

# Annual Financial Statements

for

## ***Amathole District Municipality***

for the year ended 30 June: **2011**

Province:

Eastern Cape

AFS rounding:

***R'000 (i.e. to the nearest R100,000)***

### **Contact Information:**

|  |  |
|--|--|
| <b>Name of Municipal Manager:</b>              | Mr V Mlokoto   |
| <b>Name of Chief Financial Officer:</b>        | Mr Y Zote  |
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| <b>Name of relevant Auditor:</b>               | Mr Rama Purushotaman   |
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| <b>Name of contact at National Treasury:</b>   | #VALUE!  |
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| Contact e-mail address:                        | <a href="#">#VALUE!</a>  |

**Amathole District Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**General information**

| <b>Members of the Council</b>    |   | <b>Date Appointed</b> |
|----------------------------------|---|-----------------------|
| Konza, N.                        | <b>Mayor</b>  | 20 May 2011           |
| Janda, S.                        | <b>Speaker</b>  | 20 May 2011           |
| <b>Mayoral Committee Members</b> |   |                       |
| Mtintsilana, S.                  | Chief Whip  | 20 May 2011           |
| Billie, P.                       | Health & Protection<br>Community Services SC Chairperson  | 20 May 2011           |
| Bikitsha, M.                     | Water & Sanitation<br>Infrastructure SC Chairperson   | 20 May 2011           |
| Finca, P.                        | Land and Housing  | 20 May 2011           |
| Genu, S.                         | Strategic Planning & IDP  | 20 May 2011           |
| Jacobs, L.E.V.                   | Budget & Treasury   | 20 May 2011           |
| Kubukeli, T.                     | Community Liaison & Participation   | 20 May 2011           |
| Madikane, E.                     | Community Safety  | 20 May 2011           |
| Melitafa, B.                     | Engineering and Infrastructure  | 20 May 2011           |
| Memani, M.                       | Local Economic Development<br>Development & Planning SC Chairperson<br>Corporate Services<br>Human Resources & Administration SC<br>Chairperson | 20 May 2011           |
| Papu, M.                         |   | 20 May 2011           |
| Baleni, X.                       | Mbhashe Representative  | 02 June 2011          |
| Bangani, L.                      | Great Kei Representative  | 03 June 2011          |
| Benya, N.                        | Mbhashe Representative  | 02 June 2011          |
| Duna, W.                         | ADM PR  | 20 May 2011           |
| Dwanya, T.                       | Nkonkobe Representative   | 30 May 2011           |
| Dyani, N.                        | Great Kei Representative  | 03 June 2011          |
| Dyani, T.                        | Mnquma Representative   | 31 May 2011           |
| Jali, S.                         | Ngqushwa Representative   | 02 June 2011          |
| Jikwana, R.                      | Mnquma Representative   | 31 May 2011           |
| Macakela, S.                     | Nkonkobe Representative   | 30 May 2011           |
| Magatya, N.                      | Mbhashe Representative  | 02 June 2011          |
| Malgas, E.                       | ADM PR  | 20 May 2011           |
| Maloni, Q.                       | Nxuba Representative  | 02 June 2011          |
| Mfecane, N.                      | Mbhashe Representative  | 02 June 2011          |
| Mgidlana, N.                     | ADM PR  | 20 May 2011           |
| Mkosana, N.                      | Amahlathi Representative  | 02 June 2011          |
| Mkosana, V.                      | ADM PR  | 20 May 2011           |
| Mpande, Q.                       | Mnquma Representative   | 31 May 2011           |
| Mvakwendlu, A.                   | ADM PR  | 20 May 2011           |
| Ndabazonke, N.                   | Ngqushwa Representative   | 02 June 2011          |
| Ngqongolo, G.                    | Mnquma Representative   | 31 May 2011           |
| Nonjaca, N.                      | Mbhashe Representative  | 02 June 2011          |
| Nkunkuma, N.                     | Amahlathi Representative  | 02 June 2011          |
| Plaatjie, N.                     | Mnquma Representative   | 31 May 2011           |
| Qaba, P.                         | Amahlathi Representative  | 02 June 2011          |
| Rawana, M.                       | Nkonkobe Representative   | 30 May 2011           |
| Roji, X.                         | Amahlathi Representative  | 02 June 2011          |
| Rulashe, N.                      | Nkonkobe Representative   | 30 May 2011           |
| Sigcawu, B.                      | Mbhashe Representative  | 02 June 2011          |
| Sinyongo, L.                     | Nkonkobe Representative   | 30 May 2011           |
| Siwisa, M.                       | Ngqushwa Representative   | 02 June 2011          |
| Solontsi, Z.                     | Mnquma Representative   | 31 May 2011           |
| Tetyana, M.                      | Mbhashe Representative  | 02 June 2011          |
| Tyala, N.                        | Mnquma Representative   | 31 May 2011           |
| Tunyiswa, M.                     | Mnquma Representative   | 31 May 2011           |
| Ward, W.                         | ADM PR  | 20 May 2011           |
| Xego-Sovita, S.                  | ADM PR  | 20 May 2011           |

**Municipal Manager**

Mr. V Mlokoti

**Chief Financial Officer**

Mr. Y Zote

**Grading of Local Authority**

Grade 6

**Auditors**

Auditor-General

**Bankers**



**Amathole District Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**General information (continued)**

|                           |  |
|---------------------------|--|
| <b>Registered Office:</b> | Caxton House   |
| <b>Physical address:</b>  | 40 Cambridge Street<br>East London                                       |
| <b>Postal address:</b>    | <b>PO Box 320</b><br>East London<br>5200                                 |
| <b>Telephone number:</b>  | 043 701 4000   |
| <b>Fax number:</b>        | 043 742 0337   |
| <b>E-mail address:</b>    | <a href="mailto:joelenel@amatole-dm.co.za">joelenel@amatole-dm.co.za</a> |

**Amathole District Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

*DATE*

**Amathole District Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

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**Amathole District Municipality**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2011

|  | Note | 2011<br>R'000        | 2010<br>R'000        |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>  |      |                      |                      |
| <b>Current assets</b>                                      |      |                      |                      |
| Cash and cash equivalents                                  | 1    | 291 685 401          | 279 773 174          |
| Trade and other receivables from exchange transactions     | 2    | 81 855 629           | 51 000 902           |
| Other receivables from non-exchange transactions           | 3    | 1 456 128            | 7 085 120            |
| Other current financial assets                             | 4    | -                    | -                    |
| Inventories  | 5    | 12 153 041           | 5 506 739            |
| Prepayments  | 6    | -                    | -                    |
| Investments  | 7    | 466 189 906          | 469 466 673          |
| Current portion of receivables                             | 8    | 6 625                | 6 567                |
| VAT receivable   | 18   | 42 451 973           | 20 823 910           |
| Construction contracts and receivables                     | 9    | -                    | -                    |
| Non-current assets held for sale                           | 15   | -                    | -                    |
| <b>Non-current assets</b>                                  |      |                      |                      |
| Non-current receivables                                    | 8    | 661 900              | 546 599              |
| Investment in subsidiary                                   | 10   | 1 000                | 1 000                |
| Other non-current financial assets                         | 4    | -                    | -                    |
| Property, plant and equipment                              | 11   | 2 770 590 668        | 1 126 726 347        |
| Intangible assets  | 12   | 17 039               | 263 097              |
| Investment property carried at cost                        | 13   | 72 197 219           | 22 541 180           |
| Investment property carried at fair value                  | 13   | -                    | -                    |
| Biological assets  | 14   | -                    | -                    |
| Defined benefit plan asset                                 | 52   | -                    | -                    |
| Correction of error (illustrative purposes only)           |      | -                    | -                    |
| <b>Total assets</b>  |      | <b>3 739 266 529</b> | <b>1 983 741 308</b> |
| <b>LIABILITIES</b>   |      |                      |                      |
| <b>Current liabilities</b>                                 |      |                      |                      |
| Trade and other payables from exchange transactions        | 16   | 116 666 585          | 103 752 991          |
| Consumer deposits  | 17   | 1 599 907            | 1 398 833            |
| VAT payable  | 18   | -                    | -                    |
| Taxes and transfers payable (non-exchange)                 | 19   | -                    | -                    |
| Current provisions   | 20   | 3 223 808            | 4 716 692            |
| Bank overdraft   | 1    | -                    | -                    |
| Current portion of unspent conditional grants and receipts | 21   | 127 843 668          | 127 483 618          |
| Current portion of borrowings                              | 22   | -                    | -                    |
| Current portion of finance lease liability                 | 23   | 503 553              | 350 479              |
| Other current financial liabilities                        | 24   | -                    | -                    |
| <b>Non-current liabilities</b>                             |      |                      |                      |
| Non-current unspent conditional grants and receipts        | 21   | -                    | -                    |
| Non-current borrowings                                     | 22   | -                    | -                    |
| Non-current finance lease liability                        | 23   | 537 614              | 265 392              |
| Other non-current financial liabilities                    | 24   | 6 497 135            | 7 724 151            |
| Non-current provisions                                     | 25   | -                    | -                    |
| Defined benefit plan obligations                           | 53   | 98 450 093           | 91 963 231           |
| Operating lease liability                                  | 52.2 | 281 579              | 213 796              |
| <b>Total liabilities</b>                                   |      | <b>355 603 942</b>   | <b>337 869 183</b>   |
| <b>Net assets</b>  |      | <b>3 383 662 587</b> | <b>1 645 872 125</b> |
| <b>NET ASSETS</b>  |      |                      |                      |
| Reserves   |      | 1 580 449 963        | 15 126 425           |
| Accumulated surplus / (deficit)                            |      | 1 803 212 624        | 1 630 745 700        |
| <b>Total net assets</b>                                    |      | <b>3 383 662 587</b> | <b>1 645 872 125</b> |

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**Amathole District Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2011

|  | Note | 2011<br>R'000        | 2010<br>R'000      |
|--|------|----------------------|--------------------|
| <b>Revenue</b>   |      |                      |                    |
| Property rates   | 26   | -                    | -                  |
| Property rates - penalties imposed and collection charges                  | 26   | -                    | -                  |
| Service charges  | 27   | 118 216 659          | 86 826 453         |
| Rental of facilities and equipment   | 28   | 268 692              | 233 425            |
| Interest earned - external investments                                     | 29   | 40 105 725           | 50 033 771         |
| Interest earned - outstanding receivables                                  | 30   | 22 839 169           | 13 673 797         |
| Fines  |      | -                    | -                  |
| Licences and permits   |      | -                    | -                  |
| Government grants and subsidies  | 31   | 792 991 125          | 714 358 440        |
| Public contributions and donations   | 32   | -                    | -                  |
| Other income   | 32   | 45 131 547           | 37 223 900         |
| <b>Total revenue</b>   |      | <b>1 019 552 917</b> | <b>902 349 786</b> |
| <b>Expenses</b>  |      |                      |                    |
| Employee related costs   | 33   | 247 206 333          | 215 934 657        |
| Remuneration of councillors  | 34   | 11 306 546           | 10 184 714         |
| Bad debts  |      | 63 282 627           | 53 284 519         |
| Collection costs   |      | 1 476 868            | 1 506 682          |
| Depreciation and amortisation expense                                      | 35   | 140 437 893          | 75 080 266         |
| Repairs and maintenance  |      | 7 876 117            | 13 022 692         |
| Finance costs  | 36   | 194 142              | 91 580             |
| Bulk purchases   | 37   | 37 468 589           | 35 300 351         |
| Contracted services  | 38   | 48 136 143           | 36 752 349         |
| Grants and subsidies paid  | 39   | 1 966 983            | (4 413 281)        |
| General expenses   | 40   | 288 051 936          | 167 183 675        |
| <b>Total expenses</b>  |      | <b>847 404 178</b>   | <b>603 928 204</b> |
| Gain / (loss) on sale of assets  | 41   | 318 185              | 414 228            |
| (Impairment loss) / Reversal of impairment loss                            | 42   | -                    | -                  |
| Profit / (loss) on fair value adjustment                                   | 43   | -                    | -                  |
| Inventories: (Write-down) / reversal of write-down to net realisable value | 5    | -                    | -                  |
| <b>Surplus / (deficit) for the period</b>                                  |      | <b>172 466 924</b>   | <b>298 835 810</b> |



| Financial Statement |       | Period |       |
|---------------------|-------|--------|-------|
|                     | 2023  | 2022   | 2021  |
| Revenue             | 1000  | 950    | 900   |
| Expenses            | (700) | (650)  | (600) |
| Net Income          | 300   | 300    | 300   |
| Assets              | 500   | 450    | 400   |
| Liabilities         | 200   | 150    | 100   |
| Equity              | 300   | 300    | 300   |

**Amathole District Municipality**

**CASH FLOW STATEMENT**

as at 30 June 2011

|   | Note | 2011<br>R'000        | 2010<br>R'000        |
|---|------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |      |                      |                      |
| Receipts  |      | 931 404 606          | 764 852 926          |
| Taxation  |      |                      |                      |
| Sales of goods and services                                       |      | 24 347 998           | 25 993 915           |
| Grants  |      | 796 385 941          | 644 978 477          |
| Interest received   |      | 62 944 894           | 63 707 568           |
| Other receipts  |      | 47 725 773           | 30 172 966           |
| Payments  |      | 655 209 683          | 558 186 613          |
| Employee costs  |      | 251 317 591          | 200 048 698          |
| Suppliers   |      | 401 730 967          | 184 982 739          |
| Interest paid   |      | 194 142              | 91 580               |
| Other payments  |      | <b>1 966 983</b>     | <b>173 063 596</b>   |
| <b>Net cash flows from operating activities</b>                   | 44   | <b>276 194 923</b>   | <b>206 666 313</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |      |                      |                      |
| Purchase of fixed assets (PPE)                                    |      | (268 391 646)        | (126 019 672)        |
| Proceeds from sale of fixed assets                                |      | 321 175              | 414 228              |
| (Increase)/Decrease in long term receivables                      |      | (115 359)            | (182 075)            |
| Decrease/(Increase) of financial assets                           |      | 3 276 767            | 8 001 751            |
| Proceeds from sale of investments                                 |      |                      |                      |
| Purchase of intangibles   |      |                      |                      |
| Decrease/(Increase) in Loans and receivables                      |      |                      |                      |
| <b>Net cash flows from investing activities</b>                   |      | <b>(264 909 063)</b> | <b>(117 785 768)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |      |                      |                      |
| Proceeds from borrowings  |      |                      |                      |
| Repayment of borrowings   |      | 425 296              | 11 147               |
| Proceeds from consumer deposits                                   |      | 201 074              | 433 163              |
| Proceeds from finance lease liability                             |      |                      |                      |
| Repayment of finance lease liability                              |      |                      |                      |
| <b>Net cash flows from financing activities</b>                   |      | <b>626 370</b>       | <b>444 310</b>       |
| <b>Net increase / (decrease) in net cash and cash equivalents</b> |      | 11 912 230           | 89 324 855           |
| <b>Net cash and cash equivalents at beginning of period</b>       |      | 279 773 171          | 190 448 316          |
| <b>Net cash and cash equivalents at end of period</b>             | 45   | <b>291 685 401</b>   | <b>279 773 171</b>   |

INFORMATION PURPOSES ONLY - DO NOT PRINT

**Examples of operating activities**

- a) cash receipts from taxes, levies and fines;
- (b) cash receipts from charges for goods and services provided by the entity;
- (c) cash receipts from grants or transfers and other appropriations or other budget authority national government or other entities;
- (d) cash receipts from royalties, fees, commissions and other revenue;
- (e) cash payments to other entities to finance their operations (not including loans);
- (f) cash payments to suppliers for goods and services;
- (g) cash payments to and on behalf of employees;
- (h) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;
- (i) cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
- (j) cash receipts and payments from contracts held for dealing or trading purposes;
- (k) cash receipts or payments from discontinuing operations; and
- (l) cash receipts or payments in relation to litigation settlements.

**Examples of Investing Activities**

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a public financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts.

**Examples of Financing Activities**

- a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term borrowings;
- (b) cash repayments of amounts borrowed; and
- (c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.



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**Amathole District Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2011

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

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

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET**

**1.5 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006  
GRAP 18 Segment Reporting - issued March 2005  
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 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009  
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009  
Other  
Other

Nature of impending changes in accounting policy:

Impact on the municipality's financial statements once implemented:

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### 2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.



