

**UGU DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

I herewith present the financial position of Ugu District Municipality at 30 June 2011 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2011 indicates an increase in Net Assets, and a decrease in Non-current Liabilities and in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated for the year. The decrease in Non-current Liabilities is primarily as a result of the redemption of Long-term Loans. The decrease in Current Liabilities is primarily as a result of the redemption of Short-term Portion of Long-term Loans and spending of Conditional Grants.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

**Financial Statement Ratios:**

| INDICATOR   | 2011        | 2010        |
|---|-------------|-------------|
| Surplus before Appropriations                             | 102 644 337 | 174 273 576 |
| Surplus at the end of the Year                            | 969 476 187 | 866 831 850 |
| Expenditure Categories as a percentage of Total Expenses: |             |             |
| Employee Related Costs                                    | 29.58%      | 25.91%      |
| Remuneration of Councillors                               | 0.83%       | 0.86%       |
| Depreciation  | 6.57%       | 5.95%       |
| Impairment Losses   | 3.73%       | 3.32%       |
| Repairs and Maintenance                                   | 2.92%       | 4.29%       |
| Interest Paid   | 2.80%       | 1.24%       |
| Bulk Purchases  | 4.26%       | 3.42%       |
| Contracted Services                                       | 2.21%       | 2.22%       |
| Grants and Subsidies Paid                                 | 19.48%      | 28.72%      |
| General Expenses  | 27.62%      | 24.07%      |
| Current Ratio:  |             |             |
| Creditors Days  | 73          | 60          |
| Debtors Days  | 168         | 131         |

### 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Ugu District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2011 are as follows:

| DETAILS                            | Actual<br>2010/11<br>R | Actual<br>2009/10<br>R | Percentage<br>Variance<br>% | Budgeted<br>2010/11<br>R | Variance actual/<br>budgeted<br>% |
|------------------------------------|------------------------|------------------------|-----------------------------|--------------------------|-----------------------------------|
| <b>Revenue:</b>                    |                        |                        |                             |                          |                                   |
| Opening surplus                    | 247 083 049            | 302 981 822            | -18.45%                     | -                        | -                                 |
| Operating revenue for the year     | 850 642 115            | 925 880 632            | -8.13%                      | 768 323 610              | 10.71%                            |
| Appropriations for the year        | (93 849 074)           | (240 606 499)          | -60.99%                     | -                        | -                                 |
|                                    | 1 003 876 091          | 988 255 954            | 1.58%                       | 768 323 610              | 30.66%                            |
| <b>Expenditure:</b>                |                        |                        |                             |                          |                                   |
| Operating expenditure for the year | 747 997 778            | 751 607 056            | -0.48%                      | 768 323 610              | -2.65%                            |
| Sundry transfers                   | -                      | (10 434 151)           | -100.00%                    | -                        | -                                 |
| Closing surplus                    | 255 878 313            | 247 083 049            | 3.56%                       | (0)                      | -                                 |
|                                    | 1 003 876 091          | 988 255 954            | 1.58%                       | 768 323 610              | 30.66%                            |
|                                    |                        |                        |                             |                          |                                   |

#### 3.1 General Services:

This entails the management of infrastructure and other grants, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

| DETAILS                       | Actual<br>2010/11<br>R | Actual<br>2009/10<br>R | Percentage<br>Variance<br>% | Budgeted<br>2010/11<br>R | Variance actual/<br>budgeted<br>% |
|-------------------------------|------------------------|------------------------|-----------------------------|--------------------------|-----------------------------------|
| Revenue                       | 218 541 748            | 187 892 528            | 16.31%                      | 235 393 707              | -7.16%                            |
| Expenditure                   | 196 709 406            | 182 758 899            | 7.63%                       | 228 076 056              | -13.75%                           |
| Surplus                       | 21 832 341             | 5 133 629              | 325.28%                     | 7 317 651                | -                                 |
| Surplus as % of total revenue | 9.99%                  | 2.73%                  |                             | 3.11%                    |                                   |

#### Variance from 2009/10 actual:

The 16,31% increase on last year's actual revenue is primarily as a result of Conditional Grants being released in revenue. The 7,63% increase on last year's actual expenditure is primarily as a result of the increased depreciation on refurbished infrastructure.

#### Variance from 2010/11 budget:

The 7,16% decrease on the reporting year's budget is primarily as a result of internal recoveries being lower than anticipated due to curtailment of expenditure. The 13,75% decrease on the reporting year's budget is primarily as a result of curtailment of expenditure due to cash flow constraints.

### 3.2 Economic Services:

This entails essentially the construction, operation and maintenance of sanitation schemes within the area of jurisdiction of the municipality.

| DETAILS                                   | Actual<br>2010/11<br>R | Actual<br>2009/10<br>R | Percentage<br>Variance<br>% | Budgeted<br>2010/11<br>R | Variance actual/<br>budgeted<br>% |
|---|------------------------|------------------------|-----------------------------|--------------------------|-----------------------------------|
| Revenue                                   | 98 460 982             | 72 069 796             | 36.62%                      | 77 735 279               | 26.66%                            |
| Expenditure                               | 71 907 680             | 61 702 993             | 16.54%                      | 75 934 683               | -5.30%                            |
| Surplus / (deficit)                       | 26 553 302             | 10 366 803             | 156.14%                     | 1 800 596                | -                                 |
| Surplus / (deficit) as % of total revenue | 26.97%                 | 14.38%                 |                             | 2.32%                    |                                   |

*Variance from 2009/10 actual:*

The 36,62% increase on last year's actual revenue is primarily as a result of public contributions being released into income to finance capital expenditure. The 16,54% increase on last year's actual expenditure is as a result of increased cost of reticulation and purification of waste water.

*Variance from 2010/11 budget:*

The 26,66% increase on the reporting year's budget is primarily as a result of public contributions being released into income to finance capital expenditure. The 5,30% decrease on the reporting year's budget is primarily as a result of curtailment of expenditure due to cash flow constraints.

### 3.3 Trading Services:

This entails the construction, operation and maintenance of all water schemes located within the area of jurisdiction of the municipality.

| DETAILS                                   | Actual<br>2010/11<br>R | Actual<br>2009/10<br>R | Percentage<br>Variance<br>% | Budgeted<br>2010/11<br>R | Variance actual/<br>budgeted<br>% |
|---|------------------------|------------------------|-----------------------------|--------------------------|-----------------------------------|
| Revenue                                   | 533 639 385            | 665 918 307            | -19.86%                     | 455 194 624              | 17.23%                            |
| Expenditure                               | 479 380 691            | 507 145 164            | -5.47%                      | 464 312 871              | 3.25%                             |
| Surplus / (deficit)                       | 54 258 694             | 158 773 144            | -65.83%                     | (9 118 247)              | -                                 |
| Surplus / (deficit) as % of total revenue | 10.17%                 | 23.84%                 |                             | -2.00%                   |                                   |

*Variance from 2009/10 actual:*

The 19,86% decrease on last year's actual revenue is primarily as a result of less water being consumed. The 5,47% decrease on last year's actual expenditure is primarily due to lower grant expenditure.

*Variance from 2010/11 budget:*

The 17,23% increase on the reporting year's budget is primarily as a result of grants spent on capital programmes not included in the revenue budget. The 3,25% increase on the reporting year's budget is primarily as a result of depreciation and impairment charges under budgeted for.

#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R209 024 687 (2009/10: R379 010 816). Full details of Property, Plant and Equipment are disclosed in Note 11 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R203 402 831 was financed as follows:

| DETAILS                     | Actual<br>2010/11<br>R | Actual<br>2009/10<br>R | Percentage<br>Variance<br>% | Budgeted<br>2010/11<br>R | Variance actual/<br>budgeted<br>% |
|-----------------------------|------------------------|------------------------|-----------------------------|--------------------------|-----------------------------------|
| Capital Replacement Reserve | 32 058 631             | 35 116 897             | -8.71%                      | 37 835 600               | -15.27%                           |
| External Loans              | 61 180 921             | 76 804 804             | -20.34%                     | 60 305 000               | 1.45%                             |
| Finance Leases              | -                      | 5 632 503              | -100.00%                    | -                        | 0.00%                             |
| Grants and Subsidies        | 104 524 915            | 261 456 613            | -60.02%                     | 207 662 081              | -49.67%                           |
| Public Contributions        | 11 260 219             | -                      | 0.00%                       | -                        | 0.00%                             |
|                             | 209 024 687            | 379 010 816            | -44.85%                     | 305 802 681              | -31.65%                           |
|                             |                        |                        |                             |                          |                                   |

Source of funding as a percentage of Total Capital Expenditure:

| DETAILS                     | 2011    | 2010    |
|-----------------------------|---------|---------|
| Capital Replacement Reserve | 15.34%  | 9.27%   |
| External Loans              | 29.27%  | 20.26%  |
| Finance Leases              | 0.00%   | 1.49%   |
| Grants and Subsidies        | 50.01%  | 68.98%  |
| Public Contributions        | 5.39%   | 0.00%   |
|                             | 100.00% | 100.00% |
|                             |         |         |

Property, Plant and Equipment is funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

| DETAILS   | 2011         | 2010          |
|---|--------------|---------------|
| <i>Variance per Category:</i>                     |              |               |
| Budgeted surplus before appropriations            | (0)          | 0             |
| Revenue variances                                 | 82 318 505   | 269 484 768   |
| Expenditure variances:                            |              |               |
| Employee Related Costs                            | (164 895)    | 16 431 373    |
| Remuneration of Councillors                       | 7 516        | (1 788 066)   |
| Collection Costs                                  | 35 000       | -             |
| Depreciation                                      | (3 181 928)  | 8 541 843     |
| Impairment losses                                 | (20 520 418) | (21 645 478)  |
| Repairs and Maintenance                           | 13 654 619   | (1 814 717)   |
| Interest Paid                                     | (5 580 956)  | 3 984 675     |
| Bulk Purchases                                    | 2 198 285    | (4 134 581)   |
| Contracted Services                               | 4 866 134    | 959 313       |
| Grants and Subsidies Paid                         | (16 356 577) | (125 908 792) |
| General Expenses                                  | 45 369 053   | 30 191 813    |
| Loss on Disposal of Property, Plant and Equipment | -            | (28 574)      |
| Actual surplus before appropriations              | 102 644 337  | 174 273 576   |

| DETAILS                                | 2011        | 2010        |
|--|-------------|-------------|
| <i>Variance per Service Segment:</i>   |             |             |
| Budgeted surplus before appropriations | (0)         | 0           |
| Executive and Council                  | (8 718 274) | (5 153 263) |
| Finance and Administration             | 14 414 273  | 9 247 284   |
| Planning and Development               | 8 088 750   | 11 314 439  |
| Public Safety                          | 379 480     | (5 639 718) |
| Environmental Protection               | 680 505     | (682 843)   |
| Waste Water Management                 | 24 752 707  | 9 678 342   |
| Water                                  | 63 376 941  | 155 762 366 |
| Other                                  | (330 044)   | (253 032)   |
| Actual surplus before appropriations   | 102 644 337 | 174 273 576 |

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

## 5.2 Capital Budget:

| DETAILS                    | Actual<br>2010/11<br>R | Actual<br>2009/10<br>R | Variance actual<br>2010/11 / 2009/10<br>R | Budgeted<br>2010/11<br>R | Variance actual/<br>budgeted<br>R |
|----------------------------|------------------------|------------------------|---|--------------------------|-----------------------------------|
| Executive and Council      | 75 334                 | 2 623 945              | (2 548 611)                               | 2 000 000                | (1 924 666)                       |
| Finance and Administration | 4 250 412              | 19 095 590             | (14 845 179)                              | 950 000                  | 3 300 412                         |
| Planning and Development   | 18 251                 | 95 235                 | (76 984)                                  | -                        | 18 251                            |
| Public Safety              | 18 251                 | -                      | 18 251                                    | 3 000 000                | (2 981 749)                       |
| Sport and Recreation       | 6 874 501              | 67 483 704             | (60 609 203)                              | 23 631 863               | (16 757 362)                      |
| Waste Water Management     | 41 214 472             | 60 324 251             | (19 109 779)                              | 59 788 700               | (18 574 228)                      |
| Water                      | 156 186 696            | 226 669 914            | (70 483 218)                              | 216 432 118              | (60 245 422)                      |
| Other                      | 386 770                | 2 718 177              | (2 331 407)                               | -                        | 386 770                           |
|                            | <u>209 024 687</u>     | <u>379 010 816</u>     | <u>(169 986 129)</u>                      | <u>305 802 681</u>       | <u>(96 777 994)</u>               |
|                            |                        |                        |   |                          |                                   |

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2011 amounted to R969 476 187 (30 June 2010: R866 831 850) and is made up as follows:

|  |                    |
|--|--------------------|
| Capital Replacement Reserve                | 275 628            |
| Capitalisation Reserve                     | 38 821 586         |
| Donations and Public Contributions Reserve | 21 634 354         |
| Government Grants Reserve                  | 652 866 306        |
| Accumulated Surplus                        | <u>255 878 313</u> |
|  | <u>969 476 187</u> |

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve and Donations and Public Contributions Reserve are utilised to offset the cost of depreciation of assets over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 2 for more detail.

## 7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2011 was R215 249 080 (30 June 2010: R221 274 202).

Loans to the amount of R8 199 317 (2009/10: R148 666 873) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 3 and Appendix "A" for more detail.

## 8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2011 was R22 123 367 (30 June 2010: R21 537 738).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 4 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R7 892 532 as at 30 June 2011 (30 June 2010: R5 979 226) and is made up as follows:

|                                 |                  |
|---------------------------------|------------------|
| Provision for Long-term Service | <u>7 892 532</u> |
|                                 | <u>7 892 532</u> |

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 5 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R321 970 014 as at 30 June 2011 (30 June 2010: R365 751 367) and is made up as follows:

|  |         |                    |
|--|---------|--------------------|
| Consumer Deposits                        | Note 6  | 18 266 771         |
| Provisions                               | Note 7  | 2 911 578          |
| Creditors                                | Note 8  | 149 306 210        |
| Unspent Conditional Grants and Receipts  | Note 9  | 138 622 619        |
| Bank Overdraft                           | Note 21 | -                  |
| Current Portion of Long-term Liabilities | Note 3  | <u>12 862 836</u>  |
|  |         | <u>321 970 014</u> |

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). Given the cash flow constraints, every endeavour will be made to meet its obligations.

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The carrying value of Property, Plant and Equipment was R1 393 603 367 as at 30 June 2011 (30 June 2010: R1 239 326 989).

Refer to Note 11 and Appendices "B, C and E (2)" for more detail.

## 12. INTANGIBLE ASSETS

The carrying value of Intangible Assets were R13 693 891 as at 30 June 2011 (30 June 2010: R12 155 890).

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights / servitudes obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 12 for more detail.

### 13. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R100 as at 30 June 2011 (30 June 2010: R100).

Refer to Note 14 for more detail.

### 14. LONG-TERM RECEIVABLES

Long-term Receivables of R26 248 at 30 June 2011 (30 June 2010: R28 789) is made up as follows:

|   |               |
|---|---------------|
| Officials: Relocation Loans                         | 24 982        |
| Officials: Sundry Loans                             | 14 693        |
|   | <hr/>         |
|   | 39 675        |
| Less: Short-term portion included in Current Assets | 13 427        |
|   | <hr/>         |
|   | <u>26 248</u> |

Refer to Note 15 for more detail.

### 15. CURRENT ASSETS

Current Assets amounted R129 387 573 as at 30 June 2011 (30 June 2010: R229 862 615) and is made up as follows:

|  |         |                    |
|--|---------|--------------------|
| Inventory  | Note 16 | 7 217 725          |
| Non-current Assets Held-for-Sale                 | Note 17 | 1 054 544          |
| Trade Receivables from Exchange Transactions     | Note 18 | 39 837 104         |
| Trade Receivables from Non-exchange Transactions | Note 19 | 8 124 555          |
| VAT Receivable                                   | Note 20 | 31 430 291         |
| Bank, Cash and Cash Equivalents                  | Note 21 | 41 709 927         |
| Current Portion of Long-term Debtors             | Note 15 | 13 427             |
|  |         | <hr/>              |
|  |         | <u>129 387 573</u> |

The Short-term Investment Deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the Current Portion of Long-term Liabilities and no funds are available for own purposes.

Refer to the indicated Notes for more detail.

### 16. INTER-GOVERNMENTAL GRANTS

The municipality plays an important role in the upliftment of the poor and sustaining and improving of infrastructure for all its citizens for which it uses grants received from government and other organisations, and has a big responsibility as custodian of these funds.

Refer to Notes 9 and 23, and Appendix "F" for more detail.

### 17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.



## **18. EXPRESSION OF APPRECIATION**

Whilst this has been a very testing year, I am grateful to the Mayor, Deputy Mayor, Speaker, members of the Executive Committee, Councillors, the Audit Committee, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information, for without their assistance these Annual Financial Statements would not have been possible.

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**CHIEF FINANCIAL OFFICER**

30 August 2011

**UGU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

| Budget               |                      |  | Actual               |                      |
|----------------------|----------------------|--|----------------------|----------------------|
| 2010<br>R            | 2011<br>R            |  | 2011<br>R            | 2010<br>R            |
| <b>765 747 980</b>   | <b>837 141 879</b>   | <b>NET ASSETS</b>                                | <b>969 476 187</b>   | <b>866 831 850</b>   |
| 765 747 980          | 837 141 879          | Accumulated Surplus                              | 969 476 187          | 866 831 850          |
| <b>765 747 980</b>   | <b>837 141 879</b>   | <b>Total Net Assets</b>                          | <b>969 476 187</b>   | <b>866 831 850</b>   |
|                      |                      | <b>LIABILITIES</b>                               |                      |                      |
| <b>156 473 200</b>   | <b>140 410 740</b>   | <b>Non-Current Liabilities</b>                   | <b>245 264 979</b>   | <b>248 791 167</b>   |
| 127 555 000          | 109 470 000          | Long-term Liabilities                            | 215 249 080          | 221 274 202          |
| 23 784 000           | 25 796 740           | Retirement Benefit Liabilities                   | 22 123 367           | 21 537 738           |
| 5 134 200            | 5 144 000            | Non-current Provisions                           | 7 892 532            | 5 979 226            |
| <b>230 801 660</b>   | <b>242 748 594</b>   | <b>Current Liabilities</b>                       | <b>321 970 014</b>   | <b>365 751 367</b>   |
| 18 348 232           | 19 265 644           | Consumer Deposits                                | 18 266 771           | 17 765 540           |
| 1 953 407            | 2 051 077            | Provisions                                       | 2 911 578            | 2 158 779            |
| 106 471 000          | 111 794 550          | Creditors  | 149 306 210          | 122 952 896          |
| 95 892 000           | 100 686 600          | Unspent Conditional Grants and Receipts          | 138 622 619          | 188 580 895          |
| -                    | -                    | Operating Lease Payables                         | -                    | 3 954                |
| -                    | -                    | Bank Overdraft                                   | -                    | 4 465                |
| 8 137 021            | 8 950 723            | Current Portion of Long-term Liabilities         | 12 862 836           | 34 284 837           |
| <b>387 274 860</b>   | <b>383 159 334</b>   | <b>Total Liabilities</b>                         | <b>567 234 992</b>   | <b>614 542 534</b>   |
|                      |                      | <b>ASSETS</b>                                    |                      |                      |
| <b>857 308 488</b>   | <b>913 962 968</b>   | <b>Non-Current Assets</b>                        | <b>1 407 323 606</b> | <b>1 251 511 768</b> |
| 835 857 387          | 892 128 146          | Property, Plant and Equipment                    | 1 393 603 367        | 1 239 326 989        |
| 7 595 725            | 7 975 511            | Intangible Assets                                | 13 693 891           | 12 155 890           |
| 13 776 686           | 13 776 686           | Non-current Investments                          | 100                  | 100                  |
| 78 690               | 82 625               | Long-term Receivables                            | 26 248               | 28 789               |
| <b>295 714 352</b>   | <b>306 338 245</b>   | <b>Current Assets</b>                            | <b>129 387 573</b>   | <b>229 862 615</b>   |
| 7 887 616            | 8 281 997            | Inventory  | 7 217 725            | 7 546 988            |
| -                    | -                    | Non-current Assets Held-for-Sale                 | 1 054 544            | 1 001 039            |
| 56 215 109           | 61 910 000           | Trade Receivables from Exchange Transactions     | 39 837 104           | 45 275 748           |
| 99 105 196           | 99 105 196           | Trade Receivables from Non-exchange Transactions | 8 124 555            | 3 816 921            |
| -                    | -                    | VAT Receivable                                   | 31 430 291           | 19 474 078           |
| 132 498 891          | 137 033 136          | Bank, Cash and Cash Equivalents                  | 41 709 927           | 152 736 683          |
| 7 540                | 7 917                | Current Portion of Long-term Receivables         | 13 427               | 11 158               |
| <b>1 153 022 840</b> | <b>1 220 301 213</b> | <b>Total Assets</b>                              | <b>1 536 711 179</b> | <b>1 481 374 383</b> |
| <b>765 747 980</b>   | <b>837 141 879</b>   | <b>Total Assets and Liabilities</b>              | <b>969 476 187</b>   | <b>866 831 850</b>   |

**UGU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

| Budget  |                    |  | Actual             |                    |
|---|--------------------|--|--------------------|--------------------|
| 2010<br>R                                     | 2011<br>R          |  | 2011<br>R          | 2010<br>R          |
| <b>REVENUE</b>                                |                    |  |                    |                    |
| <b>Revenue from Non-exchange Transactions</b> |                    |  |                    |                    |
| 220 921 750                                   | 261 193 078        | Government Grants and Subsidies Received           | 450 363 859        | 526 279 024        |
| -   | -                  | Public Contributions and Donations                 | 19 186 143         | 1 509 328          |
| <b>Revenue from Exchange Transactions</b>     |                    |  |                    |                    |
| 283 129 254                                   | 348 386 248        | Service Charges                                    | 240 280 488        | 246 729 458        |
| 176 938                                       | 993 972            | Rental of Facilities and Equipment                 | 955 738            | 792 249            |
| 18 374 716                                    | 7 983 000          | Interest Earned - External Investments             | 6 161 362          | 4 262 583          |
| 1 164 701                                     | 1 199 899          | Interest Earned - Outstanding Debtors              | 17 071 412         | 38 474 536         |
| 132 628 506                                   | 148 567 414        | Other Revenue                                      | 115 798 262        | 107 833 455        |
| -   | -                  | Gains on Disposal of Property, Plant and Equipment | 824 851            | -                  |
| <b>656 395 864</b>                            | <b>768 323 610</b> | <b>Total Revenue</b>                               | <b>850 642 115</b> | <b>925 880 632</b> |
| <b>EXPENDITURE</b>                            |                    |  |                    |                    |
| 211 197 244                                   | 221 115 268        | Employee Related Costs                             | 221 280 163        | 194 765 871        |
| 4 678 475                                     | 6 199 346          | Remuneration of Councillors                        | 6 191 830          | 6 466 540          |
| -   | 35 000             | Collection Costs                                   | -                  | -                  |
| 53 260 019                                    | 45 971 823         | Depreciation and Amortisation                      | 49 153 751         | 44 718 176         |
| 3 300 000                                     | 7 380 000          | Impairment Losses                                  | 27 900 418         | 24 945 478         |
| 30 398 674                                    | 35 488 343         | Repairs and Maintenance                            | 21 833 724         | 32 213 391         |
| 13 284 748                                    | 15 396 622         | Finance Costs                                      | 20 977 578         | 9 300 073          |
| 21 537 500                                    | 34 037 640         | Bulk Purchases                                     | 31 839 355         | 25 672 081         |
| 17 672 000                                    | 21 367 800         | Contracted Services                                | 16 501 666         | 16 712 687         |
| 89 960 150                                    | 129 358 509        | Grants and Subsidies Paid                          | 145 715 087        | 215 868 942        |
| 211 107 055                                   | 251 973 259        | General Expenses                                   | 206 604 206        | 180 915 243        |
| -   | -                  | Loss on Disposal of Property, Plant and Equipment  | -                  | 28 574             |
| <b>656 395 864</b>                            | <b>768 323 610</b> | <b>Total Expenditure</b>                           | <b>747 997 778</b> | <b>751 607 056</b> |
| <b>0</b>                                      | <b>(0)</b>         | <b>SURPLUS FOR THE YEAR</b>                        | <b>102 644 337</b> | <b>174 273 576</b> |

Refer to Appendix E(1) for explanation of variances

## UGU DISTRICT MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

| Description                               | Revaluation<br>Reserve | Total for<br>Accumulated<br>Surplus/(Deficit)<br>Account | Total              |
|---|------------------------|--|--------------------|
|   | R                      | R  | R                  |
| <b>2010</b>                               |                        |  |                    |
| Balance at 30 June 2009                   | -                      | 682 124 123  | 682 124 123        |
| Change in Accounting Policy (Note 39)     | -                      | -  | -                  |
| Correction of Error (Note 40)             |                        | 10 434 151   | 10 434 151         |
| <b>Restated Balance</b>                   | -                      | <b>692 558 274</b>                                       | <b>692 558 274</b> |
| Surplus for the year                      |                        | 174 273 576  | 174 273 576        |
| Property, Plant and Equipment purchased   |                        | -  | -                  |
| Donations / Grants utilised to obtain PPE |                        | -  | -                  |
| Interest received                         |                        | -  | -                  |
| Asset disposals                           |                        | -  | -                  |
| Offsetting of Depreciation                |                        | -  | -                  |
| <b>Balance at 30 June 2010</b>            | -                      | <b>866 831 850</b>                                       | <b>866 831 850</b> |
| <b>2011</b>                               |                        |  |                    |
| Change in Accounting Policy (Note 39)     |                        | -  | -                  |
| Correction of Error (Note 40)             |                        | -  | -                  |
| <b>Restated Balance</b>                   | -                      | <b>866 831 850</b>                                       | <b>866 831 850</b> |
| Surplus for the year                      |                        | 102 644 337  | 102 644 337        |
| Transfer to CRR                           |                        | -  | -                  |
| Property, Plant and Equipment purchased   |                        | -  | -                  |
| Donations / Grants utilised to obtain PPE |                        | -  | -                  |
| Interest received                         |                        | -  | -                  |
| Asset disposals                           |                        | -  | -                  |
| Offsetting of Depreciation                |                        | -  | -                  |
| <b>Balance at 30 June 2011</b>            | -                      | <b>969 476 187</b>                                       | <b>969 476 187</b> |

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

**UGU DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

| Budget               |                      |   | Actual               |                      |
|----------------------|----------------------|---|----------------------|----------------------|
| 2010<br>R            | 2011<br>R            |   | 2011<br>R            | 2010<br>R            |
|                      |                      | <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |                      |                      |
| 765 749 581          | 881 230 044          | Cash receipts from Ratepayers, Government and Other         | 773 914 431          | 832 650 275          |
| (485 783 530)        | (489 735 000)        | Cash paid to Suppliers and Employees                        | (648 522 469)        | (676 868 415)        |
| <b>279 966 051</b>   | <b>391 495 044</b>   | <b>Cash generated from / (utilised in) Operations</b>       | <b>125 391 962</b>   | <b>155 781 860</b>   |
| 18 374 716           | 18 898 266           | Interest received   | 23 232 774           | 42 737 119           |
| (13 284 748)         | (18 896 621)         | Interest paid   | (20 977 578)         | (9 300 073)          |
| <b>285 056 019</b>   | <b>391 496 689</b>   | <b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b> | <b>127 647 157</b>   | <b>189 218 907</b>   |
|                      |                      | <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                      |                      |
| (266 621 414)        | (380 667 850)        | Purchase of Property, Plant and Equipment                   | (209 024 687)        | (379 010 816)        |
| -                    | -                    | Purchase of Intangible Assets                               | (3 167 704)          | (7 484 828)          |
| -                    | -                    | Proceeds on Disposal of Property, Plant and Equipment       | 969 795              | -                    |
| -                    | (59 999 620)         | Decrease / (Increase) in Non-current Investments            | -                    | 15 676 074           |
| -                    | 4 000                | Decrease / (Increase) in Long-term Receivables              | 272                  | 46 282               |
| <b>(266 621 414)</b> | <b>(440 663 470)</b> | <b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b> | <b>(211 222 324)</b> | <b>(370 773 288)</b> |
|                      |                      | <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                      |                      |
| 42 950 000           | 18 085 000           | New Loans raised  | 8 199 317            | 148 666 873          |
| -                    | (1 362 642)          | Loans repaid  | (35 646 440)         | (10 481 864)         |
| <b>42 950 000</b>    | <b>16 722 358</b>    | <b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b> | <b>(27 447 124)</b>  | <b>138 185 009</b>   |
| <b>61 384 605</b>    | <b>(32 444 423)</b>  | <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>(111 022 291)</b> | <b>(43 369 373)</b>  |
| 196 101 591          | 155 086 000          | Cash and Cash Equivalents at the beginning of the year      | 152 732 218          | 196 101 591          |
| 257 486 196          | 122 641 577          | Cash and Cash Equivalents at the end of the year            | 41 709 927           | 152 732 218          |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**1. GENERAL INFORMATION**

Ugu District Municipality is a local government institution in Port Shepstone, Kwa-Zulu Natal. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Reserves:**

|  |                    |                    |
|--|--------------------|--------------------|
| Capital Replacement Reserve (CRR)                                | 275 628            | 450 040            |
| Capitalisation Reserve   | 38 821 586         | 41 357 899         |
| Donations and Public Contributions Reserve                       | 21 634 354         | 2 687 161          |
| Government Grants Reserve  | 652 866 306        | 575 253 701        |
| Accumulated Surplus / (Deficit) due to the results of Operations | 255 878 313        | 247 083 049        |
| <b>Total Accumulated Surplus</b>                                 | <b>969 476 187</b> | <b>866 831 850</b> |

*Accumulated Surplus* has been restated to correctly disclose Property, Plant and Equipment of the municipality. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

*Accumulated Surplus* has been restated to correctly disclose the liability in respect of Creditors of the municipality. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is invested in Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures community wealth and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures community wealth and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures community wealth and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail, and the movement on Accumulated Surplus.

**3. LONG-TERM LIABILITIES**

|  |                    |                    |
|--|--------------------|--------------------|
| Local Registered Stock                                   | -                  | 20 300 000         |
| Annuity Loans  | 225 191 257        | 226 116 260        |
| Finance Lease Liabilities                                | 2 920 659          | 9 142 779          |
| Sub-total  | 228 111 916        | 255 559 040        |
| Less: Current Portion transferred to Current Liabilities | 12 862 836         | 34 284 837         |
| Local Registered Stock                                   | -                  | 20 300 000         |
| Annuity Loans  | 10 462 124         | 7 018 972          |
| Finance Lease Liabilities                                | 2 400 712          | 6 965 865          |
| <b>Total Long-term Liabilities</b>                       | <b>215 249 080</b> | <b>221 274 202</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R                      2010  
R

**3.1 Summary of Arrangements**

Local Registered Stock is repaid over a period of 0 years (2010: 1 years) and at interest rates varying from 15,60% to 16,80% (2010: 15,60% to 16,80%) per annum. Local Registered Stock is not secured.

Annuity Loans are repaid over periods varying from 1 to 18 (2010: 1 to 19) years and at interest rates varying from 2,65% to 11,00% (2010: 2,65% to 11,00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles with lease term periods of 2 (2010: 3) years. The effective interest rate on Finance Leases is 11,41% (2010: between 11,41% to 12,50%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

R0 (2010: R17 838 885) has been invested specifically in a ring-fenced account for the repayment of Long-term Liabilities. See Notes 14 and 45 for more detail.

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

**3.2 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms of not more than 3 years (2010: 3 years). The effective interest rate on Finance Leases is 11,41% (2010: between 11,41% and 12,50%).

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

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

The obligations under Finance Leases are as follows:

|   | Minimum Lease Payments  |                         | Present Value of Minimum Lease Payments |                         |
|---|-------------------------|-------------------------|---|-------------------------|
|   | 2011<br>R               | 2010<br>R               | 2011<br>R                               | 2010<br>R               |
| <b>Amounts payable under finance leases:</b>  |                         |                         |   |                         |
| Within one year   | 2 599 032               | 6 306 028               | 2 599 032                               | 6 306 028               |
| In the second to third years, inclusive   | <u>536 624</u>          | <u>3 744 482</u>        | <u>536 624</u>                          | <u>3 744 482</u>        |
|   | 3 135 655               | 10 050 510              | 3 135 655                               | 10 050 510              |
| Less: Future Finance Obligations  | 214 996                 | 907 730                 | 214 996                                 | 907 730                 |
| <b>Present Value of Minimum Lease Obligations</b>   | <u><u>2 920 659</u></u> | <u><u>9 142 779</u></u> | <u><u>2 920 659</u></u>                 | <u><u>9 142 779</u></u> |
| Less: Amounts due for settlement within 12 months (Current Portion)                       |                         |                         | (2 400 712)                             | (6 965 865)             |
| <b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b> |                         |                         | <u><u>519 948</u></u>                   | <u><u>2 176 914</u></u> |

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

- Vehicles

Included in these classes are the following significant leases:

|   |           |             |
|---|-----------|-------------|
| (i) Vehicles                                      | R 519 948 | R 2 176 914 |
| - Instalments are payable monthly in arrears      |           |             |
| - Average period outstanding                      | 11 months | 11 months   |
| - Average effective interest rate, based on prime | 11.41%    | 11.57%      |
| - Average monthly instalment                      | R 7 958   | R 83 321    |

**3.3 Breach of Loan Agreement**

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R         | 2010<br>R         |
|---|-------------------|-------------------|
| <b>4. RETIREMENT BENEFIT LIABILITIES</b>                    |                   |                   |
| <b>4.1 Post-retirement Health Care Benefits Liability</b>   |                   |                   |
| Balance at beginning of Year                                | 21 537 738        | 20 565 203        |
| Contributions to Provision                                  | 1 339 696         | 1 604 539         |
| Balance at end of Year                                      | 22 877 435        | 22 169 742        |
| Transfer to Current Provisions                              | (754 068)         | (632 004)         |
| <b>Total Post-retirement Health Care Benefits Liability</b> | <b>22 123 367</b> | <b>21 537 738</b> |

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

|   |            |            |
|---|------------|------------|
| In-service Members (Employees)                        | 427        | 426        |
| Continuation Members (Retirees, widowers and orphans) | 44         | 39         |
| <b>Total Members</b>                                  | <b>471</b> | <b>465</b> |

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

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| In-service Members     | 10 495 579        | 11 804 839        |
| Continuation Members   | 12 381 856        | 8 817 789         |
| <b>Total Liability</b> | <b>22 877 435</b> | <b>20 622 628</b> |

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2011 is estimated to be R1 264 965, whereas the cost for the ensuing year is estimated to be R1 277 147 (2010: R1 318 923 and R1 264 965 respectively).

