



EKURHULENI METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

General Information

LEGAL FORM OF ENTITY	Municipality and its Municipal entities
LEGISLATION GOVERNING THE MUNICIPALITY'S OPERATIONS	Municipal Finance Management Act (Act No. 56 of 2003)
MAYORAL COMMITTEE	
Executive Mayor	Clr M Gungubele
Councillors	Speaker: Clr P Kumalo Chief Whip: Clr R Mashego MMC SRAC: Clr Z Tshongweni MMC Finance: Clr M Makwakwa MMC Roads & Stormwater: Clr P Nkunjana MMC Human Settlements: Clr Q Duba MMC Health & Social Development: Clr M Maluleke MMC Public Transport, Planning & Provision: Clr T Mahlangu MMC City Planning & Economic Development: Clr B Nikani MMC Environmental Development: Clr T V Mabena MMC Community Safety: Clr M Sibozza MMC Water and Energy: Clr A Nxumalo
GRADING OF LOCAL AUTHORITY	The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.
ACCOUNTING OFFICER	K Ngema 011 999 0481
CHIEF FINANCIAL OFFICER (CFO)	Z G Myeza 011 999 6514
REGISTERED OFFICE	Corner Roses and Cross Streets Germiston 1400
BUSINESS ADDRESS	Corner Roses and Cross Streets Germiston 1400
POSTAL ADDRESS	Private Bag X69 Germiston 1400
BANKERS	ABSA Bank
AUDITORS	Auditor General

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
WCA	Workmen's Compensation
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003)
GMRF	Germiston Municipal Retirement Fund
USDG	Urban Settlement Development Grant

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the group annual financial statements fairly present the state of affairs of the economic entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the group annual financial statements and was given unrestricted access to all financial records and related data.

The group annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The group annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the economic entity has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the economic entity's external auditors.

The group annual financial statements set out on pages 4 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 14 September 2012:

Accounting Officer
K Ngema

Acting Chief Financial Officer
A L van Schalkwyk

Germiston
14 September 2012

Ekurhuleni Metropolitan Municipality
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Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
ASSETS					
Current Assets					
Inventories	12	155 946 657	145 166 073	145 045 948	132 472 519
Other Investments	8	25 927 064	24 110 861	21 285 000	20 000 000
Other receivables from exchange transactions	13	149 652 919	281 696 673	139 641 036	279 972 232
Other receivables from non-exchange transactions	14	29 540 450	130 187 427	29 540 450	130 187 427
Consumer debtors	15	2 683 966 083	2 447 472 950	2 683 966 083	2 447 472 950
Cash and cash equivalents	16	3 050 454 531	1 431 951 245	2 838 424 089	1 338 863 442
		6 095 487 704	4 460 585 229	5 857 902 606	4 348 968 570
Non-Current Assets					
Investment property	4	150 529 208	167 399 371	110 246 592	126 279 203
Property, plant and equipment	5	43 349 426 931	43 372 461 983	42 575 917 113	42 625 347 411
Intangible assets	6	68 207 032	33 111 499	66 506 608	31 396 293
Investments in controlled entities	7	-	-	306	306
Other Investments	8	472 185 461	230 895 311	472 185 461	230 895 311
Deferred tax	10	1 885 958	561 879	-	-
Long-term receivables		2 519 835	2 332 670	2 519 835	2 332 670
		44 044 754 425	43 806 762 713	43 227 375 915	43 016 251 194
Total Assets		50 140 242 129	48 267 347 942	49 085 278 521	47 365 219 764
LIABILITIES					
Current Liabilities					
Long-term liabilities	18	202 017 110	194 107 775	182 305 105	175 354 221
Current tax payable		285 701	270 146	-	-
Trade and other payables from exchange transactions	21	2 698 286 893	2 463 662 087	2 685 831 151	2 463 874 078
Deposits	22	536 474 676	490 844 219	532 611 189	487 038 111
Unspent conditional grants and receipts	19	110 469 114	144 674 428	99 675 581	133 880 895
Provisions	20	281 179 211	258 199 927	259 426 470	232 612 266
Current portion of other long-term liabilities		1 400 000	1 400 000	-	-
Bank overdraft	16	365	-	-	-
		3 830 113 070	3 553 158 582	3 759 849 496	3 492 759 571
Non-Current Liabilities					
Long-term liabilities	18	4 480 496 019	3 882 194 502	4 333 206 439	3 715 713 955
Retirement benefit obligation	11	1 502 270 877	1 378 112 990	1 502 270 877	1 378 112 990
Deferred tax	10	952 314	476 157	-	-
Provisions	20	653 652 489	506 791 124	649 199 245	503 152 405
Other long term liabilities		2 800 000	4 200 000	-	-
		6 640 171 699	5 771 774 773	6 484 676 561	5 596 979 350
Total Liabilities		10 470 284 769	9 324 933 355	10 244 526 057	9 089 738 921
Net Assets		39 669 957 360	38 942 414 587	38 840 752 464	38 275 480 843

**Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012**

Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
NET ASSETS					
Net Assets Attributable to Owners of Controlling Entity					
Share premium	17&17	7 442 007	7 442 007	-	-
Fair value adjustment assets-available-for-sale reserve		3 044 067	2 580 970	-	-
Accumulated surplus		39 635 050 247	38 912 438 779	38 840 752 464	38 275 480 843
		39 645 536 321	38 922 461 756	38 840 752 464	38 275 480 843
Minority interest		24 421 039	19 952 831	-	-
Total Net Assets		39 669 957 360	38 942 414 587	38 840 752 464	38 275 480 843

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
Revenue					
Property rates	25	2 589 321 741	2 430 292 427	2 590 399 280	2 431 046 779
Property rates - penalties and collection charges		53 770 449	62 530 966	53 770 449	62 530 966
Service charges	26	12 598 243 381	10 090 685 315	12 640 496 148	10 121 905 960
Rental of facilities and equipment		70 487 525	68 879 298	49 227 077	49 063 908
Interest earned - outstanding debtors		199 976 000	213 789 407	199 886 549	212 198 108
Fines		210 363 750	135 348 768	210 363 750	135 348 768
Licences and permits		33 960 666	30 049 466	33 960 666	30 049 466
Income from agency services		208 920 868	186 876 573	208 920 868	186 876 573
Government grants & subsidies	27	4 568 533 803	3 407 484 103	4 557 540 172	3 397 688 308
Rendering of services		8 307 720	7 397 104	-	-
Other income	28	149 445 139	104 029 538	105 666 528	69 723 591
Interest revenue	33	164 626 401	124 804 681	153 736 169	119 552 608
Dividends received	33	178 572	65 577	-	-
Total Revenue		20 856 136 015	16 862 233 223	20 803 967 656	16 815 985 035
Expenditure					
Employee related costs	30	(4 257 136 931)	(3 934 436 655)	(4 109 531 899)	(3 800 446 140)
Remuneration of councillors	31	(79 406 240)	(66 908 485)	(79 406 240)	(66 908 485)
Administration		(1 496 894)	(1 197 216)	-	-
Depreciation and amortisation	34	(2 062 063 968)	(2 100 535 540)	(2 029 143 565)	(2 068 788 607)
Impairment of assets	35	(1 973 600)	(23 001 843)	-	101 698
Finance costs	36	(469 695 012)	(400 036 901)	(453 417 828)	(382 613 438)
Debt impairment	32	(1 573 793 206)	(1 445 288 730)	(1 570 904 704)	(1 445 304 490)
Collection costs		(132 422 044)	(113 016 821)	(131 932 643)	(112 614 930)
Repairs and maintenance		(1 772 067 808)	(1 794 090 232)	(1 737 189 295)	(1 781 722 084)
Bulk purchases	42	(7 595 425 523)	(6 182 645 146)	(7 930 516 453)	(6 435 216 842)
Contracted services	40	(677 181 315)	(608 143 988)	(684 662 723)	(614 833 794)
Grants and subsidies paid	41	(362 004 390)	(112 172 952)	(426 284 806)	(134 179 074)
General Expenses	29	(1 124 545 016)	(1 075 662 643)	(1 065 442 758)	(1 026 484 127)
Total Expenditure		(20 109 211 947)	(17 857 137 152)	(20 218 432 914)	(17 869 010 313)
Gain on disposal of assets		814 564	4 628 429	776 424	4 871 992
Loss on disposal of assets		(21 488 159)	(25 011 367)	(21 039 546)	(24 773 397)
Taxation	37	814 880	(206 566)	-	-
Surplus (deficit) for the year		727 065 353	(1 015 493 433)	565 271 620	(1 072 926 683)
Attributable to:					
Owners of the controlling entity		722 611 468	(1 017 467 275)	565 271 620	(1 072 926 683)
Minority interest		4 453 885	1 973 842	-	-

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Statement of Changes in Net Assets

	Share premium	Fair value adjustment assets-available- for-sale reserve	Accumulated surplus	Minority interest	Total net assets
Figures in Rand					
Economic entity					
Opening balance as previously reported	7 442 007	1 847 979	42 417 729 787	17 957 189	42 444 976 962
Adjustments					
Prior period error	-	-	(2 487 823 733)	(871)	(2 487 824 604)
Balance at 01 July 2010 as restated	7 442 007	1 847 979	39 929 906 054	17 956 318	39 957 152 358
Other changes	-	732 991	-	22 671	755 662
Net income (losses) recognised directly in net assets	-	732 991	-	22 671	755 662
Surplus for the year	-	-	(1 017 467 275)	1 973 842	(1 015 493 433)
Total recognised income and expenses for the year	-	732 991	(1 017 467 275)	1 996 513	(1 014 737 771)
Total changes	-	732 991	(1 017 467 275)	1 996 513	(1 014 737 771)
Balance at 01 July 2011	7 442 007	2 580 970	38 912 438 779	19 952 831	38 942 414 587
Changes in net assets					
Other adjustments	-	463 097	-	14 323	477 420
Net income (losses) recognised directly in net assets	-	463 097	-	14 323	477 420
Surplus for the year	-	-	722 611 468	4 453 885	727 065 353
Total recognised income and expenses for the year	-	463 097	722 611 468	4 468 208	727 542 773
Total changes	-	463 097	722 611 468	4 468 208	727 542 773
Balance at 30 June 2012	7 442 007	3 044 067	39 635 050 247	24 421 039	39 669 957 360
Note(s)	17				
Controlling entity					
Opening balance as previously reported	-	-	41 836 063 999	-	41 836 063 999
Adjustments					
Prior period error	-	-	(2 487 656 473)	-	(2 487 656 473)
Balance at 01 July 2010 as restated	-	-	39 348 407 526	-	39 348 407 526
Changes in net assets					
Surplus/(Deficit) for the year	-	-	(1 072 926 683)	-	(1 072 926 683)
Total changes	-	-	(1 072 926 683)	-	(1 072 926 683)
Balance at 01 July 2011 as restated	-	-	38 275 480 844	-	38 275 480 844
Changes in net assets					
Surplus for the year	-	-	565 271 620	-	565 271 620

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Statement of Changes in Net Assets

				Fair value adjustment assets-available- for-sale reserve
Figures in Rand				
Total changes	-	-	565 271 620	-
Balance at 30 June 2012	-	-	38 840 752 464	-

Note(s) 17

Ekurhuleni Metropolitan Municipality
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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Property rates		1 837 968 927	2 086 635 679	1 839 046 466	2 087 390 031
Sale of goods and services		11 846 070 765	9 005 150 645	11 843 870 845	8 998 588 063
Grants		4 523 334 857	3 331 083 728	4 523 334 857	3 331 083 728
Interest income		364 602 400	338 614 088	353 622 718	331 750 716
Dividends received		178 572	65 577	-	-
Other receipts		683 688 470	562 832 662	606 654 348	533 593 269
		19 255 843 991	15 324 382 379	19 166 529 234	15 282 405 807
Payments					
Employee costs		(4 134 765 117)	(3 838 535 557)	(3 994 959 002)	(3 704 714 195)
Suppliers		(9 840 086 565)	(7 856 741 856)	(10 131 175 841)	(8 078 135 283)
Finance costs		(469 695 012)	(400 036 901)	(453 417 828)	(382 613 438)
Other payments		(1 542 231 837)	(1 885 270 169)	(1 515 301 797)	(1 875 061 207)
Taxes on surpluses		-	-	-	-
		(15 986 778 531)	(13 980 584 483)	(16 094 854 468)	(14 040 524 123)
Net cash flows from operating activities	43	3 269 065 460	1 343 797 896	3 071 674 766	1 241 881 684
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment (PPE)	5	(2 019 842 313)	(1 961 395 118)	(1 961 164 335)	(1 913 683 900)
Proceeds from the sale of property, plant and equipment	5	867 843	4 887 798	811 993	4 499 472
Purchase of investment property	4	(134 832)	-	-	-
Proceeds from sale of investment property	4	955 300	54 000	834 200	54 000
Purchase of intangible assets	6	(40 088 041)	(12 610 749)	(39 850 108)	(12 369 099)
Proceeds from sale of financial assets		(242 574 643)	80 081 031	(242 575 150)	80 081 031
Net movement in long term receivables		(187 165)	25 501 674	(187 165)	25 501 674
Net cash flows from investing activities		(2 301 003 851)	(1 863 481 364)	(2 242 130 565)	(1 815 916 822)
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement in long term liabilities		606 210 852	1 439 528 972	624 443 368	1 439 645 601
Movement in deposits		45 630 460	70 759 649	45 573 078	70 010 852
Movement in other long term liabilities		(1 400 000)	(262 783 283)	-	(261 383 283)
Net cash flows from financing activities		650 441 312	1 247 505 338	670 016 446	1 248 273 171
Net increase/ (decrease) in cash and cash equivalents		1 618 502 921	727 821 870	1 499 560 647	674 238 033
Cash and cash equivalents at the beginning of the year		1 431 951 245	704 129 375	1 338 863 442	664 625 409
Cash and cash equivalents at the end of the year	16	3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442

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Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Group Annual Financial Statements

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the group annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

1.2 Property, plant and equipment (PPE)

Property, plant and equipment (PPE) are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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Accounting Policies

1.2 Property, plant and equipment (PPE) (continued)

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The estimated useful lives are as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 - 80 years
Motor vehicles	
• Specialised vehicles	5 - 15 years
• Other vehicles	4 - 25 years
Infrastructure	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	30 years
• Electricity	5 – 60 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	50 years
• Solid Waste	5 – 60 years
• Servitudes	Indefinite
Community	
• Buildings	30 years
• Recreational facilities	20 – 30 years
• Security	11 – years
• Landfill sites	15 years
Other property, plant and equipment	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 – 33 years
• Specialised plant and equipment	10 – 26 years
• Other items of plant and equipment	2 – 26 years

The asset management policy contains the details of the components and their specific useful life estimates.

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

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

The economic entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in

Ekurhuleni Metropolitan Municipality Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Property, plant and equipment (PPE) (continued)

relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

1.3 Investments in controlled entities

Economic entity group annual financial statements

The group annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Controlling entity group annual financial statements

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the municipality's Separate Financial Statements, investments in controlled entities are accounted for at cost less any accumulated impairment.

1.4 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

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Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment financial assets
- Loans and receivables financial assets
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when the economic entity becomes party to the contractual provisions of the instrument.