### 2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets *[or state other method used, e.g. production-unit- or diminishing balance method]*. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

| Infrastructure              |  | Other                              |  |
|-----------------------------|--|------------------------------------|--|
| Roads and Paving            |  | Buildings                          |  |
| Pedestrian Malls            |  | Specialist vehicles                |  |
| Electricity                 |  | Other vehicles                     |  |
| Water                       |  | Office equipment                   |  |
| Sewerage                    |  | Furniture and fittings             |  |
|                             |  | Watercraft                         |  |
| <b>Community</b>            |  | Bins and containers                |  |
| Buildings                   |  | Specialised plant and equipment    |  |
| Recreational Facilities     |  | Other items of plant and equipment |  |
| Security                    |  | Landfill sites                     |  |
| Halls                       |  | Quarries                           |  |
| Libraries                   |  | Emergency equipment                |  |
| Parks and gardens           |  | Computer equipment                 |  |
| Other assets                |  | Other                              |  |
|                             |  | Other                              |  |
| <b>Heritage assets</b>      |  | Other                              |  |
| Buildings                   |  | Other                              |  |
| Paintings and artifacts     |  |                                    |  |
|                             |  |                                    |  |
| <b>Finance lease assets</b> |  |                                    |  |
| Office equipment            |  |                                    |  |
| Other assets                |  |                                    |  |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### 2.5 DERECOGNITION

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

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 3.4 DERECOGNITION

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

## 4 INVESTMENT PROPERTY

### 4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

### 4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## 5 BIOLOGICAL ASSETS

### 5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

### 5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

| Biological assets   | % |
|---------------------|---|
| Trees in plantation |   |
| Maize               |   |
| Wheat               |   |
| Sheep               |   |
| Pigs                |   |
| Dairy Cattle        |   |
| Other Assets        |   |



## 6 NON-CURRENT ASSETS HELD FOR SALE

### 6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## 7 INVENTORIES

### 7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

## 8 FINANCIAL INSTRUMENTS

### 8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

### 8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### 8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.



### **8.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

### **8.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **8.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **9 INVESTMENTS IN ASSOCIATES**

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

## **10 UNAUTHORISED EXPENDITURE**

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

## 11 IRREGULAR EXPENDITURE

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

## 12 FRUITLESS AND WASTEFUL EXPENDITURE

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

## 13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

|   |            |
|---|------------|
|   | (a) The    |
| municipality has a detailed formal plan for the restructuring identifying at least:                             | - the      |
| business or part of a business concerned;   | - the      |
| principal locations affected;   | - the      |
| location, function, and approximate number of employees who will be compensated for terminating their services; | - the      |
| expenditures that will be undertaken; and   | - when the |
| plan will be implemented; and   |            |

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 14 LEASES

### 14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.



## 14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## 15 REVENUE

### 15.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. [The estimates of consumption between meter readings are based on.....](#)

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## 15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## 15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## 16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## 17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. [The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.](#)

Insert defined contribution plan information here

Insert defined benefit plan information here.

## 18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *[the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work]*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 19 IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|  | Note | 2011<br>R'000      | 2010<br>R'000      |
|--|------|--------------------|--------------------|
| <b>1 CASH AND CASH EQUIVALENTS</b>                                   |      |                    |                    |
| Cash and cash equivalents consist of the following:                  |      |                    |                    |
| Cash on hand   |      | 9 000              | 9 000              |
| Cash at bank   |      | 131 195 197        | 98 767 608         |
| Call deposits  |      | 160 481 204        | 180 996 566        |
|  |      | <u>291 685 401</u> | <u>279 773 174</u> |
| The Municipality has the following bank accounts: -                  |      |                    |                    |
| <b><u>Current Account (Primary Bank Account)</u></b>                 |      |                    |                    |
| Standard Bank : Account No 081093454                                 |      |                    |                    |
| Cash book balance at beginning of year                               |      | 6 560 093          | 8 589 917          |
| Cash book balance at end of year                                     |      | <u>116 318 025</u> | <u>6 560 093</u>   |
| Bank statement balance at beginning of year                          |      | 6 560 144          | 8 592 072          |
| Bank statement balance at end of year                                |      | <u>122 135 168</u> | <u>6 560 144</u>   |
| <b><u>Current Account (Other Account)</u></b>                        |      |                    |                    |
| ABSA : Account no 4063093498   |      |                    |                    |
| Cash book balance at beginning of year                               |      | 92 207 515         | 110 203 931        |
| Cash book balance at end of year                                     |      | <u>14 877 172</u>  | <u>92 207 515</u>  |
| Bank statement balance at beginning of year                          |      | 95 634 187         | 113 485 109        |
| Bank statement balance at end of year                                |      | <u>14 877 172</u>  | <u>95 634 187</u>  |
| <b><u>Call Accounts</u></b>  |      |                    |                    |
| ABSA: Account No 9157439418<br>Standard Bank: Account No 88643816001 |      |                    |                    |
| Cash book balance at beginning of year                               |      | 180 996 566        | 71 648 016         |
| Cash book balance at end of year                                     |      | <u>160 481 204</u> | <u>180 996 566</u> |
| Bank statement balance at beginning of year                          |      | 180 996 566        | 71 648 016         |
| Bank statement balance at end of year                                |      | <u>160 000 000</u> | <u>180 996 566</u> |
| <b><u>Cash on hand</u></b>   |      |                    |                    |
|  |      | 9 000              | 9 000              |
| Total cash and cash equivalents                                      |      | <u>291 685 401</u> | <u>279 773 174</u> |
| Total bank overdraft   |      | <u>-</u>           | <u>-</u>           |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|   | Note | 2011                  | 2010                  |
|---|------|-----------------------|-----------------------|
|   |      | R'000                 | R'000                 |
| <b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b> |      |                       |                       |
|   |      | <b>Gross Balances</b> | <b>Provision for</b>  |
|   |      |                       | <b>Doubtful Debts</b> |
|   |      |                       | <b>Net Balance</b>    |
| <b>Trade receivables</b>  |      | <b>R'000</b>          | <b>R'000</b>          |
| as at 30 June 2011  |      |                       |                       |
| Service debtors   |      |                       |                       |
| Water   |      | 145 489 820           | 105 894 954           |
| Sewerage  |      | 104 485 581           | 76 049 966            |
| Interest on arrears component                                   |      | 50 799 977            | 36 974 829            |
| <b>Total</b>  |      | <b>300 775 378</b>    | <b>218 919 749</b>    |
| <b>Other receivables</b>  |      | <b>-</b>              | <b>-</b>              |
| <b>Other receivables</b>  |      | <b>-</b>              | <b>-</b>              |
| <b>Total Trade and other receivables</b>                        |      | <b>300 775 378</b>    | <b>218 919 749</b>    |

**as at 30 June 2010**

Service debtors

|                               |                    |                    |                   |
|-------------------------------|--------------------|--------------------|-------------------|
| Water                         | 92 930 818         | 68 853 169         | 24 077 649        |
| Sewerage                      | 77 182 029         | 58 350 555         | 18 831 474        |
| Interest on arrears component | 33 164 690         | 25 072 910         | 8 091 780         |
| <b>Total</b>                  | <b>203 277 537</b> | <b>152 276 634</b> | <b>51 000 903</b> |

**Other receivables**

**Other receivables**

|  |                    |                    |                   |
|--|--------------------|--------------------|-------------------|
| <b>Total Trade and other receivables</b> | <b>203 277 537</b> | <b>152 276 634</b> | <b>51 000 903</b> |
|--|--------------------|--------------------|-------------------|

**Water and Sewerage: Ageing**

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Current (0 – 30 days) | 24 467 121         | 15 596 261         |
| 31 - 60 Days          | 11 025 295         | 13 028 672         |
| 61 - 90 Days          | 8 825 364          | 5 999 355          |
| 91 - 120 Days         | 8 121 523          | 6 429 596          |
| 121 - 365 Days        | 56 672 518         | 39 646 808         |
| + 365 Days            | 191 663 557        | 122 576 846        |
| <b>Total</b>          | <b>300 775 378</b> | <b>203 277 538</b> |

**Summary of Debtors by Customer Classification**

|   | Consumers            | Industrial / Commercial | National and Provincial Government |
|---|----------------------|-------------------------|------------------------------------|
|   | R'000                | R'000                   | R'000                              |
| <b>as at 30 June 2011</b>                       |                      |                         |                                    |
| Current (0 – 30 days)                           | 15 228 909           | 2 985 742               | 6 252 469                          |
| 31 - 60 Days                                    | 8 502 553            | 943 929                 | 1 578 813                          |
| 61 - 90 Days                                    | 7 007 704            | 758 607                 | 1 059 053                          |
| 91 - 120 Days                                   | 6 749 429            | 605 406                 | 766 688                            |
| 121 - 365 Days                                  | 48 095 784           | 4 563 435               | 4 013 299                          |
| + 365 Days                                      | 181 003 544          | 8 890 565               | 1 769 448                          |
| Sub-total                                       | <b>266 587 923</b>   | <b>18 747 684</b>       | <b>15 439 771</b>                  |
| Less: Provision for doubtful debts              | <b>(193 313 278)</b> | <b>(14 937 108)</b>     | <b>(10 669 363)</b>                |
| <b>Total debtors by customer classification</b> | <b>73 274 646</b>    | <b>3 810 576</b>        | <b>4 770 408</b>                   |

**as at 30 June 2010**

|   |                      |                     |                    |
|---|----------------------|---------------------|--------------------|
| Current (0 – 30 days)                           | 11 125 260           | 1 688 522           | 2 782 479          |
| 31 - 60 Days                                    | 10 113 359           | 1 473 599           | 1 441 714          |
| 61 - 90 Days                                    | 4 996 196            | 619 969             | 383 191            |
| 91 - 120 Days                                   | 5 207 800            | 833 993             | 387 803            |
| 121 - 365 Days                                  | 34 255 179           | 3 772 762           | 1 618 867          |
| + 365 Days                                      | 115 274 595          | 6 533 122           | 769 128            |
| Sub-total                                       | <b>180 972 389</b>   | <b>14 921 967</b>   | <b>7 383 182</b>   |
| Less: Provision for doubtful debts              | <b>(136 295 201)</b> | <b>(11 175 265)</b> | <b>(4 806 169)</b> |
| <b>Total debtors by customer classification</b> | <b>44 677 187</b>    | <b>3 746 702</b>    | <b>2 577 013</b>   |

**Data cleansing**

The municipality is currently faced with the challenge of updating the debtors data bases received from seven of the local municipalities within its area of jurisdiction.

Since August 2008, the municipality has been actively involved in a multi - year data cleansing project to verify and update information for all water and sanitation consumers within the Amathole District Municipality.

Sources of information utilised to update the consumer database include the online Deeds Register, Trans-Union ITC, Surveyor General information and Valuation rolls from the seven local municipalities.

Progress has thus far been made on the updating of debtor information, correction of billing, closing of abeyance accounts with nil balances, as well as, the identification of duplicate accounts

with huge debit balances within the 7 local municipal areas. Priority is also being given to the checking and updating of all information relating to vacant stands as per the individual local municipal valuation rolls.

**Other Challenges include the following:**

The updating of accounts and debtor information on the Venus Financial System is dependent on the accuracy of information from data sources which include the Registrar of Deeds, Transunion, and Valuation Rolls.

During the data cleansing processes it has been discovered that the information on these data sets is outdated and not always accurate which hampers the productivity, as well as the validity of the updated information. This lack of a credible information source to measure the accuracy and completeness of Venus information is an ongoing challenge for the

data cleansing project team as exceptions which need to be investigated and corrected are raised daily from the available data sets. The information verification process cannot be concluded as a desktop exercise only and fieldwork is often required through - out the local municipal areas and this is a time - consuming process.

A major shortfall of the project has also been the determination of service coverage per stand for all areas in ADM's jurisdiction and this also requires fieldwork to ensure that information updated on the Venus Financial System has been verified on the field and confirmed as correct.

During the 2009/2010 financial year, the data cleansing team also relied heavily on manual processes of updating the individual consumer records and has now identified a need to embark on electronic interventions of verifying and updating consumer data. During the year under review, the Amathole District Municipality (ADM) embarked on a strategic support to ensure that the data clean-up project deliverables are met through the appointment of Business Connexion (BCX). The focus groups on Service Coverage and Meters were established in order to verify services rendered to the consumers. Sixteen (16) Field Verification Officers were appointed to assist with the verifying and investigating information on the field. During the 2010/2011 financial year a Business Tool called X-Plor System was developed to be implemented in 2011/2012 financial year which consolidates together the information from Registrar of Deeds, Venus System, Valuations Roll and Surveyor General to assist Revenue Management with identifying exceptions and progress on the project.

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note | 2011<br>R'000 | 2010<br>R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

**Debt collection**

In collecting the outstanding ADM revenue the municipality strives to ensure sound internal controls and adherence to the ADM Credit Control and Debt Management Policy.

Efforts to ensure that the outstanding debt is recovered include the restrictions of water meters for non paying domestic and business water consumers.

Further steps also include the following:

- (i) Legal processes for debt recovery
- (ii) Water account disconnections.
- (iii) Appointment of PSU Debt Collector in November 2010.

The collection rate for the 2010/11 year is 43% (2009/2010: 43%).

- (i) Data cleansing project which is still in progress. The Data Cleansing is meant to correct the database information which resulted in consumer accounts being returned back to the institution totalling to an amount of R 3.9 million.
- (ii) The Indigence is subsidised from 0-6 kl. However, the consumption in excess of 6 kl is billed as a consumer at a normal rate resulting in non payment.

**Council has approved the following Indigent write-off for financial year ending 2010/2011:**

|    |              |                       |  |
|----|--------------|-----------------------|--|
| 1) | 29-Apr-11    | R 709 379.48          |  |
| 2) | 10-Dec-10    | R 2 346 869.85        |  |
| 3) | 29-Oct-10    | R 963 220.71          |  |
| 4) | 31-Aug-10    | R 5 552 947.47        |  |
|    | 20-Jun-10    | R 38 010.11           | (This write-off was rejected in 2009/2010 by the system and therefore it could not be implemented. It was only rectified in the current financial year, in July 2010.) |
| 5) |              |                       |  |
|    | <b>Total</b> | <b>R 9 610 427.62</b> |  |

The municipality, has since June 2008, been actively involved in a campaign to ensure that all indigent consumers in the district are registered. Although indigent registration outreach campaigns have been held monthly throughout the Amathole District, progress was slow as only a few consumers attended the campaigns held in the various local municipalities.

The ADM therefore identified a need in November 2009 for the sourcing of community – based youths from the various local municipalities to assist the municipality with a door – to – door indigent registration

campaign. The contracts for the unemployed youths expired at the end of February 2010, however, sixteen (16) Field Verification Officers were appointed with effect from 01 January 2011. The municipality identified

identified an urgent need for the revival of the indigent registration awareness campaign by advertising through media (i.e. radio telephonic interviews, public broadcasting, circulating of informative pamphlets etc.).

During the year under review, two (2) indigent awareness campaigns took place at Mquma and Nkonkobe Local Municipalities on the 16 April 2011 and 25 June 2011, respectively.

The total number of consumers registered as indigents on the ADM system as at the end of June 2011 is 1467.

The registered indigent consumers receive up to 6 free kilolitres (kl) of water on a monthly basis, and are billed at the normal tariff rates for water consumption in excess of the 6kl.

The Indigent policy was revised during the 2010/2011 financial period and adopted by Council on the 28 May 2011.

**Outstanding debt due by Amathole District Municipality Councillors and employees:**

|               | Previous     | 30 days       | 60 days      |
|---------------|--------------|---------------|--------------|
|               | R            | R             | R            |
| ADM Officials | 8 490        | 13 293        | 8 263        |
| Councillors   | 755          | 760           | 907          |
| <b>Total</b>  | <b>9 245</b> | <b>14 053</b> | <b>9 170</b> |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note   | 2011<br>R'000      | 2010<br>R'000      |
|--|--------------------|--------------------|
| <b>2 Reconciliation of the doubtful debt provision</b> |                    |                    |
| Balance at beginning of the year                       | 159 867 499        | 127 584 459        |
| Contributions to provision                             | 78 535 936         | 53 243 730         |
| Doubtful debts written off against provision           | (9 610 428)        | (20 960 690)       |
| <b>Balance at end of year</b>                          | <b>228 793 007</b> | <b>159 867 499</b> |

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired.

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

|  |                  |                  |
|--|------------------|------------------|
| Sundry receivables   | 11 329 386       | 13 434 454       |
| Prepayments  | -                | 391 199          |
| Indebtedness by municipal entity: Amathole Economic Development Agency | -                | 850 332          |
| Subtotal   | 11 329 386       | 14 675 985       |
| LESS: Provision for bad debts  | (9 873 258)      | (7 590 865)      |
| <b>Total Other Debtors</b>   | <b>1 456 128</b> | <b>7 085 120</b> |

**4 OTHER NON-CURRENT FINANCIAL ASSETS**

|                                    |   |   |
|------------------------------------|---|---|
| Other non-current financial assets | - | - |
|------------------------------------|---|---|

**4 OTHER CURRENT FINANCIAL ASSETS**

|                                |   |   |
|--------------------------------|---|---|
| Other current financial assets | - | - |
|--------------------------------|---|---|

**5 INVENTORIES**

| Opening balance of inventories: | 8 434 449        | 8 468 261        |
|---------------------------------|------------------|------------------|
| Consumable stores               | 737 093          | 960 021          |
| Housing projects                | 6 182 614        | 7 508 240        |
| Water - own                     | 1 342 208        | -                |
| Water - purchased               | 172 534          | -                |
| <b>Additions:</b>               | <b>7 458 350</b> | <b>554 721</b>   |
| Consumable stores               | 37 464           | -                |
| Housing projects                | -                | -                |
| Water - own                     | 7 054 409        | 440 172          |
| Water - purchased               | 366 477          | 114 549          |
| <b>Issued (expensed):</b>       | <b>1 579 512</b> | <b>1 325 626</b> |
| Consumable stores               | 26 505           | -                |
| Housing projects                | 1 553 007        | 1 325 626        |
| Water - own                     | -                | -                |
| Water - purchased               | -                | -                |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note   | 2011<br>R'000     | 2010<br>R'000    |
|--|-------------------|------------------|
| <b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or</b> |                   |                  |
| <b>5 Net Replacement Cost (NRC):</b>   | <b>2 160 546</b>  | -                |
| Consumable stores  | 2 160 546         | -                |
| Housing projects   | -                 | -                |
| Water - own  | -                 | -                |
| Water - purchased  | -                 | -                |
| <b>Closing balance of inventories:</b>   | <b>12 153 041</b> | <b>5 506 739</b> |
| Consumable stores  | 748 052           | 737 093          |
| Housing projects   | 2 469 362         | 3 254 904        |
| Water - own  | 8 396 616         | 1 342 208        |
| Water - purchased  | 539 011           | 172 534          |

**Housing Projects**

The cost incurred on completed housing units that are occupied by beneficiaries has been transferred to the Statement of Financial Performance. A stock count was conducted at year of inventory on hand, and these quantities have been costed.