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

|                                   |       |       |
|-----------------------------------|-------|-------|
| Discount rate                     | 8.63% | 9.14% |
| Health Care Cost Inflation Rate   | 7.27% | 7.18% |
| Net Effective Discount Rate       | 1.27% | 1.82% |
| Expected Retirement Age - Females | 63    | 63    |
| Expected Retirement Age - Males   | 63    | 63    |



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R         | 2010<br>R         |
|--|-------------------|-------------------|
| <b>Movements in the present value of the Defined Benefit Obligation were as follows:</b> |                   |                   |
| Balance at the beginning of the year   | 20 622 628        | 20 526 171        |
| Current service costs  | 1 264 965         | 1 318 923         |
| Interest cost  | 1 855 981         | 1 832 730         |
| Benefits paid  | (632 004)         | (690 754)         |
| Actuarial losses / (gains)   | (234 135)         | (2 364 443)       |
| <b>Present Value of Fund Obligation at the end of the Year</b>                           | <b>22 877 435</b> | <b>20 622 628</b> |
| Actuarial losses / (gains) unrecognised  | -                 | 1 547 114         |
| <b>Total Recognised Benefit Liability</b>  | <b>22 877 435</b> | <b>22 169 742</b> |

**The amounts recognised in the Statement of Financial Position are as follows:**

|   |                   |                   |
|---|-------------------|-------------------|
| Present value of fund obligations       | 22 877 435        | 20 622 628        |
| Unfunded Accrued Liability              | 22 877 435        | 20 622 628        |
| Unrecognised actuarial gains / (losses) | -                 | 1 547 114         |
| <b>Total Benefit Liability</b>          | <b>22 877 435</b> | <b>22 169 742</b> |

**The amounts recognised in the Statement of Financial Performance are as follows:**

|   |                  |                  |
|---|------------------|------------------|
| Current service cost  | 1 264 965        | 1 318 923        |
| Interest cost   | 1 855 981        | 1 832 730        |
| Actuarial losses / (gains)  | (1 781 249)      | (1 547 114)      |
| <b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b> | <b>1 339 696</b> | <b>1 604 539</b> |

**The history of experienced adjustments is as follows:**

|   | 2011<br>R         | 2010<br>R         | 2009<br>R         | 2008<br>R         | 2007<br>R         |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present Value of Defined Benefit Obligation | 22 877 435        | 20 622 628        | 20 526 171        | 17 761 372        | 17 369 028        |
| <b>Deficit</b>                              | <b>22 877 435</b> | <b>20 622 628</b> | <b>20 526 171</b> | <b>17 761 372</b> | <b>17 369 028</b> |
| Experienced adjustments on Plan Liabilities | 1 949 195         | (214 812)         | 885 881           | (1 367 240)       | -                 |

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.

|  | 2011<br>R   | 2010<br>R   |
|--|-------------|-------------|
| The effect of a 1% movement in the assumed rate of health care cost inflation is as follows: |             |             |
| <b>Increase:</b>   |             |             |
| Effect on the aggregate of the current service cost and the interest cost                    | 620 000     | 623 300     |
| Effect on the defined benefit obligation   | 3 760 143   | 3 506 752   |
| <b>Decrease:</b>   |             |             |
| Effect on the aggregate of the current service cost and the interest cost                    | (488 900)   | (490 100)   |
| Effect on the defined benefit obligation   | (3 030 410) | (2 823 706) |

The municipality expects to make a contribution of R3,221 million (2010: R3,121 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 50, "Multi-employer Retirement Benefit Information", for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|                                     | 2011<br>R        | 2010<br>R        |
|-------------------------------------|------------------|------------------|
| <b>5. NON-CURRENT PROVISIONS</b>    |                  |                  |
| Provision for Long-term Service     | 7 892 532        | 5 979 226        |
| <b>Total Non-current Provisions</b> | <b>7 892 532</b> | <b>5 979 226</b> |

The movement in Non-current Provisions are reconciled as follows:

**Long-term Service**

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Balance at beginning of year   | 5 979 226        | 4 874 279        |
| Contributions to provision     | 3 387 240        | 1 995 837        |
|                                | 9 366 466        | 6 870 116        |
| Transfer to current provisions | (1 473 934)      | (890 890)        |
| <b>Balance at end of year</b>  | <b>7 892 532</b> | <b>5 979 226</b> |

**5.1 Long-service Awards**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year-end, 952 (2010: 879) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2011 is estimated to be R1 255 246, whereas the cost for the ensuing year is estimated to be R1 498 752 (2010: R818 999 and R1 255 246 respectively).

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

|                                   |       |       |
|-----------------------------------|-------|-------|
| Discount rate                     | 7.89% | 9.04% |
| Salary Cost Inflation Rate        | 6.29% | 6.38% |
| Net Effective Discount Rate       | 1.51% | 2.50% |
| Expected Retirement Age - Females | 63    | 63    |
| Expected Retirement Age - Males   | 63    | 63    |

**Movements in the present value of the Defined Benefit Obligation were as follows:**

|  |                  |                  |
|--|------------------|------------------|
| Balance at the beginning of the year                           | 6 870 116        | 5 356 719        |
| Current service costs  | 1 255 246        | 818 999          |
| Interest cost  | 581 565          | 471 724          |
| Benefits paid  | (890 890)        | (482 440)        |
| Actuarial losses / (gains) recognised                          | 1 550 429        | 705 114          |
| <b>Present Value of Fund Obligation at the end of the Year</b> | <b>9 366 466</b> | <b>6 870 116</b> |
| Actuarial losses / (gains) unrecognised                        | -                | -                |
| <b>Total Recognised Benefit Liability</b>                      | <b>9 366 466</b> | <b>6 870 116</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | <b>2011</b>      | <b>2010</b>      |
|--|------------------|------------------|
|  | <b>R</b>         | <b>R</b>         |
| <b>The amounts recognised in the Statement of Financial Position are as follows:</b> |                  |                  |
| Present value of fund obligations  | 9 366 466        | 6 870 116        |
| Unfunded Accrued Liability   | 9 366 466        | 6 870 116        |
| Actuarial gains / (losses) not recognised  | -                | -                |
| <b>Total Benefit Liability</b>   | <b>9 366 466</b> | <b>6 870 116</b> |

|   |                  |                  |
|---|------------------|------------------|
| <b>The amounts recognised in the Statement of Financial Performance are as follows:</b> |                  |                  |
| Current service cost  | 1 255 246        | 818 999          |
| Interest cost   | 581 565          | 471 724          |
| Actuarial losses / (gains)  | 1 550 429        | 705 114          |
| <b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>       | <b>3 387 240</b> | <b>1 995 838</b> |

|   | <b>2011</b>      | <b>2010</b>      | <b>2009</b>      | <b>2008</b>      | <b>2007</b>      |
|---|------------------|------------------|------------------|------------------|------------------|
|   | <b>R</b>         | <b>R</b>         | <b>R</b>         | <b>R</b>         | <b>R</b>         |
| Present Value of Defined Benefit Obligation | 9 366 466        | 6 870 116        | 5 356 719        | 3 606 304        | 3 956 728        |
| <b>Deficit</b>                              | <b>9 366 466</b> | <b>6 870 116</b> | <b>5 356 719</b> | <b>3 606 304</b> | <b>3 956 728</b> |
| Experienced adjustments on Plan Liabilities | 870 061          | 755 438          | 492 099          | 663 002          | -                |

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.

|  | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|
|  | <b>R</b>    | <b>R</b>    |
| The effect of a 1% movement in the assumed rate of health care cost inflation is as follows: |             |             |
| <b>Increase:</b>   |             |             |
| Effect on the aggregate of the current service cost and the interest cost                    | 113 719     | 97 481      |
| Effect on the defined benefit obligation   | 687 644     | 463 123     |
| <b>Decrease:</b>   |             |             |
| Effect on the aggregate of the current service cost and the interest cost                    | (101 102)   | (86 300)    |
| Effect on the defined benefit obligation   | (614 794)   | (416 646)   |

The municipality expects to make a contribution of R2 181 034 (2010: R1 836 811) to the defined benefit plans during the next financial year.

**6. CONSUMER DEPOSITS**

|  |                   |                   |
|--|-------------------|-------------------|
| Water  | 18 266 771        | 17 765 540        |
| <b>Total Consumer Deposits</b>                   | <b>18 266 771</b> | <b>17 765 540</b> |
| <b>Guarantees held in lieu of Water Deposits</b> | <b>553 580</b>    | <b>553 580</b>    |

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

No interest is paid on Consumer Deposits held.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R        | 2010<br>R        |
|--|------------------|------------------|
| <b>7. PROVISIONS</b>   |                  |                  |
| Performance Bonus  | 683 576          | 635 885          |
| Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 4 above) | 754 068          | 632 004          |
| Current Portion of Non-Current Provisions (See Note 5 above):                        | 1 473 934        | 890 890          |
| Long-term Service  | 1 473 934        | 890 890          |
| <b>Total Provisions</b>  | <b>2 911 578</b> | <b>2 158 779</b> |

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonus**

|                               |                |                |
|-------------------------------|----------------|----------------|
| Balance at beginning of year  | 635 885        | 780 214        |
| Contributions to provision    | 47 691         | 198 430        |
| Expenditure incurred          | -              | (342 759)      |
| <b>Balance at end of year</b> | <b>683 576</b> | <b>635 885</b> |

**Current Portion of Non-Current Provisions:**

|                               | Long-term<br>Service<br>R | Post-retirement<br>R |
|-------------------------------|---------------------------|----------------------|
| <b>30 June 2011</b>           |                           |                      |
| Balance at beginning of year  | 890 890                   | 632 004              |
| Transfer from non-current     | 1 473 934                 | 754 068              |
| Expenditure incurred          | (890 890)                 | (632 004)            |
| <b>Balance at end of year</b> | <b>1 473 934</b>          | <b>754 068</b>       |
| <b>30 June 2010</b>           |                           |                      |
| Balance at beginning of year  | 482 440                   | 690 754              |
| Transfer from non-current     | 890 890                   | 632 004              |
| Expenditure incurred          | (482 440)                 | (690 754)            |
| <b>Balance at end of year</b> | <b>890 890</b>            | <b>632 004</b>       |

**8. CREDITORS**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Trade Creditors              | 61 952 793         | 28 528 521         |
| Payments received in Advance | 2 853 255          | 3 173 485          |
| Retentions                   | 1 375 275          | 11 802 594         |
| Staff Bonuses                | 7 843 118          | 7 220 811          |
| Staff Leave                  | 8 426 016          | 8 035 498          |
| Projects                     | 33 794 957         | 49 795 096         |
| Other Creditors              | 33 060 796         | 14 396 892         |
| <b>Total Creditors</b>       | <b>149 306 210</b> | <b>122 952 896</b> |

*Creditors* have been restated to correctly classify the liability in respect of Creditors of the municipality. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

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

The average credit period on purchases is 73 days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

**9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**9.1 Conditional Grants from Government**

National Government Grants  
 Provincial Government Grants  
 Other Spheres of Government

|            | 92 380 032 | 135 505 930 |
|------------|------------|-------------|
| 31 426 249 | 89 942 319 | 89 942 319  |
| 58 877 910 | 44 058 166 | 44 058 166  |
| 2 075 873  | 1 505 446  | 1 505 446   |

**9.2 Other Conditional Receipts**

Developers' Contributions  
 Public Contributions

|            | 46 242 587 | 53 074 964 |
|------------|------------|------------|
| 42 773 163 | 52 948 239 | 52 948 239 |
| 3 469 424  | 126 725    | 126 725    |

**Total Conditional Grants and Receipts**

|  |             |             |
|--|-------------|-------------|
|  | 138 622 619 | 188 580 895 |
|--|-------------|-------------|

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 23 for the reconciliation of Grants from Government and Note 24 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**10. OPERATING LEASE LIABILITIES / PAYABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

|  |             |              |
|--|-------------|--------------|
| Balance at beginning of year             | 3 954       | 25 426       |
| Operating Lease expenses recorded        | 1 153 751   | 1 225 145    |
| Operating Lease payments effected        | (1 157 705) | (1 246 617)  |
| <b>Total Operating Lease Liabilities</b> | <b>-</b>    | <b>3 954</b> |

**10.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**10.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

| <b>Office Equipment:</b>                  | 892 469        | 1 202 618        |
|---|----------------|------------------|
| Within one year                           | 574 374        | 1 037 522        |
| In the second to third years, inclusive   | 318 095        | 165 096          |
| Over three years                          | -              | -                |
| <b>Total Operating Lease Arrangements</b> | <b>892 469</b> | <b>1 202 618</b> |

The following payments have been recognised as an expense in the Statement of Financial Performance:

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| Minimum lease payments                | 1 153 751        | 1 225 145        |
| <b>Total Operating Lease Expenses</b> | <b>1 153 751</b> | <b>1 225 145</b> |

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

- Office Equipment

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

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**11. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2011**

**Reconciliation of Carrying Value**

| Description                                   | Land and Buildings | Infra-structure      | Community          | Other             | Leased Infra-structure | Total                |
|---|--------------------|----------------------|--------------------|-------------------|------------------------|----------------------|
|   | R                  | R                    | R                  | R                 | R                      | R                    |
| <b>Carrying values at 01 July 2010</b>        | <b>68 342 574</b>  | <b>983 246 060</b>   | <b>140 705 874</b> | <b>47 032 481</b> | -                      | <b>1 239 326 989</b> |
| Cost  | 74 551 298         | 1 831 487 224        | 142 302 670        | 108 906 383       | -                      | 2 157 247 576        |
| - Completed Assets                            | 60 705 687         | 1 462 785 086        | 23 859 990         | 105 854 416       | -                      | 1 653 205 179        |
| - Under Construction                          | 13 845 611         | 368 702 139          | 118 442 680        | 3 051 967         | -                      | 504 042 397          |
| Correction of error (Note 40)                 | -                  | -                    | -                  | -                 | -                      | -                    |
| Accumulated Impairment Losses                 | -                  | (338 113)            | -                  | (6 767 631)       | -                      | (7 105 744)          |
| Accumulated Depreciation:                     | (6 208 724)        | (847 903 051)        | (1 596 796)        | (55 106 271)      | -                      | (910 814 842)        |
| - Cost  | (6 208 724)        | (847 903 051)        | (1 596 796)        | (55 106 271)      | -                      | (910 814 842)        |
| - Revaluation                                 | -                  | -                    | -                  | -                 | -                      | -                    |
| Acquisitions                                  | 18 215 734         | 4 497 182            | 3 821 904          | 2 084 444         | -                      | 28 619 264           |
| Borrowing Costs Capitalised                   | -                  | -                    | -                  | -                 | -                      | -                    |
| Capital under Construction - Additions:       | -                  | 176 966 056          | 3 439 367          | -                 | -                      | 180 405 423          |
| - Cost  | -                  | 176 966 056          | 3 439 367          | -                 | -                      | 180 405 423          |
| - Borrowing Costs Capitalised                 | -                  | -                    | -                  | -                 | -                      | -                    |
| Increases in Revaluation                      | -                  | -                    | -                  | -                 | -                      | -                    |
| Reversals of Impairment Losses                | -                  | -                    | -                  | -                 | -                      | -                    |
| Depreciation:                                 | (3 816 186)        | (29 860 293)         | (3 812 638)        | (10 034 930)      | -                      | (47 524 047)         |
| - Based on Cost                               | (3 816 186)        | (29 860 293)         | (3 812 638)        | (10 034 930)      | -                      | (47 524 047)         |
| - Based on Revaluation                        | -                  | -                    | -                  | -                 | -                      | -                    |
| Carrying value of Disposals:                  | -                  | -                    | -                  | (144 944)         | -                      | (144 944)            |
| - Cost  | -                  | -                    | -                  | (904 594)         | -                      | (904 594)            |
| - Accumulated Impairment Losses               | -                  | -                    | -                  | -                 | -                      | -                    |
| - Accumulated Depreciation                    | -                  | -                    | -                  | 759 650           | -                      | 759 650              |
| - Based on Cost                               | -                  | -                    | -                  | 759 650           | -                      | 759 650              |
| - Based on Revaluation                        | -                  | -                    | -                  | -                 | -                      | -                    |
| Carrying value of Transfers to Held-for-Sale: | -                  | 5 018                | -                  | (58 523)          | -                      | (53 505)             |
| - Cost  | -                  | (2 977 694)          | -                  | (1 034 064)       | -                      | (4 011 758)          |
| - Accumulated Impairment Losses               | -                  | 338 113              | -                  | -                 | -                      | 338 113              |
| - Accumulated Depreciation                    | -                  | 2 644 598            | -                  | 975 541           | -                      | 3 620 139            |
| - Based on Cost                               | -                  | 2 644 598            | -                  | 975 541           | -                      | 3 620 139            |
| - Based on Revaluation                        | -                  | -                    | -                  | -                 | -                      | -                    |
| Impairment Losses                             | -                  | -                    | -                  | -                 | -                      | -                    |
| Capital under Construction - Completed        | (12 381 396)       | (89 034 461)         | (115 724 503)      | -                 | -                      | (217 140 360)        |
| Other Movements:                              | 12 381 396         | 82 008 648           | 115 724 503        | -                 | -                      | 210 114 547          |
| - Cost  | 12 381 396         | 82 008 648           | 115 724 503        | -                 | -                      | 210 114 547          |
| - Accumulated Impairment Losses               | -                  | -                    | -                  | -                 | -                      | -                    |
| - Accumulated Depreciation                    | -                  | -                    | -                  | -                 | -                      | -                    |
| - Based on Cost                               | -                  | -                    | -                  | -                 | -                      | -                    |
| - Based on Revaluation                        | -                  | -                    | -                  | -                 | -                      | -                    |
| <b>Carrying values at 30 June 2011</b>        | <b>82 742 123</b>  | <b>1 127 828 209</b> | <b>144 154 507</b> | <b>38 878 529</b> | -                      | <b>1 393 603 367</b> |
| Cost  | 92 767 033         | 2 002 946 956        | 149 563 941        | 109 052 169       | -                      | 2 354 330 098        |
| - Completed Assets                            | 91 302 817         | 1 546 313 222        | 143 406 397        | 106 000 202       | -                      | 1 887 022 638        |
| - Under Construction                          | 1 464 215          | 456 633 733          | 6 157 544          | 3 051 967         | -                      | 467 307 460          |
| Accumulated Impairment Losses                 | -                  | -                    | -                  | (6 767 631)       | -                      | (6 767 631)          |
| Accumulated Depreciation:                     | (10 024 910)       | (875 118 746)        | (5 409 434)        | (63 406 009)      | -                      | (953 959 100)        |
| - Cost  | (10 024 910)       | (875 118 746)        | (5 409 434)        | (63 406 009)      | -                      | (953 959 100)        |
| - Revaluation                                 | -                  | -                    | -                  | -                 | -                      | -                    |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**11. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2010**

**Reconciliation of Carrying Value**

| Description                                   | Land and Buildings | Infra-structure    | Community          | Other             | Leased Infra-structure | Total                |
|---|--------------------|--------------------|--------------------|-------------------|------------------------|----------------------|
|   | R                  | R                  | R                  | R                 | R                      | R                    |
| <b>Carrying values at 01 July 2009</b>        | <b>50 541 596</b>  | <b>740 849 918</b> | <b>71 299 326</b>  | <b>46 932 052</b> | -                      | <b>909 622 892</b>   |
| Cost  | 55 899 303         | 1 561 094 954      | 72 100 789         | 90 975 058        | -                      | 1 780 070 104        |
| - Completed Assets                            | 48 615 831         | 1 447 962 393      | 23 859 990         | 89 330 706        | -                      | 1 609 768 920        |
| - Under Construction                          | 7 283 472          | 113 132 561        | 48 240 799         | 1 644 352         | -                      | 170 301 184          |
| Correction of error (Note 40)                 | -                  | -                  | -                  | -                 | -                      | -                    |
| Accumulated Impairment Losses                 | -                  | -                  | -                  | -                 | -                      | -                    |
| Accumulated Depreciation:                     | (5 357 707)        | (820 245 036)      | (801 463)          | (44 043 006)      | -                      | (870 447 212)        |
| - Cost  | (5 357 707)        | (820 245 036)      | (801 463)          | (44 043 006)      | -                      | (870 447 212)        |
| - Revaluation                                 | -                  | -                  | -                  | -                 | -                      | -                    |
| Acquisitions                                  | 12 089 856         | 14 877 843         | -                  | 18 301 905        | -                      | 45 269 604           |
| Borrowing Costs Capitalised                   | -                  | -                  | -                  | -                 | -                      | -                    |
| Capital under Construction - Additions:       | 6 562 139          | 255 569 578        | 70 201 881         | 1 407 615         | -                      | 333 741 213          |
| - Cost  | 6 562 139          | 255 569 578        | 70 201 881         | 1 407 615         | -                      | 333 741 213          |
| - Borrowing Costs Capitalised                 | -                  | -                  | -                  | -                 | -                      | -                    |
| Increases in Revaluation                      | -                  | -                  | -                  | -                 | -                      | -                    |
| Reversals of Impairment Losses                | -                  | -                  | -                  | -                 | -                      | -                    |
| Depreciation:                                 | (851 017)          | (27 703 609)       | (795 333)          | (12 443 837)      | -                      | (41 793 795)         |
| - Based on Cost                               | (851 017)          | (27 703 609)       | (795 333)          | (12 443 837)      | -                      | (41 793 795)         |
| - Based on Revaluation                        | -                  | -                  | -                  | -                 | -                      | -                    |
| Carrying value of Disposals:                  | -                  | (9 557)            | -                  | (19 017)          | -                      | (28 574)             |
| - Cost  | -                  | (55 150)           | -                  | (19 017)          | -                      | (74 167)             |
| - Accumulated Impairment Losses               | -                  | -                  | -                  | -                 | -                      | -                    |
| - Accumulated Depreciation                    | -                  | 45 593             | -                  | -                 | -                      | 45 593               |
| - Based on Cost                               | -                  | 45 593             | -                  | -                 | -                      | 45 593               |
| - Based on Revaluation                        | -                  | -                  | -                  | -                 | -                      | -                    |
| Carrying value of Transfers to Held-for-Sale: | -                  | -                  | -                  | (378 606)         | -                      | (378 606)            |
| - Cost  | -                  | -                  | -                  | (1 759 178)       | -                      | (1 759 178)          |
| - Accumulated Impairment Losses               | -                  | -                  | -                  | -                 | -                      | -                    |
| - Accumulated Depreciation                    | -                  | -                  | -                  | 1 380 572         | -                      | 1 380 572            |
| - Based on Cost                               | -                  | -                  | -                  | 1 380 572         | -                      | 1 380 572            |
| - Based on Revaluation                        | -                  | -                  | -                  | -                 | -                      | -                    |
| Impairment Losses                             | -                  | (338 113)          | -                  | (6 767 631)       | -                      | (7 105 744)          |
| Capital under Construction - Completed        | -                  | -                  | -                  | -                 | -                      | -                    |
| Other Movements:                              | -                  | -                  | -                  | -                 | -                      | -                    |
| - Cost  | -                  | -                  | -                  | -                 | -                      | -                    |
| - Accumulated Impairment Losses               | -                  | -                  | -                  | -                 | -                      | -                    |
| - Accumulated Depreciation                    | -                  | -                  | -                  | -                 | -                      | -                    |
| - Based on Cost                               | -                  | -                  | -                  | -                 | -                      | -                    |
| - Based on Revaluation                        | -                  | -                  | -                  | -                 | -                      | -                    |
| <b>Carrying values at 30 June 2010</b>        | <b>68 342 574</b>  | <b>983 246 060</b> | <b>140 705 874</b> | <b>47 032 481</b> | -                      | <b>1 239 326 989</b> |
| Cost  | 74 551 298         | 1 831 487 224      | 142 302 670        | 108 906 383       | -                      | 2 157 247 576        |
| - Completed Assets                            | 60 705 687         | 1 462 785 086      | 23 859 990         | 105 854 416       | -                      | 1 653 205 179        |
| - Under Construction                          | 13 845 611         | 368 702 139        | 118 442 680        | 3 051 967         | -                      | 504 042 397          |
| Accumulated Impairment Losses                 | -                  | (338 113)          | -                  | (6 767 631)       | -                      | (7 105 744)          |
| Accumulated Depreciation:                     | (6 208 724)        | (847 903 051)      | (1 596 796)        | (55 106 271)      | -                      | (910 814 842)        |
| - Cost  | (6 208 724)        | (847 903 051)      | (1 596 796)        | (55 106 271)      | -                      | (910 814 842)        |
| - Revaluation                                 | -                  | -                  | -                  | -                 | -                      | -                    |

Property, Plant and Equipment has been restated to correctly record and disclose Land owned by the municipality, previously not recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress of R210 114 547 (2010: R0) completed and transferred to Cost.

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



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R        | 2010<br>R        |
|--|------------------|------------------|
| <b>11. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>   |                  |                  |
| <b>11.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>  |                  |                  |
| There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.   |                  |                  |
| <b>11.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</b>   |                  |                  |
| Other  | 1 054 544        | 1 001 039        |
| <b>Carrying Amount of PPE retired from active use and held for disposal</b>  | <b>1 054 544</b> | <b>1 001 039</b> |
| <b>11.3 Assets pledged as security</b>   |                  |                  |
| The municipality did not pledge any of its assets as security.   |                  |                  |
| The municipality's obligations under Finance Leases (see Note 3) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.  |                  |                  |
| <b>11.4 Impairment of Property, Plant and Equipment</b>  |                  |                  |
| The total amount of R0 (2010: R338 113) disclosed for impairment losses on property, plant and equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein: |                  |                  |
| Infrastructure: Sewerage   | -                | 36 447           |
| Infrastructure: Water  | -                | 301 667          |
| Other Assets: Computer Equipment   | -                | 2 307 334        |
| Other Assets: Furniture and Fittings   | -                | 125 173          |
| Other Assets: Motor Vehicles   | -                | 1 904 697        |
| Other Assets: Office Equipment   | -                | 164 424          |
| Other Assets: Plant and Equipment  | -                | 2 266 003        |
| <b>Total Impairment of Property, Plant and Equipment</b>   | <b>-</b>         | <b>7 105 744</b> |
| Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.   |                  |                  |
| <b>11.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>   |                  |                  |
| A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:  |                  |                  |
| Executive and Council  | 75 837           | -                |
| Finance and Administration   | 2 155 709        | -                |
| Planning and Development   | 22 936           | -                |
| Public Safety  | 2 433            | -                |
| Environmental Protection   | 2 140            | -                |
| Waste Management   | 358 463          | -                |
| Water  | 1 311 144        | -                |
| <b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>   | <b>3 928 662</b> | <b>-</b>         |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R      | 2010<br>R |
|--|----------------|-----------|
| <b>11.6 Land and Buildings carried at Fair Value</b>   |                |           |
| The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.               |                |           |
| <b>11.7 Compensation received for Losses</b>   |                |           |
| Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year: |                |           |
| Compensation received from insurers  | 330 150        | -         |
| Carrying value of lost assets  | (70 606)       | -         |
| <b>Surplus / (Deficit) on Compensation received for Lost PPE</b>   | <b>259 544</b> | <b>-</b>  |

**12. INTANGIBLE ASSETS**

|   |                   |                   |
|---|-------------------|-------------------|
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses | <b>13 693 891</b> | <b>12 155 890</b> |
|---|-------------------|-------------------|

The movement in Intangible Assets is reconciled as follows:

|  | Computer<br>Software | Servitudes       | Total             |
|--|----------------------|------------------|-------------------|
| <b>Carrying values at 01 July 2010</b> | <b>9 777 918</b>     | <b>2 377 972</b> | <b>12 155 890</b> |
| Cost                                   | 20 953 099           | 2 377 972        | 23 331 071        |
| Accumulated Amortisation               | (11 175 181)         | -                | (11 175 181)      |
| Acquisitions:                          | 3 012 435            | 155 269          | 3 167 704         |
| Purchased                              | 3 012 435            | 155 269          | 3 167 704         |
| Internally Developed                   | -                    | -                | -                 |
| Amortisation:                          | (1 629 704)          | -                | (1 629 704)       |
| Purchased                              | (1 629 704)          | -                | (1 629 704)       |
| Internally Developed                   | -                    | -                | -                 |
| Transfers:                             | -                    | -                | -                 |
| At Cost                                | (32 339)             | -                | (32 339)          |
| At Accumulated Amortisation            | 32 339               | -                | 32 339            |
| <b>Carrying values at 30 June 2011</b> | <b>11 160 649</b>    | <b>2 533 242</b> | <b>13 693 891</b> |
| Cost                                   | 23 933 195           | 2 533 242        | 26 466 437        |
| Accumulated Amortisation               | (12 772 546)         | -                | (12 772 546)      |
| <b>Carrying values at 01 July 2009</b> | <b>5 486 805</b>     | <b>2 108 638</b> | <b>7 595 443</b>  |
| Cost                                   | 13 737 605           | 2 108 638        | 15 846 243        |
| Accumulated Amortisation               | (8 250 800)          | -                | (8 250 800)       |
| Acquisitions:                          | 7 215 494            | 269 334          | 7 484 828         |
| Purchased                              | 7 215 494            | 269 334          | 7 484 828         |
| Internally Developed                   | -                    | -                | -                 |
| Amortisation:                          | (2 924 381)          | -                | (2 924 381)       |
| Purchased                              | (2 924 381)          | -                | (2 924 381)       |
| Internally Developed                   | -                    | -                | -                 |
| Transfers:                             | -                    | -                | -                 |
| At Cost                                | -                    | -                | -                 |
| At Accumulated Amortisation            | -                    | -                | -                 |
| <b>Carrying values at 30 June 2010</b> | <b>9 777 918</b>     | <b>2 377 972</b> | <b>12 155 890</b> |
| Cost                                   | 20 953 099           | 2 377 972        | 23 331 071        |
| Accumulated Amortisation               | (11 175 181)         | -                | (11 175 181)      |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**2011**  
R                      **2010**  
R

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

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

The following restrictions apply to Intangible Assets:

- Financial Software:

(i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.

(ii) The system may be used on only one database at any one time.

(iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.

(iv) The municipality has no intellectual property rights to the system.

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

**12.1 Significant Intangible Assets**

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

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

**12.2 Intangible Assets with Indefinite Useful Lives**

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

|   |           |           |
|---|-----------|-----------|
| Carrying Value of Servitudes: Sewerage Distribution | 1 486 723 | 1 504 422 |
| Carrying Value of Servitudes: Water Reticulation    | 1 046 518 | 873 550   |

|  |                  |                  |
|--|------------------|------------------|
| <b>Total Carrying Amount of Intangible Assets with Indefinite Useful Lives</b> | <b>2 533 242</b> | <b>2 377 972</b> |
|--|------------------|------------------|

**Servitudes** are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturity date.

The useful lives of the Intangible Assets remain unchanged from the previous year and are as follows:

|                   |         |
|-------------------|---------|
| Computer Software | 5 Years |
|-------------------|---------|

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

**12.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**13. INVESTMENT PROPERTY**

The municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R  | 2010<br>R    |
|---|------------|--------------|
| <b>14. NON-CURRENT INVESTMENTS</b>                          |            |              |
| <b>Unlisted</b>   |            |              |
| Investment in Municipal Entities - at cost                  | 100        | 100          |
|   | <b>100</b> | <b>100</b>   |
| <b>Financial Instruments</b>                                |            |              |
| Fixed Deposits  | -          | 17 838 885   |
|   | -          | 17 838 885   |
| <b>Total Investments</b>                                    |            |              |
| All Investments   | 100        | 17 838 985   |
| Less: Short-term Portion transferred to Current Investments | -          | (17 838 885) |
|   | -          | -            |
| <b>Total Non-current Investments</b>                        | <b>100</b> | <b>100</b>   |
| <b>Council's valuation of Unlisted Investments</b>          |            |              |
| Investment in Municipal Entities                            | 100        | 100          |
|   | <b>100</b> | <b>100</b>   |

Unlisted Investments comprise the following:

(i) Investments in Municipal Entities as described below.

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 12,90 % to 13,39 % (2010: 12,90% to 13,39%) per annum.

Fixed Deposits of R0 (2010: R17 838 885) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Notes 3 and 45.

**14.1 Investment in Municipal Entities**

The municipality exercises control in the following company, located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital:

*Ugu South Coast Tourism (Pty) Ltd:*

|  |            |            |
|--|------------|------------|
| Issued Share Capital (R)   | 100        | 100        |
| Percentage controlled by Council (%)                                 | 100.00%    | 100.00%    |
| Current Liabilities  | 1 256 523  | 1 747 268  |
| Non-Current Assets   | 654 997    | 704 138    |
| Current Assets   | 5 428 879  | 4 710 684  |
| Total Revenue  | 12 326 106 | 11 481 256 |
| Total Expenditure  | 12 029 565 | 11 020 390 |
| Grant allocated to Municipal Entity (R)                              | 9 000 000  | 9 152 796  |
| Management's valuation of the investment in the Municipal Entity (R) | 100        | 100        |

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

The municipality's maximum liability towards the Municipal Entity is R100.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R                       | 2010<br>R                                 |
|--|---------------------------------|---|
| <b>15. LONG-TERM RECEIVABLES</b>                         |                                 |   |
|  | <b>Gross<br/>Balances<br/>R</b> | <b>Provision for<br/>Impairment<br/>R</b> |
|  |                                 | <b>Net<br/>Balances<br/>R</b>             |
| <b>As at 30 June 2011</b>                                |                                 |   |
| Officials: Relocation Loans                              | 24 982                          | -   |
| Sundry Loans   | 14 693                          | -   |
|  | <u>39 675</u>                   | <u>-</u>                                  |
| Less: Current Portion transferred to Current Receivables |                                 | 13 427                                    |
| Officials: Relocation Loans                              |                                 | 9 827                                     |
| Sundry Loans   |                                 | 3 600                                     |
| <b>Total Long-term Receivables</b>                       |                                 | <b>26 248</b>                             |
| <b>As at 30 June 2010</b>                                |                                 |   |
| Officials: Relocation Loans                              | 21 654                          | -   |
| Sundry Loans   | 18 293                          | -   |
|  | <u>39 947</u>                   | <u>-</u>                                  |
| Less: Current Portion transferred to Current Receivables |                                 | 11 158                                    |
| Officials: Relocation Loans                              |                                 | 11 158                                    |
| Sundry Loans   |                                 | -   |
| <b>Total Long-term Receivables</b>                       |                                 | <b>28 789</b>                             |

**RELOCATION LOANS**

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

**SUNDRY LOANS**

Sundry Loans comprise expenditure recoverable from officials for damages caused to municipal property. The debt is repaid by monthly deductions.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

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

|   | 2011<br>R     | 2010<br>R     |
|---|---------------|---------------|
| <b>15.1 Ageing of Long-term Receivables</b> |               |               |
| <i>Past Due:</i>                            |               |               |
| + 120 Days                                  | 26 248        | 28 789        |
| <b>Total</b>                                | <b>26 248</b> | <b>28 789</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|                                 | 2011<br>R        | 2010<br>R        |
|---------------------------------|------------------|------------------|
| <b>16. INVENTORY</b>            |                  |                  |
| Consumable Stores - at cost     | 943 050          | 1 717 295        |
| Maintenance Materials - at cost | 5 084 742        | 5 168 426        |
| Water - at cost                 | 1 148 698        | 620 033          |
| Goods Held-for-Sale             | 41 235           | 41 235           |
| <b>Total Inventory</b>          | <b>7 217 725</b> | <b>7 546 988</b> |

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R5,05 per kilolitre (2010: R4,82 per kilolitre).

The cost of Inventories recognised as an expense during the period was R5 576 332 (2010: R5 985 523).