Measurement

When a financial asset or financial liability is recognised initially, the economic entity measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the economic entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the economic entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The economic entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the economic entity applies the following to determine the amount of any impairment loss:

Financial assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables or held-to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the economic entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate

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Accounting Policies

1.4 Financial instruments (continued)

that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

De-recognition

Financial assets

A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the economic entity has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when the economic entity transfers the contractual rights to receive the cash flows of the financial asset. Where the economic entity has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the economic entity's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Categorisation

The economic entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;

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Accounting Policies

1.4 Financial instruments (continued)

- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The economic entity has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments
- Long term receivables
- Consumer debtors
- Other receivables
- Cash and cash equivalents
- Unlisted shares

In accordance with IAS 39.09 the financial assets of the economic entity are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Investments	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other receivables	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The economic entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Trade and other payables
- Consumer deposits
- Unspent conditional grants and receipts

There are two main categories of financial liabilities, classified based on how they are measured.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the economic entity are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
Long term liabilities	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants and receipts	Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows.

At each reporting date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Sundry Deposits:

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors:

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Capital Projects:

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Insurance Claims:

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Accounting Policies

1.4 Financial instruments (continued)

Insurance Claims are respect of expenditure incurred for assets replaced by the economic entity and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims:

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Investments

Other investments includes unlisted shares in Rand Airport (available-for-sale) as well as held to maturity investments

Other receivables

Other receivables consist of receivables from exchange and non-exchange transactions classified as loans and receivables.

Long-term receivables

Consist of housing debtors and is classified as loans and receivables.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

Finance leases - lessee

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Accounting Policies

1.6 Leases (continued)

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

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

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

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

1.8 Share premium

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.9 Employee benefits

Benefits

Retirement Funds

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

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Accounting Policies

1.9 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The economic entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

1.10 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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Accounting Policies

1.10 Provisions and contingencies (continued)

A provision is recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

a) Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b) COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 6.5% (2011 - 6.10%) per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 11.00% (2011 - 11.50%).

c) Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 11.00% (2011 - 11.50%).

The economic entity has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a economic entity incurs as a consequence of having used the property during a particular period for landfill purposes. The economic entity estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

d) Workmen's compensation provision

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

e) Long service awards provision

The economic entity offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

f) GMRF provision

The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

g) Bonus provision

The provision is to provide for performance bonuses of the economic entity's section 57 employees and, where applicable, independent contractors.

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Accounting Policies

1.11 Revenue from exchange transactions

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

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

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

Interest revenue is recognised on a time proportion basis.

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

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the economic entity's right to receive payment is established.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- The economic entity has transferred to the buyer the significant risks and rewards of ownership.
- The economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.16 and 1.17. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 3 months.

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Accounting Policies

1.12 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the economic entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Presentation of currency

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

1.14 Investment property

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

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

Cost model

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

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

Depreciation is provided to write down the cost by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 - 60 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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Accounting Policies

1.15 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the economic entity from which the economic entity expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the economic entity, i.e. is capable of being separated or divided from the economic entity and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The economic entity recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and the economic entity can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the economic entity acquires intangible assets, it recognises them as assets in the statement of financial position at cost.

Where the economic entity generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the economic entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The economic entity does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

The economic entity assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

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

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the economic entity expects to use the asset.

The economic entity reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	Useful life
Computer software	1 - 20 years (Change: 2011 was 3 - 14 years)

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

1.16 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Ekurhuleni Metropolitan Municipality Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Criteria developed by the economic entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

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Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

Criteria developed by the economic entity to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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Accounting Policies

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Revenue from non-exchange transactions

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

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

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

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

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

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

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

1.19 Comparative figures

Budget information has been provided in a note to these financial statements, called Statement of Comparative and Actual information.

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

1.20 Unauthorised expenditure

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

1.21 Fruitless and wasteful expenditure

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

1.22 Irregular expenditure

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

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.23 Use of estimates

The preparation of group annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group annual financial statements are disclosed in the relevant sections of the group annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Internal Reserves

Asset Fair Value Adjustment Reserve

On the implementation of GRAP 17, certain assets were adjusted to reflect the fair values of the assets, where insufficient cost were previously capitalized. This fair value adjustment have been transferred to the Asset Fair Value Adjustment Reserve via the accumulated surplus account.

The Asset Fair Value Adjustment Reserve is transferred to accumulated surplus on a basis that is appropriate as to realise this reserve on a straight-line basis over a pre-determined period, which is in line with service delivery objectives of the economic entity.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the economic entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Segmental information

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

Refer to note on statement of comparatives and actual information.

1.27 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the economic entity can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

1.28 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

**Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012**

Accounting Policies

1.29 Going concern

These annual financial statements have been prepared on a going concern basis.

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Group Annual Financial Statements for the year ended 30 June 2012
Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

2. CHANGES IN ACCOUNTING POLICY

Details of changes

2012

None

2011

During the year, the economic entity changed its accounting policy with respect to the treatment of post retirement benefits. To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

The aggregate effect of the changes in accounting policy on the group annual financial statements for the year ended 30 June 2012 is as follows:

Statement of financial position

Retirement benefit obligation

Adjustment	-	99 244 675	-	99 244 675
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Opening accumulated surplus

Adjustment	-	(83 741 340)	-	(83 741 340)
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Statement of Financial Performance

Employee related costs

Adjustment	-	(15 503 335)	-	(15 503 335)
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3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the economic entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the economic entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard has not yet been set.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the economic entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2012.

The municipality does not envisage adopting the standard before the standard becomes effective.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the economic entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and group annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary group annual financial statements. Where the budget and group annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the group annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and group annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2012.

The municipality does not envisage adopting the standard before the standard becomes effective.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the economic entity; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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3. NEW STANDARDS AND INTERPRETATIONS (continued)

The effective date of the standard is for years beginning on or after 01 July 2012.

The municipality does not envisage adopting the standard before the standard becomes effective.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2012.

The municipality does not envisage adopting the standard before the standard becomes effective.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an economic entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, an economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an economic entity applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an economic entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2012.

The municipality does not envisage adopting the standard before the standard becomes effective.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an economic entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an economic entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an economic entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the economic entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an economic entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before the standard becomes effective.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one economic entity and a financial liability or residual interest in another economic entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

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Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an economic entity to a portion of another economic entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an economic entity considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another economic entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An economic entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An economic entity is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an economic entity can however designate such an instrument to be measured at fair value.

An economic entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an economic entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an economic entity has transferred control of the asset to another economic entity.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

An economic entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An economic entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an economic entity's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an economic entity is exposed to as a result of its group annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An economic entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2012.

The municipality does not envisage adopting the standard before the standard becomes effective.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard has not yet been set.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard has not yet been set.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 107: Mergers

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Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard has not yet been set.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's group annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual group annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard has not yet been set.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the standard will have a material impact on the municipality's group annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality does not envisage adopting the interpretation before it becomes effective and applicable to its operations.

It is unlikely that the interpretation will have a material impact on the municipality's group annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality does not envisage adopting the interpretation before it becomes effective and applicable to its operations.

It is unlikely that the interpretation will have a material impact on the municipality's group annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for group annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for group annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment's is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

Ekurhuleni Metropolitan Municipality

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Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Ekurhuleni Metropolitan Municipality

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3. NEW STANDARDS AND INTERPRETATIONS (continued)

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the standard before it becomes effective and applicable to its operations.

It is unlikely that the amendment will have a material impact on the municipality's group annual financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

Ekurhuleni Metropolitan Municipality

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3. NEW STANDARDS AND INTERPRETATIONS (continued)

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 July 2013.

The municipality does not envisage adopting the interpretation before it becomes effective and applicable to its operations.

It is unlikely that the interpretation will have a material impact on the municipality's group annual financial statements.

4. INVESTMENT PROPERTY

Economic entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	163 869 232	(13 340 024)	150 529 208	179 173 278	(11 773 907)	167 399 371

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	111 434 056	(1 187 464)	110 246 592	126 872 935	(593 732)	126 279 203

Reconciliation of investment property - Economic entity - 2012

	Opening balance	Additions	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	167 399 371	134 832	(834 200)	(14 604 679)	(581 412)	(984 704)	150 529 208

Reconciliation of investment property - Economic entity - 2011

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	148 810 410	(54 000)	20 209 078	(1 566 117)	167 399 371

Reconciliation of investment property - Controlling entity - 2012

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	126 279 203	(834 200)	(14 604 679)	(593 732)	110 246 592

Reconciliation of investment property - Controlling entity - 2011

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	106 717 857	(54 000)	20 209 078	(593 732)	126 279 203

Pledged as security

Carrying value of assets pledged as security:

Property in West Germiston	16 077 392	16 468 364	-	-
Airport Park and Delville Flats	24 205 224	24 651 804	-	-

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012
Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

4. INVESTMENT PROPERTY (continued)

A loan from NHFC is secured first continuous covering mortgage over the consolidated property in West Germiston.

A loan from NHFC is secured by a first continuous covering mortgage over the consolidated property of Airport Park and Delville Flats.

Other disclosures

Total rental income received on investment property	23 809 252	22 774 148	2 548 804	2 958 758
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality and its controlled entities.

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2011

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5. PROPERTY, PLANT AND EQUIPMENT (PPE)

Economic entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & buildings	1 341 383 199	(37 141 796)	1 304 241 403	1 307 082 581	(33 246 595)	1 273 835 986
Infrastructure	42 699 981 807	(6 815 826 171)	35 884 155 636	41 554 592 289	(5 197 742 900)	36 356 849 389
Community	4 391 253 733	(737 809 085)	3 653 444 648	3 792 702 001	(539 482 550)	3 253 219 451
Other property, plant and equipment	3 637 650 028	(1 208 459 969)	2 429 190 059	3 403 884 991	(993 723 019)	2 410 161 972
Heritage	78 395 185	-	78 395 185	78 395 185	-	78 395 185
Total	52 148 663 952	(8 799 237 021)	43 349 426 931	50 136 657 047	(6 764 195 064)	43 372 461 983

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 030 025 867	-	1 030 025 867	996 757 295	-	996 757 295
Infrastructure	42 038 724 191	(6 608 283 625)	35 430 440 566	40 929 638 042	(5 009 386 469)	35 920 251 573
Community	4 391 253 733	(737 809 085)	3 653 444 648	3 792 702 001	(539 482 550)	3 253 219 451
Other property, plant and equipment	3 547 083 646	(1 163 472 799)	2 383 610 847	3 332 624 374	(955 900 467)	2 376 723 907
Heritage	78 395 185	-	78 395 185	78 395 185	-	78 395 185
Total	51 085 482 622	(8 509 565 509)	42 575 917 113	49 130 116 897	(6 504 769 486)	42 625 347 411

Reconciliation of property, plant and equipment (ppe) - Economic entity - 2012

Ekurhuleni Metropolitan Municipality
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Figures in Rand

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land & buildings	1 273 835 986	33 554 515	(15 213 300)	15 959 405	-	(3 895 203)	1 304 241 403
Infrastructure	36 356 849 389	1 248 176 868	(7 349)	(101 517 071)	-	(1 619 346 201)	35 884 155 636
Community	3 253 219 451	371 555 599	-	197 072 187	30 010 287	(198 412 876)	3 653 444 648
Other property, plant and equipment	2 410 161 972	366 555 331	(6 441 887)	(107 234 288)	-	(233 851 069)	2 429 190 059
Heritage	78 395 185	-	-	-	-	-	78 395 185
	43 372 461 983	2 019 842 313	(21 662 536)	4 280 233	30 010 287	(2 055 505 349)	43 349 426 931

Reconciliation of property, plant and equipment (ppe) - Economic entity - 2011

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land & buildings	1 272 524 796	14 907 399	(2 210 209)	(7 473 000)	-	(3 887 629)	(25 371)	-	1 273 835 986
Infrastructure	36 886 722 763	1 164 170 032	(84 272)	27 043 843	(320 202)	(1 697 761 276)	(23 023 197)	101 698	36 356 849 389
Community	3 087 464 074	353 815 551	-	9 021 659	(15 451 982)	(181 629 851)	-	-	3 253 219 451
Other property, plant and equipment	2 364 576 931	288 652 601	(22 859 732)	(9 610 243)	(296 500)	(210 138 936)	(382 094)	219 945	2 410 161 972
Heritage	78 395 185	-	-	-	-	-	-	-	78 395 185
	43 689 683 749	1 821 545 583	(25 154 213)	18 982 259	(16 068 684)	(2 093 417 692)	(23 430 662)	321 643	43 372 461 983

Reconciliation of property, plant and equipment (ppe) - Controlling entity - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	996 757 295	32 522 468	(15 213 300)	15 959 404	-	-	1 030 025 867
Infrastructure	35 920 251 573	1 211 493 795	-	(101 517 071)	-	(1 599 787 731)	35 430 440 566
Community	3 253 219 451	371 555 599	-	197 072 187	30 010 287	(198 412 876)	3 653 444 648
Other property, plant and equipment	2 376 723 907	345 592 473	(5 861 814)	(107 234 286)	-	(225 609 433)	2 383 610 847
Heritage	78 395 185	-	-	-	-	-	78 395 185
	42 625 347 411	1 961 164 335	(21 075 114)	4 280 234	30 010 287	(2 023 810 040)	42 575 917 113

Reconciliation of property, plant and equipment (ppe) - Controlling entity - 2011

Ekurhuleni Metropolitan Municipality
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Figures in Rand

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment reversal	Total
Land	991 293 396	14 907 399	(1 970 500)	(7 473 000)	-	-	-	996 757 295
Infrastructure	36 450 359 267	1 121 288 362	-	27 043 843	(320 202)	(1 678 221 395)	101 698	35 920 251 573
Community	3 087 464 074	353 815 551	-	9 021 659	(15 451 982)	(181 629 851)	-	3 253 219 451
Other property, plant and equipment	2 328 291 525	283 823 053	(22 430 377)	(9 610 243)	(296 073)	(203 053 978)	-	2 376 723 907
Heritage	78 395 185	-	-	-	-	-	-	78 395 185
	42 935 803 447	1 773 834 365	(24 400 877)	18 982 259	(16 068 257)	(2 062 905 224)	101 698	42 625 347 411

Borrowing costs capitalised

Infrastructure	18 217 967	44 342 373	18 217 967	44 342 373
Community	9 799 326	9 383 669	9 799 326	9 383 669
Other property, plant and equipment	2 107 883	3 969 028	2 107 883	3 969 028
	30 125 176	57 695 070	30 125 176	57 695 070

Capitalisation rates used during the year were 10.05%, 10.68%, 10.56% 10.72% respectively (2011 - 10.68%, 10.56%, 10.72%), depending on the finance source or external loan facility.