**Water inventory**

In accordance with GRAP 12 unsold purchased water has been disclosed. Correct meter readings at the beginning and end of the financial year could not be guaranteed. Consulting engineers were thus appointed to determine the water on hand for each scheme based on the capacity of reservoirs and pipelines.

Raw materials on site at the housing projects was written off due to obsolescence and damage.

**6 PREPAYMENTS**

|                  |   |   |
|------------------|---|---|
| Prepaid expenses | - | - |
|------------------|---|---|

Insurance for x months relating to following financial year, were paid in the current year.

**7 INVESTMENTS**

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Call investment deposits | 466 189 906        | 469 466 673        |
|                          | <b>466 189 906</b> | <b>469 466 673</b> |

**Held to maturity financial assets**

The following fixed deposit accounts have been classified as held to maturity financial assets in accordance with IAS 39: Financial Instruments. Maturity periods are fixed and range between 3 - 12 months. Average rate of return on investments 5.88% (2010: 7.59%).

In accordance with the Municipality's risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.

The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

No investments were written off during the year.

The value of the financial assets disclosed in the above note have not been disclosed as cash and cash equivalents due to its maturity period of 3 months or more as at Statement of Financial Position date.

**8 NON-CURRENT RECEIVABLES**

|   |                |                |
|---|----------------|----------------|
| Deposits  | 649 660        | 528 010        |
| Loans to local municipalities                             | 18 865         | 25 157         |
|   | 668 525        | 553 167        |
| Less : Current portion transferred to current receivables | (6 625)        | (6 568)        |
| Loans to local municipalities                             | (6 625)        | (6 568)        |
| <b>Total</b>  | <b>661 900</b> | <b>546 599</b> |

Long term receivables are financial assets which are categorised as loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. The fair values of the loans are estimated to approximate their carrying amounts.

**Loans to local municipalities**

**Financial assets**

The loans to the local municipalities represents loans to Winterstrand and Kei Road. The loans currently attract interest at 4% per annum and are repayable over a period of 40 years. These loans will be redeemed by June 2013.



**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note | 2011<br>R'000 | 2010<br>R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

**9 CONSTRUCTION CONTRACT RECEIVABLES**

Contracts in progress at reporting date:

Construction contract receivables

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

Advances received in excess of work completed are included in trade and other payables.

At 30 June 20x1, contract debtors of R - (20x0: R -) are due for settlement after more than 12 months.

Contract debtors were pledged as security for overdraft facilities of R - (20x0: R -) of the municipality. At year end the overdraft amounted to R - (20x0: R -).

**10 INVESTMENT IN SUBSIDIARY**

Investments in Municipal Entity - cost

|  |       |       |
|--|-------|-------|
|  | 1 000 | 1 000 |
|--|-------|-------|

**Total**

|  |       |       |
|--|-------|-------|
|  | 1 000 | 1 000 |
|--|-------|-------|

**Council's valuation of unlisted Investments**

Investments in Municipal Entities

|  |       |       |
|--|-------|-------|
|  | 1 000 | 1 000 |
|--|-------|-------|

**Investments in Municipal Entities**

**Amathole Economic Development Agency (Pty) Ltd**

Issued Share Capital (1000 ordinary shares of R1,00 each)

Percentage owned by Council

1 000

1 000

**Related Party Transactions**

*Funding provided to AEDA for the operations of the agency*

|  |            |           |
|--|------------|-----------|
|  | 10 000 000 | 8 000 000 |
|--|------------|-----------|

*Funds transferred to AEDA for implementation of NDPG project*

|  |            |           |
|--|------------|-----------|
|  | 42 405 413 | 4 500 000 |
|--|------------|-----------|

*Funds transferred to AEDA for implementation of Essential Oils Project*

|  |           |   |
|--|-----------|---|
|  | 1 500 000 | - |
|--|-----------|---|

*The Amathole Economic Development Agency was established 1 September 2005*

**Place of Incorporation** : South Africa

**Principal Activity** : To promote local economic development in the Amathole Municipal District Area.

| 1. Identifikasi dan Analisis Masalah |                       |
|--------------------------------------|-----------------------|
| 1.1. Identifikasi Masalah            | 1.2. Analisis Masalah |
| 1.3. Tujuan dan Sasaran              | 1.4. Ruang Lingkup    |
| 1.5. Batasan-batasan                 | 1.6. Sumber Daya      |
| 1.7. Waktu                           | 1.8. Biaya            |
| 1.9. Risiko                          | 1.10. Kesimpulan      |



**Section 1: Introduction**  
This document provides a comprehensive overview of the project's objectives, scope, and key findings. It is intended for stakeholders and serves as a reference for future work.

**Section 2: Objectives and Scope**  
The primary objectives of this project are to analyze the current market trends, identify key challenges, and propose effective solutions. The scope of the study is limited to the specified geographical region and time period.

**Section 3: Methodology**  
The research methodology employed includes a combination of qualitative and quantitative approaches. Data was collected through surveys, interviews, and secondary research. The analysis was conducted using statistical software and thematic analysis.

**Section 4: Results and Findings**  
The findings indicate a significant shift in consumer behavior, with a growing emphasis on sustainability and digital engagement. Key challenges identified include supply chain volatility and talent acquisition. The proposed solutions focus on digital transformation and strategic partnerships.

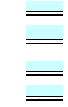
**Section 5: Conclusion and Recommendations**  
In conclusion, the project highlights the importance of adaptability and innovation in a rapidly changing market. The recommendations provided are actionable and designed to drive long-term growth and success.

**Table 1**

| Year       | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------|------|------|------|------|------|
| Population | 100  | 100  | 100  | 100  | 100  |
| Urban      | 50   | 50   | 50   | 50   | 50   |
| Rural      | 50   | 50   | 50   | 50   | 50   |
| Male       | 50   | 50   | 50   | 50   | 50   |
| Female     | 50   | 50   | 50   | 50   | 50   |

| Account | Balance | Debit | Credit | Balance |
|---------|---------|-------|--------|---------|
| 1000    | 1000    |       |        | 1000    |
| 1010    |         | 1000  |        |         |
| 1020    |         |       | 1000   | 1000    |
| 1030    |         |       |        |         |
| 1040    |         |       |        |         |
| 1050    |         |       |        |         |
| 1060    |         |       |        |         |
| 1070    |         |       |        |         |
| 1080    |         |       |        |         |
| 1090    |         |       |        |         |
| 1100    |         |       |        |         |
| 1110    |         |       |        |         |
| 1120    |         |       |        |         |
| 1130    |         |       |        |         |
| 1140    |         |       |        |         |
| 1150    |         |       |        |         |
| 1160    |         |       |        |         |
| 1170    |         |       |        |         |
| 1180    |         |       |        |         |
| 1190    |         |       |        |         |
| 1200    |         |       |        |         |
| 1210    |         |       |        |         |
| 1220    |         |       |        |         |
| 1230    |         |       |        |         |
| 1240    |         |       |        |         |
| 1250    |         |       |        |         |
| 1260    |         |       |        |         |
| 1270    |         |       |        |         |
| 1280    |         |       |        |         |
| 1290    |         |       |        |         |
| 1300    |         |       |        |         |
| 1310    |         |       |        |         |
| 1320    |         |       |        |         |
| 1330    |         |       |        |         |
| 1340    |         |       |        |         |
| 1350    |         |       |        |         |
| 1360    |         |       |        |         |
| 1370    |         |       |        |         |
| 1380    |         |       |        |         |
| 1390    |         |       |        |         |
| 1400    |         |       |        |         |
| 1410    |         |       |        |         |
| 1420    |         |       |        |         |
| 1430    |         |       |        |         |
| 1440    |         |       |        |         |
| 1450    |         |       |        |         |
| 1460    |         |       |        |         |
| 1470    |         |       |        |         |
| 1480    |         |       |        |         |
| 1490    |         |       |        |         |
| 1500    |         |       |        |         |
| 1510    |         |       |        |         |
| 1520    |         |       |        |         |
| 1530    |         |       |        |         |
| 1540    |         |       |        |         |
| 1550    |         |       |        |         |
| 1560    |         |       |        |         |
| 1570    |         |       |        |         |
| 1580    |         |       |        |         |
| 1590    |         |       |        |         |
| 1600    |         |       |        |         |
| 1610    |         |       |        |         |
| 1620    |         |       |        |         |
| 1630    |         |       |        |         |
| 1640    |         |       |        |         |
| 1650    |         |       |        |         |
| 1660    |         |       |        |         |
| 1670    |         |       |        |         |
| 1680    |         |       |        |         |
| 1690    |         |       |        |         |
| 1700    |         |       |        |         |
| 1710    |         |       |        |         |
| 1720    |         |       |        |         |
| 1730    |         |       |        |         |
| 1740    |         |       |        |         |
| 1750    |         |       |        |         |
| 1760    |         |       |        |         |
| 1770    |         |       |        |         |
| 1780    |         |       |        |         |
| 1790    |         |       |        |         |
| 1800    |         |       |        |         |
| 1810    |         |       |        |         |
| 1820    |         |       |        |         |
| 1830    |         |       |        |         |
| 1840    |         |       |        |         |
| 1850    |         |       |        |         |
| 1860    |         |       |        |         |
| 1870    |         |       |        |         |
| 1880    |         |       |        |         |
| 1890    |         |       |        |         |
| 1900    |         |       |        |         |
| 1910    |         |       |        |         |
| 1920    |         |       |        |         |
| 1930    |         |       |        |         |
| 1940    |         |       |        |         |
| 1950    |         |       |        |         |
| 1960    |         |       |        |         |
| 1970    |         |       |        |         |
| 1980    |         |       |        |         |
| 1990    |         |       |        |         |
| 2000    |         |       |        |         |

2.



**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|  | Note                     | 2011<br>R'000 | 2010<br>R'000 |
|--|--------------------------|---------------|---------------|
| <b>12 INTANGIBLE ASSETS</b>                    |                          |               |               |
| <b>12.1 Reconciliation of carrying value</b>   |                          |               |               |
|  | <b>Computer Software</b> | <b>Other*</b> | <b>Total</b>  |
|  | <b>R'000</b>             | <b>R'000</b>  | <b>R'000</b>  |
| <b>as at 1 July 2010</b>                       | 266 001                  | -             | 266 001       |
| Cost   | 2 031 763                | 59 604        | 2 091 367     |
| Correction of error (note 48)                  |                          |               | -             |
| Change in accounting policy (note 47)          |                          |               | -             |
| Accumulated amortisation and impairment losses | (1 765 762)              | (59 604)      | (1 825 366)   |
| Acquisitions                                   | -                        | -             | -             |
| Amortisation                                   | 248 962                  | -             | 248 962       |
| Carrying value of disposals                    | -                        | -             | -             |
| Cost   | -                        | -             | -             |
| Accumulated amortisation                       | -                        | -             | -             |
| Impairment loss/Reversal of impairment loss    | -                        | -             | -             |
| Transfers                                      | -                        | -             | -             |
| Other movements                                | -                        | -             | -             |
| <b>as at 30 June 2011</b>                      | <b>17 039</b>            | <b>-</b>      | <b>17 039</b> |
| Cost   | 2 031 763                | 59 604        | 2 091 367     |
| Accumulated amortisation and impairment losses | (2 014 724)              | (59 604)      | (2 074 328)   |

\*Note: "Other" consists of....., none of which are considered to be individually significant or material.

|  | Computer Software | Other*   | Total          |
|--|-------------------|----------|----------------|
|  | R                 | R        | R              |
| <b>as at 1 July 2009</b>                       | <b>568 142</b>    | <b>-</b> | <b>568 142</b> |
| Cost   | 2 031 763         | 59 604   | 2 091 367      |
| Correction of error (note 48)                  |                   |          | -              |
| Change in accounting policy (note 47)          |                   |          | -              |
| Accumulated amortisation and impairment losses | (1 463 621)       | (59 604) | (1 523 225)    |
| Acquisitions                                   | -                 | -        | -              |
| Amortisation                                   | 305 045           | -        | 305 045        |
| Carrying value of disposals                    | -                 | -        | -              |
| Cost   | -                 | -        | -              |
| Accumulated amortisation                       | -                 | -        | -              |
| Impairment loss/Reversal of impairment loss    | -                 | -        | -              |
| Transfers                                      | -                 | -        | -              |
| Other movements                                | -                 | -        | -              |
| <b>as at 30 June 2010</b>                      | <b>263 097</b>    | <b>-</b> | <b>263 097</b> |
| Cost   | 2 031 763         | 59 604   | 2 091 367      |
| Accumulated amortisation and impairment losses | (1 768 666)       | (59 604) | (1 828 270)    |

\*Note: "Other" consists of....., none of which are considered to be individually significant or material.

**12.2 Intangible assets with indefinite useful lives (disclose the following);**

Carrying amount;  
Reasons for supporting the assessment of the useful life as indefinite;  
Description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life.



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|  | Note                             | 2011<br>R'000                    | 2010<br>R'000     |
|--|----------------------------------|----------------------------------|-------------------|
| <b>13 INVESTMENT PROPERTY CARRIED AT COST</b>  |                                  |                                  |                   |
| <b>13.1 Reconciliation of carrying value</b>   |                                  |                                  |                   |
|  | <b>Investment<br/>property X</b> | <b>Investment<br/>property Y</b> | <b>Total</b>      |
|  | <b>R</b>                         | <b>R</b>                         | <b>R</b>          |
| <b>as at 1 July 2010</b>                       | <b>72 227 977</b>                | -                                | <b>(194 487)</b>  |
| Cost   | 72 422 464                       | -                                | -                 |
| Correction of error (note 48)                  |                                  |                                  | -                 |
| Change in accounting policy (note 47)          |                                  |                                  | -                 |
| Accumulated depreciation and impairment losses | (194 487)                        | -                                | (194 487)         |
| Acquisitions                                   | -                                | -                                | -                 |
| Depreciation                                   | 30 758                           | -                                | 30 758            |
| Carrying value of disposals                    | -                                | -                                | -                 |
| Cost   | -                                | -                                | -                 |
| Accumulated depreciation                       | -                                | -                                | -                 |
| Impairment loss/Reversal of impairment loss    | -                                | -                                | -                 |
| Transfers                                      | -                                | -                                | -                 |
| Other movements                                | -                                | -                                | -                 |
| <b>as at 30 June 2011</b>                      | <b>72 197 219</b>                | -                                | <b>72 197 219</b> |
| Cost   | 72 422 464                       | -                                | 72 422 464        |
| Accumulated depreciation and impairment losses | (225 245)                        | -                                | (225 245)         |
| <b>13.1 Reconciliation of carrying value</b>   |                                  |                                  |                   |
|  | <b>Investment<br/>property</b>   | <b>Investment<br/>property</b>   | <b>Total</b>      |
|  | <b>R</b>                         | <b>R</b>                         | <b>R</b>          |
| <b>as at 1 July 2009</b>                       | <b>19 194 958</b>                | -                                | <b>19 194 958</b> |
| Cost   | 19 348 235                       | -                                | 19 348 235        |
| Correction of error (note 48)                  |                                  |                                  | -                 |
| Change in accounting policy (note 47)          |                                  |                                  | -                 |
| Accumulated depreciation and impairment losses | (153 277)                        | -                                | (153 277)         |
| Acquisitions                                   | -                                | -                                | -                 |
| Depreciation                                   | 28 933                           | -                                | 28 933            |
| Carrying value of disposals                    | -                                | -                                | -                 |
| Cost   | -                                | -                                | -                 |
| Accumulated depreciation                       | -                                | -                                | -                 |
| Impairment loss/Reversal of impairment loss    | -                                | -                                | -                 |
| Transfers                                      | 3 375 155                        | -                                | 3 375 155         |
| Other movements                                | -                                | -                                | -                 |
| <b>as at 30 June 2010</b>                      | <b>22 541 180</b>                | -                                | <b>22 541 180</b> |
| Cost   | 22 723 390                       | -                                | 22 723 390        |
| Accumulated depreciation and impairment losses | (182 210)                        | -                                | (182 210)         |

**13.2 Investment property pledged as security**

**13.3 Fair value of investment property carried at cost:**

The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use. For investment property, totalling R - (20X0: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate  
Other  
Other

These assumptions are based on current market conditions.

**13.4 If the fair value can not be determined, the following should be disclosed:**

Description of the investment property;  
Explanation of why the fair value can not be determined reliably;

**Amathole District Municipality**  
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Note

2011  
R'000

2010  
R'000

If possible, the range of estimates within which the fair value is highly likely to lie.