Inventories of R765 259 (2010: R357 867) are expected to be utilised only after more than twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**17. NON-CURRENT ASSETS HELD-FOR-SALE**

|   |                  |                  |
|---|------------------|------------------|
| Property Held-for-Sale - at cost                                    | 1 054 544        | 1 001 039        |
| <b>Total Non-current Assets Held-for-Sale</b>                       | <b>1 054 544</b> | <b>1 001 039</b> |
| <b>Liabilities associated with Non-current Assets Held-for-Sale</b> | -                | -                |
| <b>Net Non-current Assets Held-for-Sale</b>                         | <b>1 054 544</b> | <b>1 001 039</b> |

**17.1 Property Held-for-Sale**

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale, nor at 30 June 2011.

**18. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**

|   | Gross<br>Balances<br>R | Provision for<br>Impairment<br>R | Net<br>Balance<br>R |
|---|------------------------|----------------------------------|---------------------|
| <b>As at 30 June 2011</b>                                 |                        |                                  |                     |
| Service Debtors:  | 83 377 765             | 58 454 082                       | 24 923 683          |
| Sewerage  | 26 691 891             | 12 109 898                       | 14 581 993          |
| Water   | 56 685 874             | 46 344 184                       | 10 341 690          |
| Water Rate Debtors  | 17 201 820             | 8 491 663                        | 8 710 157           |
| Other Trade Debtors                                       | 9 901 334              | 3 698 070                        | 6 203 264           |
| <b>Total Trade Receivables from Exchange Transactions</b> | <b>110 480 919</b>     | <b>70 643 815</b>                | <b>39 837 104</b>   |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R              | 2010<br>R                        |                     |
|---|------------------------|----------------------------------|---------------------|
|   | Gross<br>Balances<br>R | Provision for<br>Impairment<br>R | Net<br>Balance<br>R |
| <b>As at 30 June 2010</b>                                 |                        |                                  |                     |
| Service Debtors:  | 61 977 807             | 40 781 469                       | 21 196 339          |
| Sewerage  | 16 925 366             | 6 970 128                        | 9 955 238           |
| Water   | 45 052 441             | 33 811 341                       | 11 241 100          |
| Water Rate Debtors  | 21 354 635             | -                                | 21 354 635          |
| Other Trade Debtors                                       | 5 377 261              | 2 652 487                        | 2 724 774           |
| <b>Total Trade Receivables from Exchange Transactions</b> | <b>88 709 703</b>      | <b>43 433 956</b>                | <b>45 275 748</b>   |

Included in Trade Receivables from Exchange Transactions is an amount of R5,3 million (2010: R3,1 million) in respect of the consumption of metered services not billed as at 30 June.

Trade Receivables from Exchange Transactions are billed monthly, latest end of month. The Credit Control Policy states that the average credit period for Trade Receivables is 30 days. Except for Water Rates, no interest and collection fees are charged on Trade Receivables. Such interest is charged at a fixed rate of 15,0% (fifteen percent) per annum on the outstanding balance. A once-off collection fee of 10,0% (ten percent) is raised after 31 January annually. The municipality enforces its approved Credit Control Policy to ensure the recovery of Trade Receivables.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

At 30 June 2011, the Municipality is owed R5 603 (30 June 2010: R6 137) million by National and Provincial Government.

The municipality did not pledge any of its Trade Receivables as security for borrowing purposes.

**18.1 Ageing of Trade Receivables from Exchange Transactions**

**As at 30 June 2011**

|                                | Current           | Past Due         |                |                  | Total             |
|--------------------------------|-------------------|------------------|----------------|------------------|-------------------|
|                                | 0 - 30 days       | 31 - 60 Days     | 61 - 90 Days   | + 90 Days        |                   |
| <b>Sewerage:</b>               |                   |                  |                |                  |                   |
| Gross Balances                 | 13 083 900        | 1 877 218        | 1 332 721      | 10 398 053       | 26 691 891        |
| Less: Provision for Impairment | 1 440 915         | 1 474 595        | 783 581        | 8 410 806        | 12 109 898        |
| <b>Net Balances</b>            | <b>11 642 985</b> | <b>402 623</b>   | <b>549 140</b> | <b>1 987 246</b> | <b>14 581 993</b> |
| <b>Water:</b>                  |                   |                  |                |                  |                   |
| Gross Balances                 | 9 076 887         | 3 811 202        | 3 020 640      | 40 777 144       | 56 685 874        |
| Less: Provision for Impairment | 8 515 394         | 2 206 424        | 2 371 506      | 33 250 859       | 46 344 184        |
| <b>Net Balances</b>            | <b>561 493</b>    | <b>1 604 778</b> | <b>649 134</b> | <b>7 526 285</b> | <b>10 341 690</b> |
| <b>Water Rates:</b>            |                   |                  |                |                  |                   |
| Gross Balances                 | 8 610 157         | -                | 100 000        | 8 491 663        | 17 201 820        |
| Less: Provision for Impairment | 13 439            | -                | 53 802         | 8 424 423        | 8 491 663         |
| <b>Net Balances</b>            | <b>8 596 719</b>  | -                | <b>46 198</b>  | <b>67 240</b>    | <b>8 710 157</b>  |
| <b>Other Debtors:</b>          |                   |                  |                |                  |                   |
| Gross Balances                 | -                 | -                | -              | 9 901 334        | 9 901 334         |
| Less: Provision for Impairment | -                 | -                | -              | 3 698 070        | 3 698 070         |
| <b>Net Balances</b>            | -                 | -                | -              | <b>6 203 264</b> | <b>6 203 264</b>  |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R                      2010  
R

As at 30 June Trade Receivables of R19 035 908 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

|                                | Past Due         |                  |                   | Total             |
|--------------------------------|------------------|------------------|-------------------|-------------------|
|                                | 31 - 60 Days     | 61 - 90 Days     | + 90 Days         |                   |
| <b>All Trade Receivables:</b>  |                  |                  |                   |                   |
| Gross Balances                 | 5 688 420        | 4 453 362        | 69 568 194        | 79 709 975        |
| Less: Provision for Impairment | 3 681 020        | 3 208 889        | 53 784 159        | 60 674 067        |
| <b>Net Balances</b>            | <b>2 007 400</b> | <b>1 244 472</b> | <b>15 784 035</b> | <b>19 035 908</b> |

As at 30 June 2010

|                                | Current          | Past Due         |                |           | Total            |
|--------------------------------|------------------|------------------|----------------|-----------|------------------|
|                                | 0 - 30 days      | 31 - 60 Days     | 61 - 90 Days   | + 90 Days |                  |
| <b>Sewerage:</b>               |                  |                  |                |           |                  |
| Gross Balances                 | 7 330 160        | 2 290 061        | 706 701        | 6 598 445 | 16 925 366       |
| Less: Provision for Impairment | -                | -                | 371 683        | 6 598 445 | 6 970 128        |
| <b>Net Balances</b>            | <b>7 330 160</b> | <b>2 290 061</b> | <b>335 018</b> | -         | <b>9 955 238</b> |

**Water:**

|                                |                   |           |           |            |                   |
|--------------------------------|-------------------|-----------|-----------|------------|-------------------|
| Gross Balances                 | 17 790 719        | 5 297 904 | 1 885 918 | 20 077 900 | 45 052 441        |
| Less: Provision for Impairment | 6 549 618         | 5 297 904 | 1 885 918 | 20 077 900 | 33 811 341        |
| <b>Net Balances</b>            | <b>11 241 100</b> | -         | -         | -          | <b>11 241 100</b> |

**Water Rates:**

|                                |                  |              |              |                   |                   |
|--------------------------------|------------------|--------------|--------------|-------------------|-------------------|
| Gross Balances                 | 1 068 619        | 2 873        | 1 314        | 20 281 830        | 21 354 635        |
| Less: Provision for Impairment | -                | -            | -            | -                 | -                 |
| <b>Net Balances</b>            | <b>1 068 619</b> | <b>2 873</b> | <b>1 314</b> | <b>20 281 830</b> | <b>21 354 635</b> |

**Other Debtors:**

|                                |   |   |   |                  |                  |
|--------------------------------|---|---|---|------------------|------------------|
| Gross Balances                 | - | - | - | 5 377 261        | 5 377 261        |
| Less: Provision for Impairment | - | - | - | 2 652 487        | 2 652 487        |
| <b>Net Balances</b>            | - | - | - | <b>2 724 774</b> | <b>2 724 774</b> |

As at 30 June Trade Receivables of R25 635 868 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

|                                | Past Due         |                |                   | Total             |
|--------------------------------|------------------|----------------|-------------------|-------------------|
|                                | 31 - 60 Days     | 61 - 90 Days   | + 90 Days         |                   |
| <b>All Trade Receivables:</b>  |                  |                |                   |                   |
| Gross Balances                 | 7 590 838        | 2 593 932      | 52 335 435        | 62 520 205        |
| Less: Provision for Impairment | 5 297 904        | 2 257 601      | 29 328 832        | 36 884 337        |
| <b>Net Balances</b>            | <b>2 292 933</b> | <b>336 331</b> | <b>23 006 604</b> | <b>25 635 868</b> |



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R                 | 2010<br>R                                |                         |                         |
|--|---------------------------|--|-------------------------|-------------------------|
| <b>18.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification</b> |                           |  |                         |                         |
| Consumers  | Industrial/<br>Commercial | National and<br>Provincial<br>Government | Other                   |                         |
| R  | R                         | R  | R                       |                         |
| <b>As at 30 June 2011</b>  |                           |  |                         |                         |
| <i>Current:</i>  |                           |  |                         |                         |
| 0 - 30 days  | 19 135 176                | 9 445 763                                | 2 190 005               | -                       |
| <i>Past Due:</i>   |                           |  |                         |                         |
| 31 - 60 Days   | 3 609 963                 | 1 740 487                                | 337 969                 | -                       |
| 61 - 90 Days   | 2 843 646                 | 1 284 951                                | 324 765                 | -                       |
| + 90 Days  | <u>45 756 919</u>         | <u>11 159 278</u>                        | <u>2 750 663</u>        | <u>9 901 334</u>        |
| Sub-total  | 71 345 705                | 23 630 479                               | 5 603 402               | 9 901 334               |
| Less: Provision for Impairment   | <u>60 367 952</u>         | <u>6 577 793</u>                         | -                       | <u>3 698 070</u>        |
| <b>Total Trade Receivables by Customer Classification</b>                                      | <b><u>10 977 753</u></b>  | <b><u>17 052 686</u></b>                 | <b><u>5 603 402</u></b> | <b><u>6 203 264</u></b> |

|   |                          |                          |                         |                       |
|---|--------------------------|--------------------------|-------------------------|-----------------------|
| <b>As at 30 June 2010</b>                                 |                          |                          |                         |                       |
| <i>Current:</i>   |                          |                          |                         |                       |
| 0 - 30 days   | 17 614 259               | 7 144 109                | 1 431 130               | -                     |
| <i>Past Due:</i>  |                          |                          |                         |                       |
| 31 - 60 Days  | 4 670 075                | 2 129 901                | 790 862                 | -                     |
| 61 - 90 Days  | 1 605 355                | 652 871                  | 335 706                 | -                     |
| + 90 Days   | <u>36 052 381</u>        | <u>7 308 746</u>         | <u>3 579 048</u>        | <u>5 395 261</u>      |
| Sub-total   | 59 942 070               | 17 235 627               | 6 136 746               | 5 395 261             |
| Less: Provision for Impairment                            | <u>32 061 880</u>        | <u>6 778 538</u>         | -                       | <u>4 593 537</u>      |
| <b>Total Trade Receivables by Customer Classification</b> | <b><u>27 880 190</u></b> | <b><u>10 457 089</u></b> | <b><u>6 136 746</u></b> | <b><u>801 724</u></b> |

**18.3 Reconciliation of the Provision for Impairment**

|                                      |                          |                          |
|--------------------------------------|--------------------------|--------------------------|
| Balance at beginning of year         | 43 433 956               | 28 410 599               |
| Impairment Losses recognised         | 27 209 859               | 14 846 112               |
| Impairment Losses reversed           | -                        | -                        |
| Amounts recovered                    | -                        | 177 245                  |
| Amounts written off as uncollectable | -                        | -                        |
| <b>Balance at end of year</b>        | <b><u>70 643 815</u></b> | <b><u>43 433 956</u></b> |

In terms of the financial instruments classification (Note 49.1), management has classified consumer debtors as loans and receivables for the purposes of assessing interest rate risk, credit risk and liquidity (Notes 49.4, 49.6.2 and 49.8). The concentration of credit risk has been on residential consumers. Consequently, in determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been more aggressive in the year under review, and has been made in accordance with IAS 39, paragraph 64. In management's professional judgement, no further credit provision is required in excess of the Provision for Impairment.

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

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R         | 2010<br>R         |
|---|-------------------|-------------------|
| <b>18.4 Ageing of impaired Trade Receivables from Exchange Transactions</b> |                   |                   |
| <i>Current:</i>   |                   |                   |
| 0 - 30 Days   | 9 969 747         | 6 549 618         |
| <i>Past Due:</i>  |                   |                   |
| 31 - 60 Days  | 3 681 020         | 5 297 904         |
| 61 - 90 Days  | 3 208 889         | 2 257 601         |
| + 90 Days   | 53 784 159        | 29 328 832        |
| <b>Total</b>  | <b>70 643 815</b> | <b>43 433 956</b> |

**18.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**19. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

|   | Gross<br>Balances<br>R | Provision for<br>Impairment<br>R | Net<br>Balances<br>R |
|---|------------------------|----------------------------------|----------------------|
| <b>As at 30 June 2011</b>                                     |                        |                                  |                      |
| Payments made in Advance                                      | 1 483 307              | -                                | 1 483 307            |
| Government Subsidy Claims                                     | 5 243 855              | 1 613 200                        | 3 630 655            |
| Insurance Claims  | 901 215                | -                                | 901 215              |
| Municipal Entities  | 50 979                 | -                                | 50 979               |
| Sundry Deposits   | 1 017 415              | -                                | 1 017 415            |
| Sundry Debtors  | 3 003 568              | 1 962 583                        | 1 040 985            |
| <b>Total Trade Receivables from Non-exchange Transactions</b> | <b>11 700 338</b>      | <b>3 575 783</b>                 | <b>8 124 555</b>     |
| <b>As at 30 June 2010</b>                                     |                        |                                  |                      |
| Payments made in Advance                                      | -                      | -                                | -                    |
| Government Subsidy Claims                                     | 2 885 225              | 2 885 225                        | -                    |
| Insurance Claims  | -                      | -                                | -                    |
| Municipal Entities  | 10 470                 | -                                | 10 470               |
| Sundry Deposits   | 1 017 415              | -                                | 1 017 415            |
| Sundry Debtors  | 2 789 037              | -                                | 2 789 037            |
| <b>Total Trade Receivables from Non-exchange Transactions</b> | <b>6 702 146</b>       | <b>2 885 225</b>                 | <b>3 816 921</b>     |

*Trade Receivables from Non-exchange Transactions* have been restated to correctly disclose the accrual for External Interest. Refer to Note 40.1 on "Correction of Error" for details of the restatement.

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

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

Included in **Sundry Deposits** is an amount of R539 737 (2010: R539 737) in respect of cash deposits made to Eskom for the supply of electricity.

**Sundry Debtors** are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Other Trade Receivables.

None of the Other Trade Receivables have been pledged as security for the municipality's financial liabilities.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**19.1 Ageing of Trade Receivables from Non-exchange Transactions**

As at 30 June 2011

|                                   | Current          | Past Due     |              |                  | Total            |
|-----------------------------------|------------------|--------------|--------------|------------------|------------------|
|                                   | 0 - 30 days      | 31 - 60 Days | 61 - 90 Days | + 90 Days        |                  |
| <b>Payments made in Advance:</b>  |                  |              |              |                  |                  |
| Gross Balances                    | 1 483 307        | -            | -            | -                | 1 483 307        |
| Less: Provision for Impairment    | -                | -            | -            | -                | -                |
| <b>Net Balances</b>               | <b>1 483 307</b> | <b>-</b>     | <b>-</b>     | <b>-</b>         | <b>1 483 307</b> |
| <b>Government Subsidy Claims:</b> |                  |              |              |                  |                  |
| Gross Balances                    | -                | -            | -            | 5 243 855        | 5 243 855        |
| Less: Provision for Impairment    | -                | -            | -            | 1 613 200        | 1 613 200        |
| <b>Net Balances</b>               | <b>-</b>         | <b>-</b>     | <b>-</b>     | <b>3 630 655</b> | <b>3 630 655</b> |
| <b>Insurance Claims:</b>          |                  |              |              |                  |                  |
| Gross Balances                    | -                | -            | -            | 901 215          | 901 215          |
| Less: Provision for Impairment    | -                | -            | -            | -                | -                |
| <b>Net Balances</b>               | <b>-</b>         | <b>-</b>     | <b>-</b>     | <b>901 215</b>   | <b>901 215</b>   |
| <b>Municipal Entities:</b>        |                  |              |              |                  |                  |
| Gross Balances                    | -                | -            | -            | 50 979           | 50 979           |
| Less: Provision for Impairment    | -                | -            | -            | -                | -                |
| <b>Net Balances</b>               | <b>-</b>         | <b>-</b>     | <b>-</b>     | <b>50 979</b>    | <b>50 979</b>    |
| <b>Sundry Deposits:</b>           |                  |              |              |                  |                  |
| Gross Balances                    | -                | -            | -            | 1 017 415        | 1 017 415        |
| Less: Provision for Impairment    | -                | -            | -            | -                | -                |
| <b>Net Balances</b>               | <b>-</b>         | <b>-</b>     | <b>-</b>     | <b>1 017 415</b> | <b>1 017 415</b> |
| <b>Sundry Debtors:</b>            |                  |              |              |                  |                  |
| Gross Balances                    | -                | -            | -            | 3 003 568        | 3 003 568        |
| Less: Provision for Impairment    | -                | -            | -            | 1 962 583        | 1 962 583        |
| <b>Net Balances</b>               | <b>-</b>         | <b>-</b>     | <b>-</b>     | <b>1 040 985</b> | <b>1 040 985</b> |

As at 30 June Other Trade Receivables of R6 641 248 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

|                                     | Past Due     |              |                  | Total            |
|-------------------------------------|--------------|--------------|------------------|------------------|
|                                     | 31 - 60 Days | 61 - 90 Days | + 90 Days        |                  |
| <b>All Other Trade Receivables:</b> |              |              |                  |                  |
| Gross Balances                      | -            | -            | 10 217 032       | 10 217 032       |
| Less: Provision for Impairment      | -            | -            | 3 575 783        | 3 575 783        |
| <b>Net Balances</b>                 | <b>-</b>     | <b>-</b>     | <b>6 641 248</b> | <b>6 641 248</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|                                   | 2011<br>R                     |                     |                  | 2010<br>R |
|-----------------------------------|-------------------------------|---------------------|------------------|-----------|
| <b>As at 30 June 2010</b>         | Current<br><i>0 - 30 days</i> | Past Due            |                  | Total     |
|                                   | <i>31 - 60 Days</i>           | <i>61 - 90 Days</i> | <i>+ 90 Days</i> |           |
| <b>Payments made in Advance:</b>  |                               |                     |                  |           |
| Gross Balances                    | -                             | -                   | -                | -         |
| Less: Provision for Impairment    | -                             | -                   | -                | -         |
| <b>Net Balances</b>               | -                             | -                   | -                | -         |
| <b>Government Subsidy Claims:</b> |                               |                     |                  |           |
| Gross Balances                    | -                             | -                   | 2 885 225        | 2 885 225 |
| Less: Provision for Impairment    | -                             | -                   | 2 885 225        | 2 885 225 |
| <b>Net Balances</b>               | -                             | -                   | -                | -         |
| <b>Insurance Claims:</b>          |                               |                     |                  |           |
| Gross Balances                    | -                             | -                   | -                | -         |
| Less: Provision for Impairment    | -                             | -                   | -                | -         |
| <b>Net Balances</b>               | -                             | -                   | -                | -         |
| <b>Municipal Entities:</b>        |                               |                     |                  |           |
| Gross Balances                    | -                             | -                   | 10 470           | 10 470    |
| Less: Provision for Impairment    | -                             | -                   | -                | -         |
| <b>Net Balances</b>               | -                             | -                   | 10 470           | 10 470    |
| <b>Sundry Deposits:</b>           |                               |                     |                  |           |
| Gross Balances                    | -                             | -                   | 1 017 415        | 1 017 415 |
| Less: Provision for Impairment    | -                             | -                   | -                | -         |
| <b>Net Balances</b>               | -                             | -                   | 1 017 415        | 1 017 415 |
| <b>Sundry Debtors:</b>            |                               |                     |                  |           |
| Gross Balances                    | -                             | -                   | 2 789 037        | 2 789 037 |
| Less: Provision for Impairment    | -                             | -                   | -                | -         |
| <b>Net Balances</b>               | -                             | -                   | 2 789 037        | 2 789 037 |

As at 30 June Other Trade Receivables of R3 816 921 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

|                                     | Past Due            |                     |                  | Total     |
|-------------------------------------|---------------------|---------------------|------------------|-----------|
|                                     | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> |           |
| <b>All Other Trade Receivables:</b> |                     |                     |                  |           |
| Gross Balances                      | -                   | -                   | 6 702 146        | 6 702 146 |
| Less: Provision for Impairment      | -                   | -                   | 2 885 225        | 2 885 225 |
| <b>Net Balances</b>                 | -                   | -                   | 3 816 921        | 3 816 921 |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R        | 2010<br>R        |
|--|------------------|------------------|
| <b>19.2 Reconciliation of Provision for Impairment</b> |                  |                  |
| Balance at beginning of year                           | 2 885 225        | 2 002 201        |
| Impairment Losses recognised                           | 1 962 583        | 2 993 622        |
| Impairment Losses reversed                             | (1 272 025)      | -                |
| Amounts recovered                                      | -                | -                |
| Amounts written off as uncollectable                   | -                | (2 110 598)      |
| <b>Balance at end of year</b>                          | <b>3 575 783</b> | <b>2 885 225</b> |

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

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

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

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

|  |                  |                  |
|--|------------------|------------------|
| Sundry Debtors   | 1 962 583        | -                |
| Government Subsidy Claims  | 1 613 200        | 2 885 225        |
| <b>Total Provision for Impairment on Other Trade Receivables</b> | <b>3 575 783</b> | <b>2 885 225</b> |

**20. VAT RECEIVABLE**

|                |                   |                   |
|----------------|-------------------|-------------------|
| Vat Receivable | <b>31 430 291</b> | <b>19 474 078</b> |
|----------------|-------------------|-------------------|

VAT is payable on the payments basis. Once payment is received from debtors, VAT is paid over to SARS.

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

The municipality was undergoing a VAT audit at year-end to confirm the completeness and validity of the net VAT due to the municipality. Subsequent to year end, the municipality received VAT refunds from SARS.

**21. BANK, CASH AND CASH EQUIVALENTS**

|  |                   |                    |
|--|-------------------|--------------------|
| Bank, Cash and Cash Equivalents              | 41 709 927        | 152 736 683        |
| Bank Overdraft                               | -                 | (4 465)            |
| <b>Total Bank, Cash and Cash Equivalents</b> | <b>41 709 927</b> | <b>152 732 218</b> |

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R         | 2010<br>R         |
|--|-------------------|-------------------|
| <b>21.1 Current Investment Deposits</b>  |                   |                   |
| Call Deposits                            | 10 986 355        | 26 546 485        |
| Notice Deposits                          | 5 754 880         | 5 488 964         |
| Short-term Portion of Investments        | -                 | 17 838 885        |
| <b>Total Current Investment Deposits</b> | <b>16 741 235</b> | <b>49 874 334</b> |

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 5,25% to 6,25% (2010: 6,25% to 8,65%) per annum.

**Notice Deposits** are investments with a maturity period of less than 12 months. No deposits were held for 2010/11 (2010: earn interest rates varying from 6,25% to 8,65% per annum).

**Short-term Investment Deposits are attributable to Funds as follows:**

|   |                   |                   |
|---|-------------------|-------------------|
| Capital Replacement Reserve                 | -                 | -                 |
| External Financing Fund                     | -                 | -                 |
| Unspent Conditional Grants                  | 16 741 235        | 32 035 449        |
| Repayment of Long-term Liabilities          | -                 | 17 838 885        |
| Available for Operational Purposes          | -                 | -                 |
| <b>Total Short-term Investment Deposits</b> | <b>16 741 235</b> | <b>49 874 334</b> |

**21.2 Bank Accounts**

|                            |                   |                    |
|----------------------------|-------------------|--------------------|
| Cash in Bank               | 24 963 783        | 102 857 239        |
| Bank Overdraft             | -                 | (4 465)            |
| <b>Total Bank Accounts</b> | <b>24 963 783</b> | <b>102 852 775</b> |

The Municipality has the following bank accounts:

**Absa Bank Ltd - Port Shepstone**

*Account Number 406 668 6529 (Primary Bank Account):*

|   |            |            |
|---|------------|------------|
| Cash book balance at beginning of year      | 12 033 008 | 30 042 339 |
| Cash book balance at end of year            | 25 167     | 12 033 008 |
| Bank statement balance at beginning of year | 30 042 339 | 5 422 341  |
| Bank statement balance at end of year       | 84 862     | 30 042 339 |

*Account Number 406 668 6472 (General Bank Account):*

|   |           |           |
|---|-----------|-----------|
| Cash book balance at beginning of year      | 4 984 163 | 3 791 348 |
| Cash book balance at end of year            | 2 367 405 | 4 984 163 |
| Bank statement balance at beginning of year | 4 898 155 | 5 569 392 |
| Bank statement balance at end of year       | 2 364 705 | 4 898 155 |

*Account Number 406 668 6294 (Collection Account):*

|   |         |         |
|---|---------|---------|
| Cash book balance at beginning of year      | 735 260 | 49 775  |
| Cash book balance at end of year            | 804 620 | 735 260 |
| Bank statement balance at beginning of year | 49 775  | 8 536   |
| Bank statement balance at end of year       | 815 424 | 49 775  |

*Account Number 406 671 0647 (Consumer Deposits Bank Account):*

|   |           |         |
|---|-----------|---------|
| Cash book balance at beginning of year      | (4 465)   | 546 714 |
| Cash book balance at end of year            | 652 933   | (4 465) |
| Bank statement balance at beginning of year | 546 714   | 354 022 |
| Bank statement balance at end of year       | 1 228 042 | 546 714 |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R        | 2010<br>R         |
|--|------------------|-------------------|
| <i>Account Number 406 660 3763 (Salaries Account):</i>           |                  |                   |
| Cash book balance at beginning of year                           | 366              | 5 249             |
| Cash book balance at end of year                                 | <u>111 894</u>   | <u>366</u>        |
| Bank statement balance at beginning of year                      | 52 518           | 131 648           |
| Bank statement balance at end of year                            | <u>205 500</u>   | <u>52 518</u>     |
| <i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>  |                  |                   |
| Cash book balance at beginning of year                           | 3 849 306        | 3 462 447         |
| Cash book balance at end of year                                 | <u>4 601 481</u> | <u>3 849 306</u>  |
| Bank statement balance at beginning of year                      | 3 462 447        | 2 273 719         |
| Bank statement balance at end of year                            | <u>4 601 481</u> | <u>3 462 447</u>  |
| <i>Account Number 406 668 6367 (MIG Project Account):</i>        |                  |                   |
| Cash book balance at beginning of year                           | 9 032 140        | 7 550 367         |
| Cash book balance at end of year                                 | <u>5 785 698</u> | <u>9 032 140</u>  |
| Bank statement balance at beginning of year                      | 7 550 367        | 950 602           |
| Bank statement balance at end of year                            | <u>5 785 698</u> | <u>7 550 367</u>  |
| <i>Account Number 407 187 0797 (Disaster Account):</i>           |                  |                   |
| Cash book balance at beginning of year                           | 209 722          | 212 170           |
| Cash book balance at end of year                                 | <u>207 171</u>   | <u>209 722</u>    |
| Bank statement balance at beginning of year                      | 212 170          | 17 450            |
| Bank statement balance at end of year                            | <u>207 171</u>   | <u>212 170</u>    |
| <i>Account Number 407 198 0239 (Market Account):</i>             |                  |                   |
| Cash book balance at beginning of year                           | 13 274           | 461 736           |
| Cash book balance at end of year                                 | <u>533 418</u>   | <u>13 274</u>     |
| Bank statement balance at beginning of year                      | 461 736          | -                 |
| Bank statement balance at end of year                            | <u>553 418</u>   | <u>461 736</u>    |
| <i>Account Number 407 626 7341 (EFF Bank Account):</i>           |                  |                   |
| Cash book balance at beginning of year                           | 72 000 000       | -                 |
| Cash book balance at end of year                                 | <u>3 559</u>     | <u>72 000 000</u> |
| Bank statement balance at beginning of year                      | -                | -                 |
| Bank statement balance at end of year                            | <u>3 559</u>     | <u>-</u>          |
| <i>Account Number 407 755 1917 (Conditional Grants Account):</i> |                  |                   |
| Cash book balance at beginning of year                           | -                | -                 |
| Cash book balance at end of year                                 | <u>9 870 437</u> | <u>-</u>          |
| Bank statement balance at beginning of year                      | -                | -                 |
| Bank statement balance at end of year                            | <u>9 870 437</u> | <u>-</u>          |
| <b>Standard Bank - Port Shepstone Branch</b>                     |                  |                   |
| <i>Account Number 05 330 000 9 (Direct Deposits Account):</i>    |                  |                   |
| Cash book balance at beginning of year                           | -                | -                 |
| Cash book balance at end of year                                 | <u>-</u>         | <u>-</u>          |
| Bank statement balance at beginning of year                      | -                | 6 242             |
| Bank statement balance at end of year                            | <u>-</u>         | <u>-</u>          |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R         | 2010<br>R          |
|--|-------------------|--------------------|
| <b>Bank Accounts are attributable to Funds as follows:</b> |                   |                    |
| Capital Replacement Reserve                                | 275 628           | 450 040            |
| Unspent Conditional Grants                                 | 121 881 384       | 156 545 446        |
| Available for / (Utilised by) Operational Purposes         | (97 193 229)      | (54 142 712)       |
| <b>Total Bank and Cash</b>                                 | <b>24 963 783</b> | <b>102 852 775</b> |

Interest on overdrawn current accounts are charged at the banker's prime rate. Interest is earned at different rates per annum on favourable balances.

**21.3 Cash and Cash Equivalents**

|  |              |              |
|--|--------------|--------------|
| Cash Floats and Advances   | 4 910        | 5 110        |
| Other Cash Equivalents   | -            | -            |
| <b>Total Cash on hand in Cash Floats, Advances and Equivalents</b> | <b>4 910</b> | <b>5 110</b> |

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**22. OPERATING LEASE ASSETS / RECEIVABLES**

The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.

**23. GOVERNMENT GRANTS AND SUBSIDIES**

|  |                    |                    |
|--|--------------------|--------------------|
| Provincial Equitable Share   | 161 009 000        | 120 121 000        |
| Levies Replacement   | 38 831 516         | 35 147 000         |
| Other Grants Received  | 4 400 257          | 14 538 236         |
| <b>Operational Grants</b>  | <b>204 240 773</b> | <b>169 806 237</b> |
| <b>Conditional Grants</b>  | <b>246 123 085</b> | <b>356 472 787</b> |
| National: FMG Grant  | 1 111 817          | 847 014            |
| National: DEAT Grant   | 777 170            | 25 147             |
| National: MIG Grant  | 207 378 065        | 247 413 148        |
| National: DWAF Grant   | 2 169 915          | 23 704 050         |
| Provincial: Local Government Grants                                    | 2 495 663          | 6 974 133          |
| Provincial: Dept of Public Works Grant                                 | -                  | 2 479 744          |
| Provincial: Dept of Sport & Recreation Grant                           | 1 698 437          | 625 437            |
| Provincial: Dept of Transport Grant                                    | 283 576            | -                  |
| Provincial: Dept of Local Government & Traditional Affairs Grant       | 28 148 818         | 74 058 270         |
| Other Spheres of Government Grants: DBSA                               | 2 059 625          | -                  |
| Other Spheres of Government Grants: Industrial Development Corporation | -                  | 345 844            |
| <b>Total Government Grants and Subsidies</b>                           | <b>450 363 859</b> | <b>526 279 024</b> |



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R     | 2010<br>R     |
|--|---------------|---------------|
| <b>Operational Grants:</b>   |               |               |
| <b>23.1 National: Equitable Share</b>                                |               |               |
| Balance unspent at beginning of year                                 | -             | -             |
| Current year receipts  | 161 009 000   | 120 121 000   |
| Conditions met - transferred to Revenue: Operating Expenses          | (161 009 000) | (120 121 000) |
| Conditions met - transferred to Revenue: Capital Expenses            | -             | -             |
| Conditions still to be met - transferred to Liabilities (see Note 9) | -             | -             |

In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.

**Conditional Grants:**

**23.2 National: Finance Management Grant (FMG)**

|  |             |           |
|--|-------------|-----------|
| Balance unspent at beginning of year                                 | 1 097 707   | 1 142 449 |
| Current year receipts  | 1 000 000   | 802 272   |
| Conditions met - transferred to Revenue: Operating Expenses          | (1 111 817) | (847 014) |
| Conditions met - transferred to Revenue: Capital Expenses            | -           | -         |
| Conditions still to be met - transferred to Liabilities (see Note 9) | 985 890     | 1 097 707 |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.

**23.3 National: Economic Affairs and Tourism Grant (DEAT)**

|  |           |          |
|--|-----------|----------|
| Balance unspent at beginning of year                                 | 651 600   | 458 924  |
| Current year receipts  | 2 827 280 | 217 823  |
| Conditions met - transferred to Revenue: Operating Expenses          | (390 400) | (25 147) |
| Conditions met - transferred to Revenue: Capital Expenses            | (386 770) | -        |
| Conditions still to be met - transferred to Liabilities (see Note 9) | 2 701 709 | 651 600  |

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

**23.4 National: Local Government Grants**

|  |             |             |
|--|-------------|-------------|
| Balance unspent at beginning of year                                 | 1 471 916   | 5 815 930   |
| Current year receipts  | 1 023 747   | 2 630 118   |
| Conditions met - transferred to Revenue: Operating Expenses          | (2 495 663) | (6 527 600) |
| Conditions met - transferred to Revenue: Capital Expenses            | -           | (446 532)   |
| Conditions still to be met - transferred to Liabilities (see Note 9) | -           | 1 471 916   |

Various grants are paid by Provincial Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA), 2000. No funds have been withheld.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R         | 2010<br>R         |
|--|-------------------|-------------------|
| <b>23.5 National: Municipal Infrastructure Grant (MIG)</b>           |                   |                   |
| Balance unspent at beginning of year                                 | 82 200 825        | 147 291 281       |
| Current year receipts  | 136 551 533       | 182 322 693       |
| Conditions met - transferred to Revenue: Operating Expenses          | (114 029 434)     | (40 876 515)      |
| Conditions met - transferred to Revenue: Capital Expenses            | (93 348 632)      | (206 536 633)     |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>11 374 293</b> | <b>82 200 825</b> |

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

**23.6 National: Dept of Water Affairs and Forestry Grant (DWAF)**

|  |                   |                  |
|--|-------------------|------------------|
| Balance unspent at beginning of year                                 | 4 520 271         | 18 090 121       |
| Current year receipts  | 14 014 000        | 10 134 200       |
| Conditions met - transferred to Revenue: Operating Expenses          | (2 039 761)       | (10 877 351)     |
| Conditions met - transferred to Revenue: Capital Expenses            | (130 154)         | (12 826 700)     |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>16 364 356</b> | <b>4 520 271</b> |

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan. No funds were withheld.