Capitalised expenditure(excluding borrowing costs)

Work-in-progress reconciliation

Included in the cost price is the following work-in-progress projects:

Work-in-progress

Opening balance	2 040 210 505	1 782 858 821	1 964 263 040	1 723 367 678
Capital expenditure towards work-in-progress	1 352 089 912	1 203 033 311	1 315 406 839	1 163 580 134
Transferred to completed projects	(1 817 837 750)	(945 681 627)	(1 817 837 750)	(922 684 772)
	1 574 462 667	2 040 210 505	1 461 832 129	1 964 263 040

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

ERWAT's Grootvlei Biosure plant with a Carrying value R0 (2011: R22,996,855) is not currently operational as the Grootvlei Mine was liquidated. The contract between ERWAT and the new owners of the mine (AURORA mining) could not be renewed due to the financial difficulties the new owners are experiencing. The probability is that the plant can be used in the near future as there will be development in the area where the plant is situated.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality and its controlled entities.

Deemed cost

Included in the additions for the year is public contributed assets with deemed cost amounts of R13,450,224.

6. INTANGIBLE ASSETS

Economic entity	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	83 412 086	(15 205 054)	68 207 032	43 324 045	(10 212 546)	33 111 499

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software (other)	80 083 819	(13 577 211)	66 506 608	40 233 712	(8 837 419)	31 396 293

Reconciliation of intangible assets - Economic entity - 2012

Computer software	Opening balance	Additions	Amortisation	Total
	33 111 499	40 088 041	(4 992 508)	68 207 032

Reconciliation of intangible assets - Economic entity - 2011

Computer software	Opening balance	Additions	Disposals	Amortisation	Impairment reversal	Total
	26 061 403	12 610 749	(116 100)	(5 551 727)	107 174	33 111 499

Reconciliation of intangible assets - Controlling entity - 2012

Computer software (other)	Opening balance	Additions	Amortisation	Total
	31 396 293	39 850 108	(4 739 793)	66 506 608

Reconciliation of intangible assets - Controlling entity - 2011

Computer software (other)	Opening balance	Additions	Amortisation	Total
	24 316 844	12 369 099	(5 289 650)	31 396 293

Work-in-progress

Reconciliation of work-in-progress of the controlling entity

Included in additions is the following amounts relating to software still in development:

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
6. INTANGIBLE ASSETS (continued)				
Work-in-progress				
Opening balance	10 898 875	18 471 873	10 898 875	18 471 873
Software development incurred during the year	38 800 411	9 572 314	38 800 411	9 572 314
Work in progress cleared during the year	-	(17 145 312)	-	(17 145 312)
	49 699 286	10 898 875	49 699 286	10 898 875

7. INVESTMENTS IN CONTROLLED ENTITIES

Name of company	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Brakpan Bus Company SOC Ltd	100,00 %	100,00 %	6	6
Ekurhuleni Development Company SOC Ltd	100,00 %	100,00 %	100	100
East Rand Water Care Company, NPC	97,00 %	97,00 %	-	-
Pharoe Park Housing Company SOC Ltd	93,46 %	93,46 %	100	100
Germiston Phase II Housing Company SOC Ltd	92,59 %	92,59 %	100	100
Lethabong Housing Institute, NPC	100,00 %	100,00 %	-	-
			306	306

8. OTHER INVESTMENTS

Available-for-sale				
Unlisted shares	4 000 000	4 000 000	4 000 000	4 000 000
Old Mutual and Sanlam	4 642 064	4 110 861	-	-
	8 642 064	8 110 861	4 000 000	4 000 000
Held to maturity				
Investments	489 470 461	246 895 311	489 470 461	246 895 311
These investments have varying interest rates as well as varying maturity dates				
Total other financial assets	498 112 525	255 006 172	493 470 461	250 895 311
Non-current assets				
Available-for-sale	4 000 000	4 000 000	4 000 000	4 000 000
Held to maturity	468 185 461	226 895 311	468 185 461	226 895 311
	472 185 461	230 895 311	472 185 461	230 895 311
Current assets				
Available-for-sale	4 642 064	4 110 861	-	-
Held to maturity	21 285 000	20 000 000	21 285 000	20 000 000
	25 927 064	24 110 861	21 285 000	20 000 000
	498 112 525	255 006 172	493 470 461	250 895 311

The board of directors of ERWAT decided to sell the Old Mutual and Sanlam shares, therefore the shares are classified as current assets.

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

8. OTHER INVESTMENTS (continued)

Available-for-sale equity investments not at fair value

Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

Rand Airport 20% interest in ordinary shares	4 000 000	4 000 000	4 000 000	4 000 000
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The Company's Equity amounted to R536,018,180 (2011: R535,728,513) represented by Share Capital of R5,201,000 (2011: R5,201,000), Reserves of R165,755,503 (2011: R165,755,503) as well as Retained Income of R365,061,677 (2011: R364,772,010) as at 28 February 2012.

The economic entity has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

The municipality became aware of an investment not previously accounted for, to the amount of R1,612,382 as at 30 June 2012, which is currently under investigation. Once the origin and background of the investment has been determined, the appropriate adjustments will be made as an event after the reporting date.

Investments with a carrying value of R464,610,451 (2011: R224,185,159) are encumbered in respect of long term liabilities with a carrying value of R2,847,620,000 (2011: R2,268,364,605) as disclosed in the Long-term liabilities note (note 18).

Credit quality of other financial assets

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

9. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Loans and receivables				
Consumer debtors	2 683 966 083	2 447 472 950	2 683 966 083	2 447 472 950
Long term receivables	2 519 835	2 332 670	2 519 835	2 332 670
Other receivables	147 817 990	394 908 828	144 473 485	387 239 496
Held to maturity investments				
Other investments	494 112 525	251 006 172	489 470 461	246 895 311
Available-for-sale				
Cash and cash equivalents	3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442
Unlisted shares	4 000 000	4 000 000	4 000 000	4 000 000
	6 382 870 599	4 531 671 865	6 162 853 953	4 426 803 869

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
10. DEFERRED TAX				
Deferred tax asset and liability				
Other	1 885 958	561 879	-	-
Temporary differences on property, plant and equipment	(952 314)	(476 157)	-	-
	933 644	85 722	-	-

Reconciliation of net deferred tax asset (liability)

At beginning of the year	85 722	264 410	-	-
Movement in provisions	847 922	(178 688)	-	-
	933 644	85 722	-	-

11. EMPLOYEE BENEFIT OBLIGATIONS

1. Retirement Funds

The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

The council took a resolution in terms of an agreement with SALGA that the contribution rate to pension funds will be capped at 18% of salaries for new members joining pension funds after 1 July 2012 and also that the deducted contribution will only be transferred to Defined Contribution pension funds.

Defined Contribution Funds

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The economic entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds. The following funds have been treated as defined contribution plans although they are defined benefit funds:

1. Joint Municipal Pension Fund
2. Municipal Employees Pension Fund
3. South African Local Authorities Pension Fund

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined benefit fund for certain pensioners under old rules taken up in the rules of the fund. During 2005 GMRF outsources the full administration of the pensioners component which relates to old rules of a defined benefit fund.

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

2. Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end. Refer to Provisions note (note 20) for leave pay provision.

Retirement benefit obligation (medical aid plan)

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

An actuarial valuation was performed by IAC Actuarial Consulting at 30 June 2012.

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	2012	2011	2012	2011

11. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The amounts recognised in the statement of financial position are as follows:

Present value of the defined benefit obligation-wholly unfunded	(1 605 262 580)	(1 471 976 148)	(1 605 262 580)	(1 471 976 148)
Net actuarial gains or losses not recognised	102 991 703	93 863 158	102 991 703	93 863 158
	(1 502 270 877)	(1 378 112 990)	(1 502 270 877)	(1 378 112 990)

Movements for the year

Opening balance	(1 378 112 990)	(1 281 182 918)	(1 378 112 990)	(1 281 182 918)
Benefits paid	57 376 230	45 056 688	57 376 230	45 056 688
Net expense recognised in the statement of financial performance	(181 534 117)	(141 986 760)	(181 534 117)	(141 986 760)
	(1 502 270 877)	(1 378 112 990)	(1 502 270 877)	(1 378 112 990)

Net expense recognised in the statement of financial performance

Current service cost	(56 815 006)	(43 519 609)	(56 815 006)	(43 519 609)
Interest cost	(124 719 111)	(101 013 071)	(124 719 111)	(101 013 071)
Actuarial gains (losses)	-	2 545 920	-	2 545 920
	(181 534 117)	(141 986 760)	(181 534 117)	(141 986 760)

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8,10 %	8,63 %	8,10 %	8,63 %
Health care cost inflation rate	6,90 %	7,29 %	6,90 %	7,29 %

Other assumptions:

Key Demographic Assumptions

Assumption	Value		
Average retirement age	63		
Continuation of membership at retirement	90%		
Proportion assumed married at retirement	80%		
Proportion of eligible non-member employees joining the scheme by retirement	20%		
Mortality during employment	SA 85-90		
Mortality post-retirement	PA90-1		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	16%	16%
	30	10%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

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	2012	2011	2012	2011
12. INVENTORIES				
Inventories Bedfordview Stanford Gardens	4 856 400	6 830 000	-	-
Inventories Bedfordview Tennis Court	5 790 280	5 790 280	-	-
Other inventories	254 029	73 274	-	-
Electrical	105 657 621	95 418 369	105 657 621	95 418 369
Sewerage	44 191	24 557	44 191	24 557
Cleansing	26 272	15 967	26 272	15 967
Consumable stores	3 841 774	3 430 682	3 841 774	3 430 682
Maintenance materials	4 255 188	3 765 941	4 255 188	3 765 941
Water	10 043 115	7 730 509	10 043 115	7 730 509
Unsold Properties Held for Resale	12 128 900	12 378 300	12 128 900	12 378 300
Food and Beverage	15 048	24 178	15 048	24 178
Fleet and Transport	1 926 940	2 772 248	1 926 940	2 772 248
Fuel (Diesel, Petrol)	7 338 705	7 189 527	7 338 705	7 189 527
	156 178 463	145 443 832	145 277 754	132 750 278
Provision for obsolete Inventories	(231 806)	(277 759)	(231 806)	(277 759)
	155 946 657	145 166 073	145 045 948	132 472 519

Land inventory sold during the year and recognised as an expense	249 400	710 400	249 400	710 400
Inventory written down due to redundancy/obsolescence	2 251 359	2 169 126	277 759	2 169 126

13. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	8 164 621	7 601 707	-	-
Other deposits	700 026	522 988	-	-
Other receivable	163 684 726	254 529 504	163 747 648	251 343 797
Debtor for interest on investments	-	2 752 911	-	2 752 911
VAT debtor	31 375 379	16 975 272	24 708 001	22 920 163
Lease rental receipts asset	16 790 042	16 790 042	16 790 042	16 790 042
Provision for debt impairment	(71 061 875)	(17 475 751)	(65 604 655)	(13 834 681)
	149 652 919	281 696 673	139 641 036	279 972 232

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

14. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Current	29 540 450	130 187 427	29 540 450	130 187 427
Made up as follows:				
Traffic fine debtors	6 753 349	3 787 226	6 753 349	3 787 226
Grant debtors	22 787 101	126 400 201	22 787 101	126 400 201
	29 540 450	130 187 427	29 540 450	130 187 427

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
15. CONSUMER DEBTORS				
Gross balances				
Rates	1 852 303 261	1 721 579 539	1 852 303 261	1 721 579 539
Electricity	2 155 250 950	1 952 700 774	2 155 250 950	1 952 700 774
Water	1 901 206 531	2 255 149 517	1 901 206 531	2 255 149 517
Waste water	593 428 316	639 764 345	593 428 316	639 764 345
Refuse	554 780 534	715 176 525	554 780 534	715 176 525
Housing rental	44 336 268	36 508 601	44 336 268	36 508 601
Other	1 243 654 211	2 314 176 211	1 243 654 211	2 314 176 211
	8 344 960 071	9 635 055 512	8 344 960 071	9 635 055 512
Less: Provision for debt impairment				
Rates	(1 433 917 999)	(1 429 410 883)	(1 433 917 999)	(1 429 410 883)
Electricity	(575 508 410)	(1 188 669 860)	(575 508 410)	(1 188 669 860)
Water	(1 467 973 622)	(1 890 019 366)	(1 467 973 622)	(1 890 019 366)
Waste water	(443 877 705)	(546 370 753)	(443 877 705)	(546 370 753)
Refuse	(459 299 898)	(611 327 852)	(459 299 898)	(611 327 852)
Housing rental	(44 335 736)	(36 508 601)	(44 335 736)	(36 508 601)
Other	(1 236 080 618)	(1 485 275 247)	(1 236 080 618)	(1 485 275 247)
	(5 660 993 988)	(7 187 582 562)	(5 660 993 988)	(7 187 582 562)
Net balance				
Rates	418 385 262	292 168 656	418 385 262	292 168 656
Electricity	1 579 742 540	764 030 914	1 579 742 540	764 030 914
Water	433 232 909	365 130 151	433 232 909	365 130 151
Waste water	149 550 611	93 393 592	149 550 611	93 393 592
Refuse	95 480 636	103 848 673	95 480 636	103 848 673
Housing rental	532	-	532	-
Other	7 573 593	828 900 964	7 573 593	828 900 964
	2 683 966 083	2 447 472 950	2 683 966 083	2 447 472 950
Rates				
Current (0 -30 days)	241 246 949	242 674 240	241 246 949	242 674 240
31 - 60 days	67 071 047	72 242 561	67 071 047	72 242 561
61 - 90 days	48 139 977	48 820 505	48 139 977	48 820 505
91 - 120+ days	1 495 845 288	1 357 842 233	1 495 845 288	1 357 842 233
	1 852 303 261	1 721 579 539	1 852 303 261	1 721 579 539
Electricity				
Current (0 -30 days)	1 308 435 984	488 745 819	1 308 435 984	1 132 835 266
31 - 60 days	100 823 100	113 260 766	100 823 100	113 260 766
61 - 90 days	56 185 570	74 527 515	56 185 570	74 527 515
91 - 120+ days	689 806 296	632 077 227	689 806 296	632 077 227
	2 155 250 950	1 308 611 327	2 155 250 950	1 952 700 774
Water				
Current (0 -30 days)	287 384 874	199 485 313	287 384 874	220 903 859
31 - 60 days	88 195 390	79 283 449	88 195 390	79 283 449
61 - 90 days	74 894 107	69 075 222	74 894 107	69 075 222
91 - 120+ days	1 450 732 160	1 885 886 987	1 450 732 160	1 885 886 987
	1 901 206 531	2 233 730 971	1 901 206 531	2 255 149 517

