subsistence and Other Allowances Performance Bonus Contributions to UIF, Medical and Pension Funds Total	570 016 - 413 020 89 369 11 201 <hr style="border-top: 1px solid black;"/> 1 083 605
<i>Remuneration of the Deputy Municipal Manager</i>		
642 451 - 238 351 72 389 9 790 <hr style="border-top: 1px solid black;"/> 962 981	Annual Remuneration Leave Encashed Car, Entertainment, Housing, Subsistence and Other Allowances Performance Bonus Contributions to UIF, Medical and Pension Funds Total	642 451 - 238 351 72 389 9 790 <hr style="border-top: 1px solid black;"/> 962 981
<i>Remuneration of the Chief Financial Officer</i>		
368 785 - 334 575 66 506 107 037 <hr style="border-top: 1px solid black;"/> 876 902	Annual Remuneration Leave Encashed Car, Entertainment, Housing, Subsistence and Other Allowances Performance Bonus Contributions to UIF, Medical and Pension Funds Total	368 785 - 334 575 66 506 107 037 <hr style="border-top: 1px solid black;"/> 876 902

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	<i>Remuneration of the General Manager: Corporate Services</i>	
570 755	Annual Remuneration	570 755
-	Leave Encashed	-
192 024	Car, Entertainment, Housing, Subsistence and Other Allowances	192 024
-	Performance Bonus	-
8 484	Contributions to UIF, Medical and Pension Funds	8 484
<u>771 264</u>	Total	<u>771 264</u>
	<i>Remuneration of the General Manager: Infrastructure and Economic Development</i>	
246 759	Annual Remuneration	246 759
-	Leave Encashed	-
148 115	Car, Entertainment, Housing, Subsistence and Other Allowances	148 115
-	Performance Bonus	-
4 237	Contributions to UIF, Medical and Pension Funds	4 237
<u>399 110</u>	Total	<u>399 110</u>
	The post became vacant in September 2007. The position was filled with effect from 01 October 2009.	
	<i>Remuneration of the General Manager: Water Services</i>	
579 586	Annual Remuneration	579 586
27 403	Leave Encashed	27 403
206 928	Car, Entertainment, Housing, Subsistence and Other Allowances	206 928
66 506	Performance Bonus	66 506
8 052	Contributions to UIF, Medical and Pension Funds	8 052
<u>888 475</u>	Total	<u>888 475</u>
	<i>Remuneration of the General Manager: Operations</i>	
494 365	Annual Remuneration	494 365
-	Leave Encashed	-
273 858	Car, Entertainment, Housing, Subsistence and Other Allowances	273 858
-	Performance Bonus	-
8 521	Contributions to UIF, Medical and Pension Funds	8 521
<u>776 744</u>	Total	<u>776 744</u>
	<i>Remuneration of the Special Advisor</i>	
442 601	Annual Remuneration	442 601
36 296	Leave Encashed	36 296
157 968	Car, Entertainment, Housing, Subsistence and Other Allowances	157 968
47 988	Performance Bonus	47 988
7 808	Contributions to UIF, Medical and Pension Funds	7 808
<u>692 662</u>	Total	<u>692 662</u>
	The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:	
	Post Employment Benefits:-	
44 378	Chief Financial Officer	44 378
<u>44 378</u>	Total	<u>44 378</u>
	Other Long-term Benefits:-	
25 031	Chief Financial Officer	25 031
<u>25 031</u>	Total	<u>25 031</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	Staff Leave Benefits:-	
118 404	Municipal Manager	118 404
104 591	Deputy Municipal Manager	104 591
45 437	Chief Financial Officer	45 437
45 525	General Manager: Corporate Services	45 525
69 630	General Manager: Infrastructure & Economic Development	69 630
52 125	General Manager: Water Services	52 125
61 662	General Manager: Operations	61 662
63 376	Special Advisor	63 376
560 749	Total	560 749
	Entity:	
	Remuneration of the Chief Executive Officer	
-	Annual Remuneration	653 888
-	Leave Encashed	-
-	Car, Entertainment, Housing, Subsistence and Other Allowances	13 200
-	Performance Bonus	70 567
-	Contributions to UIF, Medical and Pension Funds	1 497
-	Total	739 152

30. REMUNERATION OF COUNCILLORS / DIRECTORS

729 180	Mayor	729 180
537 783	Deputy Mayor	537 783
520 926	Speaker	520 926
1 716 355	Executive Committee Members	1 716 355
2 962 297	Councillors / Directors	3 060 772
6 466 540	Total Councillors' Remuneration	6 565 015

In-kind Benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The following additional personal support is provided by the municipality:

- (i) The Mayor has one full-time bodyguard and one full-time driver.
- (ii) The Deputy Mayor has one full-time aide, fulfilling various personal duties.
- (iii) The Speaker has one full-time driver.

There are fourteen (14) Director's positions available, of which one (1) is vacant. Six (6) of the Directors are nominated by the local municipalities and the other eight (8) members are nominated by the private sector. All directors are appointed by the Ugu District Municipality.

31. DEPRECIATION AND AMORTISATION

41 793 795	Depreciation: Property, Plant and Equipment	41 869 135
2 924 381	Amortisation: Intangible Assets	2 957 212
44 718 176	Total Depreciation and Amortisation	44 826 347

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
32. IMPAIRMENT LOSSES		
32.1 Impairment Losses on Fixed Assets		
338 113 <div style="border: 1px solid black; padding: 2px;">338 113</div> - - <div style="border: 1px solid black; padding: 2px;">-</div> <div style="border: 1px solid black; padding: 2px;">-</div> <hr style="border: 1px solid black;"/> 338 113	Impairment Losses Recognised: Property, Plant and Equipment Intangible Assets Impairment Losses Reversed: Property, Plant and Equipment Intangible Assets	338 113 <div style="border: 1px solid black; padding: 2px;">338 113</div> - - <div style="border: 1px solid black; padding: 2px;">-</div> <div style="border: 1px solid black; padding: 2px;">-</div> <hr style="border: 1px solid black;"/> 338 113
32.2 Impairment Losses on Financial Assets		
17 839 734 <div style="border: 1px solid black; padding: 2px;">14 846 112</div> <div style="border: 1px solid black; padding: 2px;">2 993 622</div> <hr style="border: 1px solid black;"/> 17 839 734 <hr style="border: 1px solid black;"/> 18 177 847	Impairment Losses Recognised: Consumer Debtors Other Debtors Total Impairment Losses	17 839 734 <div style="border: 1px solid black; padding: 2px;">14 846 112</div> <div style="border: 1px solid black; padding: 2px;">2 993 622</div> <hr style="border: 1px solid black;"/> 17 839 734 <hr style="border: 1px solid black;"/> 18 177 847
33. FINANCE COSTS		
9 250 876 49 196 - <hr style="border: 1px solid black;"/> 9 300 073	Loans and Payables at amortised cost Finance Leases Other Interest Paid Total Interest Paid on External Borrowings	9 250 876 49 196 4 200 <hr style="border: 1px solid black;"/> 9 304 273
The weighted average capitalisation rate on funds borrowed generally is 6,21% per annum.		
34. BULK PURCHASES		
25 672 081 <hr style="border: 1px solid black;"/> 25 672 081	Water Total Bulk Purchases	25 672 081 <hr style="border: 1px solid black;"/> 25 672 081
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk Water is purchased from the Umgeni Water Board and eThekweni Municipality.		
35. CONTRACTED SERVICES		
161 489 204 605 126 759 85 990 1 121 329 6 314 807 349 643 7 476 327 871 738 <hr style="border: 1px solid black;"/> 16 712 687	Agency Services Alarm Monitoring Services Cash Banking Services Chemistry Services Cleaning Services Consultants' Fees Internal Audit Services Security Services Other Contracted Services Total Contracted Services	161 489 204 605 126 759 85 990 1 121 329 6 314 807 349 643 7 476 327 871 738 <hr style="border: 1px solid black;"/> 16 712 687

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
36. GRANTS AND SUBSIDIES PAID		
35 927 570	Low Income Subsidy	35 927 570
168 676 469	Community Projects	160 676 469
5 355 760	Drought Relief	5 355 760
5 909 143	Other Benevolent Organisations and Grants-in-Aid	5 909 143
215 868 942	Total Grants and Subsidies	207 868 942

The **Low Income Subsidy** is in respect of providing basic service levels to indigent households. Refer to Note 26.1.

Community Projects consist primarily of Ventilated Pit Latrines (VIPs) constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the municipality's sanitation backlog programme as funded through the Municipal Infrastructure Grant.

Drought Relief is meant to provide relief to areas not being supplied with potable water under conditions of drought.

In respect of **Grants-in-Aid**, the Mayor makes grants available on application after consultation with the Municipal Manager / Executive Committee on the merits of such an application.

37. GENERAL EXPENSES

Included in General Expenses are the following:

3 940 513	2010 FIFA Soccer World Cup Contingency	4 361 961
1 534 339	Accommodation, Seminars and Travelling	1 750 090
1 942 013	Audit Fees	1 977 150
1 446 777	Consultant IT Support	1 446 777
22 099 363	Electricity	22 137 921
1 529 821	Insurance General	1 554 859
3 691 366	Kwanaloga Games	3 691 366
2 191 952	Materials: Connections	2 191 952
3 182 600	Materials: Purification	3 182 600
1 392 941	Postage	1 396 839
1 007 224	Printing and Stationery	1 064 973
4 057 466	Rentals: Property, Plant and Equipment	4 422 487
1 272 578	Small Tools	1 272 578
1 819 127	Telephones, Facsimiles and Internet Lines	2 042 209
5 720 939	Transport Costs	5 720 939
93 768 323	Internal Charges	93 768 323
30 317 901	Other General Expenses	35 580 684
180 915 243	Total General Expenses	187 563 705

The amounts disclosed above for Soccer World Cup Contingency are in respect of costs incurred to host Team Algeria at the Ugu Sports and Leisure Centre, being the base camp for training. Expenditure of R421 447 was incurred by the Entity on various minor matters.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management not directly attributable to a specific service or class of expense. Internal Charges are journalised to other trading and economic services for support services rendered.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
33 038 656	37.1 Material Losses	33 038 656
33 038 656	Estimated Non-revenue Water (NRW)	33 038 656

The amounts disclosed above for **Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

A five year strategic non-revenue water reduction plan was adopted and implemented by the Executive Committee in May 2008. The below-mentioned technical information was derived at as part of the implementation plan:

Volumes in Ml/year:		
32 093	System Input Volume	32 093
20 621	Billed Authorised Consumption	20 621
986	Unbilled Authorised Consumption	986
3 146	Apparent Losses	3 146
7 340	Real Losses	7 340
11 472	NRW	11 472

No other extra-ordinary expenses were incurred.