**23.7 Provincial: Dept of Public Works Grant**

|  |   |             |
|--|---|-------------|
| Balance unspent at beginning of year                                 | - | 2 479 744   |
| Current year receipts  | - | -           |
| Conditions met - transferred to Revenue: Operating Expenses          | - | (2 479 744) |
| Conditions met - transferred to Revenue: Capital Expenses            | - | -           |
| Conditions still to be met - transferred to Liabilities (see Note 9) | - | -           |

Public Works Grants are utilised to construct or upgrade various infrastructure of informal settlement areas within the municipal district through utilising labour intensive construction methods in order to maximise job creation for local communities and opportunities for emerging contractors. No funds were transferred to the municipality for the year under review.

**23.8 Provincial: Dept of Sport and Recreation Grant**

|  |                  |                  |
|--|------------------|------------------|
| Balance unspent at beginning of year                                 | 2 825 629        | 3 316 512        |
| Current year receipts  | -                | 134 554          |
| Conditions met - transferred to Revenue: Operating Expenses          | (846 187)        | (625 437)        |
| Conditions met - transferred to Revenue: Capital Expenses            | (852 249)        | -                |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>1 127 193</b> | <b>2 825 629</b> |

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

**23.9 Provincial: Dept of Transport Grant**

|  |           |                |
|--|-----------|----------------|
| Balance unspent at beginning of year                                 | 283 576   | 270 063        |
| Current year receipts  | -         | 13 513         |
| Conditions met - transferred to Revenue: Operating Expenses          | (283 576) | -              |
| Conditions met - transferred to Revenue: Capital Expenses            | -         | -              |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>0</b>  | <b>283 576</b> |

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R         | 2010<br>R         |
|---|-------------------|-------------------|
| <b>23.10 Provincial: Dept of Cooperative Governance and Traditional Affairs Grant</b> |                   |                   |
| Balance unspent at beginning of year  | 40 948 961        | 71 878 105        |
| Current year receipts   | 44 950 574        | 43 129 126        |
| Conditions met - transferred to Revenue: Operating Expenses                           | (19 991 731)      | (32 411 523)      |
| Conditions met - transferred to Revenue: Capital Expenses                             | (8 157 087)       | (41 646 748)      |
| Conditions still to be met - transferred to Liabilities (see Note 9)                  | <b>57 750 717</b> | <b>40 948 961</b> |

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

**23.11 Other Government: DBSA**

|  |                  |                  |
|--|------------------|------------------|
| Balance unspent at beginning of year                                 | 1 368 002        | 1 302 859        |
| Current year receipts  | 2 630 053        | 65 143           |
| Conditions met - transferred to Revenue: Operating Expenses          | (2 059 625)      | -                |
| Conditions met - transferred to Revenue: Capital Expenses            | -                | -                |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>1 938 429</b> | <b>1 368 002</b> |

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

**23.12 Other Government: Industrial Development Corporation**

|  |                |                |
|--|----------------|----------------|
| Balance unspent at beginning of year                                 | 137 444        | 476 743        |
| Current year receipts  | -              | 6 545          |
| Conditions met - transferred to Revenue: Operating Expenses          | -              | (345 844)      |
| Conditions met - transferred to Revenue: Capital Expenses            | -              | -              |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>137 444</b> | <b>137 444</b> |

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

**23.13 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 06 of 2011), government grant funding is expected to increase over the forthcoming two financial years 2011/12 and 2012/13.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R         | 2010<br>R        |
|---|-------------------|------------------|
| <b>24. PUBLIC CONTRIBUTIONS AND DONATIONS</b>   |                   |                  |
| Conditional Contributions                       | 19 186 143        | -                |
| Unconditional Contributions                     | -                 | 1 509 328        |
| <b>Total Public Contributions and Donations</b> | <b>19 186 143</b> | <b>1 509 328</b> |

**24.1 Reconciliation of Conditional Public Contributions and Donations**

**24.1.1 Developers' Contributions**

|  |                   |                   |
|--|-------------------|-------------------|
| Balance unspent at beginning of year                                 | 52 948 239        | 47 577 385        |
| Current year receipts  | 9 011 067         | 5 370 854         |
| Conditions met - transferred to Revenue: Operating Expenses          | -                 | -                 |
| Conditions met - transferred to Revenue: Capital Expenses            | (19 186 143)      | -                 |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>42 773 163</b> | <b>52 948 239</b> |

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

**24.1.2 Public Contributions**

|  |                  |                |
|--|------------------|----------------|
| Balance unspent at beginning of year                                 | 126 725          | 309 876        |
| Current year receipts  | 3 548 615        | 1 326 177      |
| Conditions met - transferred to Revenue: Operating Expenses          | (205 916)        | (1 509 328)    |
| Conditions met - transferred to Revenue: Capital Expenses            | -                | -              |
| Conditions still to be met - transferred to Liabilities (see Note 9) | <b>3 469 424</b> | <b>126 725</b> |

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

**25. SERVICE CHARGES**

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Sale of Water                   | 168 240 781        | 184 990 540        |
| Sewerage and Sanitation Charges | 72 039 707         | 61 738 918         |
| <b>Total Service Charges</b>    | <b>240 280 488</b> | <b>246 729 458</b> |

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**26. RENTAL OF FACILITIES AND EQUIPMENT**

|   |                |                |
|---|----------------|----------------|
| Rental Revenue from Other Facilities            | 955 738        | 792 249        |
| <b>Total Rental of Facilities and Equipment</b> | <b>955 738</b> | <b>792 249</b> |

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R         | 2010<br>R         |
|--|-------------------|-------------------|
| <b>27. INTEREST EARNED</b>               |                   |                   |
| <b>External Investments:</b>             |                   |                   |
| Bank Account                             | 3 297 946         | 1 828 100         |
| Short-term Investments                   | 402 301           | 271 772           |
| Long-term Investments                    | 2 461 115         | 2 162 711         |
|  | <b>6 161 362</b>  | <b>4 262 583</b>  |
| <b>Outstanding Debtors:</b>              |                   |                   |
| Outstanding Billing Debtors              | 1 606 472         | 1 028 968         |
| Fair Value adjustment of Service Charges | 15 464 940        | 37 445 569        |
|  | <b>17 071 412</b> | <b>38 474 536</b> |
| <b>Total Interest Earned</b>             | <b>23 232 774</b> | <b>42 737 119</b> |

*Interest Earned* has been restated to correctly disclose the accrual for External Interest. Refer to Note 40.1 on "Correction of Error" for details of the restatement.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Available-for-Sale Financial Assets | 3 700 247         | 2 099 872         |
| Loans and Receivables               | 17 071 412        | 38 474 536        |
| Held-to-Maturity Investments        | 2 461 115         | 2 162 711         |
|                                     | <b>23 232 774</b> | <b>42 737 119</b> |

**28. OTHER REVENUE**

|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Internal Recoveries        | 106 484 245        | 93 768 323         |
| Sundry Services Rendered   | 9 130 321          | 13 825 739         |
| Tender Deposits Forfeited  | 181 344            | 149 727            |
| Other Revenue              | 2 352              | 89 666             |
| <b>Total Other Revenue</b> | <b>115 798 262</b> | <b>107 833 455</b> |

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are journalised from other trading and economic services.

**29. EMPLOYEE RELATED COSTS**

|   |                    |                    |
|---|--------------------|--------------------|
| Employee Related Costs - Salaries and Wages                               | 144 564 478        | 116 077 422        |
| Employee Related Costs - Contributions for UIF, Pensions and Medical Aids | 31 249 589         | 34 240 242         |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances        | 20 350 395         | 19 176 060         |
| Housing Benefits and Allowances   | 1 025 310          | 1 150 877          |
| Overtime Payments   | 19 363 455         | 20 178 135         |
| Performance Bonuses   | -                  | 342 759            |
| Defined Benefit Plan Expense:   | 4 726 936          | 3 600 376          |
| Current Service Cost  | 2 520 211          | 2 137 922          |
| Interest Cost   | 2 437 546          | 2 304 455          |
| Net Actuarial (gains)/losses recognised                                   | (230 820)          | (842 000)          |
| Vested Past Service Cost  | -                  | -                  |
| <b>Total Employee Related Costs</b>                                       | <b>221 280 163</b> | <b>194 765 871</b> |

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant. Loans to employees are set out in Note 15.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R               | 2010<br>R               |
|--|-------------------------|-------------------------|
| <b>Remuneration of Section 57 Employees:</b>   |                         |                         |
| <b><i>Remuneration of the Municipal Manager</i></b>  |                         |                         |
| Annual Remuneration  | 612 745                 | 570 016                 |
| Leave Encashed   | -                       | -                       |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 426 654                 | 413 020                 |
| Performance Bonus  | -                       | 89 369                  |
| Contributions to UIF, Medical and Pension Funds  | 11 337                  | 11 201                  |
| <b>Total</b>   | <b><u>1 050 736</u></b> | <b><u>1 083 605</u></b> |
| <b><i>Remuneration of the Deputy Municipal Manager</i></b>                                 |                         |                         |
| Annual Remuneration  | 690 635                 | 642 451                 |
| Leave Encashed   | -                       | -                       |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 257 323                 | 238 351                 |
| Performance Bonus  | -                       | 72 389                  |
| Contributions to UIF, Medical and Pension Funds  | 9 965                   | 9 790                   |
| <b>Total</b>   | <b><u>957 923</u></b>   | <b><u>962 981</u></b>   |
| <b><i>Remuneration of the Chief Financial Officer</i></b>                                  |                         |                         |
| Annual Remuneration  | 397 753                 | 368 785                 |
| Leave Encashed   | -                       | -                       |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 373 139                 | 334 575                 |
| Performance Bonus  | -                       | 66 506                  |
| Contributions to UIF, Medical and Pension Funds  | 113 091                 | 107 037                 |
| <b>Total</b>   | <b><u>883 983</u></b>   | <b><u>876 902</u></b>   |
| <b><i>Remuneration of the General Manager: Corporate Services</i></b>                      |                         |                         |
| Annual Remuneration  | 636 894                 | 570 755                 |
| Leave Encashed   | -                       | -                       |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 219 741                 | 192 024                 |
| Performance Bonus  | -                       | -                       |
| Contributions to UIF, Medical and Pension Funds  | 9 606                   | 8 484                   |
| <b>Total</b>   | <b><u>866 241</u></b>   | <b><u>771 264</u></b>   |
| <b><i>Remuneration of the General Manager: Infrastructure and Economic Development</i></b> |                         |                         |
| Annual Remuneration  | 636 894                 | 246 759                 |
| Leave Encashed   | -                       | -                       |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 226 314                 | 148 115                 |
| Performance Bonus  | -                       | -                       |
| Contributions to UIF, Medical and Pension Funds  | 9 649                   | 4 237                   |
| <b>Total</b>   | <b><u>872 857</u></b>   | <b><u>399 110</u></b>   |
| <b><i>Remuneration of the General Manager: Water Services</i></b>                          |                         |                         |
| Annual Remuneration  | 636 895                 | 579 586                 |
| Leave Encashed   | -                       | 27 403                  |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 212 298                 | 206 928                 |
| Performance Bonus  | -                       | 66 506                  |
| Contributions to UIF, Medical and Pension Funds  | 8 067                   | 8 052                   |
| <b>Total</b>   | <b><u>857 260</u></b>   | <b><u>888 475</u></b>   |
| <b><i>Remuneration of the General Manager: Operations</i></b>                              |                         |                         |
| Annual Remuneration  | 554 796                 | 494 365                 |
| Leave Encashed   | -                       | -                       |
| Car, Entertainment, Housing, Subsistence and Other Allowances                              | 294 397                 | 273 858                 |
| Performance Bonus  | -                       | -                       |
| Contributions to UIF, Medical and Pension Funds  | 9 565                   | 8 521                   |
| <b>Total</b>   | <b><u>858 758</u></b>   | <b><u>776 744</u></b>   |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R      | 2010<br>R      |
|---|----------------|----------------|
| <b>Remuneration of the Senior Manager: Strategy and Shared Services</b> |                |                |
| Annual Remuneration   | 485 782        | 442 601        |
| Leave Encashed  | 32 121         | 36 296         |
| Car, Entertainment, Housing, Subsistence and Other Allowances           | 161 927        | 157 968        |
| Performance Bonus   | -              | 47 988         |
| Contributions to UIF, Medical and Pension Funds                         | 7 972          | 7 808          |
| <b>Total</b>  | <b>687 802</b> | <b>692 662</b> |

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

**Post Employment Benefits:-**

|                         |               |               |
|-------------------------|---------------|---------------|
| Chief Financial Officer | 46 949        | 44 378        |
| <b>Total</b>            | <b>46 949</b> | <b>44 378</b> |

**Other Long-term Benefits:-**

|                         |               |               |
|-------------------------|---------------|---------------|
| Chief Financial Officer | 44 186        | 25 031        |
| <b>Total</b>            | <b>44 186</b> | <b>25 031</b> |

**Staff Leave Benefits:-**

|  |                |                |
|--|----------------|----------------|
| Municipal Manager                                      | 151 789        | 118 404        |
| Deputy Municipal Manager                               | 175 974        | 104 591        |
| Chief Financial Officer                                | 63 696         | 45 437         |
| General Manager: Corporate Services                    | 66 772         | 45 525         |
| General Manager: Infrastructure & Economic Development | 56 047         | 69 630         |
| General Manager: Water Services                        | 82 664         | 52 125         |
| General Manager: Operations                            | 59 629         | 61 662         |
| Special Advisor  | 63 051         | 63 376         |
| <b>Total</b>   | <b>719 622</b> | <b>560 749</b> |

**30. REMUNERATION OF COUNCILLORS**

|  |                  |                  |
|--|------------------|------------------|
| Mayor                                  | 731 118          | 729 180          |
| Deputy Mayor                           | 469 052          | 537 783          |
| Speaker                                | 519 347          | 520 926          |
| Executive Committee Members            | 1 732 386        | 1 716 355        |
| Councillors                            | 2 739 927        | 2 962 297        |
| <b>Total Councillors' Remuneration</b> | <b>6 191 830</b> | <b>6 466 540</b> |

**In-kind Benefits**

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

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

The following additional personal support is provided by the municipality:

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R         | 2010<br>R         |
|--|-------------------|-------------------|
| <b>31. DEPRECIATION AND AMORTISATION</b>   |                   |                   |
| Depreciation: Property, Plant and Equipment  | 47 524 047        | 41 793 795        |
| Amortisation: Intangible Assets  | 1 629 704         | 2 924 381         |
| <b>Total Depreciation and Amortisation</b>   | <b>49 153 751</b> | <b>44 718 176</b> |
| <b>32. IMPAIRMENT LOSSES</b>   |                   |                   |
| <i>32.1 Impairment Losses on Fixed Assets</i>  |                   |                   |
| <b>Impairment Losses Recognised:</b>   | -                 | 7 105 744         |
| Property, Plant and Equipment  | -                 | 7 105 744         |
| Intangible Assets  | -                 | -                 |
| <b>Impairment Losses Reversed:</b>   | -                 | -                 |
| Property, Plant and Equipment  | -                 | -                 |
| Intangible Assets  | -                 | -                 |
|  | -                 | <b>7 105 744</b>  |
| <i>32.2 Impairment Losses on Financial Assets</i>  |                   |                   |
| <b>Impairment Losses Recognised:</b>   | 29 172 443        | 17 839 734        |
| Consumer Debtors   | 27 209 859        | 14 846 112        |
| Other Debtors  | 1 962 583         | 2 993 622         |
| <b>Impairment Losses Reversed:</b>   | (1 272 025)       | -                 |
| Consumer Debtors   | -                 | -                 |
| Other Debtors  | (1 272 025)       | -                 |
|  | <b>27 900 418</b> | <b>17 839 734</b> |
| <b>Total Impairment Losses</b>   | <b>27 900 418</b> | <b>24 945 478</b> |
| <b>33. FINANCE COSTS</b>   |                   |                   |
| Loans and Payables at amortised cost   | 20 839 281        | 9 250 876         |
| Finance Leases   | -                 | 49 196            |
| Other Interest Paid  | 138 297           | -                 |
| <b>Total Interest Paid on External Borrowings</b>  | <b>20 977 578</b> | <b>9 300 073</b>  |
| The weighted average capitalisation rate on funds borrowed generally is 9,33% per annum (2010: 3,64% per annum). |                   |                   |
| <b>34. BULK PURCHASES</b>  |                   |                   |
| Water  | 31 839 355        | 25 672 081        |
| <b>Total Bulk Purchases</b>  | <b>31 839 355</b> | <b>25 672 081</b> |

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk Water is purchased from the Umgeni Water Board and eThekweni Municipality.



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|                                  | 2011<br>R         | 2010<br>R         |
|----------------------------------|-------------------|-------------------|
| <b>35. CONTRACTED SERVICES</b>   |                   |                   |
| Agency Services                  | 114 855           | 161 489           |
| Alarm Monitoring Services        | 30 068            | 204 605           |
| Cash Banking Services            | 138 100           | 126 759           |
| Chemistry Services               | 103 920           | 85 990            |
| Cleaning Services                | 1 248 798         | 1 121 329         |
| Consultants' Fees                | 5 381 141         | 6 314 807         |
| Internal Audit Services          | 223 476           | 349 643           |
| Security Services                | 8 945 771         | 7 476 327         |
| Other Contracted Services        | 315 537           | 871 738           |
| <b>Total Contracted Services</b> | <b>16 501 666</b> | <b>16 712 687</b> |

**36. GRANTS AND SUBSIDIES PAID**

|  |                    |                    |
|--|--------------------|--------------------|
| Low Income Subsidy                               | 44 779 367         | 35 927 570         |
| Community Projects                               | 83 210 598         | 168 676 469        |
| Drought Relief                                   | 15 415 683         | 5 355 760          |
| Other Benevolent Organisations and Grants-in-Aid | 2 309 439          | 5 909 143          |
| <b>Total Grants and Subsidies</b>                | <b>145 715 087</b> | <b>215 868 942</b> |

The **Low Income Subsidy** is in respect of providing basic service levels to indigent households. Refer to Note 23.1.

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

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

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R          | 2010<br>R          |
|---|--------------------|--------------------|
| <b>37. GENERAL EXPENSES</b>                     |                    |                    |
| Included in General Expenses are the following: |                    |                    |
| 2010 FIFA Soccer World Cup Contingency          | 113 206            | 3 940 513          |
| Accommodation, Seminars and Travelling          | 1 785 665          | 1 534 339          |
| Advertising                                     | 492 982            | 561 610            |
| Audit Fees                                      | 2 169 322          | 1 942 013          |
| Cellphones, Internet and Telephones:            | 3 833 673          | 4 192 731          |
| Cleaning Materials and Chemicals                | 348 507            | 592 679            |
| Commission Paid                                 | 934 958            | 934 432            |
| Consultant IT Support                           | 2 600 640          | 1 446 777          |
| Electricity                                     | 27 735 730         | 22 099 363         |
| Events and Programmes                           | 3 789 604          | 3 033 454          |
| Insurance General                               | 1 448 827          | 1 529 821          |
| Fuel and Oil                                    | 9 195 595          | 7 430 831          |
| Gardening Services                              | 3 864 272          | 2 802 307          |
| Kwanaloga Games                                 | 1 327 670          | 3 691 366          |
| Kwanaloga Subscriptions                         | 1 297 858          | 881 148            |
| Legal Expenses                                  | 3 807 614          | 1 411 784          |
| Licences  | 2 802 450          | 2 349 474          |
| Loose/Small Tools                               | 1 180 972          | 1 579 349          |
| Marketing Expenses                              | 1 533 286          | 1 266 823          |
| Materials                                       | 7 249 115          | 5 418 583          |
| Postage   | 1 802 788          | 1 392 941          |
| Printing and Stationery                         | 656 595            | 1 007 224          |
| Property Transfers                              | 639 412            | -                  |
| Public Participation                            | 703 912            | -                  |
| Refreshments                                    | 664 129            | 572 885            |
| Rentals - Property, Plant and Equipment         | 3 959 729          | 4 057 466          |
| Staff Training                                  | 1 012 864          | 1 419 598          |
| Sports and Leisure Centre                       | 2 763 861          | -                  |
| Transport Costs                                 | 4 693 465          | 5 720 939          |
| Uniforms and Protective Clothing                | 635 630            | 296 836            |
| Vehicle Tracking                                | 684 073            | 164 633            |
| Workmen's Compensation Insurance                | 1 219 859          | 979 524            |
| Internal Charges                                | 106 484 245        | 93 768 323         |
| Other General Expenses                          | 3 171 700          | 2 895 474          |
| <b>Total General Expenses</b>                   | <b>206 604 206</b> | <b>180 915 243</b> |

The amounts disclosed above for Soccer World Cup Contingency are in respect of costs incurred to host Team Algeria at the Ugu Sports and Leisure Centre, being the base camp for training.

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

**37.1 Material Losses**

Estimated Non-revenue Water (NRW)

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | <b>17 524 858</b> | <b>17 469 613</b> |
| Estimated Non-revenue Water (NRW) | 17 524 858        | 17 469 613        |

The amounts disclosed above for **Water Losses** are in respect of production costs incurred in the extraction, purification, storage and distribution of water by the municipality; hence the restatement of the comparative amount from R33 038 656 to R17 469 613.

**UGU DISTRICT MUNICIPALITY**  
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|  | 2011<br>R | 2010<br>R |
|--|-----------|-----------|
| A five year strategic non-revenue water reduction plan was adopted and implemented by the Executive Committee in May 2008. The below-mentioned technical information was derived as part of the implementation plan: |           |           |
| <b>Volumes in Ml/year:</b>   |           |           |
| System Input Volume  | 35 430    | 32 093    |
| Billed Authorised Consumption  | 23 818    | 20 621    |
| Unbilled Authorised Consumption  | 984       | 986       |
| Apparent Losses  | 3 254     | 3 146     |
| Real Losses  | 7 374     | 7 340     |
| NRW  | 11 612    | 11 472    |

No other extra-ordinary expenses were incurred.

### 38. DISCONTINUED OPERATIONS

No operations have been discontinued.

### 39. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following Accounting Standards for the first time during the financial year 2010/11 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2010:

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 104 Financial Instruments

#### GRAP 104 - Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

#### 39.1 Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 30 June 2010.

|   | Old Classification<br>as per IAS 39 | Classification<br>per GRAP 104 | Old Carrying<br>Amount | New Carrying<br>Amount |
|---|-------------------------------------|--------------------------------|------------------------|------------------------|
| <b>FINANCIAL ASSETS:</b>                                |                                     |                                |                        |                        |
| <b>Long-term Receivables</b>                            |                                     |                                |                        |                        |
| Relocation Loans  | Loans and receivables               | Amortised cost                 | 10 496                 | 10 496                 |
| Sundry Loans  | Loans and receivables               | Amortised cost                 | 18 293                 | 18 293                 |
| <b>Trade Receivables from Exchange Transactions</b>     |                                     |                                |                        |                        |
| Sewerage  | Loans and receivables               | Amortised cost                 | 9 955 238              | 9 955 238              |
| Water   | Loans and receivables               | Amortised cost                 | 11 241 100             | 11 241 100             |
| Water Rate Debtors                                      | Loans and receivables               | Amortised cost                 | 21 354 635             | 21 354 635             |
| Other Trade Debtors                                     | Loans and receivables               | Amortised cost                 | 2 724 774              | 2 724 774              |
| <b>Trade Receivables from Non-exchange Transactions</b> |                                     |                                |                        |                        |
| Municipal Entities                                      | Loans and receivables               | Amortised cost                 | 10 470                 | 10 470                 |
| Sundry Deposits   | Loans and receivables               | Amortised cost                 | 1 017 415              | 1 017 415              |
| Sundry Debtors  | Loans and receivables               | Amortised cost                 | 2 789 037              | 2 789 037              |

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   |   |                                | 2011<br>R              | 2010<br>R              |
|---|---|--------------------------------|------------------------|------------------------|
|   | Old Classification<br>as per IAS 39     | Classification<br>per GRAP 104 | Old Carrying<br>Amount | New Carrying<br>Amount |
| <b>Bank, Cash and Cash Equivalents</b>          |   |                                |                        |                        |
| Call Deposits                                   | Available for sale                      | Fair value                     | 26 546 485             | 26 546 485             |
| Notice Deposits                                 | Held to maturity                        | Amortised cost                 | 5 488 964              | 5 488 964              |
| Short-term Portion of Investments               | Held to maturity                        | Amortised cost                 | 17 838 885             | 17 838 885             |
| Bank Balances                                   | Available for sale                      | Fair value                     | 102 857 239            | 102 857 239            |
| Cash Floats and Advances                        | Available for sale                      | Fair value                     | 5 110                  | 5 110                  |
| <b>Current Portion of Long-term Receivables</b> |   |                                |                        |                        |
| Relocation Loans                                | Loans and receivables                   | Amortised cost                 | 11 158                 | 11 158                 |
| <b>FINANCIAL LIABILITIES:</b>                   |   |                                |                        |                        |
| <b>Long-term Liabilities</b>                    |   |                                |                        |                        |
| Annuity Loans                                   | Financial liabilities at amortised cost | Amortised cost                 | 219 097 288            | 219 097 288            |
| Finance Lease Liabilities                       | Financial liabilities at amortised cost | Amortised cost                 | 2 176 914              | 2 176 914              |
| <b>Consumer Deposits</b>                        |   |                                |                        |                        |
| Water   | Financial liabilities at amortised cost | Fair value                     | 17 765 540             | 17 765 540             |
| <b>Creditors</b>                                |   |                                |                        |                        |
| Trade Creditors                                 | Financial liabilities at amortised cost | Amortised cost                 | 28 528 521             | 28 528 521             |
| Payments received in Advance                    | Financial liabilities at amortised cost | Amortised cost                 | 3 173 485              | 3 173 485              |
| Retentions                                      | Financial liabilities at amortised cost | Fair value                     | 11 802 594             | 11 802 594             |
| Staff Bonuses                                   | Financial liabilities at amortised cost | Amortised cost                 | 7 220 811              | 7 220 811              |
| Staff Leave                                     | Financial liabilities at amortised cost | Amortised cost                 | 8 035 498              | 8 035 498              |
| Projects  | Financial liabilities at amortised cost | Amortised cost                 | 49 795 096             | 49 795 096             |
| Other Creditors                                 | Financial liabilities at amortised cost | Amortised cost                 | 14 396 892             | 14 396 892             |
| <b>Bank Overdraft</b>                           |   |                                |                        |                        |
| Bank Overdraft                                  | Financial liabilities at amortised cost | Fair value                     | 4 465                  | 4 465                  |
| <b>Current Portion of Long-term Liabilities</b> |   |                                |                        |                        |
| Local Registered Stock                          | Financial liabilities at amortised cost | Amortised cost                 | 20 300 000             | 20 300 000             |
| Annuity Loans                                   | Financial liabilities at amortised cost | Amortised cost                 | 7 018 972              | 7 018 972              |
| Finance Lease Liabilities                       | Financial liabilities at amortised cost | Amortised cost                 | 6 965 865              | 6 965 865              |

**Effect of the Change in Accounting Policy:**

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2010 and the Accumulated Surplus of prior years was not affected either.

**40. CORRECTION OF ERROR**

**40.1 Reclassification of External Interest Earned and Sundry Debtors:**

The prior year figures of Revenue for Interest Earned on External Investments and Other Debtors have been restated to correctly disclose Interest Earned by the municipality, previously accrued for in error.

**The effect of the Correction of Error is as follows:**

|  | External Interest<br>Earned | Other<br>Debtors |
|--|-----------------------------|------------------|
| <b>Revenue as per AFS previously published for 2009/10</b>           | <b>9 885 446</b>            | <b>9 439 785</b> |
| Reclassification of Impairment Losses on Property, Plant & Equipment | -                           | -                |
| Reclassification of External Interest Earned                         | (5 622 864)                 | (5 622 864)      |
| <b>Revenue as per AFS currently disclosed for 2009/10</b>            | <b>4 262 583</b>            | <b>3 816 921</b> |

**UGU DISTRICT MUNICIPALITY**  
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2011  
R

2010  
R

**40.2 Reclassification of Impairment Losses, Property, Plant & Equipment, Creditors and Accumulated Surplus:**

The opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Land owned by the municipality as at 30 June 2009, not previously recognised.

The opening balances of Creditors and Accumulated Surplus have been restated to correctly classify the nature of Creditors of the municipality as at 30 June 2009, eliminating amounts previously incorrectly raised as creditors.

The prior year figures of Expenditure for Impairment Losses and Property, Plant & Equipment have been restated to correctly disclose Assets held by the municipality that could not be verified.

The effect of the Correction of Error is as follows:

|   | Impairment<br>Losses | Property, Plant<br>& Equip | Creditors            | Accumulated<br>Surplus |
|---|----------------------|----------------------------|----------------------|------------------------|
| <b>Balances previously published per AFS as at 30 June 2009</b> |                      | <b>903 748 892</b>         | <b>(130 471 826)</b> | <b>(682 124 123)</b>   |
| Reclassify PPE to reflect the actual Land owned                 |                      | 5 874 000                  | -                    | (5 874 000)            |
| Reclassify Creditors to reflect the actual Creditors            |                      | -                          | 4 560 151            | (4 560 151)            |
| <b>Balances now published per AFS as at 30 June 2009</b>        |                      | <b>909 622 892</b>         | <b>(125 911 675)</b> | <b>(692 558 274)</b>   |
| <b>Expenditure as per AFS previously published for 2009/10</b>  | <b>18 177 847</b>    |                            |                      |                        |
| Transactions incurred for the Year 2009/10                      |                      | 336 471 728                | 2 958 779            | (174 273 576)          |
| Reclassification of Impairment Losses                           | 6 767 631            | (6 767 631)                |                      |                        |
| <b>Balances now published per AFS as at 30 June 2010</b>        | <b>24 945 478</b>    | <b>1 239 326 989</b>       | <b>(122 952 896)</b> | <b>(866 831 850)</b>   |

2011  
R

2010  
R

**41. CHANGE IN ACCOUNTING ESTIMATES**

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of Grap 3.

**41.1 Depreciation Expenditure:**

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2010. Adjustments to the residual values and usefull lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

|   |                    |                   |
|---|--------------------|-------------------|
| Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE | (3 928 662)        | -                 |
| <b>Increase / (Decrease) in Depreciation of PPE</b>                             | <b>(3 928 662)</b> | <b>-</b>          |
| Depreciation as previously stated   | 53 082 413         | 44 718 176        |
| Adjustment due to Change in Accounting Estimate                                 | (3 928 662)        | -                 |
| <b>Depreciation as per Note 31</b>  | <b>49 153 751</b>  | <b>44 718 176</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R          | 2010<br>R          |
|---|--------------------|--------------------|
| <b>42. CASH GENERATED BY OPERATIONS</b>   |                    |                    |
| Surplus / (Deficit) for the Year  | 102 644 337        | 174 273 576        |
| Adjustment for:   |                    |                    |
| Depreciation and Amortisation   | 49 153 751         | 44 718 176         |
| Impairment Losses on Property, Plant and Equipment  | -                  | 7 105 744          |
| Losses / (Gains) on Disposal of Property, Plant and Equipment   | (824 851)          | 28 574             |
| Property, Plant and Equipment transferred to Non-current Assets Held-for-Sale   | 53 505             | 378 606            |
| Other Movement on Property, Plant and Equipment   | 7 025 813          | -                  |
| Contribution to Retirement Benefit Liabilities  | 1 339 696          | 1 604 539          |
| Expenditure incurred from Retirement Benefit Liabilities  | (632 004)          | (690 754)          |
| Contribution to Provisions - Current  | 47 691             | 198 430            |
| Contribution to Provisions - Non-current  | 3 387 240          | 1 995 837          |
| Expenditure incurred from Provisions  | (890 890)          | (825 198)          |
| Contribution to Impairment Provision  | 27 900 418         | 17 839 734         |
| Bad Debts Recovered   | -                  | 177 245            |
| Bad Debts Written-off   | -                  | (2 110 598)        |
| Investment Income   | (23 232 774)       | (42 737 119)       |
| Interest Paid   | 20 977 578         | 9 300 073          |
| <b>Operating Surplus before working capital changes</b>   | <b>186 949 510</b> | <b>211 256 864</b> |
| Decrease/(Increase) in Inventories  | 329 263            | 340 628            |
| Decrease/(Increase) in Non-current Assets Held-for-Sale   | (53 505)           | (378 606)          |
| Decrease/(Increase) in Consumer Debtors   | (21 771 216)       | (14 682 858)       |
| Decrease/(Increase) in Other Debtors  | (4 998 192)        | 33 281 598         |
| Decrease/(Increase) in VAT Receivable   | (11 956 213)       | 40 482 547         |
| Increase/(Decrease) in Consumer Deposits  | 501 230            | 291 034            |
| Increase/(Decrease) in Creditors  | 26 353 314         | (2 958 779)        |
| Increase/(Decrease) in Conditional Grants and Receipts  | (49 958 276)       | (111 829 097)      |
| Increase/(Decrease) in Operating Lease Liability  | (3 954)            | (21 472)           |
| <b>Cash generated by / (utilised in) Operations</b>   | <b>125 391 962</b> | <b>155 781 860</b> |
| <b>43. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>  |                    |                    |
| <p>During the 2010/11 financial year, the municipality acquired R0 (2009/10: R6 314 375) of vehicles under finance leases. These lease agreements have been capitalised and the acquisitions will be reflected in the Cash Flow Statement over the term of the finance leases via lease repayments.</p> |                    |                    |
| <b>44. FINANCING FACILITIES</b>   |                    |                    |
| Unsecured Credit Card Facility, reviewed annually and payable monthly:  |                    |                    |
| - Amount used   | -                  | -                  |
| - Amount unused   | 80 000             | 80 000             |
|   | <b>80 000</b>      | <b>80 000</b>      |
| Unsecured Fleet Card Facility, reviewed annually and payable monthly:   |                    |                    |
| - Amount used   | -                  | 159 842            |
| - Amount unused   | 1 500 000          | 1 340 158          |
|   | <b>1 500 000</b>   | <b>1 500 000</b>   |
| Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:   |                    |                    |
| - Amount used   | 62 000 000         | 53 778 982         |
| - Amount unused   | -                  | 8 221 018          |
|   | <b>62 000 000</b>  | <b>62 000 000</b>  |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R        | 2010<br>R         |
|---|------------------|-------------------|
| Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement: |                  |                   |
| - Amount used   | 4 430 381        | 19 700 000        |
| - Amount unused   | -                | 400 000           |
|   | <b>4 430 381</b> | <b>20 100 000</b> |

**45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

|  |               |                   |
|--|---------------|-------------------|
| Long-term Liabilities (See Note 3)   | 228 111 916   | 255 559 040       |
| Used to finance Property, Plant and Equipment - at cost                            | (228 108 357) | (183 559 040)     |
| Sub-total  | 3 559         | 72 000 000        |
| Cash set aside for the Repayment of Long-term Liabilities (See Notes 3, 14 and 21) | -             | 17 838 885        |
| <b>Cash invested for Repayment of Long-term Liabilities</b>                        | <b>3 559</b>  | <b>89 838 885</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.