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
15. CONSUMER DEBTORS (continued)				
Waste water				
Current (0 -30 days)	90 115 549	48 416 710	90 115 549	49 745 438
31 - 60 days	30 558 072	25 930 872	30 558 072	25 930 872
61 - 90 days	22 825 717	21 431 414	22 825 717	21 431 414
91 - 120+ days	449 928 978	542 656 622	449 928 978	542 656 622
	593 428 316	638 435 618	593 428 316	639 764 346
Refuse				
Current (0 -30 days)	45 421 492	37 989 010	45 421 492	37 989 010
31 - 60 days	25 777 279	21 682 920	25 777 279	21 682 920
61 - 90 days	22 895 891	18 701 197	22 895 891	18 701 197
91 - 120+ days	460 685 872	636 803 398	460 685 872	636 803 398
	554 780 534	715 176 525	554 780 534	715 176 525
Housing rental				
Current (0 -30 days)	699 732	665 965	699 732	665 965
31 - 60 days	1 244 476	815 189	1 244 476	815 189
61 - 90 days	1 095 406	740 374	1 095 406	740 374
91 - 120+ days	41 296 654	34 287 073	41 296 654	34 287 073
	44 336 268	36 508 601	44 336 268	36 508 601
Other				
Current (0 -30 days)	61 040 127	53 775 736	61 040 127	53 775 736
31 - 60 days	37 967 958	29 359 337	37 967 958	29 359 337
61 - 90 days	35 848 133	30 953 141	35 848 133	30 953 141
91 - 120+ days	1 108 797 993	1 950 886 229	1 108 797 993	2 200 087 997
	1 243 654 211	2 064 974 443	1 243 654 211	2 314 176 211
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	707 318 965	774 531 269	707 318 965	774 531 269
31 - 60 days	226 536 414	219 684 603	226 536 414	219 684 603
61 - 90 days	188 510 561	168 905 255	188 510 561	168 905 255
91 - 120 days	4 614 659 901	6 516 437 763	4 614 659 901	6 516 437 763
	5 737 025 841	7 679 558 890	5 737 025 841	7 679 558 890
Less: Provision for debt impairment	(4 796 254 817)	(6 379 053 709)	(4 796 254 817)	(6 379 053 709)
	940 771 024	1 300 505 181	940 771 024	1 300 505 181
Industrial/ commercial				
Current (0 -30 days)	1 298 980 443	946 422 210	1 298 980 443	946 422 210
31 - 60 days	110 828 429	114 578 003	110 828 429	114 578 003
61 - 90 days	64 628 972	87 493 270	64 628 972	87 493 270
91 - 120 days	966 857 097	708 682 408	966 857 097	708 682 408
	2 441 294 941	1 857 175 891	2 441 294 941	1 857 175 891
Less: Provision for debt impairment	(746 493 763)	(736 281 342)	(746 493 763)	(736 281 342)
	1 694 801 178	1 120 894 549	1 694 801 178	1 120 894 549

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
15. CONSUMER DEBTORS (continued)				
National and provincial government				
Current (0 -30 days)	28 045 299	17 636 025	28 045 299	17 636 025
31 - 60 days	14 272 480	8 312 488	14 272 480	8 312 488
61 - 90 days	8 745 268	7 850 844	8 745 268	7 850 844
91 - 120 days	115 576 237	64 521 365	115 576 237	64 521 365
	166 639 284	98 320 722	166 639 284	98 320 722
Less: Provision for debt impairment	(118 245 409)	(72 247 511)	(118 245 409)	(72 247 511)
	48 393 875	26 073 211	48 393 875	26 073 211
Total				
Current (0 -30 days)	2 034 344 707	1 738 589 514	2 034 344 707	1 738 589 514
31 - 60 days	351 637 322	342 575 094	351 637 322	342 575 094
61 - 90 days	261 884 801	264 249 368	261 884 801	264 249 368
91 - 120 days	5 697 093 241	7 289 641 536	5 697 093 241	7 289 641 536
	8 344 960 071	9 635 055 512	8 344 960 071	9 635 055 512
Less: Provision for debt impairment	(5 660 993 988)	(7 187 582 562)	(5 660 993 988)	(7 187 582 562)
	2 683 966 083	2 447 472 950	2 683 966 083	2 447 472 950
Less: Provision for debt impairment				
Current (0 -30 days)	(172 320 908)	(205 103 835)	(172 320 908)	(205 103 835)
31 - 60 days	(161 919 277)	(162 010 623)	(161 919 277)	(162 010 623)
61 - 90 days	(159 607 681)	(152 471 072)	(159 607 681)	(152 471 072)
91 - 120 days	(5 167 146 122)	(6 667 997 032)	(5 167 146 122)	(6 667 997 032)
	(5 660 993 988)	(7 187 582 562)	(5 660 993 988)	(7 187 582 562)
Reconciliation of debt impairment provision				
Balance at beginning of the year	(7 187 582 562)	(6 255 038 588)	(7 187 582 562)	(6 255 038 588)
Contributions to provision	(1 570 904 704)	(1 445 304 490)	(1 570 904 704)	(1 445 304 490)
Debt impairment written off against provision	3 045 723 304	512 760 516	3 045 723 304	512 760 516
Provision transferred to Other receivables from exchange transactions	51 769 974	-	51 769 974	-
	(5 660 993 988)	(7 187 582 562)	(5 660 993 988)	(7 187 582 562)
Credit quality of consumer debtors				
The credit quality of consumer debtors that are neither past, nor due, nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.				
Event after reporting date				
An amount of R 2,634,851,835 has been written off as prescribed debt. Refer to note 52.				
16. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	550 533	509 310	523 881	483 610
Bank balances	3 020 903 285	1 401 186 785	2 837 900 208	1 338 379 832
Short-term deposits	29 000 713	30 255 150	-	-
Bank overdraft	(365)	-	-	-
	3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442
Current assets	3 050 454 531	1 431 951 245	2 838 424 089	1 338 863 442
Current liabilities	(365)	-	-	-
	3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
16. CASH AND CASH EQUIVALENTS (continued)				
The controlling entity has provided bank guarantees to the amount of R23,166,798 (2011: R20,081,932) with regards to special clauses in contracts concluded with various third parties.				
Credit quality of cash at bank and short term deposits, excluding cash on hand				
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.				
ABSA				
Alberton income account	1 705 381	2 517 470	1 705 381	2 517 470
Benoni Income Account	3 084 767	5 067 159	3 084 767	5 067 159
Benoni Direct Banking	1 046 811	1 106 234	1 046 811	1 106 234
Mask Account	2 195	-	2 195	-
Boksburg Income Account	7 523 013	3 164 906	7 523 013	3 164 906
Boksburg Direct Banking Account KI	3 288	-	3 288	-
Brakpan Income Account	673 890	3 695 677	673 890	3 695 677
Brakpan pre-paid sales Account	293 200	-	293 200	-
Germiston Income Account	6 628 801	7 380 967	6 628 801	7 380 967
Kempton Park Income Account	1 703 571	3 437 801	1 703 571	3 437 801
Kempton Park Direct Banking Account	1 328 463	769 521	1 328 463	769 521
Lethabong Direct Banking Account	326 287	259 570	326 287	259 570
Lethabong Income Account	1 344 359	2 670 918	1 344 359	2 670 918
Nigel Income Account	302 251	3 206 833	302 251	3 206 833
Springs Income Account	688 700	102 736	688 700	102 736
Springs Direct Banking Account	-	714 667	-	714 667
Springs Market Account	1 134 982	(629 801)	1 134 982	(629 801)
RSC Levies Account	802 650	802 650	802 650	802 650
External Finance Fund Account	564 798 036	542 045 629	564 798 036	542 045 629
Capital Replacement Reserve Account	677 269 690	769	677 269 690	769
Primary Bank Account (Capital from revenue account)	241 236 344	142 303 806	241 236 344	142 303 806
Salary Account	53 002 667	32 393 374	53 002 667	32 393 374
Treasury Account	537 422 215	389 622 245	537 422 215	389 622 245
Expenditure Imprest Account	229 617 416	(8 365 408)	229 617 416	(8 365 408)
CMIP Account (MIG)	360 357 905	84 806 962	360 357 905	84 806 962
Housing Account	144 175 508	99 377 265	144 175 508	99 377 265
Short Term Deposits at various institutions with dates within 3 months	122 518	117 006	122 518	117 006
Lease bank account	-	20 505 576	-	20 505 576
Guarantee Account	1 305 300	1 305 300	1 305 300	1 305 300
Petty Cash and Floats	523 881	483 610	523 881	483 610
Brakpan Bus Company (BBC)	3 890 980	7 337 680	-	-
Cash on hand - entities	26 652	25 700	-	-
Ekurhuleni Development Company (EDC)	169 329	129 873	-	-
Lethabong Housing Institute (LHI)	(365)	22 920	-	-
Call deposits - entities	29 000 713	30 255 150	-	-
Germiston Phase II Housing Company (Phase II)	584 948	1 225 074	-	-
East Rand Water Care Company (ERWAT)	177 758 792	53 943 065	-	-
Pharoe Park Housing Company (PP)	599 028	148 341	-	-
	3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442

The economic entity had the following bank accounts

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Figures in Rand	Economic entity			Controlling entity		
	2012	2011	2011	2012	2011	2011
16. CASH AND CASH EQUIVALENTS (continued)						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Income Alberton-111-841-0641	-	-	-	1 705 381	2 517 470	3 311 582
ABSA BANK - Income Benoni -4055327394	-	-	-	3 084 767	5 067 159	3 027 128
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	1 046 811	1 106 234	1 337 862
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	2 195	-	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	7 523 013	3 164 906	3 650 827
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	-	-	3 288	-	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	-	-	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	673 890	3 695 677	1 019 870
ABSA BANK - Prepaid Sales Account Brakpan-240159392	-	-	-	293 200	-	-
ABSA BANK - Income Germiston - 2500002277	-	-	-	6 628 801	7 380 967	5 909 250
ABSA BANK - Direct Banking Germiston - 250000804	-	-	-	-	-	-
ABSA BANK - Direct Banking Kempton Park - 260181599	-	-	-	1 328 463	769 521	850 560
ABSA BANK - Income Kempton Park - 260000004	-	-	-	1 703 571	3 437 801	8 095 380
ABSA BANK - Income Lethabong - 4055442546	-	-	-	1 344 359	2 670 918	467 337
ABSA BANK - Direct Banking Lethabong - 4055442596	-	-	-	326 287	259 570	149 990
ABSA BANK - Income Nigel - 270000010	-	-	-	302 251	3 206 833	1 859 622
ABSA BANK - Income Springs - 280000051	-	-	-	688 700	102 736	502 402
ABSA BANK - Direct Springs - 280000094	-	-	-	-	714 667	1 125 912
ABSA BANK - Fresh Produce Market - 1135470160	1 700 216	191 534	1 220 120	1 134 982	(629 801)	1 220 120
ABSA BANK - RSC Levies - 1018470132	-	-	-	802 650	802 650	802 650
ABSA BANK - EFF Account (EX CLF) - 4053834321	564 798 036	542 045 629	275 133 232	564 798 036	542 045 629	275 133 232
ABSA BANK - C R R Account (EX CDF) - 4053834779	677 269 628	769	753	677 269 690	769	753
ABSA BANK - Primary Bank Acc - 4053835084	241 236 282	142 303 806	136 953 414	241 236 344	142 303 806	136 953 414
ABSA BANK - Salary Account - 4055571973	54 515 276	34 087 292	6 226 280	53 002 667	32 393 374	4 235 901
ABSA BANK - Treasury Account - 4055571931	537 422 215	389 622 245	63 266 255	537 422 215	389 622 245	63 266 255
ABSA BANK - Expenditure Imprest Acc - 4055571915	261 765 414	15 051 689	4 084 411	229 617 416	(8 365 408)	(19 255 230)
ABSA BANK - MIG Account - 4055571884	360 357 843	84 806 962	51 311 824	360 357 905	84 806 962	51 311 824
ABSA BANK - Housing Account - 4055571842	144 175 446	99 377 265	116 240 993	144 175 508	99 377 265	116 240 993
ABSA BANK - Lease Income - 4075756252	-	20 551 720	-	-	20 505 576	-
ABSA BANK - Guarantee account - Petty Cash and Floats	-	-	-	1 305 300	1 305 300	-
	-	-	-	523 881	483 610	480 060

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	2012	2011	2012	2011		
16. CASH AND CASH EQUIVALENTS (continued)						
Short Term Deposits at various institutions with dates within 3 months	-	122 518	2 927 431	122 518	117 006	2 927 431
ABSA licences income bank account EMM - 4075756252	-	-	-	-	-	284
(BBC) ABSA Current account - 4052643454	2 613 776	512 892	143 096	1 100 661	512 894	169 248
(BBC) ABSA Current account - 9193942873	2 790 319	6 824 788	7 062 659	2 790 319	6 824 786	7 102 404
(EDC) ABSA Current account - 4055919492	169 328	129 873	422 121	169 328	129 873	415 626
(ERWAT) ABSA Current account - 260170120	175 645 965	51 849 070	15 878 449	175 645 965	51 832 594	15 861 106
(ERWAT) ABSA Current account - 260170139	2 112 827	2 110 471	1 346 619	2 112 827	2 110 471	1 346 619
(ERWAT) INCA Bank - 50610027704	15 902 908	16 600 000	-	15 902 908	16 600 000	-
(Phase II) ABSA Current account - 4052348660	584 948	1 225 074	863 671	584 948	1 225 074	863 671
(Phase II) ABSA Call account - 2065919012	11 467 618	1 013 205	1 000 000	11 467 618	1 013 205	1 000 000
(LHI) FNB Current account - 62019238428	(366)	22 920	43 868	(365)	22 920	13 612
(LHI) Investec Call account - 1100182677580	264 626	252 972	250 000	264 626	252 972	250 000
(PP) ABSA Current account - 4050383636	599 028	148 341	454 857	599 028	148 341	454 857
(PP) ABSA Call account - 2070991540	-	11 069 539	11 000 000	-	11 069 539	11 000 000
(PP) ABSA Call account - 2070991574	-	306 229	-	-	306 229	-
(PP) ABSA Cheque account - 4078340151	1 365 562	-	-	1 365 562	-	-
(PP) ABSA Call account - 2065919054	-	1 013 205	1 000 000	-	1 013 205	1 000 000
Cash on hand - Entities	-	-	-	26 652	25 700	23 000
Total	3 056 756 895	1 421 240 008	697 634 236	3 050 454 166	1 431 951 245	704 125 552

17. SHARE PREMIUM

Issued				
Share premium	7 442 007	7 442 007	-	-

18. LONG-TERM LIABILITIES

Held at amortised cost

Bank loan	2 130 761 652	2 264 197 463	1 990 237 754	2 108 087 111
Interest rates as well as redemption periods are varying.				
Development Bank of South Africa	136 751 477	196 799 468	110 273 790	167 675 719
Interest rates as well as redemption periods are varying.				
Stock Loans	-	305 346	-	305 346
All stock loans have redeemed by 30 June 2012				
Municipal bonds	2 415 000 000	1 615 000 000	2 415 000 000	1 615 000 000
Interest rates on the JSE EMM bonds vary between 10.05% and 10.72 % per annum.				
Final redemption dates on these bonds vary between July 2020 and May 2024				
	4 682 513 129	4 076 302 277	4 515 511 544	3 891 068 176

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18. LONG-TERM LIABILITIES (continued)				
Held at amortised cost - current				
Bank loans	(133 673 041)	(133 956 849)	(117 171 228)	(117 849 358)
Development Bank of South Africa	(68 344 069)	(60 057 336)	(65 133 877)	(57 411 274)
Stock Loans	-	(93 590)	-	(93 590)
	(202 017 110)	(194 107 775)	(182 305 105)	(175 354 222)
	4 480 496 019	3 882 194 502	4 333 206 439	3 715 713 954
Non-current liabilities				
At amortised cost	4 480 496 019	3 882 194 502	4 333 206 439	3 715 713 955
Current liabilities				
At amortised cost	202 017 110	194 107 775	182 305 105	175 354 221
	4 682 513 129	4 076 302 277	4 515 511 544	3 891 068 176

Investments with a carrying value of R464,610,451 (2011: R224,185,159) are encumbered in respect of long term liabilities above with a carrying value of R2,847,620,000 (2011: R2,268,364,605) as disclosed in the Other Investments note (note 8).

19. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants comprises

National Housing Fund	10 793 533	-	-	-
Township Initiatives	7 207 447	7 211 274	7 207 447	7 211 274
UEM Danida - Capex	-	639 757	-	639 757
Zonki Trust	-	725 181	-	725 181
Public Transport Infrastructure Fund	5 592 350	33 978 118	5 592 350	33 978 118
Rondebult Water - Public Contribution	28 546	961 041	28 546	961 041
Department of Water Affairs & Forestry (DWA)	582 545	582 545	582 545	582 545
Local Economic Development (LED) - Street Trading Facilities	8 815 614	9 950 000	8 815 614	9 950 000
HSDG Accreditation	41 562 118	-	41 562 118	-
HSDG	5 253 535	76 483 435	5 253 535	65 689 902
OR Tambo Narrative centre	20 000 000	-	20 000 000	-
Accreditation Capacity Enhancement	2 459 687	3 163 049	2 459 687	3 163 049
PHB Interest	6 035 353	6 035 352	6 035 353	6 035 352
Roodekop Ext - Public Contribution	1 844 676	1 844 676	1 844 676	1 844 676
USDG	25 681	-	25 681	-
HDA Urban Renewal	268 029	3 100 000	268 029	3 100 000
	110 469 114	144 674 428	99 675 581	133 880 895

Movement during the year

Balance at the beginning of the year	144 674 428	211 279 008	133 880 895	200 485 475
Additions during the year	4 549 671 426	3 351 501 294	4 538 677 795	3 351 501 294
Income recognition during the year	(4 568 533 803)	(3 397 688 308)	(4 557 540 172)	(3 397 688 308)
Refunded to National Treasury	(14 617 756)	(18 400 000)	(14 617 756)	(18 400 000)
Appropriations	(725 181)	(2 017 566)	(725 181)	(2 017 566)
	110 469 114	144 674 428	99 675 581	133 880 895

See note 27 for reconciliation of grants from National/Provincial Government.

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	2012	2011	2012	2011

20. PROVISIONS

Reconciliation of provisions - Economic entity - 2012

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Reversed during the year	Total
COID provision	19 771 271	2 174 840	(1 255 921)	(397 955)	(1 825 411)	18 466 824
Leave and bonus provision	222 809 894	115 177 286	(95 056 612)	3 710 887	(20 237)	246 621 218
Landfill rehabilitation provision	101 125 811	48 889 219	-	-	-	150 015 030
WCA provision	9 058 988	24 188 874	(346)	-	-	33 247 516
Long service awards	304 117 199	73 111 063	-	-	-	377 228 262
GMRF	94 090 202	27 517 691	-	(18 118 764)	-	103 489 129
Post retirement medical provision	3 638 719	1 139 106	(324 581)	-	-	4 453 244
Other provisions	10 378 967	894 828	(1 823 221)	-	(8 140 097)	1 310 477
	764 991 051	293 092 907	(98 460 681)	(14 805 832)	(9 985 745)	934 831 700

Reconciliation of provisions - Economic entity - 2011

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Total
COID provision	14 433 627	6 493 693	(1 510 270)	354 221	19 771 271
Leave and bonus provision	194 272 929	115 933 299	(85 808 525)	(1 587 809)	222 809 894
Landfill rehabilitation provision	113 357 825	13 602 939	(25 834 953)	-	101 125 811
WCA provision	7 068 916	7 706 273	(5 716 201)	-	9 058 988
Long service awards	243 344 197	93 165 905	(32 392 903)	-	304 117 199
GMRF	168 019 694	5 497 962	(79 427 454)	-	94 090 202
Post retirement medical provision	2 419 768	1 474 245	(255 294)	-	3 638 719
Other provisions	5 083 583	9 105 586	(3 810 202)	-	10 378 967
	748 000 539	252 979 902	(234 755 802)	(1 233 588)	764 991 051

Reconciliation of provisions - Controlling entity - 2012

	Opening Balance	Additions/Interest /Unwinding	Utilised/adjusted during the year	Under / (over) provision prior year	Reversed during the year	Total
COID provision	19 771 271	2 174 840	(1 255 921)	(397 955)	(1 825 411)	18 466 824
Leave and bonus provision	207 601 200	100 454 345	(85 587 478)	3 710 887	-	226 178 954
Landfill rehabilitation provision	101 125 811	48 889 219	-	-	-	150 015 030
WCA provision	9 058 988	24 188 874	(346)	-	-	33 247 516
Long service awards	304 117 199	73 111 063	-	-	-	377 228 262
GMRF	94 090 202	27 517 691	-	(18 118 764)	-	103 489 129
	735 764 671	276 336 032	(86 843 745)	(14 805 832)	(1 825 411)	908 625 715

Reconciliation of provisions - Controlling entity - 2011

	Opening Balance	Additions/Interest /Unwinding	Utilised/adjusted during the year	Under / (over) provision prior year	Total
COID provision	14 433 627	6 493 693	(1 510 270)	354 221	19 771 271
Leave and bonus provision	179 969 975	102 665 614	(73 866 198)	(1 168 191)	207 601 200
Landfill rehabilitation provision	113 357 825	13 602 939	(25 834 953)	-	101 125 811
WCA provision	7 068 916	7 706 273	(5 716 201)	-	9 058 988
Long service awards	243 344 197	93 165 905	(32 392 903)	-	304 117 199
GMRF	168 019 694	5 497 962	(79 427 454)	-	94 090 202
	726 194 234	229 132 386	(218 747 979)	(813 970)	735 764 671

Non-current liabilities	653 652 489	506 791 124	649 199 245	503 152 405
Current liabilities	281 179 211	258 199 927	259 426 470	232 612 266

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20. PROVISIONS (continued)	934 831 700	764 991 051	908 625 715	735 764 671

COID provision

This provision is made for future expected outflows as a result of the economic entity's obligation to contribute to the pension fund and medical expenses that was incurred due to past contractual arrangements with various employees in the old Benoni- and Germiston local municipalities. The discount rate used in determining the present value of the obligation was 11.00% (2011 - 11.50%) and the inflation assumption used for the increase in expenses/contributions is 6.50% (2011 - 6.10%).

Leave and bonus provision

The liability is based on the total accrued leave days at year end. A section 57 bonus provision is also provided for.

Landfill rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. Due to the increase from 3.90% to 5.90% of the CPIX there was an increase in the provision (2011 - due to the decrease of the CPIX from 5.00% to 3.90%, there was a reduction in the provision). The discounting rate for 2012 is 11.00% (2011 - 11.50%). The net result of the re-estimation had the following effect on the current year amounts:

Increase in the provision for Landfill site rehabilitation	R30,010,287 (2011 - Reduction of R25,834,953)
Increase in the cost of property, plant and equipment	R30,010,287 (2011 - reduction of R15,408,360)
Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset	R0 (2011 - R10,426,593)

Workmens compensation provision

The provision is for the period March 2012 to June 2012 (2011 - March 2011 to June 2011) which has been estimated in the latest return submitted to the compensation commissioner.

Long service awards provision

The economic entity offers various types of long service awards to its employees.

The key actuarial financial assumptions are as follows:

- Discount rate:	8.10% (2011 - 7.46%)
- General salary inflation (long-term)	6.40% (2011 - 6.13%)

An actuarial valuation was performed by IAC Actuarial Consulting at 30 June 2012.

GMRF provision

The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

Post retirement medical provision

ERWAT provides post retirement medical benefits to some of its already retired employees and a provision is thus raised for the obligation.

21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1 894 271 608	1 677 387 066	1 884 126 720	1 682 577 165
Receipts in advance	424 571 613	401 197 913	424 571 613	400 915 727
Lease rental payments liability	947 756	954 233	937 757	937 757
Other payables	36 337 203	56 810 699	34 036 348	52 131 253
Retentions	192 163 155	209 940 397	192 163 155	209 940 397
Licence fees	5 461 973	9 940 627	5 461 973	9 940 627
Stated benefits and group accident	17 782 614	10 821 676	17 782 614	10 821 676
Accrual for interest on external loans	101 337 465	90 789 060	101 337 465	90 789 060
Maintenance guarantees	2 918 837	2 888 308	2 918 837	2 888 308
Unclaimed salaries	22 494 669	2 932 108	22 494 669	2 932 108
	2 698 286 893	2 463 662 087	2 685 831 151	2 463 874 078

22. DEPOSITS

Electricity and water	532 611 189	487 038 111	532 611 189	487 038 111
Rental deposits held	3 863 487	3 806 108	-	-
	536 474 676	490 844 219	532 611 189	487 038 111

Guarantees in lieu of electricity and water deposits is R71,676,516 (2011 - R67,013,158).

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	2012	2011	2012	2011

23. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Financial liabilities at amortised cost

Trade and other payables (including deposits)	3 234 761 561	2 954 506 304	3 218 442 335	2 950 912 188
Unspent conditional grants and receipts	110 469 114	144 674 428	99 675 581	133 880 895
Long term liabilities	4 682 513 129	4 076 302 277	4 515 511 544	3 891 068 176
Other long term liabilities	4 200 000	5 600 000	-	-
	8 031 943 804	7 181 083 009	7 833 629 460	6 975 861 259

24. REVENUE

Property rates	2 589 321 741	2 430 292 427	2 590 399 280	2 431 046 779
Property rates – Penalties imposed and collection charges	53 770 449	62 530 966	53 770 449	62 530 966
Service charges	12 598 243 381	10 090 685 315	12 640 496 148	10 121 905 960
Rental of facilities and equipment	70 487 525	68 879 298	49 227 077	49 063 908
Income from agency services	208 920 868	186 876 573	208 920 868	186 876 573
Fines	210 363 750	135 348 768	210 363 750	135 348 768
Licences and permits	33 960 666	30 049 466	33 960 666	30 049 466
Government grants and subsidies	4 568 533 803	3 407 484 103	4 557 540 172	3 397 688 308
Interest earned - outstanding debtors	199 976 000	213 789 407	199 886 549	212 198 108
Interest received - external investment	164 626 401	124 804 681	153 736 169	119 552 608
Rendering of services	8 307 720	7 397 104	-	-
Dividends received	178 572	65 577	-	-
Other income	149 445 139	104 029 538	105 666 528	69 723 591
	20 856 136 015	16 862 233 223	20 803 967 656	16 815 985 035

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	8 307 720	7 397 104	-	-
Service charges	12 598 243 381	10 090 685 315	12 640 496 148	10 121 905 960
Rental of facilities and equipment	70 487 525	68 879 298	49 227 077	49 063 908
Income from agency services	208 920 868	186 876 573	208 920 868	186 876 573
Licences and permits	33 960 666	30 049 466	33 960 666	30 049 466
Interest earned - outstanding debtors	199 976 000	213 789 407	199 886 549	212 198 108
Interest received - external investment	164 626 401	124 804 681	153 736 169	119 552 608
Dividends received	178 572	65 577	-	-
Other income	149 445 139	104 029 538	105 666 528	69 723 591
	13 434 146 272	10 826 576 959	13 391 894 005	10 789 370 214

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	2 589 321 741	2 430 292 427	2 590 399 280	2 431 046 779
Property rates – Penalties imposed and collection charges	53 770 449	62 530 966	53 770 449	62 530 966
Fines	210 363 750	135 348 768	210 363 750	135 348 768
Transfer revenue				
Government grants and subsidies	4 568 533 803	3 407 484 103	4 557 540 172	3 397 688 308
	7 421 989 743	6 035 656 264	7 412 073 651	6 026 614 821

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	2012	2011	2012	2011
25. PROPERTY RATES				
Rates received				
Residential	1 735 737 690	1 648 099 498	1 735 737 690	1 648 099 498
Commercial	1 242 701 255	1 109 305 048	1 242 701 255	1 109 305 048
State	15 181 617	19 317 918	15 181 617	19 317 918
Municipal	68 779 017	14 715 257	68 779 017	67 044 503
Small holdings and farms	8 329 971	81 627 353	8 329 971	81 627 353
Vacant land	193 841 291	174 760 123	193 841 291	174 760 123
Other properties	15 431 544	19 319 018	15 431 544	19 319 018
Related entity elimination	(1 077 539)	(754 352)	-	-
Less: Income forgone	(547 777 914)	(636 097 436)	(547 777 914)	(636 097 436)
Less: Departmental rates	(141 825 191)	-	(141 825 191)	(52 329 246)
	2 589 321 741	2 430 292 427	2 590 399 280	2 431 046 779

Valuations (R'000)

Residential	221 839 455	217 636 674	221 839 455	217 636 674
Commercial	81 442 105	80 795 614	81 442 105	80 795 614
Provincial and National Government	1 103 078	1 105 221	1 103 078	1 105 221
Municipal	5 292 740	5 369 809	5 292 740	5 369 809
Small holdings and farms	4 341 982	3 769 604	4 341 982	3 769 604
Sectional title	38 217 954	37 110 185	38 217 954	37 110 185
Vacant land	7 375 573	7 828 225	7 375 573	7 828 225
Other	11 302 240	10 912 508	11 302 240	10 912 508
	370 915 127	364 527 840	370 915 127	364 527 840

Valuations on land and buildings are performed every 3 to 5 years. The last general valuation roll came into effect on 1 July 2009 and the valuations have accordingly been adjusted in the current financial year.

Rates are levied on a monthly basis. Interest is levied on rates outstanding after due date.