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|   | Note | 2011<br>R'000 | 2010<br>R'000 |
|---|------|---------------|---------------|
| <b>13.5 Details of property:</b>                              |      |               |               |
| <b>Investment property</b>                                    |      |               |               |
| Terms and conditions  |      |               |               |
| Purchase price: date  |      |               |               |
| Additions since purchase                                      |      |               |               |
| Capitalised expenditure                                       |      | -             | -             |
| <b>Investment property</b>                                    |      |               |               |
| Terms and conditions  |      |               |               |
| Purchase price: date  |      |               |               |
| Additions since purchase                                      |      |               |               |
| Capitalised expenditure                                       |      | -             | -             |
| <b>13.6 Rental income from investment property</b>            |      |               |               |
| Direct operating expenses from rental generating property     |      |               |               |
| Direct operating expenses from non-rental generating property |      |               |               |

**13 INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

|   | Investment<br>property<br>R'000 | Investment<br>property<br>R'000 | Total<br>R'000 |
|---|---------------------------------|---------------------------------|----------------|
| <b>13.1 Reconciliation of fair value</b>    |                                 |                                 |                |
| <b>as at 1 July 2010</b>                    | -                               | -                               | -              |
| Acquisitions                                | -                               | -                               | -              |
| Fair value adjustment                       | -                               | -                               | -              |
| Fair value of disposals                     | -                               | -                               | -              |
| Impairment loss/Reversal of impairment loss | -                               | -                               | -              |
| Transfers                                   | -                               | -                               | -              |
| Other movements                             | -                               | -                               | -              |
| <b>as at 30 June 2011</b>                   | -                               | -                               | -              |

|   | Investment<br>property<br>R'000 | Investment<br>property<br>R'000 | Total<br>R'000 |
|---|---------------------------------|---------------------------------|----------------|
| <b>13.1 Reconciliation of fair value</b>    |                                 |                                 |                |
| <b>as at 1 July 2009</b>                    | -                               | -                               | -              |
| Acquisitions                                | -                               | -                               | -              |
| Fair value adjustment                       | -                               | -                               | -              |
| Fair value of disposals                     | -                               | -                               | -              |
| Impairment loss/Reversal of impairment loss | -                               | -                               | -              |
| Transfers                                   | -                               | -                               | -              |
| Other movements                             | -                               | -                               | -              |
| <b>as at 30 June 2010</b>                   | -                               | -                               | -              |

**13.2 Investment property pledged as security**

|                                 |  |   |   |
|---------------------------------|--|---|---|
| <b>13.3 Details of property</b> |  |   |   |
| <b>Investment property</b>      |  |   |   |
| Terms and conditions            |  |   |   |
| Purchase price: date            |  |   |   |
| Additions since purchase        |  |   |   |
| Capitalised expenditure         |  | - | - |
| <b>Investment property</b>      |  |   |   |
| Terms and conditions            |  |   |   |
| Purchase price: date            |  |   |   |
| Additions since purchase        |  |   |   |
| Capitalised expenditure         |  | - | - |

**Amathole District Municipality**  
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Note

| 2011  | 2010  |
|-------|-------|
| R'000 | R'000 |
| -     | -     |

**Amathole District Municipality**  
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|   | Note | 2011<br>R'000 | 2010<br>R'000 |
|---|------|---------------|---------------|
| <b>13.3 Rental income from investment property</b>  |      |               |               |
| Direct operating expenses from rental generating property   |      |               |               |
| Direct operating expenses from non-rental generating property   |      |               |               |
| <b>13.4 Details of valuation</b>  |      |               |               |
| <p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use. For investment property, totalling R - (2007: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:</p> <p>Discount rate<br/> Other<br/> Other</p> <p>These assumptions are based on current market conditions.</p> |      |               |               |
| <b>13.5 Amounts recognised in surplus or deficit for the year.</b>  |      |               |               |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14 BIOLOGICAL ASSETS**

| 14.1 Reconciliation of Carrying Value          | Trees in<br>plantation<br>R'000 | Maize<br>R'000 | Wheat<br>R'000 | Sheep<br>R'000 |
|--|---------------------------------|----------------|----------------|----------------|
| <b>as at 1 July 2010</b>                       | -                               | -              | -              | -              |
| Cost/Valuation                                 | -                               | -              | -              | -              |
| Correction of error (note 48)                  |                                 |                |                |                |
| Change in accounting policy (note 47)          |                                 |                |                |                |
| Accumulated depreciation and impairment losses | -                               | -              | -              | -              |
| Acquisitions                                   | -                               | -              | -              | -              |
| Decrease due to harvest/sales                  | -                               | -              | -              | -              |
| Depreciation                                   | -                               | -              | -              | -              |
| Gains/losses from changes in fair value        | -                               | -              | -              | -              |
| Carrying value of disposals                    | -                               | -              | -              | -              |
| Cost/Valuation                                 | -                               | -              | -              | -              |
| Accumulated depreciation and impairment losses | -                               | -              | -              | -              |
| Impairment loss/Reversal of impairment loss    | -                               | -              | -              | -              |
| Transfers                                      | -                               | -              | -              | -              |
| Other movements*                               | -                               | -              | -              | -              |
| <b>as at 30 June 2011</b>                      | -                               | -              | -              | -              |
| Cost/Valuation                                 | -                               | -              | -              | -              |
| Accumulated depreciation and impairment losses | -                               | -              | -              | -              |

\* Other movements consist of.....

**Amathole District Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
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| 14.1 Reconciliation of Carrying Value          | Trees in<br>plantation | Maize | Wheat | Sheep |
|--|------------------------|-------|-------|-------|
|  | R'000                  | R'000 | R'000 | R'000 |
| <b>as at 1 July 2009</b>                       | -                      | -     | -     | -     |
| Cost/Valuation                                 | -                      | -     | -     | -     |
| Correction of error (note 48)                  |                        |       |       |       |
| Change in accounting policy (note 47)          |                        |       |       |       |
| Accumulated depreciation and impairment losses | -                      | -     | -     | -     |
| Acquisitions                                   | -                      | -     | -     | -     |
| Decrease due to harvest/sales                  | -                      | -     | -     | -     |
| Depreciation                                   | -                      | -     | -     | -     |
| Gains/losses from changes in fair value        | -                      | -     | -     | -     |
| Carrying value of disposals                    | -                      | -     | -     | -     |
| Cost/Valuation                                 | -                      | -     | -     | -     |
| Accumulated depreciation and impairment losses | -                      | -     | -     | -     |
| Impairment loss/Reversal of impairment loss    | -                      | -     | -     | -     |
| Transfers                                      | -                      | -     | -     | -     |
| Other movements*                               | -                      | -     | -     | -     |
| <b>as at 30 June 2010</b>                      | -                      | -     | -     | -     |
| Cost/Valuation                                 | -                      | -     | -     | -     |
| Accumulated depreciation and impairment losses | -                      | -     | -     | -     |

\* Other movements consist of.....

**Amathole District Municipality**  
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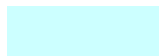
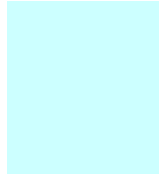
|   | Note | 2011<br>R'000 |
|---|------|---------------|
| <b>14.2 Non-financial information</b>   |      |               |
| <b>Quantities of each biological asset</b>  |      |               |
| Trees in plantation   |      |               |
| Maize   |      |               |
| Wheat   |      |               |
| Sheep   |      |               |
| Pigs  |      |               |
| Dairy Cattle  |      |               |
| Other Assets  |      |               |
| <b>14.3 Biological assets pledged as security</b>   |      |               |
| <b>Asset 1</b>  |      |               |
| Terms and conditions  |      |               |
| <b>Asset 2</b>  |      |               |
| Terms and conditions  |      |               |
| <b>14.4 Assets carried at cost and accumulated depreciation and impairment losses</b>   |      |               |
| <i>Describe the biological carried at cost less accumulated depreciation and impairment losses.</i>   |      |               |
| <i>Explain why fair value cannot be determined.</i>   |      |               |
| <i>Disclose potential range of fair values of assets carried at cost.</i>   |      |               |
| <b>14.5 Methods and assumptions used in determining the fair value</b>  |      |               |
|   |      |               |
| <b>14.6 Fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest</b> |      |               |
|   |      |               |



| Pigs  | Dairy Cattle | Other Assets | Total |
|-------|--------------|--------------|-------|
| R'000 | R'000        | R'000        | R'000 |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |

| Pigs  | Dairy Cattle | Other Assets | Total |
|-------|--------------|--------------|-------|
| R'000 | R'000        | R'000        | R'000 |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |
| -     | -            | -            | -     |

2010  
R'000



**Amathole District Municipality**  
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| Note                                       | 2011<br>R'000 | 2010<br>R'000 |
|--|---------------|---------------|
| <b>15 NON-CURRENT ASSETS HELD FOR SALE</b> |               |               |
| Property, plant and equipment              | -             | -             |
| Investment property                        | -             | -             |
| Other assets                               | -             | -             |
|  | <u>-</u>      | <u>-</u>      |

State details on non-current assets held for sale including description of the assets and the facts and circumstances that resulted in it being classified as such.

|  |                    |                    |
|--|--------------------|--------------------|
| <b>16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>          |                    |                    |
| Trade creditors  | 52 001 276         | 62 278 146         |
| Consumer debtors with credit balances                                  | 2 935 286          | 2 614 300          |
| Other payables   | 48 167 892         | 30 495 118         |
| Indebtedness to municipal entity: Amathole Economic Development Agency | 503 630            | -                  |
| Amounts received in advance: Water and sanitation                      | 2 912 935          | 2 624 886          |
| Accrued leave pay  | 15.1 4 020 317     | 591 991            |
| Accrued for service bonus  | 15.2 6 125 249     | 5 148 551          |
| <b>Total creditors</b>   | <u>116 666 585</u> | <u>103 752 991</u> |

An amount of R420 000.00 is due by the Amathole District Municipality for the VAT cost on phase 1 of operating funding from the IDC. This amount was paid over during August 2011.  
The indebtedness includes an amount of R91 644.45 for furniture purchased from the economic entity. This amount was paid during July 2011.

Trading creditors are non-interest bearing and normally settled on 30-day terms.  
The fair value of R1 353 449 was calculated for other payables in accordance with IAS39. A discount rate equating the average return on investments was used.

IAS39 AG79 states that short term payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

The carrying amount of trade payables approximates their fair value due.

|   |                   |                  |
|---|-------------------|------------------|
| <b>16.1 Accrued Leave Pay</b>               |                   |                  |
| Opening Balance                             | 8 316 142         | 6 520 047        |
| Plus: Contributions during the year         | 7 101 510         | 5 381 176        |
| Leave sold during the year                  | (4 900 200)       | (3 585 081)      |
| <b>Total leave accrual</b>                  | <u>10 517 453</u> | <u>8 316 142</u> |
| <b>Non current portion of leave accrual</b> | 6 497 135         | 7 724 151        |
| <b>Current portion of leave accrual</b>     | 4 020 317         | 591 991          |
|   | <u>10 517 453</u> | <u>8 316 142</u> |

The municipality makes provision for staff leave pay based upon the basic salary scale for 2011/12. The short term portion of the provision is based on the number of accrued days versus the number of days sold.

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| <b>16.2 Accrued Service Bonus</b>  |                  |                  |
| Opening balance                    | 5 148 551        | 4 704 235        |
| Additional provision               | 6 125 249        | 5 148 551        |
| Amounts utilised                   | -                | -                |
| Unused amounts reversed            | (5 148 551)      | (4 704 235)      |
| Carrying amount at end of the year | <u>6 125 249</u> | <u>5 148 551</u> |

The fair value of trade and other payables approximates their carrying amounts.

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| <b>17 CONSUMER DEPOSITS</b>    |                  |                  |
| Consumer deposits              | 1 599 907        | 1 398 833        |
| <b>Total consumer deposits</b> | <u>1 599 907</u> | <u>1 398 833</u> |

The consumer deposits relate to the water and sanitation function.  
The municipality does not have an unconditional right to defer the payment of the consumer deposits.

|                       |   |   |
|-----------------------|---|---|
| <b>18 VAT PAYABLE</b> |   |   |
| VAT payable           | - | - |

VAT is paid over to SARS only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the year.

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| <b>18 VAT RECEIVABLE</b> |                   |                   |
| VAT receivable           | 42 451 973        | 20 823 910        |
|                          | <u>42 451 973</u> | <u>20 823 910</u> |

VAT is paid over to SARS only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the year.

|  |   |   |
|--|---|---|
| <b>19 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)</b> |   |   |
| Taxes and transfers payable                          | - | - |

**Amathole District Municipality**  
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| Note                               | 2011<br>R'000    | 2010<br>R'000    |
|------------------------------------|------------------|------------------|
| <b>20 PROVISIONS</b>               |                  |                  |
| Performance bonus                  | 905 453          | 1 164 441        |
| TASK grades                        | 2 318 355        | 2 318 355        |
| Provision: Post-employment benefit | -                | 1 233 895        |
| <b>Total Provisions</b>            | <b>3 223 808</b> | <b>4 716 692</b> |

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2010/11 financial year, however this is subject to change once the assessments have been finalised.

[Notes15-611A1](#)

**Task grades**

The provision is based upon the estimates determined by the Job evaluation unit pertaining to the new TASK grades. The Job Evaluation Unit has received applications from employees to get their jobs re-graded, as they presently have TASK grades based on outdated job descriptions. In a circular during October 2010, an undertaking was made to back pay to July 2010 those employees whose jobs are upgraded as a result of a re-grade process. This process has not yet been completed.

**Provision for post employment benefit**

The Cape Joint Pension Fund indicated that the fund had a shortfall which was to be recovered from the employer, Amathole District Municipality. This shortfall was paid during April 2011.

The movement in current provisions are reconciled as follows: -

|   | Performance<br>Bonus | Task grades      |
|---|----------------------|------------------|
| <b>as at 1 July 2010</b>                  | 1 164 441            | 2 318 355        |
| Contributions to provision                | 638 330              | -                |
| Unused amounts reversed                   | (897 318)            | -                |
| <b>as at 30 June 2011</b>                 | <b>905 453</b>       | <b>2 318 355</b> |
| <b>as at 1 July 2009</b>                  | 558 177              | -                |
| Contributions to provision                | 723 129              | 2 318 355        |
| Unused amounts reversed                   | (116 865)            | -                |
| <b>as at 30 June 2010</b>                 | <b>1 164 441</b>     | <b>2 318 355</b> |
| <b>Provision: Post-employment benefit</b> |                      |                  |
| <b>as at 1 July 2010</b>                  | 1 233 895            | -                |
| Contributions to provision                | -                    | -                |
| Expenditure incurred                      | (1 207 862)          | -                |
| Unused amounts reversed                   | (26 013)             | -                |
| <b>as at 30 June 2011</b>                 | <b>-</b>             | <b>-</b>         |
| <b>as at 1 July 2009</b>                  | -                    | -                |
| Transfer from non-current                 | 1 233 895            | -                |
| Contributions to provision                | -                    | -                |
| Expenditure incurred                      | -                    | -                |
| <b>as at 30 June 2010</b>                 | <b>1 233 895</b>     | <b>-</b>         |

**21 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**21.1 Unspent Conditional Grants from other spheres of Government**

|            |             |             |
|------------|-------------|-------------|
| MIG Grants | 127 843 668 | 127 483 618 |
| Other      | -           | -           |

**21.2 Other Unspent Conditional Grants and Receipts**

|       |   |   |
|-------|---|---|
| Other | - | - |
| Other | - | - |

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Total Unspent Conditional Grants and Receipts</b> | <b>127 843 668</b> | <b>127 483 618</b> |
|--|--------------------|--------------------|

|   |                    |                    |
|---|--------------------|--------------------|
| <b>Non-current unspent conditional grants and receipts</b>        | -                  | -                  |
| <b>Current portion of unspent conditional grants and receipts</b> | <b>127 843 668</b> | <b>127 483 618</b> |

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

[Notes15-611A2Q1](#)

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note  | 2011<br>R'000                  | 2010<br>R'000                   |  |
|---|--------------------------------|---------------------------------|--|
| <b>22 BORROWINGS</b>  |                                |                                 |  |
| <b>23 FINANCE LEASE LIABILITY</b>   |                                |                                 |  |
| <b>2011</b>   |                                |                                 |  |
|   | Minimum lease payment<br>R'000 | Future finance charges<br>R'000 | Present value of minimum lease payments<br>R'000 |
| <b>Amounts payable under finance leases</b>   |                                |                                 |  |
| Within one year   | 578 020                        |                                 | 503 553  |
| Within two to five years  | 573 869                        |                                 | 537 614  |
|   | <u>1 151 889</u>               | -                               | <u>1 041 167</u>                                 |
| Less: Amount due for settlement within 12 months (current portion)  |                                |                                 | <u>(503 553)</u>                                 |
|   |                                |                                 | <u><b>537 614</b></u>                            |
| <p>The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.</p> |                                |                                 |  |
| <b>2010</b>   |                                |                                 |  |
|   | Minimum lease payment<br>R'000 | Future finance charges<br>R'000 | Present value of minimum lease payments<br>R'000 |
| <b>Amounts payable under finance leases</b>   |                                |                                 |  |
| Within one year   | 405 946                        |                                 | 350 479  |
| Within two to five years  | 283 160                        |                                 | 265 392  |
|   | <u>689 106</u>                 | -                               | <u>615 871</u>                                   |
| Less: Amount due for settlement within 12 months (current portion)  |                                |                                 | <u>(350 479)</u>                                 |
|   |                                |                                 | <u><b>265 392</b></u>                            |
| <p>The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.</p> |                                |                                 |  |
| <b>24 OTHER FINANCIAL LIABILITIES</b>   |                                |                                 |  |
| <b>24.1 OTHER NON-CURRENT FINANCIAL LIABILITIES</b>   |                                |                                 |  |
| Other non-current financial liabilities   | 16.1                           | 6 497 135                       | 7 724 151  |
| <b>24.2 OTHER CURRENT FINANCIAL LIABILITIES</b>   |                                |                                 |  |
| Other current financial liabilities   |                                | -                               | -  |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note  | 2011<br>R'000 | 2010<br>R'000 |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
|---|---------------|---------------|---|---|---|----------------------------|---|---|----------------------|---|---|--|---|---|--------------------------------|---|---|-----------------------------------|----------|----------|
| <b>25 NON-CURRENT PROVISIONS</b>  |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Provision for rehabilitation of landfill sites  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Provision for long-service awards   | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Total Non-Current Provisions</b>   | <b>-</b>      | <b>-</b>      |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <p>The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at <i>x%</i>, over an average period of <i>X</i> years.<br/> <i>Insert any assumptions made concerning future events.</i></p> <p>The long-service award is payable after every <i>y</i> years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.<br/> <i>Insert any assumptions made concerning future events.</i></p> <p>The movement in the non-current provision is reconciled as follows: -</p>   |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <p>Provision for rehabilitation of landfill sites:</p> <table border="1" style="width: 100%;"> <tr> <td><b>Balance at the beginning of year</b></td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Contributions to provision</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Expenditure incurred</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Increase in provision due to discounting</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Transfer to current provisions</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td><b>Balance at the end of year</b></td> <td style="text-align: right;"><b>-</b></td> <td style="text-align: right;"><b>-</b></td> </tr> </table> |               |               | <b>Balance at the beginning of year</b> | - | - | Contributions to provision | - | - | Expenditure incurred | - | - | Increase in provision due to discounting | - | - | Transfer to current provisions | - | - | <b>Balance at the end of year</b> | <b>-</b> | <b>-</b> |
| <b>Balance at the beginning of year</b>   | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Contributions to provision  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Expenditure incurred  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Increase in provision due to discounting  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Transfer to current provisions  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Balance at the end of year</b>   | <b>-</b>      | <b>-</b>      |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <p>Provision for long-service awards:</p> <table border="1" style="width: 100%;"> <tr> <td><b>Balance at the beginning of year</b></td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Contributions to provision</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Expenditure incurred</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Increase in provision due to discounting</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Transfer to current provisions</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td><b>Balance at the end of year</b></td> <td style="text-align: right;"><b>-</b></td> <td style="text-align: right;"><b>-</b></td> </tr> </table>              |               |               | <b>Balance at the beginning of year</b> | - | - | Contributions to provision | - | - | Expenditure incurred | - | - | Increase in provision due to discounting | - | - | Transfer to current provisions | - | - | <b>Balance at the end of year</b> | <b>-</b> | <b>-</b> |
| <b>Balance at the beginning of year</b>   | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Contributions to provision  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Expenditure incurred  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Increase in provision due to discounting  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Transfer to current provisions  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Balance at the end of year</b>   | <b>-</b>      | <b>-</b>      |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>26 PROPERTY RATES</b>  |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Actual</b>   |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Residential   | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Commercial  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Light Industries  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Heavy Industries  | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| State   | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Total property rates</b>   | <b>-</b>      | <b>-</b>      |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Property rates - penalties imposed and collection charges   | -             | -             |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Total</b>  | <b>-</b>      | <b>-</b>      |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Valuations</b>   |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Residential   |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Commercial  |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| State   |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| Municipal   |               |               |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |
| <b>Total Property Valuations</b>  | <b>-</b>      | <b>-</b>      |   |   |   |                            |   |   |                      |   |   |  |   |   |                                |   |   |                                   |          |          |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 20X0. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of Rx (20X0) is applied to property valuations to determine assessment rates. Rebates of x% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 November 20X1 (20X0: 30 November). Interest at x% per annum (20X0:x%) is levied on outstanding rates as well as x% (20X0: x%) collection charge two months after final date of pay