**46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**46.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

|   |                   |                   |
|---|-------------------|-------------------|
| Opening balance                                 | 10 708 144        | -                 |
| Unauthorised Expenditure current year           | 45 917 980        | 159 260 722       |
| Approved by Council or condoned                 | -                 | (148 552 577)     |
| Unauthorised Expenditure awaiting authorisation | <b>56 626 125</b> | <b>10 708 144</b> |

| Incident   | Disciplinary Steps / Criminal Proceedings    |
|--|--|
| <i>Budgeted amounts exceeded:-</i>   | <i>To be condoned by Executive Committee</i> |
| - Employee Related Costs - R164 895 (2010: R0)   |  |
| - Remuneration of Councillors - R0 (2010: R1 788 066)  |  |
| - Depreciation and Amortisation - R3 181 928 (2010: R0)  |  |
| - Impairment Losses - R20 520 418 (2010: R21 645 478)  |  |
| - Repairs and Maintenance - R0 (2010: R1 814 717)  |  |
| - Finance Costs - R5 580 956 (2010: R0)  |  |
| - Bulk Purchases - R0 (2010: R4 134 581)   |  |
| - Grants and Subsidies Paid - R16 365 577 (2010: R125 908 792)   |  |
| General Expenses include an amount of R113 206 (2010: R3 940 513) paid in respect of hosting the Algerian Football Association | <i>To be condoned by Executive Committee</i> |

**46.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

|   |                |              |
|---|----------------|--------------|
| Opening balance   | 8 708          | -            |
| Fruitless and Wasteful Expenditure current year         | 138 297        | 8 708        |
| Condoned or written off by Council                      | -              | -            |
| Fruitless and Wasteful Expenditure awaiting condonement | <b>147 005</b> | <b>8 708</b> |

| Incident                                      | Disciplinary Steps / Criminal Proceedings   |
|---|---|
| Interest on late payment - Creditors and SARS | <i>A report will be adopted by the Executive Committee, condoning the "Fruitless and Wasteful Expenditure".</i> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R                | 2010<br>R                |
|--|--------------------------|--------------------------|
| <b>46.3 Irregular Expenditure</b>          |                          |                          |
| Reconciliation of Irregular Expenditure:   |                          |                          |
| Opening balance                            | 24 030 357               | 13 482 227               |
| Irregular Expenditure current year         | 21 474 801               | 37 851 581               |
| Condoned or written off by Council         | <u>(24 030 357)</u>      | <u>(27 303 451)</u>      |
| Irregular Expenditure awaiting condonement | <u><b>21 474 801</b></u> | <u><b>24 030 357</b></u> |

| Incident  | Disciplinary Steps / Criminal Proceedings   |
|---|---|
| <i>Payments of R0 (2010: R14 649 460) to successful bidders in respect of capital works, in the absence of receipt of their audited financial statements, as required by paragraph 23 of the Supply Chain Management Policy. This non-compliance has not compromised any of the bid processes; which processes have been fair, equitable and transparent.</i> | None.   |
| <i>Expenditure of R4 014 570 (2010: R1 464 243) contrary to the provisions of paragraph 44 of the Municipal Supply Chain Management Regulations as described in Note 47.8</i>   | A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure". |
| <i>Irregular expenditure also includes R 17,5 (2010: R 21,2) million for expenditure incurred contrary to Supply Chain Management processes as described in Note 47.7</i>   | A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure". |

**47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**47.1 Contributions to organised local government - SALGA**

|   |                 |                 |
|---|-----------------|-----------------|
| Opening Balance                               | -               | -               |
| Council Subscriptions                         | 1 297 858       | 837 288         |
| Amount Paid - current year                    | (1 297 858)     | (837 288)       |
| Amount Paid - previous years                  | -               | -               |
| <b>Balance Unpaid (included in Creditors)</b> | <u><b>-</b></u> | <u><b>-</b></u> |

**47.2 Audit Fees**

|   |                      |                     |
|---|----------------------|---------------------|
| Opening Balance                               | 8 520                | 18 390              |
| Current year Audit Fee                        | 2 170 682            | 1 920 669           |
| Amount Paid - current year                    | (2 103 842)          | (1 912 149)         |
| Amount Paid - previous years                  | (8 520)              | (18 390)            |
| <b>Balance Unpaid (included in Creditors)</b> | <u><b>66 840</b></u> | <u><b>8 520</b></u> |

The balance unpaid represents the audit fee for planning the audit for the 2010/2011 financial year and is payable by 31 July 2011.

**47.3 VAT**

VAT inputs receivables and VAT outputs payables are shown in Note 20. All VAT returns have been submitted by the due date throughout the year.

**47.4 PAYE and UIF**

|   |                         |                   |
|---|-------------------------|-------------------|
| Opening Balance                               | (0)                     | -                 |
| Current year Payroll Deductions               | 34 350 686              | 29 611 469        |
| Amount Paid - current year                    | (31 768 835)            | (29 611 469)      |
| Amount Paid - previous years                  | -                       | -                 |
| <b>Balance Unpaid (included in Creditors)</b> | <u><b>2 581 851</b></u> | <u><b>(0)</b></u> |

The balance represents PAYE, UIF, and SDL deducted from employees and councillors in the June 2011 payroll. These amounts were paid during July 2011.



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R        | 2010<br>R    |
|---|------------------|--------------|
| <b>47.5 Pension and Medical Aid Deductions</b>            |                  |              |
| Opening Balance   | -                | -            |
| Current year Payroll Deductions and Council Contributions | 39 840 974       | 34 316 330   |
| Amount Paid - current year                                | (36 407 690)     | (34 316 330) |
| Amount Paid - previous years                              | -                | -            |
| <b>Balance Unpaid (included in Creditors)</b>             | <b>3 433 284</b> | <b>-</b>     |

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2011 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2011.

**47.6 Councillor's arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

|  | Total         | Outstanding<br>up to<br>90 days | Outstanding<br>more than<br>90 days |
|--|---------------|---------------------------------|-------------------------------------|
| <b>30 June 2011</b>                              |               |                                 |                                     |
| Khawula SA                                       | 5 944         | 2 128                           | 3 816                               |
| Madlala NA                                       | 360           | 56                              | 304                                 |
| Manyoni MA                                       | 647           | 84                              | 563                                 |
| Mhlongo ZA                                       | 184           | 87                              | 97                                  |
| Myende L   | 1 854         | 56                              | 1 798                               |
| Njoko HD   | 2 106         | 1 324                           | 782                                 |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>11 095</b> | <b>3 735</b>                    | <b>7 360</b>                        |

|  | Total         | Outstanding<br>up to<br>90 days | Outstanding<br>more than<br>90 days |
|--|---------------|---------------------------------|-------------------------------------|
| <b>30 June 2010</b>                              |               |                                 |                                     |
| Dzingwa TN                                       | 13 720        | 1 092                           | 12 628                              |
| Mavundla IM                                      | 429           | 78                              | 351                                 |
| Njongo SO  | 5 990         | 1 243                           | 4 747                               |
| Vezi TE  | 6 281         | 1 442                           | 4 839                               |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>26 420</b> | <b>3 855</b>                    | <b>22 565</b>                       |

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

|                     | Highest amount<br>outstanding | Ageing    |
|---------------------|-------------------------------|-----------|
| <b>30 June 2011</b> |                               |           |
| Khawula SA          | 3 816                         | > 90 Days |
| Madlala NA          | 304                           | > 90 Days |
| Manyoni MA          | 563                           | > 90 Days |
| Mhlongo ZA          | 97                            | > 90 Days |
| Myende L            | 1 798                         | > 90 Days |
| Njoko HD            | 782                           | > 90 Days |
| <b>30 June 2010</b> |                               |           |
| Dzingwa TN          | 12 628                        | > 90 Days |
| Mavundla IM         | 351                           | > 90 Days |
| Njongo SO           | 4 747                         | > 90 Days |
| Vezi TE             | 4 839                         | > 90 Days |

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

No known matters existed at reporting date.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

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

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

| Department  | Date        | Successful Tenderer              | Reason  | Amount                      |
|---|-------------|----------------------------------|---|-----------------------------|
| Municipal Manager's Office - ERP Section  | July 2010   | Cene Business Solutions          | Implementers of the Faultman System                           | 12 000.00<br>Excluding VAT  |
| Development and implementation of the SMS facility for Faultman Call Centre System                                  |             |                                  |   |                             |
| Municipal Manager's Office - ERP Section  | July 2010   | Dynatech Information Systems     | Installers of the operating system                            | 48 860.00<br>Excluding VAT  |
| Revenue Management System operating and server migration  |             |                                  |   |                             |
| Municipal Manager's Office - ERP Section  | July 2010   | Seethal Attorneys                | Information regarding previous prejudice against municipality | 25 079.00<br>Excluding VAT  |
| Amend a contract presented for signature by City Works in respect of the implementation of the ERP billing system   |             |                                  |   |                             |
| Municipal Manager's Office - Special Programmes   | July 2010   | St Michaels Sands Hotel          | Only available conference centre at the time                  | 10 350.00<br>Excluding VAT  |
| Venue for Take a Child to Work Project  |             |                                  |   |                             |
| Corporate Services - EAP Section  | July 2010   | Dr Fred Babumba-Lukwago          | Continuation of consultation process                          | 8 000.00<br>Excluding VAT   |
| Specialist orthopaedic practitioner for consultation assessment and medical reports on EAP clients                  |             |                                  |   |                             |
| Corporate Services - EAP Section  | July 2010   | Dr MA Desai                      | Continuation of consultation process                          | 8 771.93<br>Excluding VAT   |
| Consultation and assessment of EAP clients  |             |                                  |   |                             |
| Corporate Services - EAP Section  | July 2010   | Dr Ayoob Moosa Bux               | Continuation of consultation process                          | 6 000.00<br>Excluding VAT   |
| Assessment and further management of EAP clients  |             |                                  |   |                             |
| Corporate Services - Registry Section   | July 2010   | Container Conversions and Repair | Only service provider meeting the requirements                | 28 740.00<br>Excluding VAT  |
| Park homes, divided into two in order to accommodate 2 interns and consultants, cleaners and outside cleaning staff |             |                                  |   |                             |
| Water Services - Project Management Unit  | July 2010   | Amathubi Construction Services   | Urgent need for water in rural schools                        | 140 000.00<br>Excluding VAT |
| Rural water connections to schools within the Ugu district  |             |                                  |   |                             |
| Municipal Manager's Office - Legal Section  | August 2010 | Xolile Ntshulana                 | Capable & extensive knowledge of criminal and civil law       | 11 400.00<br>Excluding VAT  |
| Attend receipt of instructions, perusal and analysing forensic report   |             |                                  |   |                             |
| Municipal Manager's Office - Mayorality & Communications  | August 2010 | Touch Africa                     | 3 Year contract between municipality and company              | 320 000.00<br>Excluding VAT |
| Co-ordination and management fees for the annual Ugu Jazz Festival 2010   |             |                                  |   |                             |
| Municipal Manager's Office - Shared Services  | August 2010 | Hibiscus Coast Municipality      | IDP Support Grant   | 51 666.00<br>Excluding VAT  |
| This grant was transferred to Ugu District Municipality to be shared by all the Ugu family of municipalities        |             |                                  |   |                             |
| Municipal Manager's Office - Shared Services  | August 2010 | Hibiscus Coast Municipality      | IDP Support Grant   | 100 000.00<br>Excluding VAT |
| This grant was transferred to Ugu District Municipality to be shared by all the Ugu family of municipalities        |             |                                  |   |                             |

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| <b>Department</b>   | <b>Date</b> | <b>Successful Tenderer</b>                       | <b>Reason</b>  | <b>Amount</b>               |
|---|-------------|--|--|-----------------------------|
| Municipal Manager's Office - Special Programmes   | August 2010 | Sfiso Ncwane                                     | Preferred professional singer                            | 20 000.00<br>Excluding VAT  |
| <i>Performing on the Women's Day celebration</i>  |             |  |  |                             |
| Municipal Manager's Office - Youth Development Section  | August 2010 | Legacy and Future Events & Exhibition Management | Recommended supplier for this job                        | 4 000.00<br>Excluding VAT   |
| <i>Recording the whole event during the Winter Games</i>  |             |  |  |                             |
| Corporate Services - IT Section   | August 2010 | Alprene Plastic Products (Pty) Ltd               | Slow internet was hampering official work                | 6 944.31<br>Excluding VAT   |
| <i>Urgent upgrade of internet access</i>  |             |  |  |                             |
| Corporate Services - IT Section   | August 2010 | ePages.net                                       | Hosting municipality's website                           | 13 466.70<br>Excluding VAT  |
| <i>Outstanding invoices for the service of hosting the municipality's website, FTP</i>  |             |  |  |                             |
| Corporate Services - IT Section   | August 2010 | Jireth Technologies                              | Previously installed entire wireless network             | 64 914.00<br>Excluding VAT  |
| <i>Installation of wireless link from Park Rynie and Connor Street</i>  |             |  |  |                             |
| Corporate Services - Registry Section   | August 2010 | Nashua Communications                            | Installers of operating system                           | 97 022.44<br>Excluding VAT  |
| <i>Voice cabling and data cabling for Marburg and Park Rynie offices</i>  |             |  |  |                             |
| Corporate Services - Registry Section   | August 2010 | Nashua Communications                            | Installers of operating system                           | 132 374.88<br>Excluding VAT |
| <i>Voice cabling and data cabling for Marburg and Park Rynie offices</i>  |             |  |  |                             |
| Corporate Services - Registry Section   | August 2010 | RNF Contractors                                  | Emergency repair of burst water pipes                    | 36 715.00<br>Excluding VAT  |
| <i>Plumbing service for Oslo Beach, extension of order number Spu027316</i>   |             |  |  |                             |
| Corporate Services - Registry Section   | August 2010 | RNF Contractors                                  | A tender process is in progress                          | 38 501.80<br>Excluding VAT  |
| <i>August handy man, general maintenance work done</i>  |             |  |  |                             |
| IED Department  | August 2010 | Lake Eland                                       | Provided a free venue; charged for lunch only            | 4 800.00<br>Excluding VAT   |
| <i>Business management for Sizuzimpilo Agriculture co-operative</i>   |             |  |  |                             |
| Water Services Authority  | August 2010 | DM Contractors                                   | Emergency work   | 170 000.00<br>Excluding VAT |
| <i>Alterations to be carried at the dumping site to avoid spillage of raw effluent on top of the road</i>                                   |             |  |  |                             |
| Water Services  | August 2010 | Sal Kuhlase Civils CC                            | Additional work  | 93 677.20<br>Excluding VAT  |
| <i>Additional fees on Spu023560, as the job is not finished yet</i>   |             |  |  |                             |
| Water Services - Administration   | August 2010 | PLN Logistics                                    | Extension of contract while new supplier being appointed | 90 092.70<br>Excluding VAT  |
| <i>Emergency water supply</i>   |             |  |  |                             |
| Water Services - Bhobhoyi Plant   | August 2010 | Drain Experts                                    | Emergency work   | 200 000.00<br>Excluding VAT |
| <i>Urgent repairs to a failing sewer system at Bhobhoyi/Mkholombe</i>   |             |  |  |                             |
| Water Services - Melville Water Works   | August 2010 | Teri's Engineering CC                            | Additional work  | 200 000.00<br>Excluding VAT |
| <i>Supply and install walkway 16m, safety hand rail pipe all around, remove existing cat ladder and complete structure to be galvanised</i> |             |  |  |                             |

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| <b>Department</b>   | <b>Date</b>    | <b>Successful Tenderer</b>             | <b>Reason</b>  | <b>Amount</b>               |
|---|----------------|--|--|-----------------------------|
| Water Services - Mkholombe Plant  | August 2010    | RNF contractors                        | Emergency work   | 200 000.00<br>Excluding VAT |
| <i>Urgent repairs to a failing sewer system at Bhobhoyi/Mkholombe</i>                   |                |  |  |                             |
| Water Services - Sanitation Section   | August 2010    | Anthony's Welding Works                | Advised to use contractor on site to carry out the repairs | 3 895.00<br>Excluding VAT   |
| <i>Clarifier has lost it's siphon, pipe is leaking, has to fit 3 new cj couplings</i>   |                |  |  |                             |
| Water Services - Sanitation Section   | August 2010    | Anthony's Welding Works                | Advised to use contractor on site to carry out the repairs | 16 661.10<br>Excluding VAT  |
| <i>Clarifier has lost it's siphon, pipe is leaking, has to fit 3 new cj couplings</i>   |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | September 2010 | Dynatech Information Systems (Pty) Ltd | Installed the operating system in all RMS servers          | 5 985.00<br>Excluding VAT   |
| <i>Transfer backup file from Linux server to Windows backup server</i>                  |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | September 2010 | Payday Software Systems                | Sole Service Provider                                      | 16 691.88<br>Excluding VAT  |
| <i>ESS module consultation hours, travelling and accommodation for the consultant</i>   |                |  |  |                             |
| Municipal Manager's Office - Legal Section  | September 2010 | Aequitas Legal and Business Solutions  | Vast experience in local government legislation            | 19 250.00<br>Excluding VAT  |
| <i>Draft a MOU to be entered into between Ugu and Local Municipalities</i>              |                |  |  |                             |
| Municipal Manager's Office - Legal Section  | September 2010 | Seethal Attorneys                      | Representing the municipality in the BTG matter            | 35 000.00<br>Excluding VAT  |
| <i>Private firm to draft an addendum for complementation of an ERP billing solution</i> |                |  |  |                             |
| Municipal Manager's Office - Legal Section  | September 2010 | Shepstone & Wylie Attorneys            | Commercial law department with proven expertise            | 10 000.00<br>Excluding VAT  |
| <i>Peruse and comment on draft software maintenance agreement</i>                       |                |  |  |                             |
| Municipal Manager's Office - Mayoralty & Communications                                 | September 2010 | Jays Studio                            | Only company locally that can print such an album          | 4 000.00<br>Excluding VAT   |
| <i>Printing of photo album for Ugu Winter Games</i>                                     |                |  |  |                             |
| Municipal Manager's Office - Special Programmes   | September 2010 | Eagles Nest                            | Preferred accommodation                                    | 19 500.00<br>Excluding VAT  |
| <i>Men's workshop (HIV &amp; AIDS) taking place at Eagles Nest (around Margate)</i>     |                |  |  |                             |
| Municipal Manager's Office - Special Programmes   | September 2010 | Sakha Ikhaya                           | Requested to assist with the motivational speaker          | 2 500.00<br>Excluding VAT   |
| <i>Motivational speaker at Women's Day celebrations</i>                                 |                |  |  |                             |
| Municipal Manager's Office - Youth Development Section                                  | September 2010 | Lucky's Sports                         | Preferred supplier   | 6 903.00<br>Excluding VAT   |
| <i>Sports equipment</i>   |                |  |  |                             |
| Municipal Manager's Office - Youth Development Section                                  | September 2010 | Margate Pro Shop                       | Preferred supplier   | 3 000.00<br>Excluding VAT   |
| <i>Supply golfing equipment</i>   |                |  |  |                             |
| Municipal Manager's Office - Youth Development Section                                  | September 2010 | Umqhele B&B                            | Available accommodation                                    | 40 000.00<br>Excluding VAT  |
| <i>Accommodation of Mayor, Body guards and Councillors for the Kwanaloga Games</i>      |                |  |  |                             |
| Municipal Manager's Office - Youth Development Section                                  | September 2010 | Zamandla Business Enterprise           | Preferred supplier   | 4 788.00<br>Excluding VAT   |
| <i>VIP braai on the 08.08.2010 during Winter Games</i>                                  |                |  |  |                             |

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| <b>Department</b>   | <b>Date</b>    | <b>Successful Tenderer</b>             | <b>Reason</b>  | <b>Amount</b>               |
|---|----------------|--|--|-----------------------------|
| Corporate Services - IT Section   | September 2010 | Marburg Haven                          | Only available accommodation                                 | 7 020.00<br>Excluding VAT   |
| <i>LED Forum</i>  |                |  |  |                             |
| Corporate Services - Registry Section   | September 2010 | BFBA Consultants                       | Specific request of service provider                         | 92 625.00<br>Excluding VAT  |
| <i>Consultant access control and time attendance tender specifications</i>                                      |                |  |  |                             |
| Corporate Services - Registry Section   | September 2010 | Full Swing Trading 982 CC              | Additional work  | 4 565.00<br>Excluding VAT   |
| <i>Board room chairs need handles to be replaced</i>  |                |  |  |                             |
| IED Department  | September 2010 | Top View Productions                   | Extension of purchase order Spu026006                        | 5 500.00<br>Excluding VAT   |
| <i>Aerial photograph and internal photographs of the sports stadium</i>   |                |  |  |                             |
| Water Services  | September 2010 | Associated Pumping Services CC         | Strip and Repair quote                                       | 9 800.00<br>Excluding VAT   |
| <i>Strip and repair request of Submersible Pump</i>   |                |  |  |                             |
| Water Services - Workshop Section   | September 2010 | Anthony's Welding Works                | Emergency work   | 16 729.00<br>Excluding VAT  |
| <i>16" Spool piece flange both ends</i>   |                |  |  |                             |
| Water Services - Workshop Section   | September 2010 | Bulk Diesel                            | Only suppliers of bulk diesel in the South Coast Area        | 36 700.00<br>Excluding VAT  |
| <i>5000 Litres of diesel</i>  |                |  |  |                             |
| Municipal Manager's Office  | October 2010   | M E Ngcobo                             | Urgent   | 1 378.60<br>Excluding VAT   |
| <i>Expenses for boxing officials attending meeting (site inspection) in coastland hotel for Kwanaloga Games</i> |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | October 2010   | Cene Business Solutions                | Sole suppliers   | 64 410.00<br>Excluding VAT  |
| <i>Faultman training, travel, testing, street and data conversion</i>   |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | October 2010   | Connection 42                          | Sole suppliers   | 82 613.00<br>Excluding VAT  |
| <i>Consultant's car hire, accommodation, R700 daily allowance</i>   |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | October 2010   | Consolidated African Technologies      | Sole suppliers of Radix machines                             | 2 052.00<br>Excluding VAT   |
| <i>Consultant's travel and miscellaneous experts for meter reading workshop</i>                                 |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | October 2010   | DST Global Solutions                   | Implemented and support the system                           | 5 700.00<br>Excluding VAT   |
| <i>Custima DB backup automation to disk, move files to Windows Server</i>                                       |                |  |  |                             |
| Municipal Manager's Office - ERP Section  | October 2010   | Dynatech Information Systems (Pty) Ltd | SCO Unix expertise and assisting on ad hoc basis for a while | 123 120.00<br>Excluding VAT |
| <i>Custima support and consulting</i>   |                |  |  |                             |
| Municipal Manager's Office - Legal Section  | October 2010   | Paul Preston Attorneys                 | Originally appointed to advise on the matter                 | 42 697.28<br>Excluding VAT  |
| <i>Represent Ugu Municipality in an arbitration matter in respect of ex employee</i>                            |                |  |  |                             |
| Municipal Manager's Office - Legal Section  | October 2010   | Rhugbeer and Associates Attorneys      | Matter of pure legal interpretation                          | 219 446.00<br>Excluding VAT |
| <i>Engage the services of a private legal practitioner to provide an interpretation of the legislation</i>      |                |  |  |                             |

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| <b>Department</b>   | <b>Date</b>  | <b>Successful Tenderer</b>    | <b>Reason</b>   | <b>Amount</b>              |
|---|--------------|-------------------------------|---|----------------------------|
| Municipal Manager's Office - Legal Section  | October 2010 | Spectrum Valuation Services   | Conducted many valuations on behalf of the municipality | 13 030.20<br>Excluding VAT |
| <i>Conducting the valuation of land belonging to the municipality</i>   |              |                               |   |                            |
| Municipal Manager's Office - Mayoralty & Communications   | October 2010 | Shobana's Construction        | Additional work   | 60 994.56<br>Excluding VAT |
| <i>Water proof and seal roof over Mayor's area and Municipal Manager's offices</i>                              |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | John Paul 11 Children Centre  | Preferred venue   | 4 780.00<br>Excluding VAT  |
| <i>Ladies table tennis for Kwanaloga Games 2010 on the 9th and 10th of October, provided lunch and facility</i> |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | John Paul 11 Children Centre  | Preferred venue   | 7 030.00<br>Excluding VAT  |
| <i>Lunch packs for Kwanaloga training on the 16 -17 October 2010</i>  |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Lucky's Sports                | Kits only available at Lucky's                          | 41 043.42<br>Excluding VAT |
| <i>Sports kit, volley and soccer podium</i>   |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Margate Pro Shop              | Preferred supplier                                      | 3 100.00<br>Excluding VAT  |
| <i>Supply golfing equipment</i>   |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Margate Sport School          | Preferred venue   | 8 607.00<br>Excluding VAT  |
| <i>Training facility and catering for Ugu athletes team for Kwanaloga Games 2010</i>                            |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Mathutha Investment           | Donation  | 7 000.00<br>Excluding VAT  |
| <i>Transporting members of the choir from Gamalakhe to Pietermaritzburg</i>                                     |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Port Shepstone Senior Primary | Preferred training centre                               | 8 314.00<br>Excluding VAT  |
| <i>Provision of a hall for the dance on the 16 -17 October and lunch for with juice for 26 delegates</i>        |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Port Shepstone Senior Primary | Preferred training centre                               | 9 190.00<br>Excluding VAT  |
| <i>Catering and training facility for players preparing for Kwanaloga Games</i>                                 |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Sagewise                      | Preferred supplier                                      | 4 389.00<br>Excluding VAT  |
| <i>Providing lunch during training session on the 17 October 2010 for Kwanaloga Games preparations</i>          |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Sagewise                      | Preferred training centre                               | 21 215.40<br>Excluding VAT |
| <i>Providing a facility for training and catering for the players which is dance and rugby females</i>          |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Sagewise                      | Preferred supplier                                      | 25 764.00<br>Excluding VAT |
| <i>Catering and accommodation for players in preparation for Kwanaloga Games</i>                                |              |                               |   |                            |
| Municipal Manager's Office - Youth Development Section  | October 2010 | Sagewise                      | Preferred venue   | 34 726.68<br>Excluding VAT |
| <i>Catering and training facility for players preparing for Kwanaloga Games on 15 -17 October 2010</i>          |              |                               |   |                            |
| Corporate Services  | October 2010 | South African Post Office     | Only place that does bulk mail                          | 10 000.00<br>Excluding VAT |
| <i>Postage for all Ugu departments</i>  |              |                               |   |                            |

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| <b>Department</b>   | <b>Date</b>  | <b>Successful Tenderer</b>     | <b>Reason</b>  | <b>Amount</b>                          |
|---|--------------|--------------------------------|--|--|
| Corporate Services - Skills Development   | October 2010 | Willie Bloem and Associates    | Recommended supplier for training                        | 6 300.00<br>Excluding VAT              |
| <i>Travelling costs for Willie Bloem</i>  |              |                                |  |  |
| Corporate Services - Skills Development   | October 2010 | Willie Bloem and Associates    | Recommended supplier for training                        | 22 500.00<br>Excluding VAT             |
| <i>Disciplinary Hearing training and traveling expenses</i>   |              |                                |  |  |
| Corporate Services - Registry Section   | October 2010 | Ikhayelihle Cleaning Service   | A tender process is in progress                          | 265 320.93<br>Excluding VAT            |
| <i>Contract has expired, rendering services on a month to month basis</i>                               |              |                                |  |  |
| Corporate Services - Registry Section   | October 2010 | Othi Mngathi Cleaning CC       | A tender process is in progress                          | 30 000.00<br>Excluding VAT             |
| <i>Ugu Fresh Produce Market cleaning service extension of Spu026611 by three months</i>                 |              |                                |  |  |
| IED Department  | October 2010 | Ritdec CC                      | Owners of the tea tree nursery                           | 17 578.09<br>Excluding VAT             |
| <i>Operational costs at Ezinqoleni for the tea tree project ( electricity being used)</i>               |              |                                |  |  |
| Treasury Department   | October 2010 | Umdlalo Lodge                  | Only available accommodation                             | 2 677.00<br>Excluding VAT              |
| <i>Provision of accommodation for consultants on asset register compilation</i>                         |              |                                |  |  |
| Treasury Department   | October 2010 | Umdlalo Lodge                  | Only available accommodation                             | 3 656.01<br>Excluding VAT              |
| <i>Provision of accommodation for consultants on asset register compilation</i>                         |              |                                |  |  |
| Water Services  | October 2010 | Absco Contractors              | Work not finished and contract was extended              | 219 446.01<br>Excluding VAT            |
| <i>Extension of contract Ugu-02-953-2009 for the manufacturing and supply of VIP toilets at Umzumbe</i> |              |                                |  |  |
| Water Services  | October 2010 | Oribi Paving                   | Work not finished and contract was extended              | 219 446.01<br>Excluding VAT            |
| <i>Manufacturing &amp; supply of 450 VIP toilets and associated fittings</i>                            |              |                                |  |  |
| Water Services  | October 2010 | Ubomi Cooperative Contractors  | Work not finished and contract was extended              | 219 446.01<br>Excluding VAT            |
| <i>Manufacturing and supply of 400 vip toilets in Vulamehlo</i>   |              |                                |  |  |
| Water Services  | October 2010 | Rothenberger Tools SA          | Sole providers of drain inspection camera                | 55 000.00<br>Excluding VAT             |
| <i>Room pushrod camera with a self-levelling head</i>   |              |                                |  |  |
| Water Services  | October 2010 | PSI Pumps and Mixers           | Strip and Repair quote                                   | 6 904.00<br>24 231.00<br>Excluding VAT |
| <i>Strip and repair request</i>   |              |                                |  |  |
| Water Services - Administration   | October 2010 | Amanzi Ngawethu Contracting CC | Extension of contract while new supplier being appointed | 139 369.76<br>Excluding VAT            |
| <i>Emergency water supply</i>   |              |                                |  |  |
| Water Services - Administration   | October 2010 | Amaphiko Ejuba                 | Extension of contract while new supplier being appointed | 29 383.45<br>Excluding VAT             |
| <i>Emergency water supply</i>   |              |                                |  |  |
| Water Services - Administration   | October 2010 | Crossmor Transport             | Extension of contract while new supplier being appointed | 74 310.84<br>Excluding VAT             |
| <i>Emergency water supply</i>   |              |                                |  |  |

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| <b>Department</b>  | <b>Date</b>   | <b>Successful Tenderer</b>          | <b>Reason</b>  | <b>Amount</b>                 |
|--|---------------|-------------------------------------|--|-------------------------------|
| Water Services - Administration  | October 2010  | Debbie's Hardware                   | Extension of contract while new supplier being appointed | 239 859.01<br>Excluding VAT   |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Water Services - Administration  | October 2010  | Eagle Ukhozi Transport              | Extension of contract while new supplier being appointed | 254 329.04<br>Excluding VAT   |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Water Services - Administration  | October 2010  | Magma Trading                       | Extension of contract while new supplier being appointed | 238 425.36<br>Excluding VAT   |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Water Services - Administration  | October 2010  | Masakhane Tankers                   | Extension of contract while new supplier being appointed | 233 927.08<br>Excluding VAT   |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Water Services - Administration  | October 2010  | Simuma Transport                    | Extension of contract while new supplier being appointed | 347 670.42<br>Excluding VAT   |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Water Services - Administration  | October 2010  | SS Maintenance                      | Emergency water to Ezinqoleni and Umzumbe South          | 1 046 389.36<br>Excluding VAT |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Water Services - Administration  | October 2010  | Wasteng (Pty) Ltd                   | Extension of contract while new supplier being appointed | 198 335.80<br>Excluding VAT   |
| <i>Emergency water supply</i>  |               |                                     |  |                               |
| Municipal Manager's Office - Legal Section   | November 2010 | Aequitas Legal & Business Solutions | Experts in the field of commercial law                   | 20 000.00<br>Excluding VAT    |
| <i>Draft of a lease agreement for hire of facilities at Ugu Sports Complex</i>   |               |                                     |  |                               |
| Municipal Manager's Office - Legal Section   | November 2010 | Lexis Nexis                         | Books available at Lexis Nexis only                      | 8 410.71<br>Excluding VAT     |
| <i>Supply of Constitution of RSA, Structures Act, Systems Act and MFMA</i>   |               |                                     |  |                               |
| Municipal Manager's Office - Youth Development Section   | November 2010 | John Paul 11 Children Centre        | Preferred venue  | 2 380.00<br>Excluding VAT     |
| <i>Providing training facility and catering in preparation of the tournament for the tennis players in December 2010</i> |               |                                     |  |                               |
| Municipal Manager's Office - Youth Development Section   | November 2010 | Lucky's Sports                      | Lucky's provided required sample                         | 187 005.00<br>Excluding VAT   |
| <i>411 Track suits be done for players during Kwanaloga Games and 411 3/4 pants and t-shirts for the games</i>           |               |                                     |  |                               |
| Municipal Manager's Office - Youth Development Section   | November 2010 | Port Shepstone Primary School       | Preferred supplier                                       | 3 630.00<br>Excluding VAT     |
| <i>Providing catering during training camp</i>   |               |                                     |  |                               |
| Municipal Manager's Office - Youth Development Section   | November 2010 | Port Shepstone Primary School       | Preferred supplier                                       | 4 800.00<br>Excluding VAT     |
| <i>Providing catering during training camp</i>   |               |                                     |  |                               |
| Municipal Manager's Office - Youth Development Section   | November 2010 | Port Shepstone Primary School       | Preferred supplier                                       | 10 340.00<br>Excluding VAT    |
| <i>Providing catering during training camp for 26 dance team members and 18 female rugby players</i>                     |               |                                     |  |                               |
| Municipal Manager's Office - Youth Development Section   | November 2010 | Sagewise                            | Preferred supplier                                       | 2 640.00<br>Excluding VAT     |
| <i>Training and catering for boxing players during the Kwanaloga Games</i>   |               |                                     |  |                               |