26. SERVICE CHARGES

Sale of electricity	9 041 645 460	7 555 451 929	9 086 645 817	7 588 993 998
Sale of water	2 057 846 485	1 181 098 856	2 061 805 493	1 184 377 501
Solid waste	724 149 077	609 395 951	726 039 265	610 982 895
Sewerage and sanitation charges	716 370 457	688 443 474	707 773 671	681 256 461
Fresh produce market	13 361 285	14 911 186	13 361 285	14 911 186
Other service charges	44 870 617	41 383 919	44 870 617	41 383 919
	12 598 243 381	10 090 685 315	12 640 496 148	10 121 905 960

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	2012	2011	2012	2011
27. GOVERNMENT GRANTS AND SUBSIDIES				
Equitable share	2 906 100 000	2 588 173 933	2 906 100 000	2 588 173 933
Ambulance Subsidy	163 184 000	52 870 000	163 184 000	52 870 000
National Government grants	1 245 887 560	515 068 519	1 245 887 560	515 068 519
Provincial Government grants	105 845 309	91 492 900	105 845 309	91 492 900
Public contributions	17 214 690	25 357 113	17 214 690	25 357 113
Health Subsidies	95 769 925	113 431 459	95 769 925	113 431 459
SETA	23 538 688	11 294 384	23 538 688	11 294 384
Department of Transport (Provincial)	10 993 631	9 795 795	-	-
	4 568 533 803	3 407 484 103	4 557 540 172	3 397 688 308
National Government grants				
Balance unspent at beginning of year	37 723 712	63 633 529	37 723 712	63 633 529
Current-year receipts	1 240 924 573	471 280 742	1 230 131 040	471 280 742
Conditions met - transferred to revenue	(1 245 887 562)	(515 068 519)	(1 245 887 562)	(515 068 519)
Refunded to National Treasury	(13 978 000)	(18 400 000)	(13 978 000)	(18 400 000)
Debtor	671 071	36 277 960	671 071	36 277 960
	19 453 794	37 723 712	8 660 261	37 723 712
Provincial Government grants				
Balance unspent at beginning of year	83 576 355	83 905 728	83 576 355	83 905 728
Current-year receipts	99 771 892	85 592 921	99 771 892	85 592 921
Conditions met - transferred to revenue	(105 845 309)	(91 492 900)	(105 845 309)	(91 492 900)
Transferred to appropriations	(725 181)	(455 635)	(725 181)	(455 635)
Debtor	6 060 955	6 026 241	6 060 955	6 026 241
	82 838 712	83 576 355	82 838 712	83 576 355
Equitable share				
Current-year receipts	2 906 100 000	2 588 173 933	2 906 100 000	2 588 173 933
Conditions met - transferred to revenue	(2 906 100 000)	(2 588 173 933)	(2 906 100 000)	(2 588 173 933)
	-	-	-	-
Public contributions				
Balance unspent at beginning of year	6 545 476	10 263 855	6 545 476	10 263 855
Current-year receipts	13 450 224	23 200 665	13 450 224	23 200 665
Conditions met - transferred to revenue	(17 214 690)	(25 357 113)	(17 214 690)	(25 357 113)
Refunded to National Treasury	(639 759)	(1 561 931)	(639 759)	-
Debtor	-	-	-	(1 561 931)
	2 141 251	6 545 476	2 141 251	6 545 476
Ambulance Subsidy				
Current-year receipts	163 184 000	52 870 000	163 184 000	52 870 000
Conditions met - transferred to revenue	(163 184 000)	(52 870 000)	(163 184 000)	(52 870 000)
	-	-	-	-
Provincial Health Subsidies				
Current-year receipts	79 896 425	29 335 459	79 896 425	29 335 459
Conditions met - transferred to revenue	(95 769 925)	(113 431 459)	(95 769 925)	(113 431 459)
Debtor	15 873 500	84 096 000	15 873 500	84 096 000
	-	-	-	-

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	2012	2011	2012	2011
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
SETA				
Current-year receipts	23 538 688	11 294 384	23 538 688	11 294 384
Conditions met - transferred to revenue	(23 538 688)	(11 294 384)	(23 538 688)	(11 294 384)
	-	-	-	-
Department of Transport (Provincial)				
Current-year receipts	10 993 631	9 795 795	-	-
Conditions met - transferred to revenue	(10 993 631)	(9 795 795)	-	-
	-	-	-	-
28. OTHER INCOME				
Administration fees	349 224	411 432	349 224	411 432
Accident reports	450 584	229 729	450 584	229 729
Cleaning of stands	305 530	272 671	305 530	272 671
Essential services contributions	29 177 539	11 886 379	29 177 539	11 886 379
Entry fees	422 485	275 982	422 485	275 982
Insurance claims	6 697 802	933 775	6 515 982	712 890
Printing and copying of documents	461 568	583 876	461 568	583 876
Productions	84 009	82 030	84 009	82 030
Recoveries	1 242 261	1 092 162	1 242 261	818 660
Sundry income	107 055 483	85 028 247	63 544 692	51 288 207
Supply of information	422 885	1 420 552	422 885	1 420 552
Tender documents	2 478 438	1 274 185	2 392 438	1 202 665
Training	297 331	538 518	297 331	538 518
	149 445 139	104 029 538	105 666 528	69 723 591

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
29. GENERAL EXPENSES				
Advertising	7 462 618	7 681 658	6 786 929	7 135 509
Animal Costs	1 887 345	2 181 264	1 887 345	2 181 264
Assessment rates & municipal charges	30 486	197 458	-	-
Auditors remuneration	17 988 812	16 149 125	14 880 101	14 186 136
Awareness campaigns	5 505 221	2 989 181	5 498 765	2 989 181
Bank charges	14 386 913	9 604 424	13 684 708	9 026 193
Community development and wellbeing	51 223 544	37 771 181	51 223 544	37 771 181
Consulting and professional fees	116 992 134	144 555 925	112 056 350	140 828 145
Consumables (including materials)	44 493 815	49 391 030	42 965 760	48 596 428
Departmental usage	-	(2 610)	-	(2 610)
Disaster management	10 614 659	4 196 693	10 614 659	4 196 693
Electricity	39 295	45 395	-	-
Entertainment	2 165 215	1 797 306	1 612 486	1 115 249
Finance Interns	1 953 362	-	1 953 362	-
Fines and penalties	27 635 327	-	27 635 327	-
Fleet	130 175 922	116 996 182	122 081 249	110 248 618
Fuel and oil	4 014 849	3 400 850	4 014 849	3 400 850
Gifts	285 275	224 333	285 275	224 333
Human resource management	11 669 100	10 831 122	11 669 100	10 831 122
IT expenses	39 265 272	27 406 751	38 250 094	26 303 825
Insurance	62 257 580	55 150 399	59 147 247	53 487 422
Land management	13 119 906	43 640 492	13 119 906	43 640 492
Magazines, books and periodicals	478 945	595 954	478 945	594 724
Marketing	71 945 663	55 125 686	70 242 870	53 832 013
Motor vehicle expenses - busses	8 868 043	6 774 912	-	-
Pest control	3 799 876	-	3 799 876	-
Postage and courier	18 731 381	16 896 028	18 726 309	16 883 663
Printing and stationery	31 408 594	27 377 747	30 788 967	26 897 326
Productions	284 314	279 928	284 314	279 928
Refreshments	4 839 147	4 020 995	4 749 996	3 932 070
Refuse	17 748 041	29 861 122	17 748 041	29 861 122
Rentals	141 246 947	114 927 689	139 179 637	113 360 914
Research and development costs	83 128	225 479	-	-
Security (Guarding of municipal property)	6 355 307	6 723 436	-	-
Service connections	84 072 581	92 794 596	81 832 858	90 707 486
Sewerage and waste disposal	5 653	14 485	-	-
Software expenses	6 312 935	3 911 590	6 235 620	3 781 839
Stock adjustments and write-offs	2 751 137	10 225 977	2 740 019	8 803 832
Subscriptions and membership fees	9 916 679	9 919 310	9 703 909	9 811 773
Telephone and fax	56 919 479	52 467 427	54 781 585	50 198 731
Title deed search fees	1 023 669	686 767	1 023 669	686 767
Training	28 158 272	28 226 545	26 569 170	26 574 555
Transport and freight	52 715	-	-	-
Travel - local	9 545 300	6 684 940	7 402 263	5 783 179
Travel - overseas	4 895 482	1 342 472	4 895 482	1 342 472
Uniforms	20 767 544	18 964 407	20 636 119	18 867 791
Venue expenses	12 407 173	4 955 493	12 407 173	4 955 493
Water	6 582	10 171	-	-
Other expenses	18 753 779	48 441 328	11 848 880	43 168 418
	1 124 545 016	1 075 662 643	1 065 442 758	1 026 484 127

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012
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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
30. EMPLOYEE RELATED COSTS				
Basic	3 200 284 396	3 006 538 289	3 104 497 856	2 919 622 483
Medical aid - entity contributions	394 600 511	342 815 830	394 345 753	342 535 724
UIF	21 706 256	21 005 708	21 673 513	20 979 264
WCA	24 263 897	24 281 876	24 188 874	23 513 034
SDL	34 570 096	31 651 124	34 511 460	31 468 038
Other payroll levies	792 928	788 114	792 928	788 114
Leave pay provision charge	93 115 707	98 246 369	87 983 482	95 130 761
Standby Allowances	19 962 160	18 107 835	19 962 160	18 107 835
Post-employment benefits - Pension - Defined contribution plan	587 202 981	548 707 269	586 159 792	547 258 257
Overtime payments	373 971 944	338 191 380	366 825 685	332 031 382
Long-service awards	73 261 783	60 857 386	73 118 342	60 813 260
Ad Hoc Travelling	1 012 007	1 009 551	1 012 007	1 009 551
Allowances	16 632 233	14 948 972	8 613 956	7 267 580
Other contributions	29 311 064	26 784 758	-	-
Other related costs	602 877	581 337	-	-
Less: Employee costs included in other expenses	(584 322 965)	(563 834 932)	(584 322 965)	(563 834 932)
Less: Employee costs capitalised to PPE	(29 830 944)	(36 244 211)	(29 830 944)	(36 244 211)
	4 257 136 931	3 934 436 655	4 109 531 899	3 800 446 140

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

30. EMPLOYEE RELATED COSTS (continued)

Senior Management Remuneration (key management)

30 June 2012	Basic Salary	Total Allowances	Performance Bonus	Total
City Manager	2 056 293	140 400	227 583	2 424 276
Chief Operating Officer	1 900 000	36 000	-	1 936 000
Chief Financial Officer	1 750 320	36 000	249 356	2 035 676
Chief Audit Executive	1 271 314	19 200	155 029	1 445 543
HOD: Energy	1 481 200	154 800	192 744	1 828 744
HOD: Institutional Strategy, M&E, Research and IDP	1 141 043	61 837	117 900	1 320 780
HOD: Health and Social Development	1 383 760	102 240	164 055	1 650 055
HOD: Corporate Legal	1 196 752	36 000	-	1 232 752
HOD: Human Resources	1 108 816	123 936	111 745	1 344 497
HOD: Sport, Recreation, Arts and Culture (SRAC)	1 204 875	36 000	-	1 240 875
HOD: City Planning	1 426 080	109 920	-	1 536 000
HOD: Disaster and Emergency Services (DEMS)	1 324 457	132 699	210 594	1 667 750
HOD: Human Settlements	1 196 752	36 000	108 410	1 341 162
HOD: Economic Development	1 421 000	36 000	-	1 457 000
HOD: ICT	1 196 752	36 000	110 912	1 343 664
HOD: Transport	1 400 000	36 000	-	1 436 000
Chief Director: Water Services	1 034 293	181 659	-	1 215 952
HOD: Roads and Stormwater	1 014 550	201 402	104 240	1 320 192
HOD: Environment	1 196 752	36 000	-	1 232 752
HOD: Waste Management	1 151 860	89 015	-	1 240 875
Chief Risk Officer	1 108 536	8 400	139 041	1 255 977
Chief of Police	1 283 568	19 200	143 554	1 446 322
Secretary of Council	1 000 000	36 000	-	1 036 000
	30 248 973	1 704 708	2 035 163	33 988 844

30 June 2011	Basic Salary	Total Allowances	Performance Bonus	Total
City Manager	2 025 540	33 600	223 960	2 283 100
Deputy City Manager: Strategic	1 548 690	224 438	192 960	1 966 088
Chief Financial Officer	1 650 000	16 800	182 440	1 849 240
Chief Audit Executive	1 198 448	13 440	149 320	1 361 208
General Manager: Electricity and Energy	1 329 821	118 800	181 740	1 630 361
General Manager: Organisational Performance	1 039 390	77 410	-	1 116 800
Executive Director: Health	1 143 524	106 272	154 680	1 404 476
Executive Director: Corporate and Legal	1 192 491	16 800	74 660	1 283 951
Executive Director: Human Resources	1 040 224	104 736	62 240	1 207 200
Executive Director: Sport, Recreation, Arts and Culture	1 128 160	-	14 690	1 142 850
Executive Director: City Development	1 128 160	16 800	44 060	1 189 020
Executive Director: Community Safety	1 026 815	118 145	102 800	1 247 760
Executive Director: Housing	1 128 160	16 800	44 060	1 189 020
Executive Director: Economic Development	1 128 160	16 800	-	1 144 960
Executive Director: ICT	1 128 160	-	-	1 128 160
Chief Director: Roads, Transport and Civil Works	945 958	195 642	42 660	1 184 260
Chief Director: Water Services	965 701	175 899	65 850	1 207 450
	20 747 402	1 252 382	1 536 120	23 535 904

Refer to Related parties note (note 46) for related party relationships.

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012
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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
31. REMUNERATION OF COUNCILLORS				
Executive Mayor	1 050 228	964 260	1 050 228	964 260
Mayoral Committee Members	8 560 200	7 955 112	8 560 200	7 955 112
Speaker	828 816	747 408	828 816	747 408
Councillors	61 862 885	51 709 725	61 862 885	51 709 725
Councillors' pension contribution	7 104 111	5 531 980	7 104 111	5 531 980
	79 406 240	66 908 485	79 406 240	66 908 485

In-kind benefits

The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time.

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor has full-time bodyguards. From time to time this service is also used by other councillors.

The chairpersons of the section 79 committees will be full time positions as from 1 July 2012.

At ERWAT, the directors have use of a company owned laptops and 3G cards. Two directors, Mr Mochatsi and Mr Phasha, have the use of company owned cell phones.

These salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

Related parties

Refer to Related parties note (note 46) for related party relationships.

32. DEBT IMPAIRMENT

Contributions to debt impairment provision	1 573 793 206	1 445 288 730	1 570 904 704	1 445 304 490
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33. INTEREST REVENUE

Dividend revenue

Unit trusts - Local	178 572	65 577	-	-
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Interest revenue

Bank	122 211 194	75 203 574	116 710 827	73 941 609
External investments	36 461 018	41 508 614	31 071 153	37 518 506
Interest received - other	5 954 189	8 092 493	5 954 189	8 092 493
	164 626 401	124 804 681	153 736 169	119 552 608
	164 804 973	124 870 258	153 736 169	119 552 608

34. DEPRECIATION AND AMORTISATION

Property, plant and equipment	2 055 505 344	2 093 417 696	2 023 810 040	2 062 905 224
Investment property	1 566 116	1 566 117	593 732	593 732
Intangible assets	4 992 508	5 551 727	4 739 793	5 289 651
	2 062 063 968	2 100 535 540	2 029 143 565	2 068 788 607

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
35. IMPAIRMENTS OF ASSETS				
Impairments				
Property, plant and equipment (PPE)	-	23 430 662	-	-
Inventories	1 973 600	-	-	-
	1 973 600	23 430 662	-	-
Reversal of impairments				
Property, plant and equipment (PPE)	-	(428 819)	-	(101 698)
Total impairment losses (recognised) reversed	1 973 600	23 001 843	-	(101 698)

Impairment

2012

LHI - Controlled entity: Inventories to the value of R6,830,000 were written down to net realisable value R4,856,400.

2011

In the 2009/10 financial year it was confirmed that Van Dyk Park Pump station in Silver street, Van Dyk Park had been taken out of commission & components removed because sewage flew directly into the ERWAT outfall sewer. This financial year it was confirmed that the pump station is still functional.

The pump station was recognised in the 2010/11 asset register at the carrying value of the pump station had there been no impairment last year.

The reversal of impairment occurred on 30 June 2011 therefore no depreciation is charged for the financial year.

ERWAT - Controlled entity: Grootvlei Biosure plant (Cost 2011: R 22,996,855; 2010 R 22,996,855) is not currently operational as the Grootvlei mine was liquidated. The contract between ERWAT and the new owners of the Aurora mine could not be renewed due to the financial difficulties the new owners are experiencing. The Grootvlei Biosure plant is impaired in this financial year as the plant is no longer providing economic benefits.