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note  | 2011<br>R'000       | 2010<br>R'000        |
|---|---------------------|----------------------|
| <b>27 SERVICE CHARGES</b>   |                     |                      |
| Sale of water   | 72 963 947          | 51 996 599           |
| Sewerage and sanitation charges   | 43 401 563          | 33 017 882           |
| Fire services   | 1 851 149           | 1 811 972            |
| <b>Total Service Charges</b>  | <b>118 216 659</b>  | <b>86 826 453</b>    |
| <b>28 RENTAL OF FACILITIES AND EQUIPMENT</b>  |                     |                      |
| Rental of facilities  | 268 692             | 233 425              |
| Rental of equipment   | -                   | -                    |
| Other rentals   | -                   | -                    |
| <b>Total rentals</b>  | <b>268 692</b>      | <b>233 425</b>       |
| <b>29 INTEREST EARNED - EXTERNAL INVESTMENTS</b>  |                     |                      |
| Unlisted financial assets held to maturity  | 28 406 452          | 35 388 257           |
| Cash and cash equivalents   | 11 699 272          | 14 645 514           |
| <b>Total interest</b>   | <b>40 105 724</b>   | <b>50 033 771</b>    |
| <b>30 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>   |                     |                      |
| Levies  | -                   | 41 463               |
| Water and sanitation  | 22 839 226          | 13 630 960           |
| Loans receivable  | 943                 | 1 374                |
| <b>Total interest</b>   | <b>22 839 169</b>   | <b>13 673 797</b>    |
| <b>31 GOVERNMENT GRANTS AND SUBSIDIES</b>   |                     |                      |
| Equitable share   | 289 468 791         | 225 742 587          |
| Levy replacement grant  | 191 571 001         | 175 737 202          |
| Other government grants and subsidies   | 10 262 632          | -                    |
| Conditional Grants: Conditions met - transferred to revenue   | 70 639 859          | 80 846 487           |
| MIG grant   | 231 048 842         | 232 032 164          |
| <b>Total Government Grant and Subsidies</b>   | <b>792 991 125</b>  | <b>714 358 440</b>   |
| <b>31.1 Equitable Share</b>   |                     |                      |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R <sub>x</sub> (20X <sub>0</sub> ; R <sub>x</sub> ), which is funded from the grant. |                     |                      |
| <b>31.2 MIG Grant</b>   |                     |                      |
| Balance unspent at beginning of year  | (175 737 202)       | -                    |
| Current year receipts   | 319 414 669         | -                    |
| Conditions met - transferred to revenue   | (191 571 001)       | (175 737 202)        |
| <b>Conditions still to be met - remain liabilities (see note 21)</b>  | <b>(47 893 534)</b> | <b>(175 737 202)</b> |
| <i>Provide explanations of conditions still to be met and other relevant information</i>  |                     |                      |
| <b>31.3 Other Government Grants and Subsidies</b>   |                     |                      |
| Balance unspent at beginning of year  | -                   | -                    |
| Current year receipts   | 231 048 842         | 232 032 164          |
| Conditions met - transferred to revenue   | (231 048 842)       | (232 032 164)        |
| <b>Conditions still to be met - remain liabilities (see note 21)</b>  | <b>-</b>            | <b>-</b>             |
| <i>Provide explanations of conditions still to be met and other relevant information</i>  |                     |                      |
| <b>31.4 Changes in levels of government grants</b>  |                     |                      |
| Based on the allocations set out in the Division of Revenue Act, (Act ... of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.  |                     |                      |



**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note  | 2011<br>R'000     | 2010<br>R'000     |
|---|-------------------|-------------------|
| <b>32 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>  |                   |                   |
| <b>32.1 Other income</b>  |                   |                   |
| Other income  | 45 131 547        | 37 223 900        |
| Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50) <a href="#">Notes15-611A6&amp;4</a> | -                 | -                 |
| <b>Total Other Income</b>   | <b>45 131 547</b> | <b>37 223 900</b> |
| <b>32.1 Public contributions and donations</b>  |                   |                   |
| Public contributions - Conditional  | -                 | -                 |
| Public contributions - Unconditional  | -                 | -                 |
| Donations   | -                 | -                 |
| <b>Total public contributions and donations</b>   | <b>-</b>          | <b>-</b>          |
| <b>Reconciliation of conditional contributions</b>  |                   |                   |
| <b>Balance unspent at beginning of year</b>   |                   |                   |
| Current year receipts   | -                 | -                 |
| Conditions met - transferred to revenue   | -                 | -                 |
| <b>Conditions still to be met - remain liabilities (see note 21)</b> <a href="#">Notes15-611A124</a>                  | <b>-</b>          | <b>-</b>          |

*Provide explanations of conditions still to be met and other relevant information*

|   | #REF1              | #REF1              |
|---|--------------------|--------------------|
| <b>33 EMPLOYEE RELATED COSTS</b>  |                    |                    |
| Employee related costs - Salaries and Wages   | 161 971 171        | 130 166 051        |
| Employee related costs - Contributions for UIF, pensions and medical aids                 | 41 344 688         | 28 049 852         |
| Travel, motor car, accommodation, subsistence and other allowances                        | 7 030 631          | 6 213 414          |
| Housing benefits and allowances   | 1 311 281          | 1 128 688          |
| Overtime payments   | 7 904 271          | 5 365 178          |
| Performance and other bonuses   | 13 215 648         | 9 688 612          |
| Other employee related costs  | 14 428 642         | 35 322 862         |
| <b>Employee Related Costs</b>   | <b>247 206 333</b> | <b>215 934 657</b> |
| <b>Defined Benefit Plan (Post employment medical aid and retirement gratuity) Expense</b> | <b>8 901 683</b>   | <b>22 461 231</b>  |
| - current service cost  | 8 482 980          | 5 701 866          |
| - interest cost   | 8 367 869          | 5 941 619          |
| - actuarial loss recognised   | (7 949 166)        | 10 817 746         |
| <b>Amount expended in respect of retirement benefit plans:</b>                            | <b>32 744 037</b>  | <b>25 022 896</b>  |
| Defined contribution funds  | 30 512 796         | 23 117 221         |
| Defined benefit funds   | 2 231 241          | 1 905 676          |

There were no advances to employees / Loans to employees are set out in note 3.

| <b>Remuneration of the Municipal Manager</b>    |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 1 003 232        | 884 900          |
| Performance Bonus                               | 162 129          | -                |
| Acting Allowance                                | -                | -                |
| Cell Phone Allowance                            | 28 164           | 28 164           |
| Travel Allowance                                | 171 600          | 171 600          |
| Back Pay of Remuneration                        | 15 528           | 40 692           |
| Contributions to UIF, Medical and Pension Funds | 1 497            | 1 497            |
| <b>Total</b>                                    | <b>1 382 150</b> | <b>1 126 853</b> |

| <b>Remuneration of the Chief Finance Officer</b> |                  |                |
|--|------------------|----------------|
| Annual Remuneration                              | 624 873          | 546 635        |
| Performance Bonuses                              | 185 905          | -              |
| Acting Allowance                                 | -                | -              |
| Cell Phone Allowance                             | 28 164           | 28 164         |
| Travel Allowance                                 | 228 694          | 233 472        |
| Back Pay of Remuneration                         | 11 186           | 21 984         |
| Contributions to UIF, Medical and Pension Funds  | 148 327          | 131 796        |
| <b>Total</b>                                     | <b>1 227 148</b> | <b>962 050</b> |

| <b>Remuneration of the Director: Engineering</b> |                  |                |
|--|------------------|----------------|
| Annual Remuneration                              | 595 753          | 536 009        |
| Performance Bonuses                              | 168 756          | -              |
| Acting Allowance                                 | -                | -              |
| Cell Phone Allowance                             | 28 164           | 28 164         |
| Travel Allowance                                 | 253 270          | 233 472        |
| Back Pay of Remuneration                         | 8 268            | 21 984         |
| Contributions to UIF, Medical and Pension Fund   | 155 716          | 133 801        |
| <b>Total</b>                                     | <b>1 209 927</b> | <b>953 430</b> |

|   | 2010/11<br>R   | 2009/10<br>R   |
|---|----------------|----------------|
| <b>Remuneration of the Director: Strategic Management</b> |                |                |
| Annual Remuneration                                       | 608 268        | 631 240        |
| Performance Bonuses                                       | -              | -              |
| Leave Encashment  | 17 739         | -              |
| Acting Allowance  | -              | -              |
| Cell Phone Allowance                                      | 22 918         | 27 192         |
| Travel Allowance  | 137 203        | 171 600        |
| Back Pay of Remuneration                                  | 4 402          | 22 250         |
| Contributions to UIF, Medical and Pension Fund            | 60 250         | 17 823         |
| <b>Total</b>  | <b>850 780</b> | <b>870 105</b> |

This post was vacant for the period 1 August 2010 to 31 December 2010

|   | 2010/11<br>R     | 2009/10<br>R   |
|---|------------------|----------------|
| <b>Remuneration of the Director: Corporate Services</b> |                  |                |
| Annual Remuneration                                     | 715 479          | 584 293        |
| Performance bonus                                       | 104 957          | -              |
| Leave Encashment  | -                | -              |
| Acting allowance  | -                | -              |
| Cell Phone Allowance                                    | 28 164           | 28 164         |
| Travel Allowance  | 144 000          | 144 000        |
| Back Pay of Remuneration                                | 10 458           | 42 356         |
| Contributions to UIF, Medical and Pension Fund          | 132 166          | 114 294        |
| <b>Total</b>  | <b>1 135 225</b> | <b>913 107</b> |

|  | 2010/11<br>R     | 2009/10<br>R   |
|--|------------------|----------------|
| <b>Remuneration of the Director: Health &amp; Protection</b> |                  |                |
| Annual Remuneration  | 518 478          | 465 700        |
| Performance Bonuses  | 191 682.03       | -              |
| Leave Encashment   | -                | -              |
| Acting Allowance   | -                | -              |
| Cell Phone Allowance   | 28 296           | 28 296         |
| Travel Allowance   | 216 236          | 199 333        |
| Back Pay of Remuneration                                     | 7 162            | 19 434         |
| Contributions to UIF, Medical and Pension Fund               | 123 068          | 104 971        |
| <b>Total</b>   | <b>1 084 922</b> | <b>817 734</b> |

|   | 2010/11<br>R | 2009/10<br>R   |
|---|--------------|----------------|
| <b>Remuneration of the Director: Executive Support Services</b> |              |                |
| Annual Remuneration   | -            | 563 344        |
| Performance Bonuses   | -            | -              |
| Leave Encashment  | -            | 33 591         |
| Acting Allowance  | -            | -              |
| Housing subsidy   | -            | -              |
| Cell Phone Allowance  | -            | 11 330         |
| Travel Allowance  | -            | 79 821         |
| Back Pay of Remuneration  | -            | 12 856         |
| Contributions to UIF, Medical and Pension Fund                  | -            | 46 405         |
| <b>Total</b>  | <b>-</b>     | <b>747 347</b> |

This post was abolished during the 2009/2010 financial year

|  | 2010/11<br>R | 2009/10<br>R |
|--|--------------|--------------|
|  |              |              |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|   | Note | 2011<br>R'000  | 2010<br>R'000  |
|---|------|----------------|----------------|
| <b>Remuneration of the Director: Land Settlements and Housing</b> |      |                |                |
| Annual Remuneration   |      | 619 082        | 382 253        |
| Performance Bonuses   |      | 47 561         | -              |
| Acting Allowance  |      | -              | -              |
| Housing subsidy   |      | -              | -              |
| Cell Phone Allowance  |      | 46 328         | -              |
| Travel Allowance  |      | 216 011        | 127 750        |
| Back Pay of Remuneration  |      | 8 399          | -              |
| Contributions to UIF, Medical and Pension Fund                    |      | 20 552         | 998            |
| <b>Total</b>  |      | <b>957 932</b> | <b>511 001</b> |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note   | 2011<br>R'000      | 2010<br>R'000      |
|--|--------------------|--------------------|
| <b>34 REMUNERATION OF COUNCILLORS</b>  |                    |                    |
| Executive Mayor  | 661 426            | 710 756            |
| Speaker  | 526 387            | 558 605            |
| Mayoral committee members  | 5 327 649          | 3 473 125          |
| Councillors  | 4 310 970          | 4 964 262          |
| Councillors pension contribution   | 480 115            | 457 946            |
| <b>Total Councillors' Remuneration</b>   | <b>11 306 546</b>  | <b>10 184 714</b>  |
| <b>In-kind Benefits</b>  |                    |                    |
| <p>The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p> <p>The Executive Mayor has use of three council owned vehicles for official duties, and has a full-time driver/bodyguard.</p> <p>The salaries, allowances and benefits of the political office-bearers are within the upper limits of the framework as prescribed by section 219 of the Constitution.</p> |                    |                    |
| <b>35 DEPRECIATION AND AMORTISATION EXPENSE</b>  |                    |                    |
| Property, plant and equipment  | 140 158 173        | 74 746 288         |
| Intangible assets  | 248 962            | 305 045            |
| Investment property carried at cost  | 30 758             | 28 933             |
| Biological assets carried at cost  | -                  | -                  |
| <b>Total Depreciation and Amortisation</b>   | <b>140 437 893</b> | <b>75 080 266</b>  |
| <b>36 FINANCE COSTS</b>  |                    |                    |
| Finance leases   | 194 142            | 91 580             |
| <b>Total Finance Costs</b>   | <b>194 142</b>     | <b>91 580</b>      |
| <b>37 BULK PURCHASES</b>   |                    |                    |
| Electricity  | -                  | -                  |
| Water  | 37 468 589         | 35 300 351         |
| <b>Total Bulk Purchases</b>  | <b>37 468 589</b>  | <b>35 300 351</b>  |
| <b>38 CONTRACTED SERVICES</b>  |                    |                    |
| Contracted services for:   |                    |                    |
| Chemicals  | 6 592 729          | 4 178 435          |
| General expenses   | 2 804 250          | 21 109 436         |
| Labour & travel  | 21 950 713         | 876 106            |
| Repairs & maintenance  | 14 665 083         | 7 156 490          |
| WSSA - Amahlathi Water Scheme  | 2 123 368          | 3 431 863          |
|  | <b>48 136 143</b>  | <b>36 752 349</b>  |
| <b>39 GRANTS AND SUBSIDIES PAID</b>  |                    |                    |
| Grant/subsidy paid to municipalities   | 2 089 790          | 173 063 596        |
|  | <b>2 089 790</b>   | <b>173 063 596</b> |
| (Provide details)  |                    |                    |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 for the year ended 30 June 2011