**UGU DISTRICT MUNICIPALITY**  
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| <b>Department</b>   | <b>Date</b>   | <b>Successful Tenderer</b> | <b>Reason</b>  | <b>Amount</b>                 |
|---|---------------|----------------------------|--|-------------------------------|
| Municipal Manager's Office - Youth Development Section  | November 2010 | Sagewise                   | Preferred supplier                                       | 8 640.00<br>Excluding VAT     |
| <i>Provision of catering, accommodation and training for players during Kwanaloga Games</i>   |               |                            |  |                               |
| Municipal Manager's Office - Youth Development Section  | November 2010 | South Coast Academy        | Preferred supplier                                       | 2 200.00<br>Excluding VAT     |
| <i>Catering for male rugby players during the Kwanaloga Games</i>   |               |                            |  |                               |
| Municipal Manager's Office - Youth Development Section  | November 2010 | South Coast Academy        | Preferred supplier                                       | 7 150.00<br>Excluding VAT     |
| <i>Catering in preparation of the tournament</i>  |               |                            |  |                               |
| Corporate Services - IT Section   | November 2010 | Key Computers              | Very urgent work to be done                              | 6 565.80<br>Excluding VAT     |
| <i>Repair network points</i>  |               |                            |  |                               |
| Corporate Services - IT Section   | November 2010 | Key Computers              | Preferred supplier                                       | 143 897.36<br>Excluding VAT   |
| <i>Purchase laptops for new employees in Water Services</i>   |               |                            |  |                               |
| Corporate Services - Registry Section   | November 2010 | RNF Contractors            | Contract expired; still busy with the tender process     | 50 611.78<br>Excluding VAT    |
| <i>Extension of a contract on a month to month basis</i>  |               |                            |  |                               |
| IED Department  | November 2010 | MGM Holdings               | Additional work  | 17 624.40<br>Excluding VAT    |
| <i>Professional services rendered towards the application of the rezoning at Creston College</i>  |               |                            |  |                               |
| Water Services - Administration   | November 2010 | Magma Trading              | Extension of contract while new supplier being appointed | 66 184.02<br>Excluding VAT    |
| <i>Emergency water supply</i>   |               |                            |  |                               |
| Water Services - Manager Control Centre   | November 2010 | Galoshe Trading            | Will take longer if they get someone else to do the job  | 8 500.00<br>Excluding VAT     |
| <i>Galoshe contracted to erect fence at Margate WWTW, but there were large trees which were identified as an obstruction to the works</i> |               |                            |  |                               |
| Water Services - Area North   | November 2010 | LNY Construction           | Very urgent work to be done                              | 31 030.80<br>Excluding VAT    |
| <i>Repair of a pipe at Umthwalume bridge</i>  |               |                            |  |                               |
| Water Services - GIS Section  | November 2010 | Regma                      | Sole suppliers   | 13 592.22<br>Excluding VAT    |
| <i>Plotter machine repairs</i>  |               |                            |  |                               |
| Water Services - Project Management Unit  | November 2010 | Sanyathi Construction      | Shortening Bid Process                                   | 3 405 097.01<br>Excluding VAT |
| <i>Pump station buildings and associated works at Uvongo - Contract: Ugu-02-975-2009 ( Additional)</i>                                    |               |                            |  |                               |
| Municipal Manager's Office - Legal Section  | December 2010 | Paul Preston Attorneys     | This firm drafted the municipal by-laws                  | 7 069.00<br>Excluding VAT     |
| <i>To engage services of a private firm to the municipality in various by law enforcement matters</i>                                     |               |                            |  |                               |
| Municipal Manager's Office - Legal Section  | December 2010 | Sandile Dlomo Inc          | Firm's experience with Local Government                  | 70 000.00<br>Excluding VAT    |
| <i>To engage services of a private legal practitioner to assist with the drafting of sponsorship policy for the municipality</i>          |               |                            |  |                               |
| Municipal Manager's Office - Mayoralty & Communications   | December 2010 | SHK Constructions          | Only company that can supply the services required       | 55 005.00<br>Excluding VAT    |
| <i>Supplied with services during Kwanaloga Games in Richards Bay (Tents, Security Guards)</i>   |               |                            |  |                               |

**UGU DISTRICT MUNICIPALITY**  
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| <b>Department</b>  | <b>Date</b>   | <b>Successful Tenderer</b>    | <b>Reason</b>   | <b>Amount</b>              |
|--|---------------|-------------------------------|---|----------------------------|
| Municipal Manager's Office - Youth Development Section   | December 2010 | Port Shepstone Primary School | Preferred venue   | 11 770.00<br>Excluding VAT |
| <i>Provide facility for catering and training for the players which is dance, rugby females, ladies soccer and volley ball</i> |               |                               |   |                            |
| Municipal Manager's Office - Youth Development Section   | December 2010 | Lucky's Sports                | Material available at Lucky's Sports                          | 18 897.00<br>Excluding VAT |
| <i>Lucky's Sports have provided us with the training equipment to be used by our district teams during Kwanaloga Games</i>     |               |                               |   |                            |
| Corporate Services - Human Resources Section   | December 2010 | M A Makinyane & Associates    | Preferred supplier  | 35 750.00<br>Excluding VAT |
| <i>Payment to Makinyane for Mbonane's hearing</i>  |               |                               |   |                            |
| Corporate Services - Registry Section  | December 2010 | Car Plates and Signs          | Order extended while waiting for the suppliers to quote       | 20 249.82<br>Excluding VAT |
| <i>Extension of order no Spu026244 for locksmith services rendered</i>   |               |                               |   |                            |
| Corporate Services - Registry Section  | December 2010 | Mzimkhulu Electrical CC       | Tender now depleted; a tender process is in progress          | 44 621.35<br>Excluding VAT |
| <i>Electrical maintenance</i>  |               |                               |   |                            |
| IED Department   | December 2010 | MGM Holdings                  | Additional work   | 88 802.00<br>Excluding VAT |
| <i>Disbursements that were never claimed during the roll of emerging contractors development programme</i>                     |               |                               |   |                            |
| Water Services - Administration  | December 2010 | Magma Trading                 | New tender process is going on                                | 75 449.78<br>Excluding VAT |
| <i>Emergency water supply and the contract has expired</i>   |               |                               |   |                            |
| Water Services - Purification  | December 2010 | Labware Africa                | Reimbursement   | 5 208.45<br>Excluding VAT  |
| <i>Reimbursement for the accommodation of Sphelele Ndaba and Phindile Mbutho</i>   |               |                               |   |                            |
| Water Services - Purification  | December 2010 | Labware Africa                | Services utilised nationwide for similar work required by Ugu | 17 738.40<br>Excluding VAT |
| <i>Professional services rendered on site for configuration of laboratory computers</i>  |               |                               |   |                            |
| Water Services - Purification  | December 2010 | Labware Africa                | Services utilised nationwide for similar work required by Ugu | 26 607.60<br>Excluding VAT |
| <i>3 Days consulting for training after going live with LIMS system</i>  |               |                               |   |                            |
| Water Services - Purification  | December 2010 | Labware Africa                | Services utilised nationwide for similar work required by Ugu | 54 948.00<br>Excluding VAT |
| <i>Annual software maintenance help desk support for 2010</i>  |               |                               |   |                            |
| Municipal Manager's Office - Shared Services   | January 2011  | Estuary County Hotel          | Only available conference facility                            | 29 801.00<br>Excluding VAT |
| <i>Venue for Lekgotla on the 17 - 18 January 2011</i>  |               |                               |   |                            |
| Municipal Manager's Office - Youth Development Section   | January 2011  | Kapenta Bay Hotel             | Sponsored one night for the event                             | 16 283.00<br>Excluding VAT |
| <i>Accommodation for 35 nominees during the Ugu District Youth Awards</i>  |               |                               |   |                            |
| Municipal Manager's Office - Youth Development Section   | January 2011  | Loxion Records                | Cheaper than the supplier which was used previously           | 15 300.00<br>Excluding VAT |
| <i>Television coverage for Ugu District Youth Awards on 15 January 2011</i>  |               |                               |   |                            |
| Corporate Services - IT Section  | January 2011  | CSS Tirisano                  | Very Urgent   | 40 928.85<br>Excluding VAT |
| <i>Websense server licenses</i>  |               |                               |   |                            |

**UGU DISTRICT MUNICIPALITY**  
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| Department   | Date          | Successful Tenderer | Reason   | Amount                        |
|--|---------------|---------------------|--|-------------------------------|
| Corporate Services - Registry Section  | January 2011  | Rentokil Initial    | New tender process is going on                       | 328 664.92<br>Excluding VAT   |
| <i>Hygiene services at various offices of Ugu District Municipality</i>  |               |                     |  |                               |
| Corporate Services - IT Section  | February 2011 | Ubuntu Technologies | Preferred supplier                                   | 23 453.70<br>Excluding VAT    |
| <i>Server licenses</i>   |               |                     |  |                               |
| Municipal Manager's Office   | April 2011    | Cyassound           | Ugu Jazz Festival                                    | 623 850.00<br>Excluding VAT   |
| <i>Paid artists for Ugu Jazz Festival</i>  |               |                     |  |                               |
| Municipal Manager's Office   | June 2011     | Axnosis (Pty) Ltd   | Implementation of different phases of the AX System. | 4 674 169.00<br>Excluding VAT |
| <i>Axnosis was implementing under BTG's control until main contract was determined; hence Axnosis continued implementation</i> |               |                     |  |                               |

Furthermore, the municipality has made the following awards to persons in service of Government Institutions contrary to the provisions of paragraphs 44 and 45 of the Municipal Supply Chain Management Regulations:

| Company Name                           | Related Person               | Company Capacity | Municipal Capacity    | Purchases for the Year | Purchases for the Year |
|--|------------------------------|------------------|-----------------------|------------------------|------------------------|
| Plain Trading 38                       | NF Shusha                    |                  | Councillor            | -                      | 36 350                 |
| Silangwe and Vezi Funeral Services     | TE Vezi                      |                  | Councillor            | 2 300                  | 13 000                 |
| Canaan Productions t/a Lighthouse      | E Enoch                      |                  | Employee              | -                      | 16 310                 |
| Dan's Cleaning Services                | T Malishe                    |                  | Employee              | 41 520                 | 22 096                 |
| Dlambula Trading Enterprise            | PS Mbele                     |                  | Employee              | -                      | 70 650                 |
| Mpikeleli Contractors                  | HR Zulu                      |                  | Employee              | -                      | 1 900                  |
| Ncokwane Trading Enterprise            | PP Chili                     |                  | Employee              | 33 550                 | -                      |
| Victorson Building CC                  | TB Mhlongo                   |                  | Employee              | 157 700                | -                      |
| Vovoletu Function and Catering         | Z Mbhele                     |                  | Employee              | 40 538                 | 37 500                 |
| Amphephethwa Trading & Farming Pr      | Cynthia Zanele Nzimande      |                  | KZ: Education         | 7 414                  | -                      |
| Bhayi Ka Ketshe Investments CC         | Sigqibo Cetywa               |                  | NAT: Correctional S   | 45 018                 | -                      |
| Bigen Africa Consulting Engine         | Iraj Abedian                 |                  | NAT: Minerals Reso    | 117 306                | -                      |
| Blueline Transport CC                  | Corrida Thembekile Cele      |                  | KZ: Health            | 3 600                  | -                      |
| Botlebembali Trading CC                | Linky Thembeka Chemane       |                  | KZ: Education         | 12 000                 | -                      |
| Cool Sounds Trading                    | SP Msomi                     |                  | KZN Education         | -                      | 115 800                |
| DPI Ichweba                            | MB Ntuli                     |                  | KZN Legislature       | 529                    | 24 564                 |
| Emgee Agencies                         | S Moodley                    |                  | KZN Education         | 7 831                  | 35 549                 |
| Fahama Trading Enterprise CC           | Philisiwe Innocentia Mhlanga |                  | KZ: Sport and Recre   | 177 952                | -                      |
| Gender Links                           | Thenjiwe Mtintso             |                  | NAT: International R  | 3 420                  | -                      |
| Hlalunolwazi Development Enter         | Bongiwe Gloria Dunywa        |                  | KZ: Education         | 37 700                 | -                      |
| Isifiso Sika Ndlovu Contracting and Tr | Fredrick Sifiso Ndlovu       |                  | KZ: Education         | 1 044 751              | -                      |
| Isiqunga Transposrt CC                 | Phumlani Heophilus Ccele     |                  | KZ: Health            | 69 100                 | -                      |
| Khalamazo Trading and Investments C    | Nosipho Zinhle Zulu          |                  | KZ: Health            | 27 421                 | -                      |
| Mafuthe Ngusha Trading                 | Thulani Comfort Ngcobo       |                  | KZ: Agri Env Aff Rur  | 5 250                  | -                      |
| Masibusiseke Trading CC                | Harriet Nana Majola          |                  | KZ: Health            | 71 986                 | -                      |
| Masizikhulise Construction & Other Se  | Doreen Lindiwe Ndlovu        |                  | KZ: Transport         | 205 972                | -                      |
| Mathutha Investments                   | MB Cele                      |                  | KZN Transport         | -                      | 270 826                |
| Mlethi Catering                        | RT Mlethi                    |                  | KZN Education         | 26 390                 | 18 000                 |
| Mnqobi Catering and Services           | NP Ntozakhe                  |                  | KZN Education         | 10 500                 | 7 800                  |
| Mpikeleli Contractors                  | TP Zulu                      |                  | KZN Transport         | -                      | 8 000                  |
| Mohlapone Trading CC                   | Morongoe Mohapi              |                  | GP: Education         | 30 825                 | -                      |
| Nelimo Trading                         | MN Nzama                     |                  | KZN Education         | 24 415                 | 190 675                |
| Nhlanhla and Thobi Trading CC          | Bathobi Janet Chiliza        |                  | KZ: Health            | 11 112                 | -                      |
| Pure Magic Trading 23 CC               | Siboniso Armstrong Duma      |                  | KZ: Provincial Legisl | 791 779                | -                      |

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| Company Name                          | Related Person               | Company Capacity | Municipal Capacity   | 2011<br>R<br>Purchases<br>for the Year | 2010<br>R<br>Purchases<br>for the Year |
|---------------------------------------|------------------------------|------------------|----------------------|--|--|
| SHK Construction CC                   | Siduduziwe Elizabeth Mncwabe |                  | KZ: Education        | 55 005                                 | -                                      |
| Sabinet Online                        | MD Ralebipi-Simela           |                  | Dept Labour          | -                                      | 21 569                                 |
| Sakhisizwe Garden Services            | NA Mngadi                    |                  | KZN Education        | -                                      | 118 422                                |
| Shinga Construction                   | SD Mthembu                   |                  | KZN Transport        | -                                      | 133 000                                |
| Sibiya Ngwazi Construction Supplies   | J Khomo                      |                  | KZN Health           | 3 665                                  | 104 850                                |
| Sojangwe Trading CC                   | Nonkululeko Cibane           |                  | KZ: Health           | 387 545                                | -                                      |
| Sthembu Buntu General Trading         | Octavia Queen Cele           |                  | KZ: Education        | 20 000                                 | -                                      |
| Thengani Lodge CC                     | Bonisiwe Getrude Zungu       |                  | KZ: Education        | 535                                    | -                                      |
| Ubala Trading                         | R Govender                   |                  | SA Police Service    | -                                      | 68 699                                 |
| Ubucubu Home Industries CC            | Teressa Duduzile Mkhwanazi   |                  | KZ: Agri Env Aff Rur | 34 713                                 | -                                      |
| Vanmor Electrical                     | M Reddy                      |                  | KZN Education        | 112 748                                | 21 889                                 |
| Victorson Building                    | NA Mngadi                    |                  | KZN Education        | -                                      | 86 528                                 |
| Vuka Africa Aerial Surveys and Mappir | Lizwi Ncwane                 |                  | NAT: Justice & Cons  | 94 750                                 | -                                      |
| Xabe Mjelo Trading Enterprise CC      | Mandisa Mjelo                |                  | KZ: Education        | 119 339                                | -                                      |
| Zin Zan General Suppliers CC          | Eugenia Zinhle Memela        |                  | KZ: Education        | 80 000                                 | -                                      |
| Ziphephise Trading                    | CM Mahlawe                   |                  | SA Police Service    | -                                      | 40 267                                 |
| Zongwana Projects CC                  | Nokonwabisa Maud Zongwana    |                  | KZ: Education        | 98 392                                 | -                                      |
| <b>Total Purchases</b>                |                              |                  |                      | <b><u>4 014 570</u></b>                | <b><u>1 464 243</u></b>                |

**48. COMMITMENTS FOR EXPENDITURE**

**48.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

|                                 | <b>108 143 960</b> | <b>168 461 806</b> |
|---------------------------------|--------------------|--------------------|
| <i>Infrastructure</i>           | 105 364 318        | 155 700 110        |
| <i>Community</i>                | 67 447             | 67 447             |
| <i>Heritage</i>                 | -                  | -                  |
| <i>Other</i>                    | 2 712 195          | 12 694 249         |
| <i>Housing Development Fund</i> | -                  | -                  |
| <i>Investment Properties</i>    | -                  | -                  |

**- Approved but Not Yet contracted for:-**

|                                 | <b>62 377 533</b> | <b>26 241 474</b> |
|---------------------------------|-------------------|-------------------|
| <i>Infrastructure</i>           | 32 528 749        | 23 549 937        |
| <i>Community</i>                | -                 | -                 |
| <i>Heritage</i>                 | -                 | -                 |
| <i>Other</i>                    | 29 848 784        | 2 691 537         |
| <i>Housing Development Fund</i> | -                 | -                 |
| <i>Investment Properties</i>    | -                 | -                 |

**Total Capital Commitments**

|                           |                           |
|---------------------------|---------------------------|
| <b><u>170 521 492</u></b> | <b><u>194 703 280</u></b> |
|---------------------------|---------------------------|

This expenditure will be financed from:

|                             |                           |                           |
|-----------------------------|---------------------------|---------------------------|
| External Loans              | -                         | 49 249 143                |
| Capital Replacement Reserve | -                         | -                         |
| Government Grants           | 105 142 378               | 100 908 625               |
| District Council Grants     | -                         | -                         |
| Public Contributions        | -                         | -                         |
| Own Resources               | 65 379 114                | 44 545 512                |
|                             | <b><u>170 521 492</u></b> | <b><u>194 703 280</u></b> |

**48.2 Lease Commitments**

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 3 and 10.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  |                                   | 2011<br>R  | 2010<br>R   |
|--|-----------------------------------|------------|-------------|
| <b>49. FINANCIAL INSTRUMENTS</b>   |                                   |            |             |
| <b>49.1 Classification</b>   |                                   |            |             |
| <b>FINANCIAL ASSETS:</b>   |                                   |            |             |
| In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows: |                                   |            |             |
| <u>Financial Assets</u>  | <u>Classification</u>             |            |             |
| <b>Long-term Receivables</b>   |                                   |            |             |
| Relocation Loans   | Amortised cost                    | 15 155     | 10 496      |
| Sundry Loans   | Amortised cost                    | 11 093     | 18 293      |
| <b>Trade Receivables from Exchange Transactions</b>  |                                   |            |             |
| Sewerage   | Amortised cost                    | 14 581 993 | 9 955 238   |
| Water  | Amortised cost                    | 10 341 690 | 11 241 100  |
| Water Rate Debtors   | Amortised cost                    | 8 710 157  | 21 354 635  |
| Other Trade Debtors  | Amortised cost                    | 6 203 264  | 2 724 774   |
| <b>Trade Receivables from Non-exchange Transactions</b>  |                                   |            |             |
| Payments made in Advance   | Amortised cost                    | 1 483 307  | -           |
| Government Subsidy Claims  | Amortised cost                    | 3 630 655  | -           |
| Insurance Claims   | Amortised cost                    | 901 215    | -           |
| Municipal Entities   | Amortised cost                    | 50 979     | 10 470      |
| Sundry Deposits  | Amortised cost                    | 1 017 415  | 1 017 415   |
| Sundry Debtors   | Amortised cost                    | 1 040 985  | 2 789 037   |
| <b>Bank,Cash and Cash Equivalentents</b>   |                                   |            |             |
| Call Deposits  | Fair value                        | 10 986 355 | 26 546 485  |
| Notice Deposits  | Amortised cost                    | 5 754 880  | 5 488 964   |
| Short-term Portion of Investments  | Amortised cost                    | -          | 17 838 885  |
| Bank Balances  | Fair value                        | 24 963 783 | 102 857 239 |
| Cash Floats and Advances   | Fair value                        | 4 910      | 5 110       |
| <b>Current Portion of Long-term Receivables</b>  |                                   |            |             |
| Relocation Loans   | Amortised cost                    | 9 827      | 11 158      |
| Sundry Loans   | Amortised cost                    | 3 600      | -           |
| <b>SUMMARY OF FINANCIAL ASSETS</b>   |                                   |            |             |
| <b>Financial Assets at Amortised Cost:</b>   |                                   |            |             |
| Long-term Receivables  | Relocation Loans                  | 15 155     | 10 496      |
| Long-term Receivables  | Sundry Loans                      | 11 093     | 18 293      |
| Trade Receivables from Exchange Transactions   | Sewerage                          | 14 581 993 | 9 955 238   |
| Trade Receivables from Exchange Transactions   | Water                             | 10 341 690 | 11 241 100  |
| Trade Receivables from Exchange Transactions   | Water Rate Debtors                | 8 710 157  | 21 354 635  |
| Trade Receivables from Exchange Transactions   | Other Trade Debtors               | 6 203 264  | 2 724 774   |
| Trade Receivables from Non-exchange Transactions   | Payments made in Advance          | 1 483 307  | -           |
| Trade Receivables from Non-exchange Transactions   | Government Subsidy Claims         | 3 630 655  | -           |
| Trade Receivables from Non-exchange Transactions   | Insurance Claims                  | 901 215    | -           |
| Trade Receivables from Non-exchange Transactions   | Municipal Entities                | 50 979     | 10 470      |
| Trade Receivables from Non-exchange Transactions   | Sundry Deposits                   | 1 017 415  | 1 017 415   |
| Trade Receivables from Non-exchange Transactions   | Sundry Debtors                    | 1 040 985  | 2 789 037   |
| Current Portion of Long-term Receivables   | Officials: Relocation Loans       | 9 827      | 11 158      |
| Current Portion of Long-term Receivables   | Sundry Loans                      | 3 600      | -           |
| Bank,Cash and Cash Equivalentents  | Notice Deposits                   | 5 754 880  | 5 488 964   |
| Bank,Cash and Cash Equivalentents  | Short-term Portion of Investments | -          | 17 838 885  |
|  |                                   | 53 756 215 | 72 460 465  |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  |                          | 2011<br>R         | 2010<br>R          |
|--|--------------------------|-------------------|--------------------|
| <b>Financial Assets at Fair Value:</b> |                          |                   |                    |
| Bank, Cash and Cash Equivalents        | Call Deposits            | 10 986 355        | 26 546 485         |
| Bank, Cash and Cash Equivalents        | Bank Balances            | 24 963 783        | 102 857 239        |
| Bank, Cash and Cash Equivalents        | Cash Floats and Advances | 4 910             | 5 110              |
|  |                          | 35 955 047        | 129 408 834        |
| <b>Total Financial Assets</b>          |                          | <b>89 711 262</b> | <b>201 869 299</b> |

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

| <u>Financial Liabilities</u>                    | <u>Classification</u>                   |             |             |
|---|---|-------------|-------------|
| <b>Long-term Liabilities</b>                    |   |             |             |
| Annuity Loans                                   | Financial liabilities at amortised cost | 214 729 133 | 219 097 288 |
| Finance Lease Liabilities                       | Financial liabilities at amortised cost | 519 948     | 2 176 914   |
| <b>Consumer Deposits</b>                        |   |             |             |
| Water   | Financial liabilities at amortised cost | 18 266 771  | 17 765 540  |
| <b>Creditors</b>                                |   |             |             |
| Trade Creditors                                 | Financial liabilities at amortised cost | 61 952 793  | 28 528 521  |
| Payments received in Advance                    | Financial liabilities at amortised cost | 2 853 255   | 3 173 485   |
| Retentions                                      | Financial liabilities at amortised cost | 1 375 275   | 11 802 594  |
| Staff Bonuses                                   | Financial liabilities at amortised cost | 7 843 118   | 7 220 811   |
| Staff Leave                                     | Financial liabilities at amortised cost | 8 426 016   | 8 035 498   |
| Projects  | Financial liabilities at amortised cost | 33 794 957  | 49 795 096  |
| Other Creditors                                 | Financial liabilities at amortised cost | 33 060 796  | 14 396 892  |
| <b>Bank Overdraft</b>                           |   |             |             |
| Bank Overdraft                                  | Financial liabilities at amortised cost | -           | 4 465       |
| <b>Current Portion of Long-term Liabilities</b> |   |             |             |
| Local Registered Stock                          | Financial liabilities at amortised cost | -           | 20 300 000  |
| Annuity Loans                                   | Financial liabilities at amortised cost | 10 462 124  | 7 018 972   |
| Finance Lease Liabilities                       | Financial liabilities at amortised cost | 2 400 712   | 6 965 865   |

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

|  |                           |             |             |
|--|---------------------------|-------------|-------------|
| Long-term Liabilities                    | Annuity Loans             | 214 729 133 | 219 097 288 |
| Long-term Liabilities                    | Finance Lease Liabilities | 519 948     | 2 176 914   |
| Creditors                                | Trade Creditors           | 61 952 793  | 28 528 521  |
| Creditors                                | Retentions                | 1 375 275   | 11 802 594  |
| Creditors                                | Staff Bonuses             | 7 843 118   | 7 220 811   |
| Creditors                                | Staff Leave               | 8 426 016   | 8 035 498   |
| Creditors                                | Projects                  | 33 794 957  | 49 795 096  |
| Creditors                                | Other Creditors           | 33 060 796  | 14 396 892  |
| Current Portion of Long-term Liabilities | Local Registered Stock    | -           | 20 300 000  |
| Current Portion of Long-term Liabilities | Annuity Loans             | 10 462 124  | 7 018 972   |
| Current Portion of Long-term Liabilities | Finance Lease Liabilities | 2 400 712   | 6 965 865   |
|  |                           | 374 564 871 | 375 338 451 |

**Financial Liabilities at Fair Value:**

|                                    |                              |                    |                    |
|------------------------------------|------------------------------|--------------------|--------------------|
| Consumer Deposits                  | Electricity and Water        | 18 266 771         | 17 765 540         |
| Creditors                          | Payments received in Advance | 2 853 255          | 3 173 485          |
| Bank Overdraft                     | Bank Overdraft               | -                  | 4 465              |
|                                    |                              | 21 120 026         | 20 943 490         |
| <b>Total Financial Liabilities</b> |                              | <b>395 684 897</b> | <b>396 281 941</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|             |             |
|-------------|-------------|
| <b>2011</b> | <b>2010</b> |
| <b>R</b>    | <b>R</b>    |

**49.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash and Short-term Investments**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

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

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

The Financial Instruments of the municipality have been reclassified as disclosed in Note 39.1, Change in Accounting Policy.

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

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**UGU DISTRICT MUNICIPALITY**  
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|   | 2011     |                      |          | 2010                 |
|---|----------|----------------------|----------|----------------------|
|   | R        |                      |          | R                    |
| 30 June 2011                                | Level 1  | Level 2              | Level 3  | Total                |
|   | R        | R                    | R        | R                    |
| <b>FINANCIAL ASSETS</b>                     |          |                      |          |                      |
| <b>Financial Instruments at Fair Value:</b> |          |                      |          |                      |
| Notice Deposits                             | -        | 5 754 880            | -        | 5 754 880            |
| Call Deposits                               | -        | 10 986 355           | -        | 10 986 355           |
| Bank Balances and Cash                      | -        | 24 968 692           | -        | 24 968 692           |
| <b>Total Financial Assets</b>               | <u>-</u> | <u>41 709 927</u>    | <u>-</u> | <u>41 709 927</u>    |
| <b>FINANCIAL LIABILITIES</b>                |          |                      |          |                      |
| <b>Financial Instruments at Fair Value:</b> |          |                      |          |                      |
| Annuity Loans                               | -        | 214 729 133          | -        | 214 729 133          |
| Finance Lease Liabilities                   | -        | 519 948              | -        | 519 948              |
| Bank Overdraft                              | -        | -                    | -        | -                    |
| <b>Total Financial Liabilities</b>          | <u>-</u> | <u>215 249 080</u>   | <u>-</u> | <u>215 249 080</u>   |
| <b>Total Financial Instruments</b>          | <u>-</u> | <u>(173 539 153)</u> | <u>-</u> | <u>(173 539 153)</u> |
| <b>30 June 2010</b>                         |          |                      |          |                      |
|   | Level 1  | Level 2              | Level 3  | Total                |
|   | R        | R                    | R        | R                    |
| <b>FINANCIAL ASSETS</b>                     |          |                      |          |                      |
| <b>Financial Instruments at Fair Value:</b> |          |                      |          |                      |
| Notice Deposits                             | -        | 5 488 964            | -        | 5 488 964            |
| Call Deposits                               | -        | 26 546 485           | -        | 26 546 485           |
| Short-term Portion of Investments           | -        | 17 838 885           | -        | 17 838 885           |
| Bank Balances and Cash                      | -        | 102 862 349          | -        | 102 862 349          |
| <b>Total Financial Assets</b>               | <u>-</u> | <u>152 736 683</u>   | <u>-</u> | <u>152 736 683</u>   |
| <b>FINANCIAL LIABILITIES</b>                |          |                      |          |                      |
| <b>Financial Instruments at Fair Value:</b> |          |                      |          |                      |
| Annuity Loans                               | -        | 219 097 288          | -        | 219 097 288          |
| Finance Lease Liabilities                   | -        | 2 176 914            | -        | 2 176 914            |
| Bank Overdraft                              | -        | 4 465                | -        | 4 465                |
| <b>Total Financial Liabilities</b>          | <u>-</u> | <u>221 278 667</u>   | <u>-</u> | <u>221 278 667</u>   |
| <b>Total Financial Instruments</b>          | <u>-</u> | <u>(68 541 984)</u>  | <u>-</u> | <u>(68 541 984)</u>  |

**49.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

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



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**Gearing Ratio**

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

The gearing ratio at the year-end was as follows:

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Debt                            | 228 111 916   | 255 559 040   |
| Bank, Cash and Cash Equivalents | (24 968 692)  | (102 862 349) |
| Net Debt                        | 203 143 223   | 152 696 690   |
| Total Capital                   | 1 172 619 410 | 1 019 528 540 |
| <b>Net debt to equity ratio</b> | <b>17.32%</b> | <b>14.98%</b> |

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

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

**49.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

**49.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R                      2010  
R

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 to the Annual Financial Statements.

**49.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.8 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**49.6.1 Foreign Currency Risk Management**

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

**49.6.2 Interest Rate Risk Management**

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

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

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

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

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

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

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

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|             |             |
|-------------|-------------|
| <b>2011</b> | <b>2010</b> |
| <b>R</b>    | <b>R</b>    |

**Interest Rate Sensitivity Analysis**

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Notes 49.8 and 49.9 below.

*Cash and Cash Equivalents:*

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2011 would have decreased / increased by R826 769 (2009: decreased / increased by R1 067 152). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**49.7 Credit Risk Management**

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

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

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

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

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

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

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**2011**  
R                      **2010**  
R

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

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

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

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

| Counterparty and Location            | 30 June 2011 |                 | 30 June 2010 |                 |
|--------------------------------------|--------------|-----------------|--------------|-----------------|
|                                      | Credit Limit | Carrying Amount | Credit Limit | Carrying Amount |
|                                      | R            | R               | R            | R               |
| Hyprop Investments                   | -            | 615 951         | -            | -               |
| San Lameer Estate Management         | -            | 472 342         | -            | -               |
| Sisonke District Municipality        | -            | 426 960         | -            | 590 172         |
| South African Police Services (Jail) | -            | 413 025         | -            | 789 105         |
| Umdoni Municipality (Fire Hydrants)  | -            | 384 428         | -            | -               |
| Margate Police Station               | -            | -               | -            | 517 037         |
| T O Onderlinge Maatskappy            | -            | -               | -            | 470 623         |
| Department Public Works              | -            | -               | -            | 386 061         |
|                                      |              |                 | <b>2011</b>  | <b>2010</b>     |
|                                      |              |                 | R            | R               |

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

|  |             |             |
|--|-------------|-------------|
| Fixed Deposit Investments                        | 100         | 100         |
| Long-term Receivables                            | 39 675      | 39 947      |
| Trade Receivables from Exchange Transactions     | 110 480 919 | 88 709 703  |
| Trade Receivables from Non-exchange Transactions | 11 700 338  | 6 702 146   |
| Bank, Cash and Cash Equivalents                  | 41 709 927  | 152 732 218 |

**Maximum Credit and Interest Risk Exposure**

|                    |                    |
|--------------------|--------------------|
| <b>163 930 960</b> | <b>248 184 115</b> |
|--------------------|--------------------|

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

|                                      | %           | %           |
|--------------------------------------|-------------|-------------|
| Consumer Debtors:                    |             |             |
| - Household                          | 65%         | 68%         |
| - Industrial / Commercial            | 21%         | 19%         |
| - National and Provincial Government | 5%          | 7%          |
| - Other Classes                      | 9%          | 6%          |
| <b>Total Credit Risk</b>             | <b>100%</b> | <b>100%</b> |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   | 2011<br>R         | 2010<br>R          |
|---|-------------------|--------------------|
| <b>Bank and Cash Balances</b>   |                   |                    |
| ABSA Bank Ltd   | 35 950 137        | 147 731 573        |
| First National Bank of SA Ltd   | 5 754 880         | 5 000 000          |
| INCA  | -                 | 17 838 885         |
| Cash Equivalents  | 4 910             | 5 110              |
| <b>Total Bank and Cash Balances</b>   | <b>41 709 927</b> | <b>170 575 568</b> |
| <b>Credit quality of Financial Assets:</b>  |                   |                    |
| The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: |                   |                    |
| <b>Long-term Receivables</b>  |                   |                    |
| Group 1   | 39 675            | 39 947             |
| Group 2   | -                 | -                  |
| Group 3   | -                 | -                  |
| <b>Total Long-term Receivables</b>  | <b>39 675</b>     | <b>39 947</b>      |
| <b>Trade Receivables from Exchange Transactions</b>   |                   |                    |
| Counterparties without external credit rating:-   |                   |                    |
| Group 1   | 20 801 197        | 16 497 499         |
| Group 2   | -                 | 3 142 381          |
| Group 3   | -                 | -                  |
|   | <b>20 801 197</b> | <b>19 639 880</b>  |
| <b>Total Trade Receivables from Exchange Transactions</b>   | <b>20 801 197</b> | <b>19 639 880</b>  |
| <b>Trade Receivables from Non-exchange Transactions</b>   |                   |                    |
| Group 1   | -                 | -                  |
| Group 2   | -                 | -                  |
| Group 3   | 1 483 307         | -                  |
| <b>Total Trade Receivables from Non-exchange Transactions</b>   | <b>1 483 307</b>  | <b>-</b>           |

**Credit Quality Groupings:**

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

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

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

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**49. FINANCIAL INSTRUMENTS (Continued)**

**49.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

**Liquidity and Interest Risk Tables**

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

| Description                     | Note ref in AFS | Average effective Interest Rate | Total              | 6 Months or less   | 6 - 12 Months     | 1 - 2 Years       | 2 - 5 Years       | More than 5 Years  |
|---------------------------------|-----------------|---------------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
|                                 | #               | %                               | R                  | R                  | R                 | R                 |                   | R                  |
| <b>30 June 2011</b>             |                 |                                 |                    |                    |                   |                   |                   |                    |
| Non-interest Bearing            |                 | 0.00%                           | 167 572 981        | 167 572 981        | -                 | -                 | -                 | -                  |
| Fixed Interest Rate Instruments |                 | 9.14%                           | 320 820 055        | 13 341 575         | 14 116 575        | 28 138 796        | 88 884 789        | 176 338 319        |
|                                 |                 |                                 | <b>488 393 036</b> | <b>180 914 556</b> | <b>14 116 575</b> | <b>28 138 796</b> | <b>88 884 789</b> | <b>176 338 319</b> |
| <b>30 June 2010</b>             |                 |                                 |                    |                    |                   |                   |                   |                    |
| Non-interest Bearing            |                 | 0.00%                           | 140 722 901        | 140 722 901        | -                 | -                 | -                 | -                  |
| Fixed Interest Rate Instruments |                 | 3.64%                           | 200 713 229        | 6 328 005          | 27 403 005        | 10 817 209        | 37 994 341        | 118 170 669        |
|                                 |                 |                                 | <b>341 436 131</b> | <b>147 050 906</b> | <b>27 403 005</b> | <b>10 817 209</b> | <b>37 994 341</b> | <b>118 170 669</b> |