38. OTHER GAINS AND LOSSES

-	Gains in Acquisition of Shareholding in Ugu - South Coast Tourism Entity	3 204 503
-	Net Other Gains and Losses	3 204 503

Gains in the Acquisition of Shareholding in Ugu - South Coast Tourism Entity represents the Net Assets of the Entity upon acquisition in terms of IFRS 3.34.

39. CHANGE IN ACCOUNTING POLICY

The municipality adopted no Accounting Standards for the first time during the financial year 2009/2010 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

40. CORRECTION OF ERROR

Corrections of Error are described in detail in the Annual Financial Statements of the municipality and are omitted from the Consolidated Annual Financial Statements as they only have bearing on the comparative amounts.

41. CASH GENERATED BY OPERATIONS

Cash Generated by Operations is described in detail in the Annual Financial Statements of the municipality and is omitted from the Consolidated Annual Financial Statements as it has bearing on the Cash Flow Statement which is omitted from these Consolidated Annual Financial Statements for there are no comparative amounts.

42. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2009/2010 financial year, the municipality acquired R6 314 375 of vehicles under finance leases. These lease agreements have been capitalised and the acquisitions will be reflected in the Cash Flow Statement over the term of the finance leases via lease repayments.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010 R		2010 R
43. FINANCING FACILITIES		
	Unsecured Bank Overdraft Facility, reviewed annually and payable at call:	
-	- Amount used	-
5 000 000	- Amount unused	5 000 000
<u>5 000 000</u>		<u>5 000 000</u>
	Unsecured Credit Card Facility, reviewed annually and payable monthly:	
-	- Amount used	-
80 000	- Amount unused	80 000
<u>80 000</u>		<u>80 000</u>
	Unsecured Fleet Card Facility, reviewed annually and payable monthly:	
(159 842)	- Amount used	(159 842)
1 500 000	- Amount unused	1 500 000
<u>1 340 158</u>		<u>1 340 158</u>
	Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:	
(53 778 982)	- Amount used	(53 778 982)
62 000 000	- Amount unused	62 000 000
<u>8 221 018</u>		<u>8 221 018</u>
	Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:	
19 700 000	- Amount used	19 700 000
400 000	- Amount unused	400 000
<u>20 100 000</u>		<u>20 100 000</u>

44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

255 559 040	Long-term Liabilities (See Note 3)	255 559 040
(183 559 040)	Used to finance Property, Plant and Equipment - at cost	(183 559 040)
<u>72 000 000</u>	Sub-total	<u>72 000 000</u>
17 838 885	Cash set aside for the Repayment of Long-term Liabilities (See Notes 3, 14 and 21)	17 838 885
<u>89 838 885</u>	Cash invested for Repayment of Long-term Liabilities	<u>89 838 885</u>

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

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
-	Opening balance	-
152 493 091	Unauthorised Expenditure current year	152 493 091
(148 552 577)	Approved by Council or condoned	(148 552 577)
<u>3 940 513</u>	Unauthorised Expenditure awaiting authorisation	<u>3 940 513</u>

Incident	Disciplinary Steps / Criminal Proceedings
Total expenditure budget is exceeded by R152 493 091 for expenditure streams indicated in Note 53, which also include R3,9 million paid in respect of hosting the Algerian Football Association.	A report will be adopted by the Executive Committee on 25 August 2010, condoning the "unauthorised expenditure." A report on the expenditure incurred on the Algerian Football Association will be submitted to the Executive Committee in January 2011 condoning this expenditure.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	45.2 Fruitless and Wasteful Expenditure	
	Reconciliation of Fruitless and Wasteful expenditure:	
-	Opening balance	-
8 708	Fruitless and Wasteful Expenditure current year	18 160
-	Condoned or written off by Council	-
8 708	Fruitless and Wasteful Expenditure awaiting condonement	18 160

Incident	Disciplinary Steps / Criminal Proceedings
<i>Municipality: Interest on late payment - Creditors</i>	None
<i>Entity: Cancellation Fees - Events</i>	None
<i>Entity: Interest on late payment - SARS</i>	None

	45.3 Irregular Expenditure	
	Reconciliation of Irregular Expenditure:	
13 482 227	Opening balance	13 482 227
37 851 581	Irregular Expenditure current year	37 888 399
(27 303 451)	Condoned or written off by Council	(27 303 451)
24 030 357	Irregular Expenditure awaiting condonement	24 067 175

Incident	Disciplinary Steps / Criminal Proceedings
<i>Municipality: Payments of R14 649 460 to successful bidders in respect of capital works, in the absence of receipt of their audited financial statements, as required by paragraph 23 of the Supply Chain Management Policy. This non-compliance has not compromised any of the bid processes; which processes have been fair, equitable and transparent.</i>	<i>A report will be adopted by the Executive Committee on 25 August 2010, condoning the "irregular expenditure."</i>
<i>Municipality: Expenditure of R1 919 183 contrary to the provisions of paragraph 44 of the Municipal Supply Chain Management Regulations as described in Note 46.8</i>	<i>A report will be adopted by the Executive Committee in November 2010, condoning the "irregular expenditure."</i>
<i>Municipality: Irregular expenditure also includes R21,2 million for expenditure incurred contrary to Supply Chain Management processes.</i>	<i>A report will be adopted by the Executive Committee in January 2011, condoning the "irregular expenditure."</i>
<i>Entity: Payments of R36 818 to service providers without obtaining tax clearance certificates.</i>	None.

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	46.1 Contributions to organised local government - SALGA	
-	Opening Balance	-
837 288	Council Subscriptions	837 288
(837 288)	Amount Paid - current year	(837 288)
-	Amount Paid - previous years	-
-	Balance Unpaid (included in Creditors)	-

	46.2 Audit Fees	
18 390	Opening Balance	18 390
1 920 669	Current year Audit Fee	1 920 669
(1 912 149)	Amount Paid - current year	(1 912 149)
(18 390)	Amount Paid - previous years	(18 390)
8 520	Balance Unpaid (included in Creditors)	8 520

The balance unpaid represents the audit fee for planning the audit for the 2009/2010 financial year and is payable by 31 July 2010.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group	
2010 R		2010 R	
	46.3 VAT		
	VAT inputs receivables and VAT outputs payables are shown in Note 20. All VAT returns have been submitted by the due date throughout the year.		
	46.4 PAYE and UIF		
-	Opening Balance	-	
29 611 469	Current year Payroll Deductions	29 611 469	
(29 611 469)	Amount Paid - current year	(29 611 469)	
-	Amount Paid - previous years	-	
<u>(0)</u>	Balance Unpaid (included in Creditors)	<u>(0)</u>	
	46.5 Pension and Medical Aid Deductions		
-	Opening Balance	-	
34 316 330	Current year Payroll Deductions and Council Contributions	34 316 330	
(34 316 330)	Amount Paid - current year	(34 316 330)	
-	Amount Paid - previous years	-	
<u>-</u>	Balance Unpaid (included in Creditors)	<u>-</u>	
	46.6 Councillor's arrear Consumer Accounts		
	The following Councillors had arrear accounts outstanding for more than 90 days as at:		
30 June 2010	Total	Outstanding up to 90 days	Outstanding more than 90 days
Dzingwa TN	13 720	1 092	12 628
Mavundla IM	429	78	351
Njongo SO	5 990	1 243	4 747
Vezi TE	6 281	1 442	4 839
Total Councillor Arrear Consumer Accounts	<u>26 420</u>	<u>3 855</u>	<u>22 565</u>
30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
Ntanza VL	2 552	2 348	204
Total Councillor Arrear Consumer Accounts	<u>2 552</u>	<u>2 348</u>	<u>204</u>
	During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2010		Highest amount outstanding	Ageing
Dzingwa TN		12 628	> 90 Days
Mavundla IM		351	> 90 Days
Njongo SO		4 747	> 90 Days
Vezi TE		4 839	> 90 Days
30 June 2009		Highest amount outstanding	Ageing
Ntanza VL		204	> 90 Days
	46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act		
	No known matters existed at reporting date.		