| Note  | 2011<br>R'000      | 2010<br>R'000      |
|---|--------------------|--------------------|
| <b>40 GENERAL EXPENSES</b>                        |                    |                    |
| Included in general expenses are the following:-  |                    |                    |
| Advertising                                       | 802 775            | 802 775            |
| Amathole Economic Development Agency contribution | 10 000 000         | 10 000 000         |
| Annual event                                      | 431 406            | 431 406            |
| Advisory forums                                   | 219 296            | 219 296            |
| Assessment rates                                  | 257 094            | 257 094            |
| Audit committee                                   | 578 349            | 578 349            |
| Bank charges                                      | 3 635 700          | 3 635 700          |
| Books & publications                              | 326 579            | 326 579            |
| By-law consultation                               | 17 034             | 17 034             |
| Bursary for rare skills                           | -                  | -                  |
| Campaigns and promotions                          | 232 282            | 232 282            |
| Chemicals   | 580 782            | 580 782            |
| Cleaning materials                                | 362 898            | 362 898            |
| Communication                                     | 184                | 184                |
| Community Based Organisation                      | 787 941            | 787 941            |
| Conference expenses                               | 1 416 570          | 1 416 570          |
| Consultative forums                               | 1 300 631          | 1 300 631          |
| Consultants                                       | 142 134            | 142 134            |
| Consumables                                       | 1 514 462          | 1 514 462          |
| Dam safety  | 221 498            | 221 498            |
| Database expenditure                              | 29 472             | 29 472             |
| Delegated management                              | 471 343            | 471 343            |
| Disposal of the dead                              | 11 758 144         | 11 758 144         |
| Electricity, water and refuse                     | 39 226             | 39 226             |
| Employee welfare                                  | 16 004 603         | 16 004 603         |
| Emergency provisions                              | 1 008 157          | 1 008 157          |
| Entertainment                                     | 1 800 419          | 1 800 419          |
| Fire services                                     | 108 905            | 108 905            |
| Food control                                      | 4 246              | 4 246              |
| Fumigation  | 176 572            | 176 572            |
| Grants in aid                                     | 113 529            | 113 529            |
| Hiring costs                                      | 211 609            | 211 609            |
| IGR learner ship and programmes                   | 179 923            | 179 923            |
| Indigent support                                  | 445 810            | 445 810            |
| Insurance   | 1 345 961          | 1 345 962          |
| International programmes                          | 4 475 783          | 4 475 783          |
| Job evaluation expenditure                        | 720 789            | 720 789            |
| Nursing services                                  | 229 373            | 229 373            |
| LGSeta internship programme                       | 132 604            | 132 604            |
| Licences and subscriptions                        | -                  | -                  |
| Marketing   | 551 398            | 551 398            |
| Meeting costs                                     | 658 284            | 658 284            |
| Membership fees                                   | 549 091            | 549 090            |
| Miscellaneous expenditure                         | 2 178 337          | 2 178 337          |
| Oversight Committee                               | -                  | -                  |
| Pit latrine clearance                             | 20 399             | 20 399             |
| Postage   | 93 147             | 93 147             |
| Internally funded project allocations             | 1 642 008          | 1 642 008          |
| Printing and stationery                           | 152 749 869        | 88 420 772         |
| Project Management                                | 3 589 057          | 3 589 057          |
| Property transfer costs                           | 29 112             | 29 112             |
| Protective clothing                               | 216 675            | 216 675            |
| Public participation                              | 1 386 468          | 1 386 468          |
| Refreshments                                      | 1 267 507          | 1 267 507          |
| Rentals: VPN lines                                | 499 054            | 499 054            |
| Sampling and testing                              | 1 030 343          | 1 030 342          |
| Security services                                 | 893 291            | 893 291            |
| Skills development levy                           | 2 802 857          | 2 802 857          |
| Solid waste site costs                            | 1 977 864          | 1 977 864          |
| Software and computer expenditure                 | 34 512             | 34 512             |
| Special programmes                                | 6 144 088          | 6 144 088          |
| Stipend volunteers                                | 1 483 601          | 1 483 601          |
| Subsistence and travel                            | 583 920            | 583 920            |
| Telephone expenditure                             | 3 294 010          | 3 294 010          |
| Tools   | 3 306 584          | 3 306 584          |
| Tourism   | 2 123              | 2 123              |
| Training and workshops                            | 148 500            | 148 500            |
| Transport   | 3 988 292          | 3 988 292          |
| Water research levy                               | 8 654 182          | 8 654 182          |
| Whippery  | 343 204            | 343 204            |
| Debt impairment                                   | 6 175              | 6 175              |
|   | <b>262 208 036</b> | <b>197 878 938</b> |
| <b>24.2 LEASING COSTS</b>                         |                    |                    |
| Operating lease charges                           |                    |                    |
| Premises  |                    |                    |
| - Contractual amounts                             | 6 620 451          | 6 620 451          |
| Motor vehicles                                    |                    |                    |
| - Contractual amounts                             | 13 758 627         | 13 758 627         |
| Office Equipment                                  |                    |                    |
| - Contractual amounts                             | 392 552            | 392 552            |
|   | <b>20 771 631</b>  | <b>20 771 631</b>  |
| <b>24.3 COST OF INVENTORIES</b>                   |                    | 2010/11<br>R       |
| Housing inventories                               | 1 423 165          |                    |
| Stores and materials                              | 13 404             | 13 404             |
|   | <b>1 436 570</b>   | <b>13 404</b>      |
| <b>24.4 AUDIT FEES PAID</b>                       |                    | 2010/11<br>R       |
| Fees paid - current year                          | 3 635 700          | 3 635 700          |
|   | <b>3 635 700</b>   | <b>3 635 700</b>   |
| <b>TOTAL GENERAL EXPENDITURE</b>                  | <b>25 843 901</b>  | <b>24 420 735</b>  |
| <b>41 GAIN / (LOSS) ON SALE OF ASSETS</b>         |                    |                    |
| Property, plant and equipment                     | 318 185            | 414 228            |
| Intangible assets                                 | -                  | -                  |
| Investment property                               | -                  | -                  |
| Biological assets                                 | -                  | -                  |
| Other financial assets                            | -                  | -                  |
| <b>Total Gain / (Loss) on Sale of Assets</b>      | <b>318 185</b>     | <b>414 228</b>     |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 for the year ended 30 June 2011

| Note  | 2011<br>R'000 | 2010<br>R'000 |
|---|---------------|---------------|
| <b>42 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)</b>   |               |               |
| Property, plant and equipment   | -             | -             |
| <b>Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]</b>  |               |               |
| Intangible assets   | -             | -             |
| <b>Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]</b>  |               |               |
| Investment property   | -             | -             |
| <b>Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]</b>  |               |               |
| Biological assets   | -             | -             |
| <b>Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]</b>  |               |               |
| Other financial assets  | -             | -             |
| <b>Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]</b>  |               |               |
| <b>Total impairment loss / (Reversal of Impairment Loss)</b>  | <b>-</b>      | <b>-</b>      |
| <b>Value in use</b>   |               |               |
| Provide: A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount (or recoverable service amount) is most sensitive.  |               |               |
| A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.   |               |               |
| The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.  |               |               |
| The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated. |               |               |
| The discount rate(s) applied to the cash flow projections was x% (20x0;x%).   |               |               |
| <b>Fair value less cost to sell</b>   |               |               |
| Provide: A description of the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:  |               |               |
| A description of each key assumption on which management has based its determination of fair value less costs to sell.  |               |               |
| A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.   |               |               |
| <b>Sensitivity of key assumptions</b>   |               |               |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note  | 2011<br>R'000                    | 2010<br>R'000      |
|---|----------------------------------|--------------------|
| <b>43 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>  |                                  |                    |
| Investment property carried at fair value   | -                                | -                  |
| Biological assets carried at fair value   | -                                | -                  |
| Other financial assets  | -                                | -                  |
| Other financial liabilities   | -                                | -                  |
| <b>Total Profit / (Loss) on Fair Value Adjustment</b>   | <b>-</b>                         | <b>-</b>           |
| <b>44 CASH GENERATED BY OPERATIONS</b>  |                                  |                    |
| Surplus/(deficit) for the year  | 172 466 924                      | 298 835 810        |
| Adjustment for:-  |                                  |                    |
| Depreciation and amortisation   | 140 437 893                      | 75 080 266         |
| (Gain) / loss on sale of assets   | (318 185)                        | (414 228)          |
| Contribution to provisions - non-current  | 638 330                          |                    |
| Contribution to provisions - current  | -                                | -                  |
| Finance costs   | -                                | -                  |
| Fair value adjustments  | -                                | -                  |
| Impairment loss / (reversal of impairment loss)   | -                                | -                  |
| <b>Other non-cash item</b>  | <b>-</b>                         | <b>-</b>           |
| <b>Operating surplus before working capital changes:</b>  | <b>313 224 962</b>               | <b>373 501 848</b> |
| (Increase)/decrease in inventories  | (6 646 302)                      |                    |
| (Increase)/decrease in trade receivables  | (30 854 727)                     |                    |
| (Increase)/decrease in other receivables  | (21 628 063)                     |                    |
| (Increase)/decrease in VAT receivable   | 360 050                          |                    |
| Increase/(decrease) in conditional grants and receipts  | 12 913 593                       |                    |
| Increase/(decrease) in trade payables   | -                                |                    |
| Increase/(decrease) in consumer deposits  | -                                |                    |
| Increase/(decrease) in VAT payable  | -                                |                    |
| Other asset   | -                                |                    |
| Other liability   | -                                |                    |
| <b>Cash generated by/(utilised in) operations</b>   | <b>267 369 513</b>               | <b>373 501 848</b> |
| <b>45 CASH AND CASH EQUIVALENTS</b>   |                                  |                    |
| Cash and cash equivalents included in the cash flow statement comprise the following:   |                                  |                    |
| Bank balances and cash  | -                                | -                  |
| Bank overdrafts   | -                                | -                  |
| <b>Net cash and cash equivalents (net of bank overdrafts)</b>   | <b>-</b>                         | <b>-</b>           |
| <b>46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>   |                                  |                    |
| Long-term liabilities (see Note 22)   | <a href="#">Notes 15-611A135</a> |                    |
| Used to finance property, plant and equipment – at cost   | -                                |                    |
| Sub-total   | -                                |                    |
| Cash set aside for the repayment of long-term liabilities   | -                                |                    |
| <b>Cash invested for repayment of long-term liabilities</b>   | <b>-</b>                         |                    |
| 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. |                                  |                    |

Amathole District Municipality  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the year ended 30 June 2011

| Note   | 2011<br>R'000 | 2010<br>R'000 |
|--|---------------|---------------|
| <b>47 CHANGE IN ACCOUNTING POLICY</b>  |               |               |
| The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies: |               |               |
| <b>47.1 Statutory Funds</b>  |               |               |
| Balance previously reported -  |               |               |
| Capital Development Fund   |               |               |
| Land Trust Fund  |               |               |
| Parking Development Fund   |               |               |
| Loans redeemed and other capital receipts  |               |               |
| <b>Total</b>   | -             | -             |
| Implementation of GRAP   |               |               |
| Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)  |               |               |
| Transferred to Government Grant Reserve  |               |               |
| Transferred to Capitalisation Reserve  |               |               |
| <b>47.2 Provisions and Reserves</b>  |               |               |
| Balance previously reported  |               |               |
| Valuation Roll Reserve   |               |               |
| Staff Bursary Reserve  |               |               |
| <b>Total</b>   | -             | -             |
| Implementation of GRAP   |               |               |
| Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)  |               |               |
| <b>47.3 Inventory</b>  |               |               |
| Balance previously reported  |               |               |
| Implementation of GRAP   |               |               |
| Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)  |               |               |
| Change from first-in-first-out to weighted average method  |               |               |
| <b>Total</b>   | -             | -             |
| <b>47.4 Non-current provisions</b>   |               |               |
| Balance previously reported -  |               |               |
| Implementation of GRAP   |               |               |
| Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)  |               |               |
| Long-service   |               |               |
| <b>Total</b>   | -             | -             |
| <b>47.5 Property, plant and equipment</b>  |               |               |
| Balance previously reported  |               |               |
| Implementation of GRAP   |               |               |
| Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)  |               |               |
| <b>Total</b>   | -             | -             |
| <b>47.6 Accumulated Depreciation</b>   |               |               |
| Balance previously reported -  |               |               |
| Implementation of GRAP   |               |               |
| Backlog depreciation: Land and buildings   |               |               |
| Backlog depreciation: Infrastructure   |               |               |
| Backlog depreciation: Community  |               |               |
| Backlog depreciation: Other  |               |               |
| <b>Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)</b>   | -             | -             |
| <b>47.7 Accumulated Surplus/(Deficit)</b>  |               |               |
| Implementation of GRAP   |               |               |
| Adjustments to inventory (see 47.3 above)  |               |               |
| Excessive provisions and reserves no longer permitted (see 47.2 above)   |               |               |
| Non-current provisions previously not recognised (see 47.4 above)  |               |               |
| Transferred from statutory funds (see 47.1 above)  |               |               |
| Fair value of Property, Plant and Equipment previously not recorded (see 47.5 above)   |               |               |
| Backlog depreciation (see 47.6 above)  |               |               |
| <b>Total</b>   | -             | -             |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note | 2011<br>R'000 | 2010<br>R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

**48 CORRECTION OF ERROR**

During the year ended 30 June 2010 and previous years, PPE and other assets were incorrectly recognised -

The comparative amount has been restated as follows:

|  |               |   |
|--|---------------|---|
| Property, plant and equipment                | 1 385 975 434 |   |
| Depreciation                                 | 116 867 745   |   |
| Net effect on surplus/(deficit) for the year | 1 502 843 179 | - |

PPE  
VAT receivable not previously recognised  
Non current receivables incorrectly recognised (Investing Act)  
Accruals were understated due to lack of year-end accrual  
Staff leave accrual

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

Net effect on Statement of Financial Position

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

Net effect on Accumulated surplus opening balance

|  |   |   |
|--|---|---|
|  | - | - |
|--|---|---|

**49 CHANGE IN ESTIMATE**

The useful life of certain plant was estimated in 20x0 to be x years. In the current period management have revised their estimate to x years. The effect of this revision has increased the depreciation charges for the current and future periods by R -.

Other

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**50 DISALLOWED**

**50.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

|   |   |   |
|---|---|---|
| Opening balance                                 |   |   |
| Unauthorised expenditure current year           |   |   |
| Approved by Council or condoned                 |   |   |
| Transfer to receivables for recovery            |   |   |
| Unauthorised expenditure awaiting authorisation |   |   |
|   | - | - |

| Incident               | Disciplinary steps/criminal proceedings |
|------------------------|---|
| Unbudgeted expenditure | Disciplinary hearing held on xxx        |

**50.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

|   |   |   |
|---|---|---|
| Opening balance -                                       |   |   |
| Fruitless and wasteful expenditure current year         |   |   |
| Condoned or written off by Council                      |   |   |
| To be recovered – contingent asset (see note 5.2)       |   |   |
| Fruitless and wasteful expenditure awaiting condonement |   |   |
|   | - | - |

[Notes15-611A883](#)

| Incident    | Disciplinary steps/criminal proceedings |
|-------------|---|
| VAT penalty | Disciplinary hearing on xxx             |

**50.3 Irregular expenditure**

Reconciliation of irregular expenditure

|   |   |   |
|---|---|---|
| Opening balance                                     |   |   |
| Fruitless and wasteful expenditure current year     |   |   |
| Condoned or written off by Council                  |   |   |
| Transfer to receivables for recovery – not condoned |   |   |
| Irregular expenditure awaiting condonement          |   |   |
|   | - | - |

| Incident                      | Disciplinary steps/criminal proceedings |
|-------------------------------|---|
| Non-adherence to Supply Chain | Disciplinary hearing                    |



**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|  | Note         | 2011<br>R'000                        | 2010<br>R'000                        |
|--|--------------|--------------------------------------|--------------------------------------|
| <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>  |              |                                      |                                      |
| <b>51 MANAGEMENT ACT</b>   |              |                                      |                                      |
| <b>51.1 Contributions to organised local government</b>  |              |                                      |                                      |
| Opening balance  |              |                                      |                                      |
| Council subscriptions  |              |                                      |                                      |
| Amount paid - current  |              |                                      |                                      |
| Amount paid - previous years   |              |                                      |                                      |
| <b>Balance unpaid (included in payables)</b>   |              | -                                    | -                                    |
| <b>51.2 Audit fees</b>   |              |                                      |                                      |
| Opening balance  |              |                                      |                                      |
| Current year audit fee   |              |                                      |                                      |
| Amount paid - current year   |              |                                      |                                      |
| Amount paid - previous years   |              |                                      |                                      |
| <b>Balance unpaid (included in payables)</b>   |              | -                                    | -                                    |
| The balance unpaid represents the audit fee for an interim audit conducted during May and June 20X2 and is payable by 31 July 20X2.  |              |                                      |                                      |
| <b>51.3 VAT</b>  |              |                                      |                                      |
| VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.   |              |                                      |                                      |
| <b>51.4 PAYE and UIF</b>   |              |                                      |                                      |
| Opening balance  |              |                                      |                                      |
| Current year payroll deductions  |              |                                      |                                      |
| Amount paid - current year   |              |                                      |                                      |
| Amount paid - previous years   |              |                                      |                                      |
| <b>Balance unpaid (included in payables)</b>   |              | -                                    | -                                    |
| The balance represents PAYE and UIF deducted from the June 20X2 payroll. These amounts were paid during July 20X2.   |              |                                      |                                      |
| <b>51.5 Pension and Medical Aid Deductions</b>   |              |                                      |                                      |
| Opening balance  |              |                                      |                                      |
| Current year payroll deductions and Council Contributions  |              |                                      |                                      |
| Amount paid - current year   |              |                                      |                                      |
| Amount paid - previous years   |              |                                      |                                      |
| <b>Balance unpaid (included in payables)</b>   |              | -                                    | -                                    |
| The balance represents pension and medical aid contributions deducted from employees in the June 20X2 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 20X2. |              |                                      |                                      |
| <b>51.6 Councillor's arrear consumer accounts</b>  |              |                                      |                                      |
| The following Councillors had arrear accounts outstanding for more than 90 days as at:   |              |                                      |                                      |
|  | <b>Total</b> | <b>Outstanding less than 90 days</b> | <b>Outstanding more than 90 days</b> |
|  | <b>R'000</b> | <b>R'000</b>                         | <b>R'000</b>                         |
| <b>as at 30 June 2011</b>  |              |                                      |                                      |
| Councillor xx  | -            |                                      |                                      |
| Councillor xx  | -            |                                      |                                      |
| Councillor xx  | -            |                                      |                                      |
| <b>Total Councillor Arrear Consumer Accounts</b>   | -            | -                                    | -                                    |
| <b>as at 30 June 2010</b>  |              |                                      |                                      |
| Councillor xx  | -            |                                      |                                      |
| Councillor xx  | -            |                                      |                                      |
| Councillor xx  | -            |                                      |                                      |
| <b>Total Councillor Arrear Consumer Accounts</b>   | -            | -                                    | -                                    |
| During the year the following Councillors had arrear accounts outstanding for more than 90 days.   |              |                                      |                                      |
|  |              | <b>Highest Amount Outstanding</b>    | <b>Ageing Days</b>                   |
|  |              | <b>R'000</b>                         |                                      |
| <b>as at 30 June 2011</b>  |              |                                      |                                      |
| Councillor xx  |              |                                      | x days                               |
| Councillor xx  |              |                                      | x days                               |
| <b>as at 30 June 2010</b>  |              |                                      |                                      |
| Councillor xx  |              |                                      | x days                               |
| Councillor xx  |              |                                      | x days                               |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note | 2011<br>R'000 | 2010<br>R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