36. FINANCE COSTS

Non-current borrowings	428 337 881	364 414 768	425 877 513	361 665 572
Interest on convertible instruments	10 888 001	12 441 414	-	-
Trade and other payables	294 216	114 930	294 216	114 930
Other interest paid (unwinding)	30 174 914	23 065 789	27 246 099	20 832 936
	469 695 012	400 036 901	453 417 828	382 613 438

37. TAXATION

Major components of the tax (income) expense

Current

Local income tax	15 555	24 614	-	-
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Deferred

Originating and reversing temporary differences	(830 435)	181 952	-	-
	(814 880)	206 566	-	-

38. AUDITORS' REMUNERATION

Fees	17 988 812	16 149 125	14 880 101	14 186 136
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Ekurhuleni Metropolitan Municipality
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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
39. RENTAL OF FACILITIES AND EQUIPMENT				
Facilities and equipment				
Rental of facilities	70 457 341	68 845 462	49 196 893	49 030 072
Rental of equipment	30 184	33 836	30 184	33 836
	70 487 525	68 879 298	49 227 077	49 063 908

Included in the above rentals are operating lease rentals at straight-lined amounts of R3,106,920 (2011 - R12,136,096).

40. CONTRACTED SERVICES

Information Technology Services	8 124 493	6 873 455	8 124 493	6 873 455
Security contracts	135 704 565	139 549 070	135 704 565	139 549 070
Meter management contracts	134 305 849	120 841 556	134 324 181	120 841 556
Environment contracts	263 667 938	245 442 870	263 667 938	245 442 870
Asset management	6 502 152	6 033 161	6 502 152	6 033 161
Financial management	1 741 413	1 331 002	1 741 413	1 331 002
General	1 059 637	1 371 810	1 059 637	1 371 810
Laboratory services	-	573 687	7 463 076	7 263 492
Legal services	33 382 115	21 852 032	33 382 115	21 852 032
Power quality control	3 461 977	1 923 779	3 461 977	1 923 779
Equipment	712 381	1 043 907	712 381	1 043 907
Buildings and equipment	11 478 389	9 239 920	11 478 389	9 239 920
Serving summonses/warrants	19 144 748	15 555 738	19 144 748	15 555 738
Traffic Management	16 808 016	14 868 120	16 808 016	14 868 120
Valuation roll	41 087 642	21 643 883	41 087 642	21 643 883
	677 181 315	608 143 990	684 662 723	614 833 795

41. GRANTS AND SUBSIDIES PAID

Other subsidies

Urban renewal Germiston	-	94 845	-	94 845
Discretionary grant: Sport and Social support	3 704 884	3 940 090	3 704 884	3 940 090
Subsidy: SPCA	2 430 750	2 430 750	2 430 750	2 430 750
Discretionary grant: General	9 028 520	8 677 339	73 308 936	30 683 461
Free basic services	337 884 048	87 210 149	337 884 048	87 210 149
Discretionary grant: Educational	5 518 574	6 777 172	5 518 574	6 777 172
Grants: Education (External)	3 437 614	3 042 607	3 437 614	3 042 607
	362 004 390	112 172 952	426 284 806	134 179 074

42. BULK PURCHASES

Electricity	6 010 033 282	4 783 858 428	5 991 227 461	4 746 661 733
Water	1 543 679 901	1 357 958 433	1 543 704 239	1 357 614 155
Sewer purification	41 712 340	40 828 285	395 584 753	330 940 954
	7 595 425 523	6 182 645 146	7 930 516 453	6 435 216 842

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
43. CASH GENERATED FROM OPERATIONS				
Surplus (deficit)	727 065 353	(1 015 493 433)	565 271 620	(1 072 926 683)
Adjustments for:				
Depreciation and amortisation	2 062 063 968	2 100 535 540	2 029 143 565	2 068 788 607
Gain on sale of fixed assets	(814 564)	(4 871 992)	(776 424)	(4 871 992)
Loss on sale of fixed assets	21 488 159	25 254 929	21 039 546	24 773 397
Impairment loss (reversal)	1 973 600	23 001 843	-	(101 698)
Debt impairment	1 573 793 206	1 445 288 730	1 570 904 704	1 445 304 490
Movements in retirement benefit assets and liabilities	124 157 887	96 930 072	124 157 887	96 930 072
Movements in provisions	139 830 360	16 990 512	142 850 757	9 570 439
Movement in tax receivable and payable	(843 351)	1 192	-	-
Annual charge for deferred tax	10 988	187 473	-	-
Other non-cash items	(1 467 218)	(6 761 508)	(1 484 543)	(9 004 182)
Changes in working capital:				
Inventories	(945 193)	(12 226 794)	(764 438)	(12 153 520)
Consumer debtors	(1 807 397 836)	(1 258 285 426)	(1 807 397 836)	(1 258 285 426)
Trade and other payables from exchange transactions	191 772 095	83 772 162	221 957 069	124 636 393
Other receivables	272 583 320	(83 920 824)	240 978 173	(104 173 633)
Unspent conditional grants and receipts	(34 205 314)	(66 604 580)	(34 205 314)	(66 604 580)
	3 269 065 460	1 343 797 896	3 071 674 766	1 241 881 684

Ekurhuleni Metropolitan Municipality
Group Annual Financial Statements for the year ended 30 June 2012
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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
44. COMMITMENTS				
Authorised capital expenditure				
Already contracted and provided for				
• Community	74 910 000	84 080 000	74 910 000	84 080 000
• Infrastructure	655 969 273	453 380 070	610 235 200	447 479 812
• Other assets	300 445 000	164 861 850	300 445 000	164 861 850
• Specialised vehicles	71 800 000	-	71 800 000	-
	1 103 124 273	702 321 920	1 057 390 200	696 421 662
Not yet contracted for and authorised				
• All classes	1 593 317 610	2 009 523 352	1 593 317 610	1 678 363 823

This committed expenditure relates to Property, plant and equipment and will be financed by available bank facilities, retained surpluses, external funding (bond issue, loans, grants, contributions etc) , existing cash resources etc.

Commitments for not yet contracted for and authorised relate to capital projects approved by Council on the capital budget.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	9 362 494	10 953 534	9 126 548	10 714 322
- in second to fifth year inclusive	5 386 282	4 757 841	5 321 266	4 507 494
- later than five years	2 204 501	-	2 204 501	-
	16 953 277	15 711 375	16 652 315	15 221 816

Operating lease payments represent rentals payable by the economic entity for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from two years to five years, for office building, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 8.45% for office buildings and 0.00% for photocopier machines.

The actual lease contract amounts range between R11,880 and R361,259 (2011 - R8,000 and R300,000) per month on the office buildings and between R62 and R4,696 (2011 - R62 and R4,218) per month on the photocopier machines.

Operating leases - as lessor (income)

Minimum lease payments due				
- within one year	3 389 153	4 487 867	3 389 153	4 487 867
- in second to fifth year inclusive	7 963 158	6 719 811	7 963 158	6 719 811
- later than five years	2 314 727	2 502 796	2 314 727	2 502 796
	13 667 038	13 710 474	13 667 038	13 710 474

The prior year has been restated due to errors found during the current year. The incorrect minimum lease payments reported previously was R156,369,752. Certain of the economic entity's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R 0 (social benefit) up to R156,937 (2011 - R 178,403).

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	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

45. CONTINGENCIES

Controlling entity

Category A: Claims exceeding R 500 000.

Category B: Claims less than R 500 000.

Category C: Other legal matters.

Ekurhuleni Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2012

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
45. CONTINGENCIES (continued)				
CONTINGENT LIABILITIES				
Category A Claims:				
Engen Petroleum Ltd/Atlas road Claim as a result of rerouting of a provincial road	CCC/Region	2012		2011
	Kempton Park	14,061,088.00		14,061,088.00
WLT Advertising CC - Claim for damages as a result of conduct	Metro	31,706,247.00		31,706,247.00
Van Deventer- Claim for damages arising from cancelled land transaction	Kempton Park			30,000,000.00
South African Rail Commuter Corporation Ltd - Claim for damages due to derailment of passenger train	Kempton Park			2,200,362.00
Bondev Midrand Claim for damages by a Developer. Developer claims that EMM failed to issue certificates in terms of section 82 of the Town planning and townships ordinance 15 of 1986. The matter is still proceeding to trial. EMM is defending the claim		2,676,187.19		
Strata International Pty Ltd and The Garden estate The first claim is an application by Strata International and Garden Estate for small and medium Enterprises (PTY) Ltd for the transfer of property in Selcourt ext 4. EMM is opposing the application. The second claim is a damages claim for Hundred and fifty million Rand where EMM is joined as a defendant. The claim arises out of EMM's refusal to transfer the property. This claim is also opposed.	Metro	150,000,000.00		-
Neiljud - Claim for arrear rates	Metro			20,000,000.00
Summer Symphony 264 CC - Claim for compensation resulting from expropriation of a portion of the Strydom Land for Housing purposes	Metro			49,652,700.00
Technology Corporate Management - Council Attorneys were served with notice of a summary judgement and furnished Council with instructions to invest trust moneys in terms of section 78 (2A) of the Attorneys Act	Metro	5,279,949.00		5,279,949.00
Group 15 - Possible claim submitted by employees of EMM**	Metro	1,211,646,629.00		2,000,000,000.00
Hometalk - Possible claim for losses in respect of developments	Metro	60,000,000.00		65,000,000.00
IMATU obo McCulloch and other - Arbitration award	Metro			1,327,995.00
J Masondo - Claim for damages	Metro			1,500,000.00
R McBride The employment contract of Mr McBride was not renewed by EMM. Mr McBride declared a dispute in the CCMA. The matter was postponed and has not been resumed .	Metro			2,400,000.00
Siyavuka projects The plaintiff issued summons based on a dispute regarding a tender. EMM defended the matter. The Plaintiff has not proceeded further.0	Metro	5,401,380.0		
Scarlet IBIS 115 9 pty ltd The Plaintiff is claiming damages for excavation work done by EMM or its Contractors. The matter is defended and will proceed to trial.	Metro	5,250,000.00		
Other	Metro	11,172,022.41		

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

45. CONTINGENCIES (continued)

Sub-Total **1,497,193,502.60** **2,223,128,341.00**

****Group 15**

The grading dispute in the EMM stemmed from employees who were of the opinion that the EMM should be graded at higher grade upon amalgamation. They opined that the remuneration structure should be linked to the determination of the Minister on the upper limits regarding remuneration of public office bearers. This resulted in a dispute been declared by the employees. The dispute was arbitrated & the employees were awarded a back pay implementation of a higher grade retrospective to 1 July 2003. The award was still subjected to a Labour Court review as at 30 June 2011, but subsequent to the reporting date the labour court ruled in favour of the municipality and the award was set aside. The employees indicated that they apply for leave to appeal against the labour court ruling. The amount disclosed is a management estimate and the calculation, as well as factor's are subject to estimation uncertainty. The nature of the contingent liability as well as amount disclosed could thus differ substantially from the actual outcome. A salary related increase was applied to the amount and this is the change in values disclosed. An actuary has been appointed to determine the best estimate of the contingent liability, but as at 31 August 2012 the actuarial valuation has not yet been completed. Subsequent to the reporting date the valuation report has been received and the amount has been adjusted accordingly. The actuarial valuation covers salaries, back pay and long service awards and did not include the valuation of any other benefits. These benefits were included in the 2010/2011 calculations. Refer to note 52.

	CCC/Region	2012	2011
Category B Claims: Other Claims	Metro	2,527,767.00	1,899,555.00
Category C Claims: Other Matters	Metro	266,660.00	618,898.00
	Sub-Total	2,794,427.00	2,518,453.00

CONTINGENT ASSETS

Category A Claims:	CCC/Region	2012	2011
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	Metro	4,000,000.00	4,000,000.00
Other contingent Assets	Metro		860,000.00
GCI logistics	Metro	12,000,000.00	
	Sub-Total	16,000,000.00	4,860,000.00

Controlled entities

BBC

The entity is a defendant in a legal action amounting to R0 (2011 - R50,000) for accidents that involves busses and third parties as well as a labour case of R100,000 (2011 - R250,000)

EDC

SA 1 Consulting disputed the cancellation of its contract and indicated its intent on taking legal action for the amount of R 857 280 being the amount that would have been payable for the remainder of the cancelled contract.

Matters referred to CCMA by staff members. The approximate salary payable could be R135 048.

ERWAT

At 30 June 2012 the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the company has given guarantees amounting to R 2,955,100 (2011: R 2,999,270) to third parties.

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	2012	2011	2012	2011

46. RELATED PARTIES

Relationships	
Accounting Officer	Refer to accounting officer's report note
Controlled entities	Refer to note 7
Close family member of key management	Declarations are retained in a register at tender office.
Members of key management	For remuneration and details of Members of key management, refer to note 30

2012

Tenders awarded to family members of staff.

1.PMO (ED) SWL 49:Appointment of a registered civil engineering consultant for the rendering of a technical advisory service at the rietfontein Landfill site 1 July 12- 30 June 15 for the amount of R 632 260.00

2.PS-ED (SWL) 21/2011: Appointment of a consultant for the re-zoning of portions of the property on which the Weltevreden waste disposal site is situated for the amount of R 318 000.00

3.A-ED (SWL) 01/2011: Appointment of a financial administration consultant (FAC) experienced in the field of solid waste landfill sites for the administration of five landfill sites and one privately owned site from date of award until 30 June 2012 for the amount of R 3,132,973.00.

4. A-IS (RW) 03/2012: Upgrade and construction of roads and stormwater infrastructure -as and when- until 31 December 2012 for the amount of R 67,985,731.04

Quotations awarded to family members of staff.

- 1.FWMN Mogabale Construction cc : R 275,149.14
- 2.Ipopeng African Language Services :R 355,453.82
- 3.Isolomzi Bed and Breakfast Place cc: R 98,810.00
4. Madi Business Enterprise cc :R 31,464.00
- 5.Reshoketswe Distribution cc: R 123,829.24
- 6.Supreme Range General Supplier cc: R 579,203.09
- 7.Takalani Development Corporation cc:29,810.00
8. Vukani General Contractors and Maintenance cc: R208,215.61
9. Zimemo Trading and Projects cc: R115,689.00

2011

1.C-ED 03/2011: Appointment as a contractor to operate the Rietfontein Waste Site 1Dec- 30 June 2011 for the amount of R3,431,900.

2.C-CL 02/2011: The appointment of attorneys to provide legal services-as and when until 30 June 2012 for the amount of R 577,300.

3.C-ED 70/2010: The cutting and cleaning of metro parks grass maintenance areas.Kwa Thema & Springs South for the amount of R3,000,000.

4. C-CS 07/2011: The maintenance of grass areas and gardens of community safety stands, on an as and when basis,from date of award until 30 June 2013 for the amount of R301 600.

5. C-IS 137/2010: The hire of plant and equipment for all customer care centres on an as and when basis, with effect of award until 30 June 2013 for the amount of R850,000.