The following table details the municipality's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

| Description                        | Note<br>ref in<br>AFS | Average<br>effective<br>Interest Rate | Total              | 6 Months<br>or less | 6 - 12<br>Months | 1 - 2<br>Years | 2 - 5<br>Years | More than<br>5 Years |
|------------------------------------|-----------------------|---------------------------------------|--------------------|---------------------|------------------|----------------|----------------|----------------------|
|                                    | #                     | %                                     | R                  | R                   | R                | R              |                | R                    |
| <b>30 June 2011</b>                |                       |                                       |                    |                     |                  |                |                |                      |
| Non-interest Bearing               |                       |                                       | 48 006 244         | 48 006 244          | -                | -              | -              | -                    |
| Variable Interest Rate Instruments |                       |                                       | 41 705 017         | 41 705 017          | -                | -              | -              | -                    |
| Fixed Interest Rate Instruments    |                       |                                       | -                  | -                   | -                | -              | -              | -                    |
|                                    |                       |                                       | <b>89 711 262</b>  | <b>89 711 262</b>   | -                | -              | -              | -                    |
| <b>30 June 2010</b>                |                       |                                       |                    |                     |                  |                |                |                      |
| Non-interest Bearing               |                       |                                       | 49 137 726         | 49 137 726          | -                | -              | -              | -                    |
| Variable Interest Rate Instruments |                       |                                       | 134 892 688        | 134 892 688         | -                | -              | -              | -                    |
| Fixed Interest Rate Instruments    |                       |                                       | 17 838 885         | 17 838 885          | -                | -              | -              | -                    |
|                                    |                       |                                       | <b>201 869 299</b> | <b>201 869 299</b>  | -                | -              | -              | -                    |

#### 49.9 Effective Interest Rates and Repricing Analysis

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

30 June 2011

| Description                            | Note ref in AFS | Average effective Interest Rate | Total                | 6 Months or less  | 6 - 12 Months | 1 - 2 Years      | 2 - 5 Years         | More than 5 Years    |
|--|-----------------|---------------------------------|----------------------|-------------------|---------------|------------------|---------------------|----------------------|
|  | #               | %                               | R                    | R                 | R             | R                |                     | R                    |
| <b>FIXED RATE INSTRUMENTS</b>          |                 |                                 |                      |                   |               |                  |                     |                      |
| <b>Held-to-maturity Investments</b>    | <b>14</b>       |                                 | -                    | -                 | -             | -                | -                   | -                    |
| INCA                                   |                 | 13.39%                          | -                    | -                 | -             | -                | -                   | -                    |
| INCA                                   |                 | 12.90%                          | -                    | -                 | -             | -                | -                   | -                    |
| <b>Secured Bank Facilities</b>         | <b>3</b>        |                                 | -                    | -                 | -             | -                | -                   | -                    |
| INCA                                   |                 | 16.80%                          | -                    | -                 | -             | -                | -                   | -                    |
| INCA                                   |                 | 15.60%                          | -                    | -                 | -             | -                | -                   | -                    |
| <b>Unsecured Bank Facilities</b>       | <b>3</b>        |                                 | <b>(225 191 257)</b> | -                 | -             | <b>(669 009)</b> | <b>(18 652 423)</b> | <b>(205 869 824)</b> |
| ABSA                                   |                 | 11.51%                          | (96 775 583)         | -                 | -             | -                | -                   | (96 775 583)         |
| DBSA                                   |                 | 10.00%                          | (669 009)            | -                 | -             | (669 009)        | -                   | -                    |
| DBSA                                   |                 | 2.65%                           | (3 664 038)          | -                 | -             | -                | (3 664 038)         | -                    |
| DBSA                                   |                 | 5.00%                           | (22 115 943)         | -                 | -             | -                | -                   | (22 115 943)         |
| DBSA                                   |                 | 5.00%                           | (25 000 000)         | -                 | -             | -                | -                   | (25 000 000)         |
| DBSA                                   |                 | 5.00%                           | (61 978 298)         | -                 | -             | -                | -                   | (61 978 298)         |
| DBSA (Ex Hibiscus Coast)               |                 | Various                         | (13 664 619)         | -                 | -             | -                | (13 664 619)        | -                    |
| DBSA (Ex Umdoni)                       |                 | Various                         | (840 870)            | -                 | -             | -                | (840 870)           | -                    |
| DBSA (Ex Umuziwabantu)                 |                 | Various                         | (482 896)            | -                 | -             | -                | (482 896)           | -                    |
| <b>Total Fixed Rate Instruments</b>    |                 |                                 | <b>(225 191 257)</b> | -                 | -             | <b>(669 009)</b> | <b>(18 652 423)</b> | <b>(205 869 824)</b> |
| <b>VARIABLE RATE INSTRUMENTS</b>       |                 |                                 |                      |                   |               |                  |                     |                      |
| Short-term Investment Deposits         | <b>21</b>       | 11.93%                          | 16 741 235           | 16 741 235        | -             | -                | -                   | -                    |
| Bank Balances and Cash                 | <b>21</b>       | 11.93%                          | 24 963 783           | 24 963 783        | -             | -                | -                   | -                    |
| <b>Total Variable Rate Instruments</b> |                 |                                 | <b>41 705 017</b>    | <b>41 705 017</b> | -             | -                | -                   | -                    |



30 June 2010

| Description                            | Note ref in AFS | Average effective Interest Rate | Total                | 6 Months or less   | 6 - 12 Months       | 1 - 2 Years       | 2 - 5 Years | More than 5 Years    |
|--|-----------------|---------------------------------|----------------------|--------------------|---------------------|-------------------|-------------|----------------------|
|  | #               | %                               | R                    | R                  | R                   | R                 |             | R                    |
| <b>FIXED RATE INSTRUMENTS</b>          |                 |                                 |                      |                    |                     |                   |             |                      |
| <b>Held-to-maturity Investments</b>    | <b>14</b>       |                                 | <b>17 838 885</b>    | -                  | -                   | <b>17 838 885</b> | -           | -                    |
| INCA                                   |                 | 13.39%                          | 16 601 922           | -                  | -                   | 16 601 922        | -           | -                    |
| INCA                                   |                 | 12.90%                          | 1 236 963            | -                  | -                   | 1 236 963         | -           | -                    |
| <b>Secured Bank Facilities</b>         | <b>3</b>        |                                 | <b>(20 300 000)</b>  | -                  | <b>(20 300 000)</b> | -                 | -           | -                    |
| INCA                                   |                 | 16.80%                          | (18 500 000)         | -                  | (18 500 000)        | -                 | -           | -                    |
| INCA                                   |                 | 15.60%                          | (1 800 000)          | -                  | (1 800 000)         | -                 | -           | -                    |
| <b>Unsecured Bank Facilities</b>       | <b>3</b>        |                                 | <b>(226 116 260)</b> | -                  | -                   | -                 | -           | <b>(226 116 260)</b> |
| ABSA                                   |                 | 11.51%                          | (102 000 000)        | -                  | -                   | -                 | -           | (102 000 000)        |
| DBSA                                   |                 | 10.00%                          | (957 777)            | -                  | -                   | -                 | -           | (957 777)            |
| DBSA                                   |                 | 2.65%                           | (4 340 811)          | -                  | -                   | -                 | -           | (4 340 811)          |
| DBSA                                   |                 | 5.00%                           | (23 593 572)         | -                  | -                   | -                 | -           | (23 593 572)         |
| DBSA                                   |                 | 5.00%                           | (25 000 000)         | -                  | -                   | -                 | -           | (25 000 000)         |
| DBSA                                   |                 | 5.00%                           | (53 778 982)         | -                  | -                   | -                 | -           | (53 778 982)         |
| DBSA (Ex Hibiscus Coast)               |                 | Various                         | (14 393 612)         | -                  | -                   | -                 | -           | (14 393 612)         |
| DBSA (Ex Umdoni)                       |                 | Various                         | (1 205 440)          | -                  | -                   | -                 | -           | (1 205 440)          |
| DBSA (Ex Umuziwabantu)                 |                 | Various                         | (846 067)            | -                  | -                   | -                 | -           | (846 067)            |
| <b>Total Fixed Rate Instruments</b>    |                 |                                 | <b>(228 577 375)</b> | -                  | <b>(20 300 000)</b> | <b>17 838 885</b> | -           | <b>(226 116 260)</b> |
| <b>VARIABLE RATE INSTRUMENTS</b>       |                 |                                 |                      |                    |                     |                   |             |                      |
| Short-term Investment Deposits         | <b>21</b>       | 11.93%                          | 49 874 334           | 49 874 334         | -                   | -                 | -           | -                    |
| Bank Balances and Cash                 | <b>21</b>       | 11.93%                          | 102 857 239          | 102 857 239        | -                   | -                 | -           | -                    |
| <b>Total Variable Rate Instruments</b> |                 |                                 | <b>152 731 573</b>   | <b>152 731 573</b> | -                   | -                 | -           | -                    |

**49.10 Other Price Risks**

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**50. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

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

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

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

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

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R18,5 million (2010: R15,9 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

**DEFINED BENEFIT SCHEMES**

**Retirement Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2010.

The interim actuarial valuation performed as at 31 March 2010 revealed that the fund had a shortfall of R243,2 (31 March 2009: shortfall of R214,2) million, with a funding level of 88,2% (31 March 2009: 88,6%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 31 March 2015.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. This position will be monitored on an annual basis.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

**Superannuation Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2010.

The interim actuarial valuation performed as at 31 March 2010 revealed that the fund had a shortfall of R213,3 (31 March 2009: shortfall of R29,9) million, with a funding level of 95,9% (31 March 2009: 99,4%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 1,69% (31 March 2009: 1,50%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 7,0% of pensionable salaries. It is expected that the deficit will be fully funded by 2016.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R                      2010  
R

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

**Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2010.

The interim actuarial valuation performed as at 31 March 2010 revealed that the market value of the fund was R836,4 (31 March 2009: R574,0) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2010.

None of the above mentioned plans are State Plans.

**51. RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**51.1 Interest of Related Parties**

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

| Name of Related Person | Designation     | Description of Related Party Relationship  |
|------------------------|-----------------|--|
| Chiliza M A            | Councillor      | Owner of Taxi Operator Licence; Spouse the owner of Prizalli Construction  |
| Dzingwa T N            | Councillor      | Director of Giya Trades with 50% Interest  |
| Mohamed S M            | Councillor      | Shareholding in Oasis Crescent Equity; 25% Beneficiary of Dr A Mohamed Family Trust  |
| Moosa Bux E            | Councillor      | Trustee of EB Family Trust; Spouse the owner of MB Electrical & Lighting   |
| Mteshane M P           | Councillor      | Nogadu Trading CC  |
| Nair Y                 | Councillor      | 20% Shareholding in NITS Investment  |
| Nyawuza S G            | Councillor      | 40% Interest in Shayamoya Supply Store; Partnership in Zamakahle B Enterprise  |
| Shusha N F             | Councillor      | NAWA KZN; Greenville Investment owned by family  |
| Zuma S M               | Councillor      | Director of Changing Tides 1149; 20% Interest in Thingz Caterers; 2% Interest in A+P, trading as Mbali Construction; Interest in The Business Zones; 100% Beneficiary of Sisonke Trust |
| Mbonane Z              | General Manager | Southern Africa Institute for Urban Mngement; DUT/SEDA Innovation Incubator; Invo Tech   |
| Mnyandu M B            | General Manager | 40% Membership in Ezamagedeza Trading  |
| Mnyayiza O T           | General Manager | Director of Hibiscus Development Agency; Board Member of Vezumnotho Investment   |
| Pawandiwa M N          | General Manager | Spouse the owner of Valotech 46 CC   |

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|  | 2011<br>R                         | 2010<br>R                      |                                       |
|--|-----------------------------------|--------------------------------|---------------------------------------|
| <b>51.2 Services rendered to Related Parties</b>   |                                   |                                |                                       |
| During the year the municipality rendered services to the following related parties that are related to the municipality as indicated: |                                   |                                |                                       |
|  | <b>Sewerage<br/>Charges<br/>R</b> | <b>Water<br/>Charges<br/>R</b> | <b>Sundry<br/>Charges<br/>R</b>       |
|  |                                   |                                | <b>Outstanding<br/>Balances<br/>R</b> |
| <b>For the Year ended 30 June 2011</b>   |                                   |                                |                                       |
| Councillors  | 50 443                            | 82 593                         | -                                     |
| Municipal Manager and Section 57 Personnel   | 3 691                             | 21 951                         | -                                     |
| <b>Total Services</b>  | <b>54 134</b>                     | <b>104 544</b>                 | <b>-</b>                              |
| <b>For the Year ended 30 June 2010</b>   |                                   |                                |                                       |
| Councillors  | 71 993                            | 102 679                        | -                                     |
| Municipal Manager and Section 57 Personnel   | 4 421                             | 27 112                         | -                                     |
| <b>Total Services</b>  | <b>76 414</b>                     | <b>129 790</b>                 | <b>-</b>                              |

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

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

**51.3 Loans granted to Related Parties**

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

**51.4 Compensation of Related Parties**

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

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

|   |                |                  |                    | 2011                   | 2010                   |
|---|----------------|------------------|--------------------|------------------------|------------------------|
|   |                |                  |                    | R                      | R                      |
| <b>51.5 Purchases from Related Parties</b>  |                |                  |                    |                        |                        |
| The municipality procured goods and / or services from the following companies, which are considered to be Related Parties: |                |                  |                    |                        |                        |
| Company Name  | Related Person | Company Capacity | Municipal Capacity | Purchases for the Year | Purchases for the Year |
| Silangwe and Vezi Funeral Services  | TE Vezi        |                  | Councillor         | 2 300                  | 13 000                 |
| Plain Trading 38  | NF Shusha      |                  | Councillor         | -                      | 36 350                 |
| MB Electrical & Lighting  | Cllr Moosa Bux |                  | Councillor         | 169 862                | 141 798                |
| Paul Preston Attorney's   | P Preston      |                  | Audit Committee    | 111 969                | -                      |
| Shelly Travel CC  | CV Elliott     |                  | Audit Committee    | 283 548                | -                      |
| Canaan Productions t/a Lighthouse   | E Enock        |                  | Employee           | -                      | 16 310                 |
| Dan's Cleaning Services   | T Malishe      |                  | Employee           | 41 520                 | 22 096                 |
| Dlambula Trading Enterprise   | PS Mbele       |                  | Employee           | -                      | 70 650                 |
| Mpikeleni Contractors   | HR Zulu        |                  | Employee           | -                      | 1 900                  |
| RNF Contractors   | M Goberdaan    |                  | Employee           | 774 569                | 313 143                |
| Vovolethu Function and Catering   | Z Mbhele       |                  | Employee           | 40 538                 | 37 500                 |
| Victorson Building CC   | TB Mhlongo     |                  | Employee           | 157 700                | -                      |
| Ncokwane Trading Enterprise   | PP Chili       |                  | Employee           | 33 550                 | -                      |
| <b>Total Purchases</b>  |                |                  |                    | <b>1 615 556</b>       | <b>652 747</b>         |

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

**52. CONTINGENT LIABILITIES**

**52.1 Guarantees:**

(i) The municipality issued a bank guarantee in the amount of R10 000 in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the municipality.

**10 000**

**10 000**

**52.2 Powers and Functions:**

It has come to the attention of management that a local municipality has indicated its intention of raising a claim against the district to recover expenses incurred in respect of the Environmental Health Powers and Functions. Negotiations have been entered into in this regard between the municipalities. Currently management is of the opinion that there are no legal grounds to entertain a possible claim.

**12 947 266**

**12 947 266**

With the takeover of Water and Sanitation Schemes from the local municipalities in 2004, certain assets were funded through internal funding which these local municipalities are claiming from the district. Currently management is of the opinion that there are no legal grounds to entertain the possible claims.

**52.3 Court Proceedings:**

(i) Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 142, with interest estimated at R192 432, in respect of functions performed on behalf of Ezingoleni Municipality / Horseshoe Farm. The municipality is currently defending the estimated claim and is awaiting the enrollment of the matter for trial. The outcome of the legal processes is unknown at this stage. The Municipality denies any agreement with Sublime, and therefore will not be settling on this matter. We await court action from Sublime.

**573 474**

**4 533 056**

(ii) Council has been involved in a court case with ABCON / PILCON Projects into alleged fraud and / or fronting in terms of its Supply Chain Management Policy. Although judgement has been passed, an appeal has been lodged and is still pending in the High Court. The outcome is not known at this stage. The Municipality has instructed attorneys to take the matter on review. The costs of the matter, if reviewed, are unknown at this stage.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

(iii) Notice has been served to the municipality by Bytes Systems Integration (Pty) Ltd for breach of contract, requiring the municipality to pay an amount of R3 959 582 to BSI in order to rectify the breach. Failing to comply, BSI notified the municipality of its intention to terminate its contract with the municipality and institute legal action for recovery of all outstanding moneys including interest, standing time, legal costs and damages suffered. The breach originates from the alleged non-payment of invoices rendered for the customisation, implementation and training fees relating to the Xellent Billing Module of the Microsoft Axapta ERP Project. Subsequently both parties agreed to a settlement figure of R2 500 000 which amount has been paid by the municipality.

(iv) JZZ Engineering is claiming from the municipality as per a prescribed claim against a cession agreement entered into. The possible liability amounts to R153 900, plus costs. The outcome of the matter is still unknown. The Municipality has drafted and entered its plea in the matter.

**52.4 Insurance Claims:**

(i) Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.

2011  
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2010  
R

592 181

531 600

**53. CONTINGENT ASSETS**

**53.1 Court Proceedings:**

(i) The municipality has instituted a claim to the amount of R9 294 268 against Bytes Systems Integration (Pty) Ltd for breach of contract. The alleged breach is for contractual work not completed, but claimed or payment, on the Microsoft Axapta ERP Project for the development, customisation, implementation and training of accounting software to be utilised by the municipality. Subsequently the claim was withdrawn. Also see Note 52.3 in this regard.

(ii) The Nyenyezi Communal Property Association has indicated that it desires to transfer a housing development project, known as the "Jesus Housing Development", to the municipality. It is being investigated whether this will be probable as the land was originally transferred to the community in terms of a Regional Land Claim. Should the Constitution provide for the sale and transfer of the property, the municipality shall acquire the property through a deed of sale and establish a township in terms of the "Less Formal Township Establishment Act (Act 113 of 1991)". The chairman of the Jesus Housing Development to consult and furnish attorneys with the Constitution. The value of the asset and the cost of transfer are unknown at this stage.

-

9 294 268

**54. COMPARISON WITH THE BUDGET**

Budgeted amounts for expenditure have been exceeded as indicated below:

| Category of Expenditure                           | 30 June 2011    |               | 30 June 2010    |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Budgeted Amount | Actual Amount | Budgeted Amount | Actual Amount |
|   | R               | R             | R               | R             |
| Employee Related Costs                            | 221 115 268     | 221 280 163   | -               | -             |
| Remuneration of Councillors                       | -               | -             | 4 678 475       | 6 466 540     |
| Depreciation and Amortisation                     | 45 971 823      | 49 153 751    | -               | -             |
| Impairment Losses                                 | 7 380 000       | 27 900 418    | 3 300 000       | 24 945 478    |
| Repairs and Maintenance                           | -               | -             | 30 398 674      | 32 213 391    |
| Finance Costs                                     | 15 396 622      | 20 977 578    | -               | -             |
| Bulk Purchases                                    | -               | -             | 21 537 500      | 25 672 081    |
| Grants and Subsidies Paid                         | 129 358 509     | 145 715 087   | 89 960 150      | 215 868 942   |
| Loss on Disposal of Property, Plant and Equipment | -               | -             | -               | 28 574        |
| Total Expenditure                                 | -               | -             | 656 395 864     | 751 607 056   |

The excess expenditure has not been authorised and is disclosed as such in Note 46.1.

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure for the current year, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

2011  
R

2010  
R

**55. IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**56. PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the financial year 2010/11.

**57. EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

**57.1 Ugu Fresh Produce Market:**

The municipality has agreed in principle to curtail the operations of the Ugu Fresh Produce Market. Staff, equipment, vehicles and immovable property shall remain with the municipality for strategic purposes and service delivery. However, at the Reporting Date no agreements were finalised and the municipality is still responsible for the operations and funding of the services until further notice.

**58. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and prior period Errors (Note 40).

**59. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED**

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 103 Heritage Assets - issued July 2008

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

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

**60. GOING CONCERN**

Unspent Conditional Grants were not cash backed by an amount of R96,9 million at 30 June 2011 (2010: R35,8 million).

The Current Liabilities exceeded the Current Assets at year end, indicating that the municipality has had challenges operating as a going concern; management has adopted a plan of action, setting out clear targets to ensure that the municipality continues to operate as a going concern for the foreseeable future.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**61. COMPARATIVE AND ACTUAL INFORMATION**

Although the municipality budgeted on an accrual basis and the undated National Treasury Circular "Presentation of Budget Information in the Annual Financial Statements of Municipalities and Municipal Entities" is not applicable to the municipality, the Auditor-General insisted on the disclosure of the following information:

30 June 2011

| Description  | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget    | Actual<br>Outcome  | Unauthorised<br>Expenditure | Variance            | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|--|-----------------------------|-----------------------|----------|--------------------|--------------------|-----------------------------|---------------------|---|--|
|  | R                           | R                     | R        | R                  | R                  | R                           | R                   | R   | R  |
| <b>FINANCIAL PERFORMANCE</b>                       |                             |                       |          |                    |                    |                             |                     |   |  |
| <b>Revenue</b>                                     |                             |                       |          |                    |                    |                             |                     |   |  |
| Service Charges                                    | 348 386 248                 | -                     | -        | 348 386 248        | 240 280 488        | -                           | (108 105 760)       | 68.97                                     | 68.97  |
| Rental of Facilities and Equipment                 | 993 972                     | -                     | -        | 993 972            | 955 738            | -                           | (38 234)            | 96.15                                     | 96.15  |
| Interest Earned - External Investments             | 7 983 000                   | -                     | -        | 7 983 000          | 6 161 362          | -                           | (1 821 638)         | 77.18                                     | 77.18  |
| Interest Earned - Outstanding Debtors              | 1 199 899                   | -                     | -        | 1 199 899          | 17 071 412         | -                           | 15 871 513          | 1 422.74                                  | 1 422.74                                     |
| Government Grants and Subsidies Received           | 257 525 398                 | 3 667 680             | -        | 261 193 078        | 450 363 859        | -                           | 189 170 780         | 172.43                                    | 174.88                                       |
| Public Contributions and Donations                 | -                           | -                     | -        | -                  | 19 186 143         | -                           | 19 186 143          | -   | -  |
| Other Revenue                                      | 162 619 032                 | (14 051 618)          | -        | 148 567 414        | 115 798 262        | -                           | (32 769 152)        | 77.94                                     | 71.21  |
| Gains on Disposal of Property, Plant and Equipment | -                           | -                     | -        | -                  | 824 851            | -                           | 824 851             | -   | -  |
| <b>Total Revenue</b>                               | <b>778 707 548</b>          | <b>(10 383 938)</b>   | <b>-</b> | <b>768 323 610</b> | <b>850 642 115</b> | <b>-</b>                    | <b>82 318 505</b>   | <b>110.71</b>                             | <b>109.24</b>                                |
| <b>Expenditure</b>                                 |                             |                       |          |                    |                    |                             |                     |   |  |
| Employee Related Costs                             | 220 473 077                 | 642 191               | -        | 221 115 268        | 221 280 163        | 164 895                     | 164 895             | 100.07                                    | 100.37                                       |
| Remuneration of Councillors                        | 7 665 424                   | (1 466 078)           | -        | 6 199 346          | 6 191 830          | -                           | (7 516)             | 99.88                                     | 80.78  |
| Collection Costs                                   | 35 000                      | -                     | -        | 35 000             | -                  | -                           | (35 000)            | -   | -  |
| Depreciation and Amortisation                      | 48 799 109                  | (2 827 286)           | -        | 45 971 823         | 49 153 751         | 3 181 928                   | 3 181 928           | 106.92                                    | 100.73                                       |
| Impairment Losses                                  | 7 380 000                   | -                     | -        | 7 380 000          | 27 900 418         | 20 520 418                  | 20 520 418          | 378.05                                    | 378.05                                       |
| Repairs and Maintenance                            | 35 488 343                  | -                     | -        | 35 488 343         | 21 833 724         | -                           | (13 654 619)        | 61.52                                     | 61.52  |
| Finance Costs                                      | 19 503 072                  | (4 106 450)           | -        | 15 396 622         | 20 977 578         | 5 580 956                   | 5 580 956           | 136.25                                    | 107.56                                       |
| Bulk Purchases                                     | 29 037 640                  | 5 000 000             | -        | 34 037 640         | 31 839 355         | -                           | (2 198 285)         | 93.54                                     | 109.65                                       |
| Contracted Services                                | 21 367 800                  | -                     | -        | 21 367 800         | 16 501 666         | -                           | (4 866 134)         | 77.23                                     | 77.23  |
| Grants and Subsidies Paid                          | 118 679 132                 | 10 679 377            | -        | 129 358 509        | 145 715 087        | 16 356 577                  | 16 356 577          | 112.64                                    | 122.78                                       |
| General Expenses                                   | 270 278 951                 | (18 305 692)          | -        | 251 973 259        | 206 604 206        | -                           | (45 369 053)        | 81.99                                     | 76.44  |
| <b>Total Expenditure</b>                           | <b>778 707 548</b>          | <b>(10 383 938)</b>   | <b>-</b> | <b>768 323 610</b> | <b>747 997 778</b> | <b>45 804 774</b>           | <b>(20 325 833)</b> | <b>97.35</b>                              | <b>96.06</b>                                 |
| <b>Surplus/(Deficit)</b>                           | <b>0</b>                    | <b>(0)</b>            | <b>-</b> | <b>-</b>           | <b>102 644 337</b> | <b>(45 804 774)</b>         | <b>102 644 337</b>  | <b>-</b>                                  | <b>-</b>                                     |
| <b>CAPITAL EXPENDITURE</b>                         |                             |                       |          |                    |                    |                             |                     |   |  |
| Capital Replacement Reserve                        | 118 520 630                 | (80 685 030)          | -        | 37 835 600         | 32 058 631         | -                           | (5 776 969)         | 84.73                                     | 27.05  |
| External Loans                                     | 167 950 000                 | (107 645 000)         | -        | 60 305 000         | 61 180 921         | 875 921                     | 875 921             | 101.45                                    | 36.43  |
| Finance Leases                                     | 4 400 000                   | (4 400 000)           | -        | -                  | -                  | -                           | -                   | -   | -  |
| Grants and Subsidies                               | 238 065 690                 | (30 403 609)          | -        | 207 662 081        | 104 524 915        | -                           | (103 137 166)       | 50.33                                     | 43.91  |
| <b>Total Sources of Capital Funds</b>              | <b>528 936 320</b>          | <b>(223 133 639)</b>  | <b>-</b> | <b>305 802 681</b> | <b>209 024 687</b> | <b>12 136 140</b>           | <b>(96 777 994)</b> | <b>68.35</b>                              | <b>39.52</b>                                 |



30 June 2010

| Description                                       | Original<br>Total<br>Budget | Budget<br>Adjustments | Virement | Final<br>Budget    | Actual<br>Outcome  | Unauthorised<br>Expenditure | Variance           | Actual Outcome<br>as % of<br>Final Budget | Actual Outcome<br>as % of<br>Original Budget |
|---|-----------------------------|-----------------------|----------|--------------------|--------------------|-----------------------------|--------------------|---|--|
|   | R                           | R                     | R        | R                  | R                  | R                           | R                  | R   | R  |
| <b>FINANCIAL PERFORMANCE</b>                      |                             |                       |          |                    |                    |                             |                    |   |  |
| <b>Revenue</b>                                    |                             |                       |          |                    |                    |                             |                    |   |  |
| Service Charges                                   | 283 129 254                 | -                     | -        | 283 129 254        | 246 729 458        | -                           | (36 399 796)       | 87.14                                     | 87.14  |
| Rental of Facilities and Equipment                | 176 938                     | -                     | -        | 176 938            | 792 249            | -                           | 615 311            | 447.76                                    | 447.76                                       |
| Interest Earned - External Investments            | 18 374 716                  | -                     | -        | 18 374 716         | 4 262 583          | -                           | (14 112 133)       | 23.20                                     | 23.20  |
| Interest Earned - Outstanding Debtors             | 1 164 701                   | -                     | -        | 1 164 701          | 38 474 536         | -                           | 37 309 835         | 3 303.38                                  | 3 303.38                                     |
| Government Grants and Subsidies Received          | 220 921 750                 | -                     | -        | 220 921 750        | 526 279 024        | -                           | 305 357 274        | 238.22                                    | 238.22                                       |
| Public Contributions and Donations                | -                           | -                     | -        | -                  | 1 509 328          | -                           | 1 509 328          | -   | -  |
| Other Revenue                                     | 132 628 506                 | -                     | -        | 132 628 506        | 107 833 455        | -                           | (24 795 051)       | 81.30                                     | 81.30  |
| <b>Total Revenue</b>                              | <b>656 395 864</b>          | <b>-</b>              | <b>-</b> | <b>656 395 864</b> | <b>925 880 632</b> | <b>-</b>                    | <b>269 484 768</b> | <b>141.06</b>                             | <b>141.06</b>                                |
| <b>Expenditure</b>                                |                             |                       |          |                    |                    |                             |                    |   |  |
| Employee Related Costs                            | 211 197 244                 | -                     | -        | 211 197 244        | 194 765 871        | -                           | (16 431 373)       | 92.22                                     | 92.22  |
| Remuneration of Councillors                       | 4 678 475                   | -                     | -        | 4 678 475          | 6 466 540          | 1 788 066                   | 1 788 066          | 138.22                                    | 138.22                                       |
| Depreciation and Amortisation                     | 53 260 019                  | -                     | -        | 53 260 019         | 44 718 176         | -                           | (8 541 843)        | 83.96                                     | 83.96  |
| Impairment Losses                                 | 3 300 000                   | -                     | -        | 3 300 000          | 24 945 478         | 21 645 478                  | 21 645 478         | 755.92                                    | 755.92                                       |
| Repairs and Maintenance                           | 30 398 674                  | -                     | -        | 30 398 674         | 32 213 391         | 1 814 717                   | 1 814 717          | 105.97                                    | 105.97                                       |
| Finance Costs                                     | 13 284 748                  | -                     | -        | 13 284 748         | 9 300 073          | -                           | (3 984 675)        | 70.01                                     | 70.01  |
| Bulk Purchases                                    | 21 537 500                  | -                     | -        | 21 537 500         | 25 672 081         | 4 134 581                   | 4 134 581          | 119.20                                    | 119.20                                       |
| Contracted Services                               | 17 672 000                  | -                     | -        | 17 672 000         | 16 712 687         | -                           | (959 313)          | 94.57                                     | 94.57  |
| Grants and Subsidies Paid                         | 89 960 150                  | -                     | -        | 89 960 150         | 215 868 942        | 125 908 792                 | 125 908 792        | 239.96                                    | 239.96                                       |
| General Expenses                                  | 211 107 055                 | -                     | -        | 211 107 055        | 180 915 243        | -                           | (30 191 813)       | 85.70                                     | 85.70  |
| Loss on Disposal of Property, Plant and Equipment | -                           | -                     | -        | -                  | 28 574             | 28 574                      | 28 574             | -   | -  |
| <b>Total Expenditure</b>                          | <b>656 395 864</b>          | <b>-</b>              | <b>-</b> | <b>656 395 864</b> | <b>751 607 056</b> | <b>155 320 208</b>          | <b>95 211 192</b>  | <b>114.51</b>                             | <b>114.51</b>                                |
| <b>Surplus/(Deficit)</b>                          | <b>0</b>                    | <b>-</b>              | <b>-</b> | <b>0</b>           | <b>174 273 576</b> | <b>(155 320 208)</b>        | <b>174 273 576</b> | <b>-</b>                                  | <b>-</b>                                     |
| <b>CAPITAL EXPENDITURE</b>                        |                             |                       |          |                    |                    |                             |                    |   |  |
| Capital Replacement Reserve                       | 85 145 500                  | -                     | -        | 85 145 500         | 35 116 897         | -                           | (50 028 603)       | 41.24                                     | 41.24  |
| External Loans                                    | 15 500 000                  | -                     | -        | 15 500 000         | 76 804 804         | 61 304 804                  | 61 304 804         | 495.51                                    | 495.51                                       |
| Finance Leases                                    | 10 000 000                  | -                     | -        | 10 000 000         | 5 632 503          | -                           | (4 367 497)        | 56.33                                     | 56.33  |
| Grants and Subsidies                              | 145 544 108                 | -                     | -        | 145 544 108        | 261 456 613        | 115 912 505                 | 115 912 505        | 179.64                                    | 179.64                                       |
| <b>Total Sources of Capital Funds</b>             | <b>256 189 608</b>          | <b>-</b>              | <b>-</b> | <b>256 189 608</b> | <b>379 010 816</b> | <b>177 217 309</b>          | <b>122 821 208</b> | <b>147.94</b>                             | <b>147.94</b>                                |

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

| Description   | 2010/11            |  | 2009/10            |
|---|--------------------|--|--------------------|
|   | R                  |  | R                  |
| <b>Net surplus/(deficit) per the statement of financial performance</b> | <b>102 644 337</b> |  | <b>174 273 576</b> |
| Service Charges   | 108 105 760        |  | 36 399 796         |
| Rental of Facilities and Equipment                                      | 38 234             |  | (615 311)          |
| Interest Earned - External Investments                                  | 1 821 638          |  | 14 112 133         |
| Interest Earned - Outstanding Debtors                                   | (15 871 513)       |  | (37 309 835)       |
| Government Grants and Subsidies Received                                | (189 170 780)      |  | (305 357 274)      |
| Public Contributions and Donations                                      | (19 186 143)       |  | (1 509 328)        |
| Other Revenue   | 32 769 152         |  | 24 795 051         |
| Gains on Disposal of Property, Plant and Equipment                      | (824 851)          |  | -                  |
| Employee Related Costs  | 164 895            |  | (16 431 373)       |
| Remuneration of Councillors   | (7 516)            |  | 1 788 066          |
| Collection Costs  | (35 000)           |  | -                  |
| Depreciation and Amortisation   | 3 181 928          |  | (8 541 843)        |
| Impairment Losses   | 20 520 418         |  | 21 645 478         |
| Repairs and Maintenance   | (13 654 619)       |  | 1 814 717          |
| Finance Costs   | 5 580 956          |  | (3 984 675)        |
| Bulk Purchases  | (2 198 285)        |  | 4 134 581          |
| Contracted Services   | (4 866 134)        |  | (959 313)          |
| Grants and Subsidies Paid   | 16 356 577         |  | 125 908 792        |
| General Expenses  | (45 369 053)       |  | (30 191 813)       |
| Loss on Disposal of Property, Plant and Equipment                       | -                  |  | 28 574             |
| <b>Net surplus/deficit per approved budget</b>                          | <b>(0)</b>         |  | <b>0</b>           |

**APPENDIX A**  
**UGU DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

| Details                                | Original Loan Amount | Interest Rate | Loan Number  | Redeemable | Balance at 30 June 2010 | Received during the Period | Redeemed/ Written Off during Period | Balance at 30 June 2011 |
|--|----------------------|---------------|--------------|------------|-------------------------|----------------------------|-------------------------------------|-------------------------|
|  | R                    |               |              |            | R                       | R                          | R                                   | R                       |
| <b>LOCAL REGISTERED STOCK</b>          |                      |               |              |            |                         |                            |                                     |                         |
| INCA                                   | 18 500 000           | 16.80%        | A162         | 30/06/2011 | 18 500 000              | -                          | 18 500 000                          | -                       |
| INCA                                   | 1 800 000            | 15.60%        | 91, 92 & 93  | 30/06/2011 | 1 800 000               | -                          | 1 800 000                           | -                       |
| <b>Total Local Registered Stock</b>    | <b>20 300 000</b>    |               |              |            | <b>20 300 000</b>       | <b>-</b>                   | <b>20 300 000</b>                   | <b>-</b>                |
| <b>ANNUITY LOANS</b>                   |                      |               |              |            |                         |                            |                                     |                         |
| ABSA                                   | 102 000 000          | 11.51%        | -            | 30/06/2020 | 102 000 000             | -                          | 5 224 417                           | 96 775 583              |
| DBSA                                   | 3 194 261            | 10.00%        | -            | 31/03/2013 | 957 777                 | -                          | 288 768                             | 669 009                 |
| DBSA                                   | 5 000 000            | 2.65%         | -            | 30/06/2015 | 4 340 811               | -                          | 676 773                             | 3 664 038               |
| DBSA                                   | 25 000 000           | 5.00%         | 101980/001   | 31/03/2022 | 23 593 572              | -                          | 1 477 629                           | 22 115 943              |
| DBSA                                   | 25 000 000           | 5.00%         | 101980/002   | 30/06/2023 | 25 000 000              | -                          | -                                   | 25 000 000              |
| DBSA                                   | 62 000 000           | 5.00%         | 102756/001   | 30/06/2029 | 53 778 982              | 8 199 317                  | -                                   | 61 978 298              |
| DBSA (Ex Hibiscus Coast)               | 18 573 441           | Various       | Various      | Various    | 14 393 612              | -                          | 728 993                             | 13 664 619              |
| DBSA (Ex Umdoni)                       | 2 500 000            | Various       | Various      | Various    | 1 205 440               | -                          | 364 570                             | 840 870                 |
| DBSA (Ex Umuziwabantu)                 | 1 850 000            | Various       | Various      | Various    | 846 067                 | -                          | 363 171                             | 482 896                 |
| <b>Total Annuity Loans</b>             | <b>245 117 702</b>   |               |              |            | <b>226 116 260</b>      | <b>8 199 317</b>           | <b>9 124 320</b>                    | <b>225 191 257</b>      |
| <b>CAPITAL LEASE LIABILITIES</b>       |                      |               |              |            |                         |                            |                                     |                         |
| Ex Hibiscus Coast                      | -                    | Fluctuate     | -            | 2006       | 64 885                  | -                          | -                                   | 64 885                  |
| Nedbank                                | 20 100 000           | 11.41%        | Various (79) | Various    | 9 077 895               | -                          | 6 222 120                           | 2 855 774               |
| <b>Total Capital Lease Liabilities</b> | <b>20 100 000</b>    |               |              |            | <b>9 142 779</b>        | <b>-</b>                   | <b>6 222 120</b>                    | <b>2 920 659</b>        |
| <b>TOTAL EXTERNAL LOANS</b>            | <b>285 517 702</b>   |               |              |            | <b>255 559 040</b>      | <b>8 199 317</b>           | <b>35 646 440</b>                   | <b>228 111 916</b>      |

**APPENDIX A**  
**UGU DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

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**LOCAL REGISTERED STOCK**

Originally structured unsecured 30 year loan. Original loan capital of R20,3 million. Interest is paid semi-annually in December and June. The stock was redeemed on 30/06/2011.