UGU DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Department	Date	Successful Tenderer	Reason
Corporate Services	August 2009	CSS Tirisano	Low performance due to network setup not being partitioned
<i>Supply Cisco catalyst switches for the storage area network responsible for the supply connectivity to the equalogics storage</i>			
Corporate Services	August 2009	Pick 'n Pay	Timeous payments made to the supplier
<i>Blanket order for purchases at Pick 'n Pay for seven months</i>			
Corporate Services	August 2009	E-Pages	Supplier already hosting the website
<i>The municipality's website is currently hosted by E- Pages</i>			
Corporate Services	August 2009	Key Computers	Emergency
<i>Procurement of Laptops</i>			
Legal Services	August 2009	Aequitas Legal and Business Solutions	Specialist skills required
<i>Drafting a policy on intergovernmental relations</i>			
Legal Services	August 2009	Paul Preston Attorneys	Supplier initially drafted the water by-laws
<i>Prosecute on behalf of the municipality in matters relating to transgressions of by-laws</i>			
Legal Services	August 2009	Xolile Ntshulana Attorneys	Emergency Services
<i>Providing advice, research and an opinion regarding water contribution in terms of Ugu by-laws</i>			
Legal Services	August 2009	LexisNexis	Periodical sourcing of research material; normally urgent
<i>Provision of various legal research tools for various departments within Ugu DM</i>			
Legal Services	August 2009	Aequitas Legal and Business Solutions	Emergency - MOU to be drafted within 7 days
<i>Vet an MOU to be entered into between Ugu, Trade and Investment KZN</i>			
Water Services	August 2009	Uzwelo Landscaping and Construction	Additional resources due to SAMWU strike impact
<i>Repair water mains in Malangeni, Umzinto, Umtwalume, next to Isibanini and Gandhi Nagan</i>			
Water Services	August 2009	Mami's Construction	Additional resources due to SAMWU strike impact
<i>Repair water mains in Mfume and Mahlongwa // Repair water mains at KwaNdelu, Jolivet and KwaLembe</i>			
Water Services	August 2009	Hidrostal SA (Pty) Ltd	Sole Agents
<i>Strip and repair Hidrostal rotating element for Margate 3a station</i>			
Water Services	August 2009	SS Maintenance	Inavailability of tanker due to strike
<i>Provision of a water tanker in Harding // Needed services of water tankers for Gamalakhe</i>			

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

Corporate Services	September 2009	Ecomm Technologies	Sole supplier as advised by IBM
Supply and installation and support of DB2 and web-sphere software			
Environmental Services	September 2009	Lake Eland	Only reserve available & cheaper in the district
Provision of venue for the Environmental Workshop			
Human Resources	September 2009	Dr M Desai	Only practitioner affiliated to dispense ARV's
Conduct medical assessment and management of EAP clients			
Human Resources	September 2009	Machovin Trading	Sole supplier with culture knowledge on blacks
Provision of psychological counselling services			
Legal Services	September 2009	Paul Preston Attorneys	Supplier initially drafted the water by-laws
Prosecute on behalf of the municipality in matters relating to transgressions of by-laws			
Legal Services	September 2009	Seethal Attorneys	Emergency Services
Drafting a contract in respect of security services at the municipal sites			
Water Services	September 2009	Dell Computer (Pty) Ltd	Emergency Services
Procurement of Dell peripherals to be used for backup purposes and additional functionality within the VMWare solution			
Corporate Services	November 2009	C&R ABD JV	Supplier on site in Oslo Beach, helping in contraction work
Transportation of UPS including insurance			
Corporate Services	November 2009	Vox DataPro	Extension of contract; awaiting the tender process
Provision of internet service			
Legal Services	November 2009	Paul Preston Attorneys	Demonstrated expertise in company law
Drafting of a Service Level Agreement between Ugu DM and its entity Ugu South Coast Tourism			
Legal Services	December 2009	LexisNexis	Periodical sourcing of research material; normally urgent
Provision of various legal research tools for various departments within Ugu DM			
Water Services	December 2009	Town and Around Civils	Emergency Services
Invitation of 4 contractors to bid for the relocation of a portion of the Gamalakhe rising main			
Legal Services	January 2010	Turner Legal Consulting	Previously appointed as the contract advisor
Advise on a proposal received from a private consortium on the development of phase 3 of the Sports & Leisure Centre			
Legal Services	February 2010	Dlomo Inc	Service provider has required expertise
Representing the municipality in conveyancing matters regarding land on which the Sports & Leisure Centre is constructed			
Legal Services	February 2010	Grobler & Moors Attorneys	Emergency Services
Represent the municipality in a court application made by Lot 2442 Ramsgate			

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

Municipal Manager's Office	March 2010	Valentine's Catering	Catering Services
<i>Provision of drinks that were omitted on the initial order</i>			
Corporate Services	March 2010	St Michael's Hotel	Venue is central for all participating parties
<i>Provision of venue for Disaster Management volunteers</i>			
Corporate Services	March 2010	Qual Chem	Flood damage
<i>Attending to water damaged carpets at the Ugu offices</i>			
Municipal Manager	May 2010	Dumani Catering	Emergency Services
<i>Provision of catering services during the Drug Awareness Campaign</i>			
<i>Acting on behalf of Ugu DM in the transfer of land for Ugu Agricultural Market</i>			
Municipal Manager's Office	June 2010	St Michael's Hotel	Quality and proximity of the venue for the artists
<i>Accommodation for the artists performing at the Ugu Jazz festival</i>			
Municipal Manager's Office	June 2010	Spiyoyo Trading	Emergency Services
<i>It was discovered that the sound system was not procured during the Youth Parliament held on the 6th of June 2010</i>			
Municipal Manager's Office	June 2010	Mondazur Hotel	Emergency Services
<i>Provision of 3 plasmas to be used by the Algerian team at the hotel</i>			
Municipal Manager's Office	June 2010	Morafa Catering	Emergency Services
<i>Providing catering service after the initially awarded supplier did not deliver</i>			
Municipal Manager's Office	June 2010	Touch Africa	No database of suppliers for these services
<i>Provision of artists for the Ugu Jazz festival</i>			
Municipal Manager's Office	June 2010	San Lameer	Accommodation for Algerian Team approved by Fifa
<i>Accommodation for the Algerian World Cup soccer team</i>			
Corporate Services	June 2010	Document Warehouse	Sole supplier
<i>Scanning of plans onto the municipality system</i>			
Human Resources	June 2010	S Reddy & Associates	Assisted in the development of the system
<i>Training on the newly adopted Occupational Health and Safety Risk Management System</i>			
Legal Services	June 2010	Paul Preston Attorneys	Supplier initially drafted the water by-laws
<i>Draft a policy for the investigation, consideration, enforcement and prosecution of water by-laws</i>			
Legal Services	June 2010	Paul Preston Attorneys	Firm is able to deliver quality work within tight frames
<i>Draft a policy on the disbursement of the erstwhile Mayor's Discretionary Fund</i>			
Project Management Unit	June 2010	Acorn Toilet Hire	Emergency Services
<i>Provision of emergency toilet facilities at the Sports & Leisure Complex for the opening day</i>			

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

Water Services	June 2010	Port Shepstone Irrigation Supplies Anthony's Welding Works Associated Pumping Service	Emergency Services
<i>Maintenance work at Mbango waste water treatment. Amounts paid exclusive of VAT</i>			
Water Services	June 2010	Drain Experts	Emergency Services
<i>Removal of sewage from Margate 3A pump station</i>			
Water Services	June 2010	Tree Top Plant Hire	Emergency Services
<i>Provision of a TLB</i>			

Furthermore, the following awards were made to persons in service of Government Institutions contrary to the provisions of paragraph 44 of the Municipal Supply Chain Management Regulations:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year
Municipality:				
Canaan Productions t/a Lighthouse	E Enoch		Employee	16 310
Cool Sounds Trading	SP Msomi		KZN Education	115 800
Dan's Cleaning Services	T Malishe		Employee	22 096
Dlambula Trading Enterprise	PS Mbele		Employee	70 650
DPI Ichweba	MB Ntuli		KZN Legislature	24 564
Emgee Agencies	S Moodley		KZN Education	35 549
In Toto Law School	P Sughudav		Employee	-
MB Electrical & Lighting	Cllr Moosa Bux		Councillor	141 798
Mathutha Investments	MB Cele		KZN Transport	270 826
Mlethi Catering	RT Mlethi		KZN Education	18 000
Mnqobi Catering and Services	NP Ntozakhe		KZN Education	7 800
Mpikeleli Contractors	HR Zulu		Employee	1 900
Mpikeleli Contractors	TP Zulu		KZN Transport	8 000
Nelimo Trading	MN Nzama		KZN Education	190 675
Plain Trading 38	NF Shusha		Councillor	36 350
RNF Contractors	M Gorbadaan		Employee	313 143
Sabinet Online	MD Ralebipi-Simela		Dept Labour	21 569
Sakhisizwe Garden Services	NA Mngadi		KZN Education	118 422
Shinga Construction	SD Mthembu		KZN Transport	133 000
Sibiya Ngwazi Construction Supplies	J Khomo		KZN Health	104 850
Silangwe and Vezi Funeral Services	TE Vezi		Councillor	13 000
Skhunyana Training Consultants	N Gumbi		Employee	-
Ubala Trading	R Govender		SA Police Service	68 699
Vanmor Electrical	M Reddy		KZN Education	21 889
Victorson Building	NA Mngadi		KZN Education	86 528
Vovolethu Function and Catering	Z Mbhele		Gijima Employee	37 500
Ziphephise Trading	CM Mahlawe		SA Police Service	40 267
Total Purchases				1 919 183

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
47. COMMITMENTS FOR EXPENDITURE		
47.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
168 461 806	- Approved and Contracted for:-	168 461 806
155 700 110	<i>Infrastructure</i>	155 700 110
67 447	<i>Community</i>	67 447
-	<i>Heritage</i>	-
12 694 249	<i>Other</i>	12 694 249
-	<i>Housing Development Fund</i>	-
-	<i>Investment Properties</i>	-
26 241 474	- Approved but Not Yet contracted for:-	26 241 474
23 549 937	<i>Infrastructure</i>	23 549 937
-	<i>Community</i>	-
-	<i>Heritage</i>	-
2 691 537	<i>Other</i>	2 691 537
-	<i>Housing Development Fund</i>	-
-	<i>Investment Properties</i>	-
194 703 280	Total Capital Commitments	194 703 280
This expenditure will be financed from:		
49 249 143	External Loans	49 249 143
-	Capital Replacement Reserve	-
100 908 625	Government Grants	100 908 625
-	District Council Grants	-
-	Public Contributions	-
44 545 512	Own Resources	44 545 512
194 703 280		194 703 280
47.2 Lease Commitments		
Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 3 and 10.		
47.3 Other Commitments		
The municipality has entered into a contract with Looch Security for the provision of security guard services for the next year (2009: next 2 years) for a contract amount of R3 584 766, which will give rise to an annual charge of R1 792 383.		
The municipality has entered into a contract with Sukuma Security for the provision of security guard services for the next year (2009: next 2 years) for a contract amount of R5 213 952, which will give rise to an annual charge of R2 606 976.		
The municipality has entered into a contract with Be Safe Security for the provision of security guard services for the next 2 years for a contract amount of R2 402 808, which will give rise to an annual charge of R1 201 404.		