**51.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality has not developed a supply chain management policy due to (reason)

**52 CAPITAL COMMITMENTS**

**52.1 Commitments in respect of capital expenditure**

|                               | - | - |
|-------------------------------|---|---|
| - Approved and contracted for |   |   |
| Infrastructure                |   |   |
| Community                     |   |   |
| Heritage                      |   |   |
| Other                         |   |   |

|                                       | - | - |
|---------------------------------------|---|---|
| - Approved but not yet contracted for |   |   |
| Infrastructure                        |   |   |
| Community                             |   |   |
| Heritage                              |   |   |
| Other                                 |   |   |

|              |   |   |
|--------------|---|---|
| <b>Total</b> | - | - |
|--------------|---|---|

This expenditure will be financed from:

|                           |   |   |
|---------------------------|---|---|
| - External Loans          |   |   |
| - Government Grants       |   |   |
| - Own resources           |   |   |
| - District Council Grants |   |   |
| <b>Total</b>              | - | - |

**52.2 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

|                                       |         |         |
|---------------------------------------|---------|---------|
| In the second to fifth year inclusive | 281 579 | 213 796 |
| <b>Total</b>                          | 281 579 | 213 796 |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note | 2011<br>R'000 | 2010<br>R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

**53 RETIREMENT BENEFIT INFORMATION**

**53.1 Defined contribution plan**

The following are defined contribution plans, these contributions have been expensed.

- Cape Joint Retirement Fund (defined contribution);
- National Fund for Municipal Workers (defined contribution);
- South African Municipal Workers National Provident Fund (defined contribution).

**53.2 Defined benefit plan**

|  |                   |                   |
|--|-------------------|-------------------|
| Provision for post employment health care benefits | 98 316 522        | 91 710 184        |
| Provision for retirement gratuity benefits         | -                 | -                 |
| Provision for ex-gratia benefits                   | 133 571           | 253 047           |
| <b>Total defined benefit obligations</b>           | <b>98 450 093</b> | <b>91 963 231</b> |

**POST EMPLOYMENT BENEFIT INFORMATION**

**53.2.1 Provision for post employment health care benefits**

|  | Number      | Number     |
|--|-------------|------------|
| The Post Employment Health Care Benefit plan, of which the members are made up as follows: |             |            |
| - In-service (employee) members  | 790         | 687        |
| - In service (employee) non members  | 562         | -          |
| - Continuation (retiree, widower and orphan) members                                       | 67          | 102        |
| <b>Total</b>   | <b>1419</b> | <b>789</b> |

|   | 2010/11<br>R      | 2009/10<br>R      |
|---|-------------------|-------------------|
| The liability in respect of past service has been estimated to be as follows: |                   |                   |
| - In-service members  | 78 304 954        | 63 042 921        |
| - Continuation members  | 20 011 568        | 28 667 263        |
| <b>Total</b>  | <b>98 316 522</b> | <b>91 710 184</b> |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed
- Fedhealth
- Medshield
- Medcover
- Resolution Health
- GEMS
- Bestmed
- Genhealth
- Spectramed

On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.

|  | 2010/11<br>R      | 2009/10<br>R      |
|--|-------------------|-------------------|
| <b>53.2.1.1 Reconciliation of assets and liabilities recognised in the balance sheet</b> |                   |                   |
| Present value of fund obligations  | -                 | -                 |
| Fair value of plan assets  | -                 | -                 |
| Present value of unfunded obligations  | 98 316 522        | 71 573 134        |
| <b>Present Value of Obligations in excess of Plan Assets</b>                             | <b>98 316 522</b> | <b>71 573 134</b> |
| Unrecognised past service cost   | -                 | -                 |
| Unrecognised actuarial gains/(losses)  | -                 | -                 |
| Unrecognised transitional liability  | -                 | -                 |
| <b>Net liability in Balance Sheet</b>  | <b>98 316 522</b> | <b>71 573 134</b> |

The municipality has elected to recognise this full increase in this defined benefit liability immediately, as per IAS 19 Employee Benefits paragraph 155 (a)

**53.2.1.2 Reconciliation of present value of fund obligation:**

|   |                   |                   |
|---|-------------------|-------------------|
| Present value of fund obligation at the beginning of the year | 91 710 184        | 71 573 134        |
| Current service costs   | 8 482 980         | 5 701 866         |
| Expected benefits paid  | (2 359 332)       | (2 288 289)       |
| Interest cost   | 8 346 712         | 5 917 973         |
| Past service cost   | -                 | -                 |
| Actuarial (gains)/losses                                      | (7 864 022)       | 10 805 500        |
| Contributions   | -                 | -                 |
| Present value of fund obligation at the end of the year       | <b>98 316 522</b> | <b>91 710 184</b> |

**53.2.1.3 Reconciliation of fair value of plan assets:**

|  |   |   |
|--|---|---|
| Fair value of plan assets at the beginning of the year | - | - |
| Expected return on plan assets                         | - | - |
| Contributions: employer                                | - | - |
| Contributions: employee                                | - | - |
| Past service costs                                     | - | - |
| Actuarial gains/(losses)                               | - | - |
| Benefits paid  | - | - |
| Fair value of plan assets at the end of the year       | - | - |

**53.2.1.4 Trend information**

|  |                   |                   |
|--|-------------------|-------------------|
| Present Value of Obligations                                 | 98 316 522        | 91 710 184        |
| Fair Value of Plan Assets                                    | -                 | -                 |
| <b>Present Value of Obligations in Excess of Plan Assets</b> | <b>98 316 522</b> | <b>91 710 184</b> |

**Experience adjustments**

|  |             |            |
|--|-------------|------------|
| <b>Actuarial Gain/(Loss) before changes in Assumptions</b> |             |            |
| In respect of Present Value of Obligations                 | (7 864 022) | 10 805 500 |
| In respect of Fair Value of Plan Assets                    | -           | -          |

**53.2.1.5 Sensitivity results**

The liability is particularly sensitive to the real rate of return earned i.e. the difference between the rate of discount and the rate at which medical aid contributions increase. In the table below are calculations at alternative real rates by varying the assumed rate of discount in order to demonstrate the impact on the liability.

**Sensitivity Analysis on the Accrued Liability**

| Assumption                | Change | In-service | Continuation |
|---------------------------|--------|------------|--------------|
| <b>Central assumption</b> |        | 78 305 000 | 20 012 000   |
| Health care inflation     | 1%     | 93 945 000 | 22 057 000   |
|                           | -1%    | 65 967 000 | 18 249 000   |
| Post retirement mortality | -1yr   | 80 629 000 | 20 834 000   |
| Average retirement age    | -1yr   | 85 489 000 | 20 012 000   |
| Withdrawal rate           | -50%   | 84 652 000 | 20 012 000   |

**53.2.1.6 Key actuarial assumptions used**

|                                 | 2011  | 2010  |
|---------------------------------|-------|-------|
| Health Care Cost Inflation rate | 7.38% | 7.27% |
| Discount Rate                   | 8.82% | 9.22% |
| Net Discount Rate               | 1.34% | 1.82% |

**53.2.2 Provision for retirement gratuity benefits**

The liability in respect of retirement gratuity for in-service employees with non-fund service are as follows:

|                        |   |   |
|------------------------|---|---|
| - In-service employees | - | - |
|------------------------|---|---|

Employees of Amathole District Municipality participate in the following funds:

- Cape Joint Pension Fund (defined benefit);
- Eastern Cape Group Municipal Pension Fund (defined benefit);
- South African Local Authorities Pension Fund (defined benefit);
- Government Employees Pension Fund (defined benefit);
- Cape Joint Retirement Fund (defined contribution);
- National Fund for Municipal Workers (defined contribution);
- South African Municipal Workers National Provident Fund (defined contribution).

**53.2.2.1 Reconciliation of assets and liabilities recognised in the balance sheet**

**Amathole District Municipality  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2011**

| Note   | 2011<br>R'000 | 2010<br>R'000 |
|--|---------------|---------------|
| Present value of fund obligations                            | -             | -             |
| Fair value of plan assets                                    | -             | -             |
| <b>Funded status</b>   | -             | -             |
| Present value of funded obligations                          | -             | -             |
| <b>Present Value of Obligations in excess of Plan Assets</b> | -             | -             |
| Unrecognised past service cost                               | -             | -             |
| Unrecognised actuarial gains/(losses)                        | -             | -             |
| Unrecognised transitional liability                          | -             | -             |
| <b>Net liability in Balance Sheet</b>                        | -             | -             |

**53.2.2.2 Multi-employer funds**

The actuaries appointed to perform the valuation on the gratuity obligation were of the opinion that the Amathole District Municipality do not have an obligation for this post-employment benefit. Hence the liability was derecognised and disclosure was made to reflect information pertaining to multi-employer funds.

The following table reflects information on the defined benefit retirement, pension and provident funds to which councillors and employees belong, and in respect of which there is not sufficient information available to make more detailed disclosures.

The Pension Funds Act requires every pension fund to complete a statutory valuation at least every three years.

|                                     | Note | Last Actuarial<br>Valuation | Total Assets R |
|-------------------------------------|------|-----------------------------|----------------|
| Cape Joint Retirement Fund          | -    | June 2009                   | 6 369 956      |
| National Fund for Municipal Workers | 1    | June 2008                   | 3 633 119      |
| Cape Joint Pension Fund             | -    | June 2009                   | 3 323 529      |
| SABMWU National Provident Fund      | -    | June 2007                   | 2 764 426      |
| SALA Pension Fund                   | -    | June 2009                   | 6 303 700      |
| Government Employees Pension Fund   | -    | March 2009                  | 707 042 000    |
| Eastern Cape Gratuity Fund          | 2    | -                           | -              |
| Eastern Cape Municipal Pension Fund | 2    | -                           | -              |

Note 1: Figures from the financials for the year ending 30 June 2009

Note 2: Alexander Forbes would not provide the necessary information in respect of these funds. They did however confirm that both funds are fully funded and hence there is no associated liability for the Municipality's account

An amount of R 25 023 million (2010: R25 023 million) was contributed by Council towards councillor and employee retirement funding. These contributions have been expensed

Refer Note 26

**53.2.3 Provision for ex-gratia benefits**

**53.2.3.1 Eligible employees**

|                              | Female | Male  | Total |
|------------------------------|--------|-------|-------|
| Number of pensioners         | 2      | 7     | 9     |
| Average Annual pension - R   | 2 314  | 2 717 | 2 627 |
| Pension-weighted average age | 71     | 80.6  | 78.7  |

**53.2.3.2 Reconciliation of assets and liabilities recognised in the balance sheet**

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Total value of liabilities            | 133 571        | 253 047        |
| Value of assets                       | -              | -              |
| <b>Unfunded accrued liability</b>     | <b>133 571</b> | <b>253 047</b> |
| Unrecognised transitional liability   | -              | -              |
| Unrecognised actuarial gain/(loss)    | -              | -              |
| Unrecognised past service cost        | -              | -              |
| <b>Net liability in balance sheet</b> | <b>133 571</b> | <b>253 047</b> |

**53.2.3.3 Reconciliation of present value of fund obligation:**

|  |                |                |
|--|----------------|----------------|
| Present value of fund obligation at the beginning of the year  | 253 047        | 274 033        |
| Current service costs  | -              | -              |
| Interest cost  | 21 157         | 23 646         |
| Past service cost  | -              | -              |
| Actuarial (gains)/losses                                       | (85 144)       | 12 246         |
| Expected Benefit payments                                      | (56 489)       | (56 877)       |
| <b>Present value of fund obligation at the end of the year</b> | <b>133 571</b> | <b>253 047</b> |

**53.2.3.4 Reconciliation of fair value of plan assets:**

|   |          |          |
|---|----------|----------|
| Fair value of plan assets at the beginning of the year  | -        | -        |
| Expected return on plan assets                          | -        | -        |
| Contributions: employer                                 | -        | -        |
| Contributions: employee                                 | -        | -        |
| Past service costs                                      | -        | -        |
| Actuarial gains/(losses)                                | -        | -        |
| Benefits paid   | -        | -        |
| <b>Fair value of plan assets at the end of the year</b> | <b>-</b> | <b>-</b> |

**53.2.3.5 Current service costs and interest costs**

|            |        |        |
|------------|--------|--------|
| Total cost | 21 157 | 23 646 |
|------------|--------|--------|

There is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits.

The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year.

This arises because all future ex-gratia benefits are one year closer to payment

**53.2.3.6 Sensitivity analysis on the unfunded accrued liability**

| Assumption                | Change  | Liability R | % Change |
|---------------------------|---------|-------------|----------|
| Central assumptions       | -       | 133 571     | -        |
| Discount rate             | +1%     | 127 695     | -4%      |
|                           | -1%     | 140 040     | -5%      |
| Post-retirement mortality | -1 year | 138 742     | -4%      |

**53.2.3.7 Sensitivity analysis on the interest cost for the year**

| Assumption                | Change  | Liability R | % Change |
|---------------------------|---------|-------------|----------|
| Central assumptions       | -       | 21 157      | -        |
| Discount rate             | +1%     | 23 155      | 9%       |
|                           | -1%     | 19 025      | -10%     |
| Post-retirement mortality | -1 year | 21 987      | 4%       |

**53.2.3.8 Key actuarial assumptions used**

| Assumption                         | Value 2011   | Value 2010   |
|------------------------------------|--------------|--------------|
| Discount rate                      | 7.12%        | 7.55%        |
| Pension increase rate              | 0.00%        | 0.00%        |
| <b>Net effective discount rate</b> | <b>7.12%</b> | <b>7.55%</b> |
| Mortality in retirement            | PA(90)-1     | PA(90)-1     |

**54 CONTINGENT LIABILITY**

**54.1 Claim for damages**

The Municipality is being sued by a ratepayer due to damages arising from flooding. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of Rxx. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from xxx.

**54.2 Performance bonus dispute – Legal fees**

Several senior officials are disputing the assessment process regarding the payment of performance bonuses. Provision has been made for the payment of the bonuses as assessed by the Municipality. The claim is being considered by the labour court after the CCMA ruled in favour of the Council.

**55 CONTINGENT ASSET**

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 50.2, civil proceedings have commenced against the employees concerned to recover an amount of Rxxx. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain. [Notes 15-611A707](#)

**56 IN-KIND DONATIONS AND ASSISTANCE**

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note  | 2011<br>R'000 | 2010<br>R'000                           |
|---|---------------|---|
| <b>The Municipality received the following in-kind donations and assistance</b>         |               |   |
| <b>Description</b>  |               |   |
| <b>E.g. Development of Integrated Development Plan by donor agency</b>                  |               |   |
| <b>57 RELATED PARTIES</b>   |               |   |
| Joint Ventures  |               | <i>insert related party description</i> |
| Associates  |               | <i>insert related party description</i> |
| Members of key management   |               | <i>insert related party description</i> |
| Close family member of key management   |               | <i>insert related party description</i> |
| Post employment benefit plan for employees of municipality and/or other related parties |               | <i>insert related party description</i> |
| <b>Other related party relationships</b>  |               | <i>insert related party description</i> |
| Compensation to councillors and other key management (refer to note 33 & 34)            |               | <i>insert related party description</i> |

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|   | Note | 2011<br>R'000 | 2010<br>R'000 |
|---|------|---------------|---------------|
| <b>Related party balances</b>   |      |               |               |
| Loan accounts - Owing (to) by related parties<br><i>insert related party</i>                                  |      |               |               |
| Amounts included in Trade receivable (Trade payable) regarding related parties<br><i>insert related party</i> |      |               |               |
| <b>Related party transactions</b>   |      |               |               |
| Interest paid to (received from) related parties<br><i>insert related party</i>                               |      |               |               |
| Loans to (from) related parties<br><i>insert related party</i>  |      |               |               |
| Purchases from (sales to) related parties<br><i>insert related party</i>                                      |      |               |               |

**58 EVENTS AFTER THE REPORTING DATE**

The Municipality has agreed in principle to transfer its electricity function to the new Regional Electricity Distributor (RED) - Region AB. The date of transfer is proposed for xxx. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenue of the RED will be or what the terms and conditions of the transfer will be. There are ongoing discussions with the management of RED - Region AB and EDI Holdings, which is the responsible authority for the implementation of REDS nationally.