**ANNUITY LOANS**

**ABSA (Infrastructure):**

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

**DBSA (Umzinto Water Scheme):**

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

**DBSA (Ugu Fresh Produce Market):**

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

**DBSA (Phase 1 - Sanitation Refurbishment):**

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

**DBSA (Phase 2 - Sanitation Refurbishment):**

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

**DBSA (Phase 1 - Umzimkulu Water Augmentation):**

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

**DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):**

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

**CAPITALISED LEASE LIABILITIES**

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

**APPENDIX B**  
**UGU DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

| Description                    | Cost / Revaluation   |                   |                    |                   |           |                      | Accumulated Depreciation / Impairment |                   |                    |           |                    | Carrying Value       | Budget Additions 2011 |
|--------------------------------|----------------------|-------------------|--------------------|-------------------|-----------|----------------------|---------------------------------------|-------------------|--------------------|-----------|--------------------|----------------------|-----------------------|
|                                | Opening Balance      | Additions         | Under Construction | Transfers         | Disposals | Closing Balance      | Opening Balance                       | Additions         | Transfers          | Disposals | Closing Balance    |                      |                       |
|                                | R                    | R                 | R                  | R                 | R         | R                    | R                                     | R                 | R                  | R         | R                  | R                    | R                     |
| <b>Land and Buildings</b>      |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| <i>Land:</i>                   |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| Land: Developed                | 16 822 507           | 22 800            | -                  | -                 | -         | 16 845 307           | -                                     | -                 | -                  | -         | -                  | 16 845 307           | 3 000 000             |
| <i>Buildings:</i>              |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| Office Buildings               | 43 566 086           | 17 616 358        | 1 464 215          | 12 381 396        | -         | 75 028 055           | 6 189 484                             | 3 793 855         | -                  | -         | 9 983 339          | 65 044 716           | 2 000 000             |
| Workshops and Depots           | 8 873                | -                 | -                  | -                 | -         | 8 873                | 2 958                                 | 211               | -                  | -         | 3 169              | 5 704                | 1 330 950             |
| Hostels: Workers               | -                    | -                 | -                  | -                 | -         | -                    | -                                     | -                 | -                  | -         | -                  | -                    | -                     |
| Other Buildings                | 308 220              | 576 577           | -                  | -                 | -         | 884 797              | 16 282                                | 22 120            | -                  | -         | 38 402             | 846 395              | 5 894 000             |
|                                | <b>60 705 687</b>    | <b>18 215 734</b> | <b>1 464 215</b>   | <b>12 381 396</b> | <b>-</b>  | <b>92 767 033</b>    | <b>6 208 724</b>                      | <b>3 816 186</b>  | <b>-</b>           | <b>-</b>  | <b>10 024 910</b>  | <b>82 742 123</b>    | <b>12 224 950</b>     |
| <b>Infrastructure</b>          |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| <i>Security Measures:</i>      |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| Fencing / Perimeter Protection | 1 067 197            | 1 144 343         | -                  | -                 | -         | 2 211 540            | 57 576                                | 86 930            | -                  | -         | 144 506            | 2 067 034            | -                     |
| Security Systems               | 306 182              | -                 | -                  | (200 104)         | -         | 106 078              | 256 574                               | 6 257             | (200 104)          | -         | 62 727             | 43 351               | -                     |
| <i>Sewerage:</i>               |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| Reticulation                   | -                    | -                 | 96 934 062         | -                 | -         | 96 934 062           | -                                     | -                 | -                  | -         | -                  | 96 934 062           | 52 000 000            |
| Pumping Stations               | 65 260 704           | -                 | 3 103 770          | (8 000)           | -         | 68 356 475           | 40 093 717                            | 1 276 466         | (8 145)            | -         | 41 362 037         | 26 994 437           | -                     |
| Treatment Works                | 157 771 055          | 1 263 500         | 70 960 591         | (171 757)         | -         | 229 823 389          | 104 268 109                           | 3 642 678         | (175 189)          | -         | 107 735 598        | 122 087 791          | -                     |
| <i>Water:</i>                  |                      |                   |                    |                   |           |                      |                                       |                   |                    |           |                    |                      |                       |
| Dams and Weirs                 | 263 500 000          | -                 | -                  | -                 | -         | 263 500 000          | 192 650 000                           | 1 101 962         | -                  | -         | 193 751 962        | 69 748 038           | 2 640 000             |
| Reservoirs and Tanks           | 747 654 356          | -                 | 7 206 042          | -                 | -         | 754 860 397          | 403 361 666                           | 15 879 366        | -                  | -         | 419 241 032        | 335 619 365          | 15 200 000            |
| Pumping Stations               | 56 334 665           | -                 | -                  | -                 | -         | 56 334 665           | 24 623 925                            | 1 118 178         | -                  | -         | 25 742 103         | 30 592 562           | -                     |
| Treatment Works                | 60 463 381           | -                 | 11 292 298         | 12 059 439        | -         | 83 815 118           | 33 041 445                            | 1 562 980         | -                  | -         | 34 604 425         | 49 210 693           | -                     |
| Reticulation                   | 108 872 388          | -                 | 267 136 971        | 67 423 209        | -         | 443 432 567          | 49 773 374                            | 4 965 728         | (2 527 441)        | -         | 52 211 660         | 391 220 907          | 193 030 218           |
| Meters                         | 1 555 157            | 2 089 339         | -                  | (71 832)          | -         | 3 572 663            | 114 779                               | 219 747           | (71 832)           | -         | 262 694            | 3 309 969            | -                     |
|                                | <b>1 462 785 086</b> | <b>4 497 182</b>  | <b>456 633 733</b> | <b>79 030 955</b> | <b>-</b>  | <b>2 002 946 956</b> | <b>848 241 165</b>                    | <b>29 860 293</b> | <b>(2 982 712)</b> | <b>-</b>  | <b>875 118 746</b> | <b>1 127 828 209</b> | <b>262 870 218</b>    |

**APPENDIX B**  
**UGU DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

| Description                         | Cost / Revaluation |                  |                    |                    |           |                    | Accumulated Depreciation / Impairment |                  |           |           |                  | Carrying Value     | Budget Additions 2011 |
|-------------------------------------|--------------------|------------------|--------------------|--------------------|-----------|--------------------|---------------------------------------|------------------|-----------|-----------|------------------|--------------------|-----------------------|
|                                     | Opening Balance    | Additions        | Under Construction | Transfers          | Disposals | Closing Balance    | Opening Balance                       | Additions        | Transfers | Disposals | Closing Balance  |                    |                       |
|                                     | R                  | R                | R                  | R                  | R         | R                  | R                                     | R                | R         | R         | R                | R                  | R                     |
| <b>Community Assets</b>             |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| <i>Sports Facilities:</i>           |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| Sports Complexes                    | -                  | 3 435 134        | 3 439 367          | 110 850 797        | -         | 117 725 298        | -                                     | 2 901 230        | -         | -         | 2 901 230        | 114 824 068        | 23 631 863            |
| <i>Other Facilities:</i>            |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| Markets                             | 23 859 990         | 386 770          | 2 718 177          | 4 873 706          | -         | 31 838 643         | 1 596 796                             | 911 408          | -         | -         | 2 508 204        | 29 330 439         | -                     |
|                                     | <b>23 859 990</b>  | <b>3 821 904</b> | <b>6 157 544</b>   | <b>115 724 503</b> | <b>-</b>  | <b>149 563 941</b> | <b>1 596 796</b>                      | <b>3 812 638</b> | <b>-</b>  | <b>-</b>  | <b>5 409 434</b> | <b>144 154 507</b> | <b>23 631 863</b>     |
| <b>Other Assets</b>                 |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| <i>Computer Equipment:</i>          |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| Computer Hardware                   | 21 090 679         | 741 741          | 1 407 615          | (10 051)           | -         | 23 229 984         | 12 130 907                            | 2 619 194        | (9 850)   | -         | 14 740 251       | 8 489 733          | 715 000               |
| <i>Furniture and Fittings:</i>      |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| Cabinets and Cupboards              | 371 273            | 59 537           | -                  | (4 353)            | -         | 426 458            | 184 429                               | 47 253           | (2 425)   | -         | 229 257          | 197 201            | 45 500                |
| Chairs                              | 46 841             | -                | -                  | -                  | -         | 46 841             | 13 183                                | 5 713            | -         | -         | 18 896           | 27 945             | 19 100                |
| Desks and Tables                    | 554 293            | 232 632          | -                  | (14 556)           | -         | 772 368            | 175 013                               | 94 220           | (6 030)   | -         | 263 203          | 509 165            | 88 100                |
| Other Furniture and Fittings        | 610 983            | 27 017           | -                  | -                  | -         | 638 001            | 282 397                               | 59 747           | -         | -         | 342 143          | 295 857            | 362 000               |
| <i>Office Equipment:</i>            |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| Air Conditioners                    | 686 880            | 68 440           | -                  | (268 418)          | -         | 486 902            | 598 800                               | 15 814           | (268 418) | -         | 346 197          | 140 705            | 84 500                |
| Audiovisual Equipment               | 90 369             | 39 594           | -                  | -                  | -         | 129 963            | 45 318                                | 10 461           | -         | -         | 55 780           | 74 183             | -                     |
| Kitchen Appliances                  | 7 321              | -                | -                  | -                  | -         | 7 321              | 7 321                                 | -                | -         | -         | 7 321            | -                  | 82 250                |
| Office Equipment / Machines         | 478 691            | 25 945           | -                  | (142 726)          | -         | 361 910            | 253 541                               | 44 500           | (103 342) | -         | 194 698          | 167 212            | -                     |
| Photographic Equipment              | 35 327             | 55 500           | -                  | -                  | -         | 90 827             | 2 644                                 | 10 407           | -         | -         | 13 051           | 77 777             | -                     |
| Other Office Equipment              | 35 287             | -                | -                  | -                  | -         | 35 287             | 6 837                                 | 5 381            | -         | -         | 12 217           | 23 070             | 13 000                |
| <i>Plant and Equipment:</i>         |                    |                  |                    |                    |           |                    |                                       |                  |           |           |                  |                    |                       |
| Compaction Equipment                | 73 990             | -                | -                  | -                  | -         | 73 990             | 27 361                                | 3 385            | -         | -         | 30 746           | 43 244             | -                     |
| Compressors, Generators & Allied    | 437 835            | 11 221           | -                  | -                  | -         | 449 056            | 355 569                               | 13 759           | -         | -         | 369 328          | 79 728             | 25 000                |
| Fire Arms                           | 53 070             | -                | -                  | -                  | -         | 53 070             | 15 163                                | 7 581            | -         | -         | 22 744           | 30 326             | -                     |
| Gardening Equipment                 | 317 841            | -                | -                  | -                  | -         | 317 841            | 306 350                               | 1 581            | -         | -         | 307 931          | 9 910              | 135 000               |
| Laboratory Equipment                | 998 458            | 194 272          | -                  | -                  | -         | 1 192 730          | 542 685                               | 90 149           | -         | -         | 632 834          | 559 895            | 30 000                |
| Pumps / Plumbing / Purification / S | 662 838            | -                | -                  | -                  | -         | 662 838            | 22 583                                | 69 540           | -         | -         | 92 123           | 570 715            | 1 220 000             |
| Radio Equipment                     | 470 700            | -                | -                  | (462 623)          | -         | 8 077              | 464 091                               | -                | (456 014) | -         | 8 077            | (0)                | 250 000               |
| Security Equipment / Systems / Ma   | 1 463 700          | -                | -                  | -                  | -         | 1 463 700          | 147 837                               | 295 788          | -         | -         | 443 625          | 1 020 075          | -                     |
| Telecommunication Equipment         | 1 677 241          | 457 069          | -                  | -                  | -         | 2 134 310          | 393 300                               | 358 318          | -         | -         | 751 618          | 1 382 693          | -                     |
| Other Plant and Equipment           | 17 551 059         | 171 475          | 1 644 352          | (131 337)          | -         | 19 235 550         | 15 193 096                            | 402 858          | (129 461) | -         | 15 466 493       | 3 769 057          | 3 836 200             |

**APPENDIX B**  
**UGU DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

| Description              | Cost / Revaluation   |                   |                    |                    |                  |                      | Accumulated Depreciation / Impairment |                   |                    |                  |                    | Carrying Value       | Budget Additions 2011 |
|--------------------------|----------------------|-------------------|--------------------|--------------------|------------------|----------------------|---------------------------------------|-------------------|--------------------|------------------|--------------------|----------------------|-----------------------|
|                          | Opening Balance      | Additions         | Under Construction | Transfers          | Disposals        | Closing Balance      | Opening Balance                       | Additions         | Transfers          | Disposals        | Closing Balance    |                      |                       |
|                          | R                    | R                 | R                  | R                  | R                | R                    | R                                     | R                 | R                  | R                | R                  | R                    | R                     |
| <i>Motor Vehicles:</i>   |                      |                   |                    |                    |                  |                      |                                       |                   |                    |                  |                    |                      |                       |
| Bakkies (LDV's)          | 3 817 131            | -                 | -                  | -                  | -                | 3 817 131            | 373 496                               | 560 523           | -                  | -                | 934 020            | 2 883 111            | -                     |
| Graders                  | 651 270              | -                 | -                  | -                  | -                | 651 270              | 523 620                               | 15 950            | -                  | -                | 539 571            | 111 699              | -                     |
| Motor Cars               | 4 612 412            | -                 | -                  | -                  | -                | 4 612 412            | 2 522 401                             | 416 507           | -                  | -                | 2 938 908          | 1 673 504            | -                     |
| Tractors                 | 1 751 783            | -                 | -                  | -                  | (135 986)        | 1 615 797            | 304 662                               | 118 043           | -                  | (61 647)         | 361 058            | 1 254 739            | -                     |
| Trailers and Accessories | 316 664              | -                 | -                  | -                  | -                | 316 664              | 12 584                                | 31 935            | -                  | -                | 44 518             | 272 145              | 170 000               |
| Trucks                   | 46 962 229           | -                 | -                  | -                  | (768 608)        | 46 193 621           | 26 940 463                            | 4 736 322         | -                  | (698 003)        | 30 978 782         | 15 214 839           | -                     |
| Watercraft               | 28 250               | -                 | -                  | -                  | -                | 28 250               | 28 250                                | 0                 | -                  | -                | 28 250             | -                    | -                     |
|                          | <b>105 854 416</b>   | <b>2 084 444</b>  | <b>3 051 967</b>   | <b>(1 034 064)</b> | <b>(904 594)</b> | <b>109 052 169</b>   | <b>61 873 902</b>                     | <b>10 034 930</b> | <b>(975 541)</b>   | <b>(759 650)</b> | <b>70 173 640</b>  | <b>38 878 529</b>    | <b>7 075 650</b>      |
| <b>Total</b>             | <b>1 653 205 179</b> | <b>28 619 264</b> | <b>467 307 460</b> | <b>206 102 789</b> | <b>(904 594)</b> | <b>2 354 330 098</b> | <b>917 920 586</b>                    | <b>47 524 047</b> | <b>(3 958 253)</b> | <b>(759 650)</b> | <b>960 726 731</b> | <b>1 393 603 367</b> | <b>305 802 681</b>    |

**UGU DISTRICT MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2011**

| Description                    | Cost / Revaluation |                  |                    |                 |                       |                   | Accumulated Depreciation / Impairment |                  |                 |                       |                   | Carrying Value    | Budget Additions 2007 |
|--------------------------------|--------------------|------------------|--------------------|-----------------|-----------------------|-------------------|---------------------------------------|------------------|-----------------|-----------------------|-------------------|-------------------|-----------------------|
|                                | Opening Balance    | Additions        | Under Construction | Transfers       | Disposals / Transfers | Closing Balance   | Opening Balance                       | Additions        | Transfers       | Disposals / Transfers | Closing Balance   |                   |                       |
|                                | R                  | R                | R                  | R               | R                     | R                 | R                                     | R                | R               | R                     | R                 | R                 | R                     |
| <b>Intangible Assets</b>       |                    |                  |                    |                 |                       |                   |                                       |                  |                 |                       |                   |                   |                       |
| Computer Software              | 20 953 099         | 3 012 435        | -                  | (32 339)        | -                     | 23 933 195        | 11 175 181                            | 1 629 704        | (32 339)        | -                     | 12 772 546        | 11 160 649        | 9 400 000             |
| Rights and Servitudes          | 2 377 972          | 155 269          | -                  | -               | -                     | 2 533 242         | -                                     | -                | -               | -                     | -                 | 2 533 242         | 500 000               |
| <b>Total Intangible Assets</b> | <b>23 331 071</b>  | <b>3 167 704</b> | <b>-</b>           | <b>(32 339)</b> | <b>-</b>              | <b>26 466 437</b> | <b>11 175 181</b>                     | <b>1 629 704</b> | <b>(32 339)</b> | <b>-</b>              | <b>12 772 546</b> | <b>13 693 891</b> | <b>9 900 000</b>      |

**APPENDIX C**  
**UGU DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

| Description                | Cost / Revaluation   |                   |                    |                    |                  |                      | Accumulated Depreciation / Impairment |                   |                    |                  |                    | Carrying Value       |
|----------------------------|----------------------|-------------------|--------------------|--------------------|------------------|----------------------|---------------------------------------|-------------------|--------------------|------------------|--------------------|----------------------|
|                            | Opening Balance      | Additions         | Under Construction | Transfers          | Disposals        | Closing Balance      | Opening Balance                       | Additions         | Transfers          | Disposals        | Closing Balance    |                      |
|                            | R                    | R                 | R                  | R                  | R                | R                    | R                                     | R                 | R                  | R                | R                  | R                    |
| Executive and Council      | 7 712 308            | 75 334            | 2 052 521          | (51 786)           | (130 073)        | 9 658 304            | 2 395 351                             | 1 757 201         | (51 786)           | (126 357)        | 3 974 410          | 5 683 894            |
| Finance and Administration | 21 627 314           | 4 250 412         | 1 407 615          | (689 838)          | -                | 26 595 503           | 10 480 556                            | 4 227 764         | (653 016)          | -                | 14 055 303         | 12 540 200           |
| Planning and Development   | 547 247              | 18 251            | -                  | (43 338)           | -                | 522 160              | 384 463                               | 44 562            | (32 039)           | -                | 396 986            | 125 174              |
| Public Safety              | 127 673              | 18 251            | -                  | -                  | -                | 145 925              | 98 364                                | 12 090            | 0                  | -                | 110 454            | 35 471               |
| Sport and Recreation       | -                    | 3 435 134         | 3 439 367          | -                  | -                | 6 874 501            | -                                     | 2 901 230         | -                  | -                | 2 901 230          | 3 973 271            |
| Environmental Protection   | 456 527              | -                 | -                  | (13 990)           | -                | 442 537              | 236 511                               | 16 309            | (13 990)           | -                | 238 830            | 203 707              |
| Waste Management           | 156 691 297          | 18 789 200        | 88 735 681         | (11 406)           | (290 206)        | 263 914 566          | 100 734 096                           | 4 412 212         | (11 406)           | (167 398)        | 104 967 505        | 158 947 061          |
| Water                      | 1 442 182 823        | 1 645 911         | 368 954 098        | 202 039 441        | (484 315)        | 2 014 337 958        | 801 994 450                           | 33 241 270        | (3 196 016)        | (465 896)        | 831 573 808        | 1 182 764 150        |
| Other                      | 23 859 990           | 386 770           | 2 718 177          | 4 873 706          | -                | 31 838 643           | 1 596 796                             | 911 408           | -                  | -                | 2 508 204          | 29 330 439           |
| <b>Total</b>               | <b>1 653 205 179</b> | <b>28 619 264</b> | <b>467 307 460</b> | <b>206 102 789</b> | <b>(904 594)</b> | <b>2 354 330 098</b> | <b>917 920 586</b>                    | <b>47 524 047</b> | <b>(3 958 253)</b> | <b>(759 650)</b> | <b>960 726 731</b> | <b>1 393 603 367</b> |



**APPENDIX D**  
**UGU DISTRICT MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

| 2010<br>Actual<br>Revenue | 2010<br>Actual<br>Expenditure | 2010<br>Surplus/<br>(Deficit) | Description                | 2011<br>Actual<br>Revenue | 2011<br>Actual<br>Expenditure | 2011<br>Surplus/<br>(Deficit) |
|---------------------------|-------------------------------|-------------------------------|----------------------------|---------------------------|-------------------------------|-------------------------------|
| R                         | R                             | R                             |                            | R                         | R                             | R                             |
| 44 816 162                | 51 007 464                    | (6 191 302)                   | Executive and Council      | 42 350 006                | 51 068 281                    | (8 718 275)                   |
| 121 069 414               | 100 345 665                   | 20 723 748                    | Finance and Administration | 139 983 575               | 110 392 536                   | 29 591 039                    |
| 22 496 453                | 24 065 665                    | (1 569 212)                   | Planning and Development   | 32 356 488                | 24 587 938                    | 7 768 550                     |
| (81 132)                  | 5 008 585                     | (5 089 718)                   | Public Safety              | 836 709                   | 457 228                       | 379 480                       |
| 217 472                   | 700 315                       | (482 843)                     | Environmental Protection   | 2 479 595                 | 5 719 298                     | (3 239 704)                   |
| 72 069 796                | 61 702 993                    | 10 366 803                    | Waste Water Management     | 98 460 982                | 71 907 680                    | 26 553 302                    |
| 665 918 307               | 507 145 164                   | 158 773 144                   | Water                      | 533 639 385               | 479 380 691                   | 54 258 694                    |
| (625 841)                 | 1 631 204                     | (2 257 045)                   | Other                      | 535 376                   | 4 484 124                     | (3 948 749)                   |
| <b>925 880 632</b>        | <b>751 607 056</b>            | <b>174 273 576</b>            | <b>Total</b>               | <b>850 642 115</b>        | <b>747 997 778</b>            | <b>102 644 337</b>            |
|                           |                               |                               |                            |                           |                               |                               |

**APPENDIX E(1)**  
**UGU DISTRICT MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

| Description  | 2010/11<br>Actual  | 2010/11<br>Budget  | 2010/11<br>Variance | 2010/11<br>Variance | Explanation of Significant Variances<br>Greater than 10% versus Budget  |
|--|--------------------|--------------------|---------------------|---------------------|---|
|  | R                  | R                  | R                   | %                   |   |
| <b>REVENUE</b>                                     |                    |                    |                     |                     |   |
| Service Charges                                    | 240 280 488        | 348 386 248        | (108 105 760)       | (44.99)             | Actual billing less than budgeted for                                   |
| Rental of Facilities and Equipment                 | 955 738            | 993 972            | (38 234)            | (4.00)              |   |
| Interest Earned - External investments             | 6 161 362          | 7 983 000          | (1 821 638)         | (29.57)             | Own cash utilised for capital expenses to be funded from external loans |
| Interest Earned - Outstanding debtors              | 17 071 412         | 1 199 899          | 15 871 513          | 92.97               | Result of the discounting of service charges in terms of IAS 39         |
| Government Grants and Subsidies                    | 450 363 859        | 261 193 078        | 189 170 780         | 42.00               | Unbudgeted grants received for Water Infrastructure                     |
| Other Revenue                                      | 115 798 262        | 148 567 414        | (32 769 152)        | (28.30)             | Internal Recoveries lower due to curtailment of expenditure             |
| Public Contributions and Donations                 | 19 186 143         | -                  | 19 186 143          | 100.00              | Capital commitments met from public contributions realised in income    |
| Gains on Disposal of Property, Plant and Equipment | 824 851            | -                  | 824 851             | 100.00              | Proceeds from insurance on lost assets not budgeted for                 |
| <b>Total Revenue</b>                               | <b>850 642 115</b> | <b>768 323 610</b> | <b>82 318 505</b>   | <b>10.71</b>        |   |
| <b>EXPENDITURE</b>                                 |                    |                    |                     |                     |   |
| Employee Related Costs                             | 221 280 163        | 221 115 268        | 164 895             | 0.07                |   |
| Remuneration of Councillors                        | 6 191 830          | 6 199 346          | (7 516)             | (0.12)              |   |
| Depreciation                                       | 49 153 751         | 45 971 823         | 3 181 928           | 6.47                |   |
| Impairment Losses                                  | 27 900 418         | 7 380 000          | 20 520 418          | 73.55               | Under budgeted for Provision of Bad Debts                               |
| Repairs and Maintenance                            | 21 833 724         | 35 488 343         | (13 654 619)        | (62.54)             | Borehole repairs and spring protection funded from grants               |
| Interest Paid                                      | 20 977 578         | 15 396 622         | 5 580 956           | 26.60               | Budget adjustment process inadvertently reduced the budget              |
| Bulk Purchases                                     | 31 839 355         | 34 037 640         | (2 198 285)         | (6.90)              |   |
| Contracted Services                                | 16 501 666         | 21 367 800         | (4 866 134)         | (29.49)             | Tenders not awarded for certain planned contracted services             |
| Grants and Subsidies Paid                          | 145 715 087        | 129 358 509        | 16 356 577          | 11.23               | Unbudgeted grants expended for Water Infrastructure                     |
| General Expenses                                   | 206 604 206        | 251 973 259        | (45 369 053)        | (21.96)             | Internal Charges lower due to curtailment of expenditure                |
| <b>Total Expenditure</b>                           | <b>747 997 778</b> | <b>768 323 610</b> | <b>(20 325 833)</b> | <b>(2.65)</b>       |   |
| <b>NET SURPLUS FOR THE YEAR</b>                    | <b>102 644 337</b> | <b>-</b>           | <b>102 644 337</b>  |                     |   |

**APPENDIX E(2)**  
**UGU DISTRICT MUNICIPALITY**

**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011**

| Description                | 2010/11           | 2010/11               | 2010/11            | 2010/11            | 2010/11             | 2010/11        | Explanation of Significant Variances<br>greater than 5% versus Budget |
|----------------------------|-------------------|-----------------------|--------------------|--------------------|---------------------|----------------|---|
|                            | Actual            | Under<br>Construction | Total<br>Additions | Budget             | Variance            | Variance       |   |
|                            | R                 | R                     | R                  | R                  | R                   | %              |   |
| <b>Infrastructure</b>      |                   |                       |                    |                    |                     |                |   |
| Executive and Council      | 75 334            | -                     | 75 334             | 2 000 000          | (1 924 666)         | (96.23)        | Expenditure incurred under Finance and Administration                 |
| Finance and Administration | 4 250 412         | -                     | 4 250 412          | 950 000            | 3 300 412           | 347.41         | Expenditure budgeted for under Executive & Council and Public Safety  |
| Planning and Development   | 18 251            | -                     | 18 251             | -                  | 18 251              | 0.00           | Expenditure not material  |
| Public Safety              | 18 251            | -                     | 18 251             | 3 000 000          | (2 981 749)         | (99.39)        | Expenditure incurred under Finance and Administration                 |
| Sport and Recreation       | 3 435 134         | 3 439 367             | 6 874 501          | 23 631 863         | (16 757 362)        | (70.91)        | Expenditure incurred in the previous financial year                   |
| Waste Management           | 18 789 200        | 22 425 271            | 41 214 472         | 59 788 700         | (18 574 228)        | (31.07)        | Moratorium placed on projects not started                             |
| Water                      | 1 645 911         | 154 540 784           | 156 186 696        | 216 432 118        | (60 245 422)        | (27.84)        | Moratorium placed on projects not started                             |
| Other                      | 386 770           | -                     | 386 770            | -                  | 386 770             | 0.00           | Expenditure incurred on Ugu Fresh Produce Market not budgeted for     |
| <b>Total</b>               | <b>28 619 264</b> | <b>180 405 423</b>    | <b>209 024 687</b> | <b>305 802 681</b> | <b>(96 777 994)</b> | <b>(31.65)</b> |   |

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

**Grants and Subsidies Received**

| Name of Grant   | Name of Organ of State or Municipal Entity | Quarterly Receipts |                    |                    |                    |                  | Quarterly Expenditure |                   |                   |                   |                    | Grants and Subsidies Delayed / Withheld |          |          |          |          | Reason for Delay / Withholding of Funds | Compliance to Revenue Act (*) See below | Reason for Non-compliance |
|---|--|--------------------|--------------------|--------------------|--------------------|------------------|-----------------------|-------------------|-------------------|-------------------|--------------------|---|----------|----------|----------|----------|---|---|---------------------------|
|   |  | June               | Sept               | Dec                | March              | June             | June                  | Sept              | Dec               | March             | June               | June                                    | Sept     | Dec      | March    | June     |   |   |                           |
| FMG   | National Treasury                          | 0                  | 1 000 000          | 0                  | 0                  | 0                | 356 419               | 327 738           | 151 052           | 468 016           | 165 011            | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Equitable Share   | National Treasury                          | 0                  | 83 266 882         | 66 613 505         | 49 960 129         | 0                | 34 020 726            | 51 334 892        | 49 761 703        | 50 035 568        | 48 708 353         | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Sports and Recreation   | Dept Sport & Rec                           | 0                  | 0                  | 0                  | 0                  | 0                | 124 999               | 0                 | 108 831           | 0                 | 1 589 605          | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Ugu Agricultural Market   | Dept Agriculture                           | 0                  | 0                  | 0                  | 0                  | 1 505 256        | 0                     | 279 023           | 0                 | 0                 | 0                  | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Gijima  | DEAT                                       | 0                  | 0                  | 0                  | 1 322 023          | 0                | 107 874               | 0                 | 0                 | 111 377           | 386 770            | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Various Provincial  | DLGTA                                      | 3 875 000          | 2 947 639          | 25 000 000         | 14 527 931         | 498 750          | 19 804 844            | 5 676 193         | 2 987 369         | 100 744           | 21 047 409         | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Various National (inc. MIG)   | DPLG                                       | 77 628 530         | 51 000 000         | 46 500 000         | 38 757 000         | 0                | 84 186 817            | 31 849 831        | 44 006 994        | 15 665 241        | 116 855 999        | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| DWAF  | DWAF                                       | 1 719 700          | 0                  | 0                  | 13 101 000         | 913 000          | 10 783 772            | 1 025 908         | 0                 | 0                 | 1 121 428          | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Various   | DBSA                                       | 0                  | 2 916 016          | 818 829            | 895 208            | 0                | 584 626               | 303 522           | 920 773           | 464 385           | 509 866            | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Various Co-Operative Projects   | IDC  | 0                  | 0                  | 0                  | 0                  | 0                | 0                     | 0                 | 0                 | 0                 | 0                  | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Various (National Lottery)  | National Lottery                           | 0                  | 2 848 614          | 0                  | 0                  | 0                | 0                     | 0                 | 0                 | 0                 | 0                  | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| Various (Public Contributions)  | Other                                      | 7 800 000          | 2 132 664          | 1 123 672          | 293 669            | 6 161 063        | 266 455               | 166 380           | 39 536            | 0                 | 19 186 143         | N/A                                     | N/A      | N/A      | N/A      | N/A      | N/A                                     | Yes                                     | N/A                       |
| <b>Total Grants and Subsidies Received</b>  |  | <b>91 023 230</b>  | <b>146 111 815</b> | <b>140 056 006</b> | <b>118 856 960</b> | <b>9 078 069</b> | <b>150 236 532</b>    | <b>90 963 487</b> | <b>97 976 258</b> | <b>66 845 331</b> | <b>209 570 584</b> | <b>0</b>                                | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |   |   |                           |
| (*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act? |  |                    |                    |                    |                    |                  |                       |                   |                   |                   |                    |   |          |          |          |          |   |   |                           |