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
48. FINANCIAL INSTRUMENTS		
48.1 Classification		
FINANCIAL ASSETS:		
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):		
	<u>Financial Assets</u>	<u>Classification</u>
	Non-current Investments	
17 838 885	Fixed Deposits	Held to maturity 17 838 885
	Long-term Receivables	
10 496	Officials: Relocation Loans	Loans and receivables 10 496
18 293	Sundry Loans	Loans and receivables 18 293
	Consumer Debtors	
9 955 238	Sewerage	Loans and receivables 9 955 238
11 241 100	Water	Loans and receivables 11 241 100
21 354 635	Water Rate Debtors	Loans and receivables 21 354 635
2 724 774	Other Trade Debtors	Loans and receivables 2 724 774
	Other Debtors	
1 017 415	Sundry Deposits	Loans and receivables 1 017 415
8 411 900	Sundry Debtors	Loans and receivables 8 580 598
-	Insurance Claims	Loans and receivables -
2 885 225	Government Subsidy Claims	Loans and receivables 4 999 225
(2 885 225)	Provision for Impairment	Loans and receivables (2 885 225)
	Bank,Cash and Cash Equivalents	
26 546 485	Call Deposits	Available for sale 28 037 571
5 488 964	Notice Deposits	Held to maturity 5 524 964
17 838 885	Short-term Portion of Investments	Held to maturity 17 838 885
102 857 239	Bank Balances	Available for sale 103 672 937
5 110	Cash Floats and Advances	Available for sale 20 049
	Current Portion of Long-term Receivables	
11 158	Officials: Relocation Loans	Loans and receivables 11 158
SUMMARY OF FINANCIAL ASSETS		
	Held to maturity:	
17 838 885	Non-current Investments	Fixed Deposits 17 838 885
5 488 964	Bank,Cash and Cash Equivalents	Notice Deposits 5 524 964
17 838 885	Bank,Cash and Cash Equivalents	Short-term Portion of Investments 17 838 885
41 166 734		41 202 734

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	Loans and Receivables	
10 496	Long-term Receivables	10 496
18 293	Long-term Receivables	18 293
9 955 238	Consumer Debtors	9 955 238
11 241 100	Consumer Debtors	11 241 100
21 354 635	Consumer Debtors	21 354 635
2 724 774	Consumer Debtors	2 724 774
1 017 415	Other Debtors	1 017 415
8 411 900	Other Debtors	8 580 598
-	Other Debtors	-
2 885 225	Other Debtors	4 999 225
(2 885 225)	Other Debtors	(2 885 225)
11 158	Current Portion of Long-term Receivables	11 158
54 745 010		57 027 707
	Available for Sale:	
26 546 485	Bank,Cash and Cash Equivalents	28 037 571
102 857 239	Bank,Cash and Cash Equivalents	103 672 937
5 110	Bank,Cash and Cash Equivalents	20 049
129 408 834		131 730 557
225 320 578	Total Financial Assets	229 960 998

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

	<u>Financial Liabilities</u>	<u>Classification</u>	
	Long-term Liabilities		
-	Local Registered Stock	Financial liabilities at amortised cost	-
219 097 288	Annuity Loans	Financial liabilities at amortised cost	219 097 288
	Consumer Deposits		
17 765 540	Electricity and Water	Financial liabilities at amortised cost	17 765 540
	Creditors		
28 528 521	Trade Creditors	Financial liabilities at amortised cost	29 132 271
3 173 485	Payments received in Advance	Financial liabilities at amortised cost	3 192 112
11 802 594	Retentions	Financial liabilities at amortised cost	11 802 594
8 035 498	Staff Leave	Financial liabilities at amortised cost	8 035 498
49 795 096	Projects	Financial liabilities at amortised cost	49 795 096
18 957 043	Other Creditors	Financial liabilities at amortised cost	19 264 780
	Bank Overdraft		
4 465	Bank Overdraft	Financial liabilities at amortised cost	4 465
	Current Portion of Long-term Liabilities		
20 300 000	Local Registered Stock	Financial liabilities at amortised cost	20 300 000
7 018 972	Annuity Loans	Financial liabilities at amortised cost	7 018 972

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
SUMMARY OF FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:		
-	Long-term Liabilities	-
219 097 288	Long-term Liabilities	219 097 288
17 765 540	Consumer Deposits	17 765 540
28 528 521	Creditors	29 132 271
3 173 485	Creditors	3 192 112
11 802 594	Creditors	11 802 594
8 035 498	Creditors	8 035 498
49 795 096	Creditors	49 795 096
18 957 043	Creditors	19 264 780
4 465	Bank Overdraft	4 465
20 300 000	Current Portion of Long-term Liabilities	20 300 000
7 018 972	Current Portion of Long-term Liabilities	7 018 972
<u>384 478 502</u>		<u>385 408 615</u>
<u>384 478 502</u>	Total Financial Liabilities	<u>385 408 615</u>

48.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- The Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The Fair Value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, Bank, Cash and Cash Equivalents and Equity, comprising Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	<u>Gearing Ratio</u>	
	In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100,00%, increasing to 105,00%. This aggressive ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.	
	The gearing ratio at the year-end was as follows:	
251 346 761	Debt	246 420 725
(102 173 108)	Bank, Cash and Cash Equivalents	(103 692 985)
<u>149 173 654</u>	Net Debt	<u>142 727 740</u>
<u>1 004 739 899</u>	Total Capital	<u>1 016 046 648</u>
<u>14.85%</u>	Net debt to total capital ratio	<u>14.05%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 3.

Total Capital includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

48.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

48.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenditure are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.8 below). No formal policy exists to hedge volatilities in the interest rate market.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

Municipality:
30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	15		17 838 885	-	-	17 838 885	-	-
INCA		13.39%	16 601 922	-	-	16 601 922	-	-
INCA		12.90%	1 236 963	-	-	1 236 963	-	-
Secured Bank Facilities	4		(20 300 000)	-	(20 300 000)	-	-	-
INCA		16.80%	(18 500 000)	-	(18 500 000)	-	-	-
INCA		15.60%	(1 800 000)	-	(1 800 000)	-	-	-
Unsecured Bank Facilities	4		(231 042 296)	-	-	-	-	(231 042 296)
ABSA		11.51%	(102 000 000)	-	-	-	-	(102 000 000)
DBSA		10.00%	(957 777)	-	-	-	-	(957 777)
DBSA		2.65%	(4 340 811)	-	-	-	-	(4 340 811)
DBSA		5.00%	(23 593 572)	-	-	-	-	(23 593 572)
DBSA		5.00%	(42 597 214)	-	-	-	-	(42 597 214)
DBSA		5.00%	(36 471 395)	-	-	-	-	(36 471 395)
DBSA (Ex Hibiscus Coast)		Various	(19 042 707)	-	-	-	-	(19 042 707)
DBSA (Ex Umdoni)		Various	(1 055 164)	-	-	-	-	(1 055 164)
DBSA (Ex Umuziwabantu)		Various	(983 657)	-	-	-	-	(983 657)
Total Fixed Rate Instruments			(233 503 411)	-	(20 300 000)	17 838 885	-	(231 042 296)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22	11.93%	49 874 334	49 874 334	-	-	-	-
Bank Balances and Cash	23	11.93%	152 736 683	152 736 683	-	-	-	-
Total Variable Rate Instruments			202 611 016	202 611 016	-	-	-	-

Group:
30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	15		17 838 885	-	-	17 838 885	-	-
INCA		13.39%	16 601 922	-	-	16 601 922	-	-
INCA		12.90%	1 236 963	-	-	1 236 963	-	-
Secured Bank Facilities	4		(20 300 000)	-	(20 300 000)	-	-	-
INCA		16.80%	(18 500 000)	-	(18 500 000)	-	-	-
INCA		15.60%	(1 800 000)	-	(1 800 000)	-	-	-
Unsecured Bank Facilities	4		(231 042 296)	-	-	-	-	(231 042 296)
ABSA		11.51%	(102 000 000)	-	-	-	-	(102 000 000)
DBSA		10.00%	(957 777)	-	-	-	-	(957 777)
DBSA		2.65%	(4 340 811)	-	-	-	-	(4 340 811)
DBSA		5.00%	(23 593 572)	-	-	-	-	(23 593 572)
DBSA		5.00%	(42 597 214)	-	-	-	-	(42 597 214)
DBSA		5.00%	(36 471 395)	-	-	-	-	(36 471 395)
DBSA (Ex Hibiscus Coast)		Various	(19 042 707)	-	-	-	-	(19 042 707)
DBSA (Ex Umdoni)		Various	(1 055 164)	-	-	-	-	(1 055 164)
DBSA (Ex Umuziwabantu)		Various	(983 657)	-	-	-	-	(983 657)
Total Fixed Rate Instruments			(233 503 411)	-	(20 300 000)	17 838 885	-	(231 042 296)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22	11.93%	51 401 420	51 401 420	-	-	-	-
Bank Balances and Cash	23	11.93%	155 094 405	155 094 405	-	-	-	-
Total Variable Rate Instruments			206 495 825	206 495 825	-	-	-	-

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of R2,5 million is available and is unsecured. Interest payable is linked to the prime interest rate.