**59 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment  
Recoverable amounts of property, plant and equipment  
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)  
Present value of defined benefit obligation  
Fair value of plan assets  
Provision for doubtful debts  
Impairment of assets  
Provision for long-term service award  
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets  
Provisions  
Other

**60 RISK MANAGEMENT**

**60.1 Maximum credit risk exposure**

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Bank A  
Bank B  
Interest rate swaps  
Financial guarantees  
Trade and other receivables

These balances represent the maximum exposure to credit risk. The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note (N8) for additional details.

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

| Note | 2011<br>R'000 | 2010<br>R'000 |
|------|---------------|---------------|
|------|---------------|---------------|

**60.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**20x1**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

| Not later than one month | Later than one month and not later than three months |
|--------------------------|--|
|                          |  |

**20x1**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

| Later than three months and not later than one year | Later than one year and not later than five years |
|---|---|
|   |   |

**20x0**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

| Not later than one month | Later than one month and not later than three months |
|--------------------------|--|
|                          |  |

**20x0**

Gross finance lease obligations  
Borrowings  
Trade and other payables  
Other

| Later than three months and not later than one year | Later than one year and not later than five years |
|---|---|
|   |   |

**60.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

OR

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA overdraft

**60.4 Other price risk**

Examples include changes in commodity prices

**Amathole District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

|  | Note | 2011<br>R'000 | 2010<br>R'000 |
|--|------|---------------|---------------|
| <b>61 RESTATEMENT OF COMPARATIVE INFORMATION</b>   |      |               |               |
| Provision for leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:     |      |               |               |
| <b>Statement of Financial Position:</b>  |      |               |               |
| Provisions   |      |               |               |
| Accruals - leave   |      |               |               |
| Accruals - bonuses   |      |               |               |
|  |      |               | -             |
| <b>62 COMPARISON WITH THE BUDGET</b>   |      |               |               |
| The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2) |      |               |               |



**Amathole District Municipality**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2011

| EXTERNAL LOANS                | Loan number | Redeemable Date | Balance at 30 June 2010 | Received during the period | Redeemed / written off during the period | Balance at 30 June 2011 | Carrying Value of Property, Plant & Equipment | Other Costs in accordance with MFMA |
|-------------------------------|-------------|-----------------|-------------------------|----------------------------|--|-------------------------|---|-------------------------------------|
|                               |             |                 | R'000                   | R'000                      | R'000                                    | R'000                   | R'000   | R'000                               |
| <b>LONG-TERM LOANS</b>        |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 2             |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 3             |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 4             |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 5             |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 6             |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 7             |             |                 |                         |                            |  |                         |   |                                     |
| Stock Loan @ x% 8             |             |                 |                         |                            |  |                         |   |                                     |
| <b>Total long-term loans</b>  |             |                 |                         |                            |  |                         |   |                                     |
| <b>ANNUITY LOAN</b>           |             |                 |                         |                            |  |                         |   |                                     |
| Sanlam @ x%                   |             |                 |                         |                            |  |                         |   |                                     |
| <b>GOVERNMENT LOANS</b>       |             |                 |                         |                            |  |                         |   |                                     |
| - Other @ x%                  |             |                 |                         |                            |  |                         |   |                                     |
| <b>Total Government Loans</b> |             |                 |                         |                            |  |                         |   |                                     |
| <b>TOTAL EXTERNAL LOANS</b>   |             |                 |                         |                            |  |                         |   |                                     |

**Amathole District Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

|                               | Cost / Revaluation |           |           |                    |                 | Accumulated Depreciation |              |           |   |                 | Transfers | Other movements |
|-------------------------------|--------------------|-----------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------|-----------------|
|                               | Opening Balance    | Additions | Disposals | Under Construction | Closing Balance | Opening Balance          | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance |           |                 |
|                               | R'000              | R'000     | R'000     | R'000              | R'000           | R'000                    | R'000        | R'000     | R'000                                       | R'000           |           |                 |
| <b>Land</b>                   |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Land                          | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Landfill Sites                | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Quarries                      | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Buildings</b>              | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Infrastructure</b>         |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Drains                        | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Roads                         | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Sewerage Mains & Purification | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Electricity Mains             | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Electricity Peak Load Equip   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Water Mains & Purification    | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Reservoirs – Water            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Water Meters                  | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Storm Water                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Under construction            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Community Assets</b>       |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Parks & Gardens               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Libraries                     | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Recreation Grounds            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Civic Buildings               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Stadiums                      | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Halls                         | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Theatre                       | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Swimming Pools                | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Cemeteries                    | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Heritage Assets</b>        |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Historical Buildings          | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Paintings & Artifacts         | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Total carried forward</b>  | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |

**Amathole District Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

|  | Cost / Revaluation |           |           |                    |                 | Accumulated Depreciation |              |           |   |                 | Transfers | Other movements |       |
|--|--------------------|-----------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------|-----------------|-------|
|  | Opening Balance    | Additions | Disposals | Under Construction | Closing Balance | Opening Balance          | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance |           |                 |       |
|  | R'000              | R'000     | R'000     | R'000              | R'000           | R'000                    | R'000        | R'000     | R'000                                       | R'000           | R'000     | R'000           | R'000 |
| <b>Total brought forward</b>                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| <b>Other Assets</b>                            |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |       |
| Office Equipment                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Furniture & Fittings                           | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Bins and Containers                            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Emergency Equipment                            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Motor vehicles                                 | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Fire engines                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Refuse tankers                                 | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Computer Equipment                             | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Computer Software (part of computer equipment) | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Other Assets                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| <b>Finance Lease Assets</b>                    |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |       |
| Office Equipment                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Other Assets                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| <b>Total</b>                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |

**Amathole District Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2010

|                               | Cost / Revaluation |           |           |                    |                 | Accumulated Depreciation |              |           |   |                 | Transfers | Other movements |
|-------------------------------|--------------------|-----------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------|-----------------|
|                               | Opening Balance    | Additions | Disposals | Under Construction | Closing Balance | Opening Balance          | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance |           |                 |
|                               | R'000              | R'000     | R'000     | R'000              | R'000           | R'000                    | R'000        | R'000     | R'000                                       | R'000           |           |                 |
| <b>Land</b>                   |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Land                          |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Landfill Sites                |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Quarries                      |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Buildings</b>              |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| <b>Infrastructure</b>         |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Drains                        |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Roads                         |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Sewerage Mains & Purification |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Electricity Mains             |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Electricity Peak Load Equip   |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Water Mains & Purification    |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Reservoirs – Water            |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Water Meters                  |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Storm Water                   |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Under construction            |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Community Assets</b>       |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Parks & Gardens               |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Libraries                     |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Recreation Grounds            |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Civic Buildings               |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Stadiums                      |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Halls                         |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Theatre                       |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Swimming Pools                |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Cemeteries                    |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Heritage Assets</b>        |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |
| Historical Buildings          |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
| Paintings & Artifacts         |                    | -         | -         | -                  | -               |                          | -            | -         | -   | -               | -         | -               |
|                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Total carried forward</b>  | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |

**Amathole District Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2010

|  | Cost / Revaluation |           |           |                    |                 | Accumulated Depreciation |              |           |   |                 | Transfers | Other movements |       |
|--|--------------------|-----------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------|-----------------|-------|
|  | Opening Balance    | Additions | Disposals | Under Construction | Closing Balance | Opening Balance          | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance |           |                 |       |
|  | R'000              | R'000     | R'000     | R'000              | R'000           | R'000                    | R'000        | R'000     | R'000                                       | R'000           | R'000     | R'000           | R'000 |
| <b>Total brought forward</b>                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| <b>Other Assets</b>                            |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |       |
| Office Equipment                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Furniture & Fittings                           | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Bins and Containers                            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Emergency Equipment                            | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Motor vehicles                                 | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Fire engines                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Refuse tankers                                 | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Computer Equipment                             | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Computer Software (part of computer equipment) | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Other Assets                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| <b>Finance Lease Assets</b>                    |                    |           |           |                    |                 |                          |              |           |   |                 |           |                 |       |
| Office Equipment                               | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| Other Assets                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |
| <b>Total</b>                                   | -                  | -         | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               | -     |











**Amathole District Municipality**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

|                             | Cost / Revaluation |           |                    |           |                 | Accumulated Depreciation |           |           |                 | Carrying value |
|-----------------------------|--------------------|-----------|--------------------|-----------|-----------------|--------------------------|-----------|-----------|-----------------|----------------|
|                             | Opening Balance    | Additions | Under Construction | Disposals | Closing Balance | Opening Balance          | Additions | Disposals | Closing Balance |                |
|                             | R'000              | R'000     | R'000              | R'000     | R'000           | R'000                    | R'000     | R'000     | R'000           |                |
| Executive & Council         |                    |           |                    |           |                 |                          |           |           |                 |                |
| Finance & Admin             |                    |           |                    |           |                 |                          |           |           |                 |                |
| Planning & Development      |                    |           |                    |           |                 |                          |           |           |                 |                |
| Health                      |                    |           |                    |           |                 |                          |           |           |                 |                |
| Community & Social Services |                    |           |                    |           |                 |                          |           |           |                 |                |
| Public Safety               |                    |           |                    |           |                 |                          |           |           |                 |                |
| Sport & Recreation          |                    |           |                    |           |                 |                          |           |           |                 |                |
| Environmental Protection    |                    |           |                    |           |                 |                          |           |           |                 |                |
| Waste Management            |                    |           |                    |           |                 |                          |           |           |                 |                |
| Road Transport              |                    |           |                    |           |                 |                          |           |           |                 |                |
| Water                       |                    |           |                    |           |                 |                          |           |           |                 |                |
| Electricity                 |                    |           |                    |           |                 |                          |           |           |                 |                |
| Other                       |                    |           |                    |           |                 |                          |           |           |                 |                |
| <b>Total</b>                | -                  | -         | -                  | -         | -               | -                        | -         | -         | -               | -              |

**Amathole District Municipality**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2011

| 2010          |                    |                     |                                | 2011          |                    |                     |
|---------------|--------------------|---------------------|--------------------------------|---------------|--------------------|---------------------|
| Actual Income | Actual Expenditure | Surplus / (Deficit) |                                | Actual Income | Actual Expenditure | Surplus / (Deficit) |
| R'000         | R'000              | R'000               |                                | R'000         | R'000              | R'000               |
|               |                    |                     | Executive & Council            |               |                    |                     |
|               |                    |                     | Finance & Admin                |               |                    |                     |
|               |                    |                     | Planning & Development         |               |                    |                     |
|               |                    |                     | Health                         |               |                    |                     |
|               |                    |                     | Community & Social Services    |               |                    |                     |
|               |                    |                     | Public Safety                  |               |                    |                     |
|               |                    |                     | Sport & Recreation             |               |                    |                     |
|               |                    |                     | Environmental Protection       |               |                    |                     |
|               |                    |                     | Waste Management               |               |                    |                     |
|               |                    |                     | Road Transport                 |               |                    |                     |
|               |                    |                     | Water                          |               |                    |                     |
|               |                    |                     | Electricity                    |               |                    |                     |
|               |                    |                     | Other                          |               |                    |                     |
| -             | -                  | -                   |                                | -             | -                  | -                   |
|               |                    |                     | Less: Inter-Department Charges |               |                    |                     |
| -             | -                  | -                   | Total                          | -             | -                  | -                   |

**Amathole District Municipality**  
**APPENDIX E**  
**STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION**  
as at 30 June 2011

| Description  | Original Budget      | Budget Adjustments (i.t.o. s28 & s31 Of The MFMA) | Virement (i.t.o. Council Approved By-law) | Final Budget         | Actual Income        | Unauthorised Expenditure | Variance | Actual Income As % Of Final Budget | Actual Outcome As % Of Original Budget |
|--|----------------------|---|---|----------------------|----------------------|--------------------------|----------|------------------------------------|--|
|  | 1                    | 2   | 3   | 4                    | 5                    | 6                        | 7        | 8                                  | 9                                      |
|  | R                    | R   | R   | R                    | R                    | R                        | R        | R                                  | R                                      |
| <b>Financial Performance</b>   |                      |   |   |                      |                      |                          |          |                                    |  |
| Property Rates   |                      |   |   |                      |                      |                          |          |                                    |  |
| Service Charges  | 111 165 464          | -   | -   | 111 165 464          | 118 216 659          |                          |          |                                    |  |
| Investment Revenue   | 20 141 143           | -   | 20 699 303                                | 40 840 446           | 62 944 894           |                          |          |                                    |  |
| Transfers Recognised - Operational                                     | 800 102 300          | -   | -   | 800 102 300          | 792 991 125          |                          |          |                                    |  |
| Other Own Revenue  | 275 115 975          | 176 370 681                                       | (20 699 303)                              | 430 787 353          | 45 400 239           |                          |          |                                    |  |
| <b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b> | <b>1 206 524 882</b> | <b>176 370 681</b>                                | <b>-</b>                                  | <b>1 382 895 563</b> | <b>1 019 552 917</b> | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |
| Employee Costs   | 338 293 544          | (480 000)   | -411 693.00                               | 337 401 851          | 247 206 333          |                          |          |                                    |  |
| Remuneration Of Councillors  | 14 479 004           | -   | -   | 14 479 004           | 11 306 546           |                          |          |                                    |  |
| Debt Impairment  | 65 604 286           | -   | -   | 65 604 286           | 63 282 627           |                          |          |                                    |  |
| Depreciation & Asset Impairment  | 78 770 563           | -   | -   | 78 770 563           | 140 437 893          |                          |          |                                    |  |
| Finance Charges  | 163 930              | -   | 77 034.00                                 | 240 964              | 194 142              |                          |          |                                    |  |
| Materials & Bulk Purchases   | -                    | -   | 48 676 267.00                             | 48 676 267.00        | 37 468 589           |                          |          |                                    |  |
| Transfers & Grants   | -                    | 3 567 385.00                                      | -   | 3 567 385.00         | 1 966 983            |                          |          |                                    |  |
| Other Expenditures   | 385 077 187          | 172 183 296                                       | -49 082 924                               | 508 268 559          | 345 541 064          |                          |          |                                    |  |
| <b>Total Expenditure</b>   | <b>882 388 514</b>   | <b>175 270 681</b>                                | <b>-741 316</b>                           | <b>1 057 008 879</b> | <b>847 404 178</b>   | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |
| <b>Surplus/(Deficit)</b>   | <b>324 136 368</b>   | <b>1 100 000</b>                                  | <b>741 316</b>                            | <b>325 886 684</b>   | <b>172 148 739</b>   | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |
| Transfers Recognised - Capital   |                      |   |   |                      |                      |                          |          |                                    |  |
| Contributions Recognised - Capital & Contributed Assets                |                      |   |   |                      |                      |                          |          |                                    |  |
| <b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>   | <b>324136368</b>     | <b>1100000</b>                                    | <b>741316</b>                             | <b>325886684</b>     | <b>172 148 739</b>   | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |
| Share Of Surplus/(Deficit) Of Associate                                |                      |   |   |                      |                      |                          |          |                                    |  |
| <b>Surplus/(Deficit For The Year)</b>                                  | <b>324136368</b>     | <b>1100000</b>                                    | <b>741316</b>                             | <b>325886684</b>     | <b>172 148 739</b>   | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |
| <b>Capital Expenditure &amp; Funds Sources</b>                         |                      |   |   |                      |                      |                          |          |                                    |  |
| <b>Capital Expenditure</b>   |                      |   |   |                      |                      |                          |          |                                    |  |
| Transfers Recognised - Capital   | 259357018            |   |   | 259357018            |                      |                          |          |                                    |  |
| Public Contributions & Donations                                       |                      |   |   |                      |                      |                          |          |                                    |  |
| Borrowing  |                      |   |   |                      |                      |                          |          |                                    |  |
| Internally Generated Funds   | 64779356             | 1100000   | 650314                                    | 66529670             |                      |                          |          |                                    |  |
| <b>Total Sources Of Capital Funds</b>                                  | <b>324136374</b>     | <b>1100000</b>                                    | <b>650314</b>                             | <b>325886688</b>     | <b>-</b>             | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |
| <b>Cash flows</b>  |                      |   |   |                      |                      |                          |          |                                    |  |
| Net Cash From (Used) Operating   |                      |   |   | 276194923            |                      |                          |          |                                    |  |
| Net Cash From (Used) Investing   |                      |   |   | -264909064           |                      |                          |          |                                    |  |
| Net Cash From (Used) Financing   |                      |   |   | 626370               |                      |                          |          |                                    |  |
| <b>Cash/Cash Equivalents At The Year End</b>                           | <b>0</b>             | <b>0</b>  | <b>0</b>                                  | <b>11912229</b>      | <b>-</b>             | <b>-</b>                 | <b>-</b> | <b>-</b>                           | <b>-</b>                               |

**RECONCILIATION IN THE NOTES TO THE FINANCIAL STATEMENTS**

| Reconciliation Of Budget Surplus/Deficit With The Surplus/Deficit In The Statement Of Financial Performance |  |
|---|--|
| Net Surplus/Deficit Per The Statement Of Financial Performance  |  |
| Adjusted For:   |  |
| Fair Value Adjustments  |  |
| Impairments Recognised/Reversed   |  |
| Surplus/Deficit On The Sale Of Assets   |  |
| Increases/Decreases In Provisions   |  |
| List other relevant adjustments here  |  |
| <b>Net Surplus/Deficit Per Approved Budget</b>  |  |