The following table details the municipality's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Municipality:

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2010								
Non-interest Bearing		0.00%	138 057 777	138 057 777	-	-	-	-
Fixed Interest Rate Instruments		5.87%	375 626 600	15 035 975	36 110 975	28 233 150	90 336 517	205 909 983
			513 684 377	153 093 752	36 110 975	28 233 150	90 336 517	205 909 983

Group:

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2010								
Non-interest Bearing		0.00%	138 987 890	138 987 890	-	-	-	-
Fixed Interest Rate Instruments		5.87%	375 626 600	15 035 975	36 110 975	28 233 150	90 336 517	205 909 983
			514 614 489	154 023 865	36 110 975	28 233 150	90 336 517	205 909 983

The municipality has access to financing facilities, the total unused amount which is R9,268 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio, within 20-25% limits increasing it to 25%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality	Group
2010 R	2010 R

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

30 June 2010 Carrying Amount R	Counterparty and Location	30 June 2010 Credit Limit R	30 June 2010 Carrying Amount R
386 061	Department Public Works	-	386 061
-	Govender S.M.	-	-
517 037	Margate Police Station	-	517 037
789 105	South African Police Services (Jail)	-	789 105
590 172	Sisonke District Municipality	-	590 172
-	Star Choice Trading 147 (Pty) Ltd	-	-
-	The Farm Homeowners Association	-	-
470 623	T O Onderlinge Maatskappy	-	470 623
-	Umdoni Municipality	-	-

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

100	Fixed Deposit Investments	-
39 947	Long-term Receivables	39 947
45 275 748	Consumer Debtors	45 275 748
9 439 785	Other Debtors	11 712 013
152 732 218	Bank, Cash and Cash Equivalents	155 089 940
207 487 798	Maximum Credit and Interest Risk Exposure	212 117 648

Credit quality of Financial Assets:

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

Long-term Receivables		
39 947	Group 1	39 947
39 947	Total Long-term Receivables	39 947
Consumer Debtors		
Counterparties without external credit rating:-		
33 780 336	Group 1	33 780 336
1 528 085	Group 2	1 528 085
9 967 328	Group 3	9 967 328
45 275 748		45 275 748
45 275 748	Total Consumer Debtors	45 275 748
Other Debtors		
-	Group 1	246 793
9 439 785	Group 3	11 465 220
9 439 785	Total Other Debtors	11 712 013

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	Bank Balances	
147 731 573	ABSA Bank Ltd	149 848 941
5 000 000	First National Bank of SA Ltd	5 225 415
17 838 885	INCA	17 838 885
-	Nedbank Ltd	-
-	Standard Bank	-
170 570 458	Total Bank Balances	172 913 242

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

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

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Ugu District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, the details of which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R15,9 million represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2009.

The statutory valuation performed as at 31 March 2009 revealed that the fund had a shortfall of R214,2 million, with a funding level of 88,6%. The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 30 June 2015.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges, of which 1,65% is paid by members, are as follows:

- From 1 July 2002 06%
- From 1 July 2004 12%
- From 1 July 2006 14%
- From 1 July 2007 17%

This surcharge is payable until 30 June 2010. This position will be monitored on an annual basis.

The fund has effectively been closed to new members and in order to allow for the improving pensioner mortality, an extension of the above-mentioned surcharge for another five years after 30 June 2010 will be necessary.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2009.

The statutory valuation performed as at 31 March 2009 revealed that the fund had a shortfall of R29,9 million, with a funding level of 99,4%. The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 1,50% less than the required contribution rate for future service and will be reviewed at the next interim valuation as at 31 March 2010 when the outcome of a possible merger with the Retirement Fund above will be known with more certainty. The deficit in respect of active members is being met by a surcharge of 7,0% of pensionable salaries.

Although the fund has effectively been closed to new members, the fund was certified to be in a sound financial position as at 31 March 2008 on the DCF Method.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be provided for after the last valuation, being 30 June 2006.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2009.

The statutory valuation performed as at 31 March 2009 revealed that the market value of the fund was R574,0 million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2009. The recorded deficit of R13,9 million million will be met from future investment earnings.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Municipality:		
Chiliza M A	Councillor	Owner of Taxi Operator Licence; Spouse the owner of Prizalli Construction
Dzingwa T N	Councillor	Director of Giya Trades with 50,0% interest
Gamble C A	Councillor	Member of Iyagaya Co-operation
Human	Councillor	185 Shares in Kumba Resources; 284 Shares in Mittal Steel SA Ltd
Lubanyana B T	Councillor	75,0% Membership in Homefront Trading 42
Mchunu G M	Councillor	Owner of Wandile Construction
Mhlongo N A	Councillor	33,3% Membership in Zamokuhle & Sebenza
Mohamed S M	Councillor	50% Shareholding in Oasis Crescent Equity; 25,0% Beneficiary of Dr A Mohamed Family Trust
Moosa Bux E	Councillor	Trustee of EB Family Trust; Spouse the owner of MB Electrical & Lighting
Nair Y	Councillor	20,0% Shareholding in NITS Investment
Nciki D	Councillor	16,67% Membership in Zakhele Construction
Ntanza V L	Councillor	Membership in Iyagaya Co-operation
Nyawuza S G	Councillor	40,0% Interest in Shayamoya Supply Store; Partnership in Zamakahle B Enterprise
Shozi B N	Councillor	Spouse the owner of Siyeza Contractors
Vezi T E	Councillor	Owner of Harding Funeral Services
Zuma S M	Councillor	Director of Changing Tides 1149; 20,0% Interest in Thingz Caterers; 2,0% Interest in A+P, trading as Mbali Construction; Interest in The Business Zones; 100,0% Beneficiary of Sisonke Trust
Mnyandu M B	General Manager	40,0% Membership in Ezamagedeza Trading
Mnyayiza O T	General Manager	Director of Hibiscus Development Agency; Board Member of Vezumnotho Investment
Pawandiwa M N	General Manager	Spouse the owner of Valotech 46 CC
Entity:		
HR Kelly	Director	50% Partnership in Riverbend Farm
PT Jeffreys	Director	66,67% Ownership in Jeffreys Family Hotel CC (Oribi Gorge Hotel)

50.2 Services rendered to Related Parties

Municipality:

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Sewerage Charges R	Water Charges R	Outstanding Balances R
For the Year ended 30 June 2010			
Councillors	71 993	102 679	17 524
Municipal Manager and Section 57 Personnel	4 421	27 112	3 665
Total Services	76 414	129 790	21 189

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

The services rendered to Related Parties are charged at approved tariffs that were advertised to the Public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Entity:

The entity utilised the Oribi Gorge Hotel, of which Director PT Jeffreys is a 67% member of the Close Corporation 'Jeffreys Family Hotel', for the Sardine Festival Media launch. Payment to the amount of R13 227 was made.

The entity has an Information Office situated at Riverbend Crocodile Farm, of which Director HR Kelly is a 50% partner in the business 'Riverbend Farm', for which rent is paid. Payment to the amount of R7 680 was made.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 15 to the Annual Financial Statements.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

50.5 Purchases from Related Parties

The municipality procured goods and / or services from the following companies, which are considered to be Related Parties:

Purchases for the Year	Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year
16 310	Canaan Productions t/a Lighthouse	E Enoch		Employee	16 310
22 096	Dan's Cleaning Services	T Malishe		Employee	22 096
70 650	Dlambula Trading Enterprise	PS Mbele		Employee	70 650
-	In Toto Law School	P Sughudav		Employee	-
141 798	MB Electrical & Lighting	Cllr Moosa Bux		Councillor	141 798
1 900	Mpikheleli Contractors	HR Zulu		Employee	1 900
36 350	Plain Trading 38	NF Shusha		Councillor	36 350
313 143	RNF Contractors	M Gorbedaan		Employee	313 143
13 000	Silangwe and Vezi Funeral Services	TE Vezi		Councillor	13 000
-	Skhunyana Training Consultants	N Gumbi		Employee	-
37 500	Vovolethu Function and Catering	Z Mbhele		Gijima Employee	37 500
652 747	Total Purchases				652 747

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010 R		2010 R
	51. CONTINGENT LIABILITIES	
<u>2 862 000</u>	<p>51.1 Guarantees:</p> <p>(i) The municipality issued a bank guarantee in the amount of R10 000 in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the municipality.</p> <p>(ii) The municipality issued a bank guarantee in the amount of R2 852 000 in favour of Eskom to cover deposits on the electricity accounts of the municipality.</p>	<u>2 862 000</u>
<u>12 947 266</u>	<p>51.2 Powers and Functions:</p> <p>It has come to the attention of management that a local municipality has indicated its intention of raising a claim against the district to recover expenses incurred in respect of the Environmental Health Powers and Functions. Negotiations have been entered into in this regard between the municipalities. Currently management is of the opinion that there are no legal grounds to entertain a possible claim.</p> <p>With the takeover of Water and Sanitation Schemes from the local municipalities in 2004, certain assets were funded through internal funding which these local municipalities are claiming from the district. Currently management is of the opinion that there are no legal grounds to entertain the possible claims.</p>	<u>12 947 266</u>
<u>4 533 056</u>	<p>51.3 Court Proceedings:</p> <p>(i) Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 142, with interest estimated at R192 432, in respect of functions performed on behalf of Ezinqoleni Municipality / Horseshoe Farm. The municipality is currently defending the estimated claim and is awaiting the enrollment of the matter for trial. The outcome of the legal processes is unknown at this stage.</p> <p>(ii) Council has been involved in a court case with ABCON / PILCON Projects into alleged fraud and / or fronting in terms of its Supply Chain Management Policy. Although judgement has been passed, an appeal has been lodged and is still pending in the High Court. The outcome is not known at this stage.</p> <p>(iii) Council is involved in disputes with both Telkom and Eskom in respect of alleged damages to their cable networks caused by municipal repair work. The possible liability amounts to R184 560, plus costs. The matters have been settled.</p> <p>(iv) Notice has been served to the municipality by Bytes Systems Integration (Pty) Ltd for breach of contract, requiring the municipality to pay an amount of R3 959 582 to BSI in order to rectify the breach. Failing to comply, BSI notified the municipality of its intention to terminate its contract with the municipality and institute legal action for recovery of all outstanding moneys including interest, standing time, legal costs and damages suffered. The breach originates from the alleged non-payment of invoices rendered for the customisation, implementation and training fees relating to the Xellent Billing Module of the Microsoft Axapta ERP Project. The municipality is disputing the claim (see Note 52.1). The matter has been set down for hearing from 22 November 2010 to 03 December 2010.</p> <p>(v) JZZ Engineering is claiming from the municipality as per a prescribed claim against a cession agreement entered into. The possible liability amounts to R153 900, plus costs. The outcome of the matter is still unknown.</p>	<u>4 533 056</u>
<u>-</u>	<p>51.4 Insurance Claims:</p> <p>(i) Claims to the value of R531 600 lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers. The matters have been resolved.</p>	<u>-</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality		Group
2010		2010
R		R
	52. CONTINGENT ASSETS	
9 294 268	52.1 Court Proceedings:	9 294 268
	<p>(i) The municipality has instituted a claim to the amount of R9 294 268 against Bytes Systems Integration (Pty) Ltd for breach of contract. The alleged breach is for contractual work not completed, but claimed or payment, on the Microsoft Axapta ERP Project for the development, customisation, implementation and training of accounting software to be utilised by the municipality. The outcome of the matter is not known yet. Also see Note 51.3 in this regard. The matter has been set down for hearing from 22 November 2010 to 03 December 2010.</p> <p>(ii) The Nyenyezi Communal Property Association has indicated that it desires to transfer a housing development project, known as the "Jesus Housing Development", to the municipality. It is being investigated whether this will be probable as the land was originally transferred to the community in terms of a Regional Land Claim. Should the Constitution provide for the sale and transfer of the property, the municipality shall acquire the property through a deed of sale and establish a township in terms of the "Less Formal Township Establishment Act (Act 113 of 1991)". The chairman of the Jesus Housing Development to consult and furnish attorneys with the Constitution. The value of the asset and the cost of transfer are unknown at this stage.</p>	
	53. IN-KIND DONATIONS AND ASSISTANCE	
	The municipality received the following in-kind donations and assistance:	
	(i) Secondment of two Young Technical Professionals by DBSA for two years	
	54. PRIVATE PUBLIC PARTNERSHIPS	
	The municipality was not a party to any Private Public Partnerships during the financial year 2009/2010.	
	55. EVENTS AFTER THE REPORTING DATE	
	No events having financial implications requiring disclosure occurred subsequent to 30 June 2010.	
	56. COMPARATIVE FIGURES	
	The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and prior period Errors (Note 40).	

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Municipality

Group

2010
R

2010
R

57. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

58. GOING CONCERN

Unspent Conditional Grants were not cash backed by an amount of R35,8 million at 30 June 2010.

Whilst the current liabilities exceeded the current assets at year end, the municipality has continued to operate as a going concern and management has adopted a plan of action, setting out clear targets to ensure that the municipality continues to operate as a going concern for the

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

59. COMPARATIVE AND ACTUAL INFORMATION

Municipality:
30 June 2010

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue									
Service Charges	283 129 254	-	-	283 129 254	246 729 458	-	(36 399 796)	(12.86)	(12.86)
Rental of Facilities and Equipment	176 938	-	-	176 938	792 249	-	615 311	347.76	347.76
Interest Earned - External Investments	18 374 716	-	-	18 374 716	9 885 446	-	(8 489 270)	(46.20)	(46.20)
Interest Earned - Outstanding Debtors	1 164 701	-	-	1 164 701	38 474 536	-	37 309 835	3 203.38	3 203.38
Government Grants and Subsidies Received	220 921 750	-	-	220 921 750	526 279 024	-	305 357 274	138.22	138.22
Public Contributions and Donations	-	-	-	-	1 509 328	-	1 509 328	-	-
Other Revenue	132 628 506	-	-	132 628 506	107 833 455	-	(24 795 051)	(18.70)	(18.70)
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-
Total Revenue	656 395 864	-	-	656 395 864	931 503 496	-	275 107 631	41.91	41.91
Expenditure									
Employee Related Costs	211 197 244	-	-	211 197 244	194 765 871	-	(16 431 373)	(7.78)	(7.78)
Remuneration of Councillors	4 678 475	-	-	4 678 475	6 466 540	1 788 066	1 788 066	38.22	38.22
Depreciation and Amortisation	53 260 019	-	-	53 260 019	44 718 176	-	(8 541 843)	(16.04)	(16.04)
Impairment Losses	3 300 000	-	-	3 300 000	18 177 847	14 877 847	14 877 847	450.84	450.84
Repairs and Maintenance	30 398 674	-	-	30 398 674	32 213 391	1 814 717	1 814 717	5.97	5.97
Finance Costs	13 284 748	-	-	13 284 748	9 300 073	-	(3 984 675)	(29.99)	(29.99)
Bulk Purchases	21 537 500	-	-	21 537 500	25 672 081	4 134 581	4 134 581	19.20	19.20
Contracted Services	17 672 000	-	-	17 672 000	16 712 687	-	(959 313)	(5.43)	(5.43)
Grants and Subsidies Paid	89 960 150	-	-	89 960 150	215 868 942	125 908 792	125 908 792	139.96	139.96
General Expenses	211 107 055	-	-	211 107 055	180 915 243	-	(30 191 813)	(14.30)	(14.30)
Other Losses on Continued Operations	-	-	-	-	-	-	-	-	-
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	28 574	28 574	28 574	-	-
Total Expenditure	656 395 864	-	-	656 395 864	744 839 425	148 552 577	88 443 561	13.47	13.47
Surplus/(Deficit)	0	-	-	0	186 664 070	(148 552 577)	186 664 070	-	-
CAPITAL EXPENDITURE									
Capital Replacement Reserve	95 960 630	-	-	95 960 630	35 116 897	-	(60 843 733)	(63.40)	(63.40)
External Loans	85 000 000	-	-	85 000 000	76 804 804	-	(8 195 196)	(9.64)	(9.64)
Finance Leases	4 400 000	-	-	4 400 000	5 632 503	1 232 503	1 232 503	28.01	28.01
Grants and Subsidies	232 370 784	-	-	232 370 784	261 456 613	29 085 829	29 085 829	12.52	12.52
Total Sources of Capital Funds	417 731 414	-	-	417 731 414	379 010 816	30 318 332	(38 720 598)	(9.27)	(9.27)

Group:
30 June 2010

Description	Original	Budget	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome
	Total	Adjustments		Budget	Outcome	Expenditure		as % of	as % of
	Budget			Budget	Outcome			Final Budget	Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue									
Service Charges	283 129 254	-	-	283 129 254	246 729 458	-	(36 399 796)	(12.86)	(12.86)
Rental of Facilities and Equipment	176 938	-	-	176 938	792 249	-	615 311	347.76	347.76
Interest Earned - External Investments	18 472 214	-	-	18 472 214	10 020 351	-	(8 451 863)	(45.75)	(45.75)
Interest Earned - Outstanding Debtors	1 164 701	-	-	1 164 701	38 474 536	-	37 309 835	3 203.38	3 203.38
Government Grants and Subsidies Received	223 311 750	-	-	223 311 750	528 419 024	-	305 107 274	136.63	136.63
Public Contributions and Donations	-	-	-	-	1 509 328	-	1 509 328	-	-
Other Revenue	132 952 943	-	-	132 952 943	109 039 806	-	(23 913 138)	(17.99)	(17.99)
Other Gains on Continued Operations	-	-	-	-	3 204 503	-	3 204 503	-	-
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-
Total Revenue	659 207 799	-	-	659 207 799	938 189 254	-	278 981 455	42.32	42.32
Expenditure									
Employee Related Costs	214 991 399	-	-	214 991 399	198 015 582	-	(16 975 816)	(7.90)	(7.90)
Remuneration of Councillors	4 871 637	-	-	4 871 637	6 565 015	1 693 379	1 693 379	34.76	34.76
Depreciation and Amortisation	53 382 865	-	-	53 382 865	44 826 347	-	(8 556 518)	(16.03)	(16.03)
Impairment Losses	3 300 000	-	-	3 300 000	18 177 847	14 877 847	14 877 847	450.84	450.84
Repairs and Maintenance	30 428 104	-	-	30 428 104	32 255 949	1 827 845	1 827 845	6.01	6.01
Finance Costs	13 289 357	-	-	13 289 357	9 304 273	-	(3 985 084)	(29.99)	(29.99)
Bulk Purchases	21 537 500	-	-	21 537 500	25 672 081	4 134 581	4 134 581	19.20	19.20
Contracted Services	17 672 000	-	-	17 672 000	16 712 687	-	(959 313)	(5.43)	(5.43)
Grants and Subsidies Paid	81 960 150	-	-	81 960 150	207 868 942	125 908 792	125 908 792	153.62	153.62
General Expenses	219 147 127	-	-	219 147 127	187 563 705	-	(31 583 422)	(14.41)	(14.41)
Other Losses on Continued Operations	-	-	-	-	3 467	3 467	3 467	-	-
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	28 574	28 574	28 574	-	-
Total Expenditure	660 580 138	-	-	660 580 138	746 994 469	148 474 485	86 414 331	13.08	13.08
Surplus/(Deficit)	(1 372 339)	-	-	(1 372 339)	191 194 785	(148 474 485)	192 567 124	-	-
CAPITAL EXPENDITURE									
Capital Replacement Reserve	95 960 630	-	-	95 960 630	35 116 897	-	(60 843 733)	(63.40)	(63.40)
External Loans	85 000 000	-	-	85 000 000	76 804 804	-	(8 195 196)	(9.64)	(9.64)
Finance Leases	4 400 000	-	-	4 400 000	5 632 503	1 232 503	1 232 503	28.01	28.01
Grants and Subsidies	232 370 784	-	-	232 370 784	261 456 613	29 085 829	29 085 829	12.52	12.52
Total Sources of Capital Funds	417 731 414	-	-	417 731 414	379 010 816	30 318 332	(38 720 598)	(9.27)	(9.27)

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

2009/2010

Description	Municipality	Group
	R	R
Net surplus/(deficit) per the statement of financial performance	186 664 070	191 194 785
Service Charges	36 399 796	36 399 796
Rental of Facilities and Equipment	(615 311)	(615 311)
Interest Earned - External Investments	8 489 270	8 451 863
Interest Earned - Outstanding Debtors	(37 309 835)	(37 309 835)
Government Grants and Subsidies Received	(305 357 274)	(305 107 274)
Public Contributions and Donations	(1 509 328)	(1 509 328)
Other Revenue	24 795 051	23 913 138
Other Gains on Continued Operations	-	(3 204 503)
Gains on Disposal of Property, Plant and Equipment	-	-
Employee Related Costs	(16 431 373)	(16 975 816)
Remuneration of Councillors	1 788 066	1 693 379
Collection Costs	-	-
Depreciation and Amortisation	(8 541 843)	(8 556 518)
Impairment Losses	14 877 847	14 877 847
Repairs and Maintenance	1 814 717	1 827 845
Finance Costs	(3 984 675)	(3 985 084)
Bulk Purchases	4 134 581	4 134 581
Contracted Services	(959 313)	(959 313)
Grants and Subsidies Paid	125 908 792	125 908 792
General Expenses	(30 191 813)	(31 583 422)
Other Losses on Continued Operations	-	3 467
Loss on Disposal of Property, Plant and Equipment	28 574	28 574
Net surplus/deficit per approved budget	0	(1 372 339)

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2009	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2010
	R				R	R	R	R
LOCAL REGISTERED STOCK								
INCA	18 500 000	16.80%	A162	30/06/2011	18 500 000	-	-	18 500 000
INCA	1 800 000	15.60%	91, 92 & 93	30/06/2011	1 800 000	-	-	1 800 000
Total Local Registered Stock	20 300 000				20 300 000	-	-	20 300 000
ANNUITY LOANS								
ABSA	102 000 000	11.51%	-	30/06/2020	-	102 000 000	-	102 000 000
DBSA	3 194 261	10.00%	-	31/03/2013	1 219 715	-	261 938	957 777
DBSA	5 000 000	2.65%	-	30/06/2015	5 000 000	-	659 189	4 340 811
DBSA	25 000 000	5.00%	101980/001	31/03/2022	25 000 000	-	1 406 428	23 593 572
DBSA	25 000 000	5.00%	101980/002	30/06/2023	24 710 373	17 886 840	-	42 597 214
DBSA	62 000 000	5.00%	102756/001	30/06/2029	13 751 110	22 720 285	-	36 471 395
DBSA (Ex Hibiscus Coast)	18 573 441	Various	Various	Various	19 535 188	-	492 481	19 042 707
DBSA (Ex Umdoni)	2 500 000	Various	Various	Various	1 433 899	-	378 735	1 055 164
DBSA (Ex Umuziwabantu)	1 850 000	Various	Various	Various	983 657	-	-	983 657
Total Annuity Loans	245 117 702				91 633 942	142 607 125	3 198 771	231 042 296
CAPITAL LEASE LIABILITIES								
Ex Hibiscus Coast	-	Fluctuate	-	2006	175 286	-	110 401	64 885
Wesbank	483 598	12.50%	TYL45387W	31/12/2009	232 503	-	232 503	-
Nedbank	20 100 000	11.41%	Various (79)	Various	9 668 709	6 349 375	6 940 189	9 077 895
Total Capital Lease Liabilities	23 216 289				10 076 498	6 349 375	7 283 093	9 142 779
TOTAL EXTERNAL LOANS	288 633 991				122 010 440	148 956 500	10 481 864	260 485 076

LOCAL REGISTERED STOCK

Originally structured unsecured 30 year loan. Original loan capital of R20,3 million. Interest is paid semi-annually in December and June.

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2009	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2010
	R				R	R	R	R

ANNUITY LOANS

ABSA (Infrastructure):

Structured unsecured 10 year loan. Original loan capital of R102 000 000 is repayable quarterly in fixed instalments of capital and interest, the first payment commencing in September 2010.

DBSA (Umzinto Water Scheme):

Structured unsecured 20 year loan. Original loan capital of R3 194 261 is repayable annually in fixed instalments of capital and fixed rate interest.

DBSA (Ugu Fresh Produce Market):

Structured unsecured 10 year loan. Original loan capital of R5 000 000 is repayable semi-annually in fixed instalments of capital and interest, the first payment commencing in December 2010.

DBSA (Phase 1 - Sanitation Refurbishment):

Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 2 - Sanitation Refurbishment):

Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 1 - Umzimkulu Water Augmentation):

Structured unsecured 20 year loan. Original loan capital of R62 000 000 is repayable monthly in 216 fixed instalments of capital and interest, the first payment commencing on the last day of the 25th month after the month during which the first disbursement was advanced to the borrower.

DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):

Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions. These loans are repaid semi-annually at various interest rates.

CAPITALISED LEASE LIABILITIES

Structured secured finance leases over vehicles; lease repayments over a period of 3 years at both fixed and variable interest rates.

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
<i>Land:</i>												
Land: Developed	9 548 507	1 400 000	-	-	10 948 507	-	-	-	-	-	10 948 507	-
<i>Buildings:</i>												
Office Buildings	32 897 480	10 668 606	13 845 611	-	57 411 698	5 346 444	843 040	-	-	6 189 484	51 222 214	25 500 000
Workshops and Depots	8 873	-	-	-	8 873	2 662	296	-	-	2 958	5 916	-
Hostels: Workers	-	-	-	-	-	-	-	-	-	-	-	1 200 000
Other Buildings	286 970	21 250	-	-	308 220	8 601	7 681	-	-	16 282	291 938	-
	42 741 831	12 089 856	13 845 611	-	68 677 298	5 357 707	851 017	-	-	6 208 724	62 468 574	26 700 000
Infrastructure												
<i>Security Measures:</i>												
Fencing / Perimeter Protection	331 450	735 747	-	-	1 067 197	32 681	24 896	-	-	57 576	1 009 621	-
Security Systems	306 182	-	-	-	306 182	236 162	20 412	-	-	256 574	49 608	-
<i>Sewerage:</i>												
Reticulation	-	-	51 413 827	-	51 413 827	-	-	-	-	-	51 413 827	-
Pumping Stations	64 749 810	927 214	1 247 793	-	66 924 817	38 946 365	1 146 282	-	-	40 092 647	26 832 170	-
Treatment Works	157 696 955	74 100	60 894 122	-	218 665 177	100 894 519	3 373 590	-	-	104 268 109	114 397 068	73 000 000
<i>Water:</i>												
Dams and Weirs	263 500 000	-	-	-	263 500 000	190 015 000	2 635 000	-	-	192 650 000	70 850 000	-
Reservoirs and Tanks	745 436 872	2 217 484	7 206 042	-	754 860 397	388 382 324	14 979 341	-	-	403 361 666	351 498 732	101 340 000
Pumping Stations	55 542 149	797 517	-	(5 000)	56 334 665	23 637 091	991 107	-	(4 182)	24 624 016	31 710 649	11 000 000
Treatment Works	54 197 024	6 266 357	23 351 737	-	83 815 118	31 840 364	1 201 082	-	-	33 041 445	50 773 673	-
Reticulation	105 835 568	2 670 650	224 588 618	(50 150)	333 044 686	46 173 954	3 641 809	-	(41 411)	49 774 352	283 270 334	116 744 690
Meters	366 382	1 188 774	-	-	1 555 157	86 577	28 202	-	-	114 779	1 440 378	-
	1 447 962 393	14 877 843	368 702 139	(55 150)	1 831 487 224	820 245 036	28 041 722	-	(45 593)	848 241 165	983 246 060	302 084 690

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Community Assets												
<i>Sports Facilities:</i>												
Sports Complexes	-	-	110 850 797	-	110 850 797	-	-	-	-	-	110 850 797	46 212 094
<i>Other Facilities:</i>												
Markets	23 859 990	-	7 591 883	-	31 451 873	801 463	795 333	-	-	1 596 796	29 855 077	-
	23 859 990	-	118 442 680	-	142 302 670	801 463	795 333	-	-	1 596 796	140 705 874	46 212 094
Other Assets												
<i>Computer Equipment:</i>												
Computer Hardware	16 724 304	4 385 393	1 407 615	(19 017)	22 498 294	6 851 835	2 971 738	-	-	9 823 573	12 674 722	4 914 000
<i>Furniture and Fittings:</i>												
Cabinets and Cupboards	271 730	99 544	-	-	371 273	125 945	34 569	-	-	160 513	210 760	-
Chairs	15 263	31 578	-	-	46 841	8 568	4 510	-	-	13 077	33 763	-
Desks and Tables	350 257	204 035	-	-	554 293	106 162	47 911	-	-	154 073	400 220	-
Other Furniture and Fittings	348 940	262 044	-	-	610 983	142 581	59 604	-	-	202 185	408 798	1 595 050
<i>Office Equipment:</i>												
Air Conditioners	638 065	48 815	-	-	686 880	393 388	123 155	-	-	516 543	170 338	130 000
Audiovisual Equipment	15 200	75 169	-	-	90 369	933	10 303	-	-	11 236	79 133	-
Kitchen Appliances	7 321	-	-	-	7 321	263	236	-	-	499	6 822	-
Office Equipment / Machines	309 948	168 743	-	-	478 691	162 312	49 968	-	-	212 280	266 411	-
Photographic Equipment	14 070	21 257	-	-	35 327	1 131	1 513	-	-	2 644	32 683	-
Other Office Equipment	35 287	-	-	-	35 287	3 598	3 238	-	-	6 837	28 450	-
<i>Plant and Equipment:</i>												
Compaction Equipment	73 990	-	-	-	73 990	1 108	997	-	-	2 106	71 885	-
Compressors, Generators & Allied	398 621	39 214	-	-	437 835	268 785	43 703	-	-	312 488	125 346	-
Fire Arms	53 070	-	-	-	53 070	7 581	7 581	-	-	15 163	37 907	-
Gardening Equipment	306 806	11 035	-	-	317 841	224 546	69 323	-	-	293 869	23 973	-
Laboratory Equipment	590 613	407 844	-	-	998 458	389 966	85 303	-	-	475 269	523 188	4 773 000
Pumps / Plumbing / Purification / S	-	662 838	-	-	662 838	-	22 583	-	-	22 583	640 255	-
Radio Equipment	470 700	-	-	-	470 700	403 457	60 519	-	-	463 976	6 724	3 900 000
Security Equipment / Systems / Ma	-	1 463 700	-	-	1 463 700	-	147 837	-	-	147 837	1 315 863	-
Telecommunication Equipment	918 878	758 363	-	-	1 677 241	228 150	162 042	-	-	390 191	1 287 050	3 050 000
Other Plant and Equipment	16 083 822	1 467 237	1 644 352	-	19 195 411	10 998 102	2 080 448	-	-	13 078 550	6 116 861	23 972 580

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>												
Bakkies (LDV's)	797 795	3 019 336	-	-	3 817 131	-	373 496	-	-	373 496	3 443 635	-
Cycles	94 405	-	-	(94 405)	-	80 919	-	-	(80 919)	-	-	-
Graders	651 270	-	-	-	651 270	483 403	34 734	-	-	518 138	133 132	-
Motor Cars	4 010 219	677 769	-	(75 575)	4 612 412	1 798 741	467 224	-	(61 024)	2 204 940	2 407 472	400 000
Tractors	1 751 783	-	-	-	1 751 783	211 234	93 428	-	-	304 662	1 447 121	-
Trailers and Accessories	-	316 664	-	-	316 664	-	12 584	-	-	12 584	304 080	-
Trucks	44 370 099	4 181 328	-	(1 589 197)	46 962 229	21 144 651	5 474 158	-	(1 238 629)	25 380 180	21 582 050	-
Watercraft	28 250	-	-	-	28 250	5 650	1 130	-	-	6 780	21 470	-
	89 330 706	18 301 905	3 051 967	(1 778 194)	108 906 383	44 043 006	12 443 837	-	(1 380 572)	55 106 271	53 800 112	42 734 630
Total	1 603 894 920	45 269 604	504 042 397	(1 833 344)	2 151 373 576	870 447 212	42 131 909	-	(1 426 165)	911 152 955	1 240 220 620	417 731 414

UGU DISTRICT MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2010

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2007
	Opening Balance	Additions	Under Construction	Disposals / Transfers	Closing Balance	Opening Balance	Additions	Transfers	Disposals / Transfers	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Computer Software	13 737 605	7 215 494	-	-	20 953 099	8 250 800	2 924 381	-	-	11 175 181	9 777 918	7 390 000
Rights and Servitudes	2 108 638	269 334	-	-	2 377 972	-	-	-	-	-	2 377 972	1 500 000
Total Intangible Assets	15 846 243	7 484 828	-	-	23 331 071	8 250 800	2 924 381	-	-	11 175 181	12 155 890	8 890 000

APPENDIX C
UGU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	6 287 648	1 424 660	3 251 806	-	10 964 114	1 785 447	477 008	-	-	2 262 456	8 701 658
Finance and Administration	52 403 789	17 687 975	7 226 872	(19 017)	77 299 620	10 572 389	3 730 546	-	-	14 302 935	62 996 685
Planning and Development	452 012	95 235	-	-	547 247	279 960	78 352	-	-	358 312	188 935
Public Safety	127 673	-	-	-	127 673	62 339	21 940	-	-	84 279	43 394
Sport and Recreation	-	-	110 850 797	-	110 850 797	-	-	-	-	-	110 850 797
Environmental Protection	456 527	-	-	-	456 527	136 809	45 333	-	-	182 142	274 385
Waste Management	155 176 315	2 042 397	66 310 410	(527 415)	223 001 707	94 599 073	4 767 983	-	(370 161)	98 996 895	124 004 812
Water	1 365 130 966	24 019 337	308 810 629	(1 286 913)	1 696 674 019	762 209 732	32 215 413	-	(1 056 004)	793 369 141	903 304 878
Other	23 859 990	-	7 591 883	-	31 451 873	801 463	795 333	-	-	1 596 796	29 855 077
Total	1 603 894 920	45 269 604	504 042 397	(1 833 344)	2 151 373 576	870 447 212	42 131 909	-	(1 426 165)	911 152 955	1 240 220 620

APPENDIX D
UGU DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Revenue	2009 Actual Expenditure	2009 Surplus/ (Deficit)	Description	2010 Actual Revenue	2010 Actual Expenditure	2010 Surplus/ (Deficit)
R	R	R		R	R	R
49 781 944	50 799 692	(1 017 748)	Executive and Council	44 816 162	51 007 464	(6 191 302)
107 315 697	114 772 444	(7 456 747)	Finance and Administration	126 692 277	100 345 665	26 346 612
197 923 637	102 731 887	95 191 750	Planning and Development	350 809 017	162 058 587	188 750 430
4 977 648	21 499 002	(16 521 354)	Public Safety	(81 132)	5 008 585	(5 089 718)
-	1 607 722	(1 607 722)	Environmental Protection	217 472	700 315	(482 843)
52 367 139	58 142 229	(5 775 091)	Waste Water Management	72 069 796	61 702 993	10 366 803
254 335 951	305 955 858	(51 619 907)	Water	337 605 744	362 384 611	(24 778 868)
465 432	1 914 382	(1 448 950)	Other	(625 841)	1 631 204	(2 257 045)
667 167 447	657 423 216	9 744 231	Total	931 503 496	744 839 425	186 664 070

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances Greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Service Charges	246 729 458	283 129 254	(36 399 796)	(14.75)	Result of the discounting of service charges in terms of IAS 39
Rental of Facilities and Equipment	792 249	176 938	615 311	77.67	Did not budget for new agreements which materialised
Interest Earned - External investments	9 885 446	18 374 716	(8 489 270)	(85.88)	Own cash utilised for capital expenses to be funded from external loans
Interest Earned - Outstanding debtors	38 474 536	1 164 701	37 309 835	96.97	Result of the discounting of service charges in terms of IAS 39
Government Grants and Subsidies	526 279 024	220 921 750	305 357 274	58.02	Unbudgeted grants received for the Soccer World Cup and Water Infrastructure
Other Revenue	107 833 455	132 628 506	(24 795 051)	(22.99)	Internal Recoveries over budgeted for
Public Contributions and Donations	1 509 328	-	1 509 328	100.00	All public contributions now to be included in performance statement
Gains on Disposal of Property, Plant and Equipment	-	-	-	0.00	
Total Revenue	931 503 496	656 395 864	275 107 631	41.91	
EXPENDITURE					
Employee Related Costs	194 765 871	211 197 244	(16 431 373)	(8.44)	
Remuneration of Councillors	6 466 540	4 678 475	1 788 066	27.65	Percentage increase in Councillor Allowances more than budgeted for
Depreciation	44 718 176	53 260 019	(8 541 843)	(19.10)	Capital projects budgeted for not completed and brought into operation
Impairment Losses	18 177 847	3 300 000	14 877 847	81.85	Under budgeted for Provision of Bad Debts
Repairs and Maintenance	32 213 391	30 398 674	1 814 717	5.63	
Interest Paid	9 300 073	13 284 748	(3 984 675)	(42.85)	Loans taken up later than anticipated
Bulk Purchases	25 672 081	21 537 500	4 134 581	16.11	Additional purchases to assist drought-stricken communities
Contracted Services	16 712 687	17 672 000	(959 313)	(5.74)	
Grants and Subsidies Paid	215 868 942	89 960 150	125 908 792	58.33	Unbudgeted grants expended for the Soccer World Cup and Water Infrastructure
General Expenses	180 915 243	211 107 055	(30 191 813)	(16.69)	Internal Charges over budgeted for
Loss on disposal of Property, Plant and Equipment	28 574	-	28 574	100.00	Property, plant and equipment disposed of during year and not budgeted for
Total Expenditure	744 839 425	656 395 864	88 443 561	13.47	
NET SURPLUS FOR THE YEAR	186 664 070	0	186 664 070		

APPENDIX E(2)
UGU DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010	2009/2010	2009/2010	2009/2010	Explanation of Significant Variances greater than 5% versus Budget
	Total Additions	Budget	Variance	Variance	
	R	R	R	%	
Infrastructure					
Executive and Council	2 623 945	150 000	2 473 945	1 649.30	Expenditure budgeted for under Finance and Administration
Finance and Administration	19 095 590	13 725 000	5 370 590	39.13	Expenditure from previous year carried over
Planning and Development	95 235	834 000	(738 765)	(88.58)	Administrative capital expenditure curtailed
Public Safety	-	810 000	(810 000)	(100.00)	Projects budgeted for not executed in financial year
Sport and Recreation	67 483 704	46 212 094	21 271 610	46.03	Expenditure incurred for Soccer World Cup not budgeted for
Environmental Protection	-	209 000	(209 000)	(100.00)	Projects budgeted for not executed in financial year
Waste Management	60 324 251	77 575 080	(17 250 829)	(22.24)	Delay in tender processes and securing of debt
Water	226 669 914	277 906 240	(51 236 326)	(18.44)	Delay in tender processes and securing of debt
Other	2 718 177	310 000	2 408 177	776.83	Expenditure from previous year carried over
Total	379 010 816	417 731 414	(38 720 598)	(9.27)	

APPENDIX F
UGU DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June			
FMG	National Treasury	0	750 000	0	0	0	85 042	164 862	209 312	116 421	356 419	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	National Treasury	0	50 000 000	35 000 000	35 121 170	0	31 548 204	14 336 200	34 963 138	36 801 404	34 020 726	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sports and Recreation	Dept Sport & Rec	600 000	0	0	0	0	239 420	70 339	217 500	212 599	124 999	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Gijima	DEAT	0	0	0	0	0	0	0	0	0	107 874	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Provincial	DLGTA	35 193 540		5 700 000	7 000 000	3 875 000	5 663 270	9 810 353	13 420 280	12 234 538	19 804 844	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National (inc. MIG)	DPLG	75 254 084	69 337 828	67 335 173	21 981 263	77 628 530	60 972 505	71 962 462	75 866 790	58 934 765	84 186 817	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF	DWAF	446 800	18 000	4 478 500	3 918 000	1 719 700	860 144	2 608 280	2 544 050	6 238 050	10 783 772	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various	DBSA	300 000		0	0	0	74 073	24 153	0	0	584 626	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Co-Operative Projects	IDC	0	0	0	0	0	96 000	345 844	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various (Public Contributions)	OTHER	2 289 527	379 695	1 477 524	1 477 524	7 800 000	3 400	52 000	0	125 376	266 455	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		114 093 951	120 485 523	113 991 197	69 497 957	91 023 230	99 542 058	99 374 493	127 221 069	114 663 153	150 236 530	0	0	0	0	0			

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?