6. C-CL 02/2011: The appointment of attorneys to provide legal service- as and when until 30 June 2012

Related party balances

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46. RELATED PARTIES (continued)				
Amounts included in Trade Receivable and Consumer Debtors regarding related parties - municipal entities				
East Rand Water Care Company, NPC			3 757 993	2 545 903
Pharoe Park Housing Company SOC Ltd			1 466 737	-
Brakpan Bus Company SOC Ltd			693 843	659 552
Lethabong Housing Institute, NPC			63 795	106 837
Germiston Phase II Housing Company SOC Ltd			2 218 353	21 068
Ekurhuleni Development Company SOC Ltd			636	1 336
Amounts included in Trade Payable regarding related parties - municipal entities				
East Rand Water Care Company, NPC			18 891 652	26 581 512
Pharoe Park Housing Company SOC Ltd			-	7 070
Brakpan Bus Company SOC Ltd			-	3 780
Lethabong Housing Institute, NPC			51 382	-
Related party transactions				
Sales to related parties - municipal entities				
East Rand Water Care Company, NPC			46 898 655	34 688 802
Pharoe Park Housing Company SOC Ltd			2 379 646	2 142 215
Germiston Phase II Housing Company SOC Ltd			3 622 371	3 119 005
Ekurhuleni Development Company SOC Ltd			38 811	18 191
Brakpan Bus Company SOC Ltd			110 000	110 000
Lethabong Housing Institute, NPC			104 944	124 023
Purchases from related parties - municipal entities				
East Rand Water Care Company, NPC			423 595 568	354 030 147
Grants to related parties - municipal entities				
Pharoe Park Housing Company SOC Ltd			2 567 500	4 187 301
Ekurhuleni Development Company SOC Ltd			-	7 476
Germiston Phase II Housing Company SOC Ltd			3 932 500	6 865 669
East Rand Water Care Company, NPC			57 780 417	17 153 779
Lethabong Housing Institute, NPC			-	1 011 509

An amount of R7,219,613 in 2011, being an amount disclosed as a grant to ERWAT (included above), has been accounted for by ERWAT in the previous financial year.

Refer to Employee related costs note (note 30) for remuneration paid to key management.

47. CHANGE IN ESTIMATE

Property, plant and equipment (PPE)

Useful lives review had the following impact:

Depreciation expense before remaining useful lives review	R96,955,277
Depreciation expense after remaining useful lives review	R41,078,443
Future reduction in depreciation due to review	R55,876,834

Discount rate

Management revised the discount rate used for calculating provisions in the current period. The discount rate was adjusted from 11.50% to 11.00% (2011: 12.00% to 11.50%) due to the weighted average cost of capital reducing during the current year.

Landfill site rehabilitation provision

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	2012	2011	2012	2011

47. CHANGE IN ESTIMATE (continued)

Re-estimation had the following impact:

Change due to increase in the inflation rate	R25,874,071
Change due to reduction in the discount rate	R10,177,365
Change due to change in remaining useful lives	<u>R 5,588,318</u>
	R41,639,754
Interest already recognised as part of the discounting of the provision	<u>(R11,629,468)</u>
Adjustment to the provision	R30,010,286

COVID Provision

Re-estimation had the following impact:

Change due to increase in inflation rate as well as discount rate	R1,825,411
Interest already recognised as part of the discounting of the provision	<u>(R2,174,840)</u>
Adjustment to the provision	(R 349,429)

48. PRIOR PERIOD ERRORS

2012

Property, plant and equipment

Correction of assets recognised as PPE which does not meet the definition of an asset. This related to all houses and associated properties forming part of housing subsidy schemes.

Assets previously capitalised as work-in-progress which does not meet the definition of an asset and has subsequently been expensed

Correction of accumulated depreciation that should have been raised due to work-in-progress projects not being capitalised on completion dates.

Work-in-progress adjustment due to water metres incorrectly included in property, plant and equipment, now transferred to other receivables from exchange transactions

Inventory

Correction of assets recognised as inventory which does not meet the definition of an asset. This related to all houses and associated properties forming part of housing subsidy schemes.

Service charges

Recalculation of billed services consumption after year-end in respect of reading period prior year (cut-off).

Consumption adjustment journals processed in current financial year which relates to adjustment period in previous financial year.

Pre-paid electricity

Calculated pre-paid electricity purchased in advance, not provided for in previous financial year.

Departmental charges

The entity changed the way it reports departmental charges and re-allocated some items within surplus and deficit for the prior year.

Current tax payable

Changes were made to tax payable after assessments have been received.

Other changes

Other minor changes were made by the controlled entities.

2011

Retirement benefit obligation: The actuaries based the valuation of the obligation on a 70% subsidy in the prior periods, but was subsequently corrected to the correct percentage of 60%.

Reclassification of manual correction journals to the appropriate financial period.

The correction of the errors results in adjustments as follows:

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	2012	2011	2012	2011
48. PRIOR PERIOD ERRORS (continued)				
Statement of financial position				
Property, plant and equipment (PPE)	(3 614 394 689)	-	(3 614 394 689)	-
Consumer Debtors	666 836 722	4 822 390	666 836 722	4 822 390
Other receivables from exchange transactions	35 365 583	-	35 328 905	-
Receivables from exchange transactions	7 187	-	-	-
Inventories	(12 341 400)	-	(12 341 400)	-
Retirement benefit obligation	-	(163 223 531)	-	(163 223 531)
Current tax payable	(145 367)	-	-	-
Minority interest	871	-	-	-
Opening accumulated surplus	2 487 823 733	40 258 406	2 487 656 473	40 258 406

Statement of Financial Performance

Service charges	378 067 581	(4 822 390)	378 067 581	(4 822 390)
Service charges - departmental	56 621 310	-	56 621 310	-
Property rates	(14 715 257)	-	(14 715 257)	-
Repairs and maintenance	104 520 629	-	104 520 629	-
Repairs and maintenance - departmental	521 931 489	-	521 931 489	-
Depreciation	(45 674 221)	-	(45 674 221)	-
Employee related costs	-	122 965 125	-	122 965 125
Employee related costs - departmental	(563 834 932)	-	(563 834 932)	-
General expenses - departmental	(2 610)	-	(2 610)	-
Other expenses	(66 629)	-	-	-

49. COMPARATIVE FIGURES

Certain comparative figures have been renamed, certain descriptions have changed and certain amounts have been reclassified in order to enhance presentation.

The effects of the reclassification are as follows:

Statement of financial position

Other receivables from exchange transactions	(49,235)
Consumer debtors	49,235
Cash and cash equivalents	5,281
Trade and other payables	(5,281)

50. RISK MANAGEMENT

Capital risk management

The economic entity's objectives when managing capital are to safeguard the economic entity's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the economic entity consists of debt, which includes the borrowings disclosed in note 18 and cash and cash equivalents disclosed in note 16.

Consistent with others in the industry, the economic entity monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the economic entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2012 and 2011 respectively were as follows:

Total borrowings

Other financial liabilities	18	(202 017 110)	(194 107 775)	(182 305 105)	(175 354 221)
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	2012	2011	2012	2011	
50. RISK MANAGEMENT (continued)					
Less: Cash and cash equivalents	16	3 050 454 166	1 431 945 964	2 838 424 089	1 338 863 442
Net debt		(3 252 471 276)	(1 626 053 739)	(3 020 729 194)	(1 514 217 663)
Total equity		39 669 957 360	41 867 086 554	38 840 752 464	41 200 051 306
Total capital		36 417 486 084	40 241 032 815	35 820 023 270	39 685 833 643

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance.

Risk management is carried out by the risk management department under policies approved by the accounting officer. Economic entity treasury identifies, evaluates and hedges financial risks in close co-operation with the economic entity's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Controlling entity

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	182 305 105	576 086 716	520 927 304	3 236 192 418
Trade and other payables	2 685 831 150	-	-	-
At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term and other liabilities	175 354 221	48 297 548	552 209 927	3 115 206 480
Trade and other payables	2 463 874 078	-	-	-

Interest rate risk

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk. Economic Entity policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

The economic entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the economic entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in three to four years	Due after five years
Consumer debtors	9,00 %	2 822 359 047	-	-	-	-
Long-term receivables	9,00 %	839 945	839 945	839 945	-	-

Fair value interest rate risk

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50. RISK MANAGEMENT (continued)

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years
Long-term and other liabilities	11,00 %	182 305 105	576 086 716	520 927 304	3 236 192 418

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regular monitored. Sales to retail customers are settled in cash or using major credit cards.

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

Financial instruments

Consumer debtors	2 683 966 083	2 447 472 950	2 683 966 083	2 447 472 950
Long-term receivables	2 519 835	2 332 670	2 519 835	2 332 670
Other receivables	147 817 990	394 908 828	144 473 485	387 239 496
Other investments	494 112 525	251 006 172	489 470 461	246 895 311
Cash and cash equivalents	3 050 454 166	1 431 951 245	2 838 424 089	1 338 863 442
Unlisted shares	4 000 000	4 000 000	4 000 000	4 000 000
	6 382 870 599	4 531 671 865	6 162 853 953	4 426 803 869

Price risk

The economic entity is exposed to equity price risk because of investments held by the economic entity and classified on the statement of financial position as available-for-sale. The economic entity is not exposed to commodity price risk.

The economic entity has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

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	2012	2011	2012	2011

51. GOING CONCERN

Controlling entity

Cash and Cash Equivalents, Investments and Liquidity Ratio's

The Metro's cash and cash equivalents held at financial year end were as follows over the last two years:
 Table 31: Cash and cash equivalents as at 30 June 2012

	30 June 2012	30 June 2011
Cash and Cash Equivalents	2,838,424,089	1,338.863,442
Current Ratio/Solvency Ratio	1.55	1.24
Acid Test Ratio	1.60	1.20
Number of days total cash held (total cash and investments)	71	40
Number of days total cash held (operating cash)	50	28
Number of days total cash held (Un-encumbered cash)	30	2
Interest cover	6.15	3.50

Cash and cash equivalents have increased significantly as a result of the following:

- Increased borrowings to fund long term infrastructure
- Increased collections
- On-going cost reduction strategies – all heads of departments have cost savings targets included in the performance agreements

Current Ratio/Solvency Ratio = Current assets:Current liabilities

Acid Test Ratio = Current assets less Inventory:Current liabilities

Number of days total cash held (total cash and investments) = Total bank and investments / Budgeted cash operating expenditure based on 365 days per year.

Number of days total cash held (operating cash) = Total bank and investments less encumbered investments, unspent loans and grants / Budgeted cash operating expenditure based on 365 days per year.

Number of days total cash held (Un-encumbered cash) = Total bank and investments less encumbered investments, unspent loans and grants as well as Statement of Financial Position provisions and reserves to be cash-backed as per EMM cash management policy / Budgeted cash operating expenditure based on 365 days per year.

Interest cover = Bank balance / Budgeted interest liability for the year.

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51. GOING CONCERN (continued)

Controlled entities

BBC

The entity has an interim contract with the Department of Transport (DOT) for the provision of transport services for which it receives a subsidy on a monthly basis. The current contract ends to 31 March 2013. Furthermore, the final payment due from DOT in its past financial year was not paid due to lack of funds at the end of the financial year. Although agreement has now been reached on the formula to be used to calculate the subsidy due to the company, the figures arrived at were not in agreement with those budgeted for by the DOT. Accordingly, the company will receive less than it is entitled to in the new financial year. This matter is currently been discussed at the highest level in the DOT and the EKURHULENI METROPOLITAN MUNICIPALITY.

EDC

The entity's revenue is based on its management services provided to the housing companies. The ability of the company to continue as a going concern is dependent on the viability of Pharo Park Housing Company SOC (Pty) Ltd and Phase II Housing SOC Company (Pty) Ltd. As the collection of rental income of the companies are improving, the transfer of rental stock from EMM and the turnaround strategy for the companies should be able to continue as a going concern. In addition the controlling entity committed to assist with a grant of R3.5 Million, over 3 years respectively to Pharo Park and Phase II. Further an amount of R30 million have been approved for further assistance in 2012/2013. This will ensure that the associated entities remain going concerns and will result in EDC also remaining a going concern as result of the management fees' recoverability.

ERWAT

We draw attention to the fact that at 30 June 2012, the entity had accumulated surpluses of R 778,832,663 and that the entity's total assets exceed its liabilities by R781,970,876.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on the continued support of EKURHULENI METROPOLITAN MUNICIPALITY (parent municipality) by way of service charges for treatment of waste water and the provision of related engineering services paid each year in terms of the service delivery agreement entered into between ERWAT and EKURHULENI METROPOLITAN MUNICIPALITY.

Phase II

We draw attention to the fact that at June 30, 2012, the entity had accumulated surplus of R 4,410,332 and that the entity's total assets exceed its liabilities by R 8,410,432.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Pharo Park

We draw attention to the fact that at June 30, 2012, the entity had an accumulated surplus of R 1,180,498 and that the entity's total assets exceed its liabilities by R5,180,598.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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	2012	2011	2012	2011

52. EVENTS AFTER THE REPORTING DATE

Suspension of officials

The Ekurhuleni Metropolitan Municipality has placed five senior officials on precautionary suspension as per the Labour Relations Act with effect from 16 July 2012. The municipality took the decision to place the five on suspension as to enable for further investigation into certain allegations levelled against the said officials. The metro trusts that the ongoing investigation on the matter will help determine whether there should be further action taken against any of the officials or not.

Institutional review

The Ekurhuleni Metropolitan Municipality is in the process of reviewing its organisational structure (at present only levels 1 – 3, one being the City Manager and 2 being Heads of Departments). The Mayoral Committee has recommended the revised structure to Council during August 2012. The proposed revisions will have a cost implication of R80m per year, and the filling of these positions will be phased in based on affordability.

Contingencies

The Ekurhuleni Metropolitan Municipality appointed an actuary company to do a valuation of the group 15 salary claim. This report was received after the reporting date. Refer to note 45.

Debt write off

The Council of the Ekurhuleni Metropolitan Municipality has taken a decision to write off prescribed debt to the amount of R 2,634,851,835 at its meeting of September 2012. Refer to note 15.

Controlled entities

BBC

The company has continued its negotiations with the Department of Transport for the continuation of the subsidy previously received. These negotiations were incomplete at the date of the signing of these financial statements.

53. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

Irregular expenditure

Opening balance	399 401 355	324 948 585	397 081 560	324 038 901
Add: Expenditure identified for the year	299 685 744	76 482 548	229 280 255	73 042 659
Less: Amounts approved by council/board	(409 951 098)	(2 029 778)	(338 054 114)	-
	289 136 001	399 401 355	288 307 701	397 081 560

Fruitless and Wasteful expenditure

Opening balance	38 275 611	2 544 032	37 872 937	2 544 032
Add: Expenditure identified for the year	74 760 420	35 731 579	74 638 118	35 328 905
Less: Amounts approved by council/board	(2 946 706)	-	(2 544 032)	-
	110 089 325	38 275 611	109 967 023	37 872 937

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	2012	2011	2012	2011

53. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE (continued)

2012

Controlling entity

Department	Description	Amount	Classification
SCM	Section 33 application to appoint a service provider for a period exceeding 3 years were not concluded	R 17,312,799.00	Irregular
SCM	Claim against EMM for damages due to an advertising board falling on and injuring a bystander	R 2,309,230.00	Fruitless & wasteful
SCM	Interest on late payment to SALA Pension fund	R 212,473.00	Fruitless & wasteful
SCM	Appointment of supplier exceeding the 3 year period	R 2,219,719.00	Irregular
SCM	Irregularities pertaining to the installation and electrical reticulatio of Winnie Mandela Park	R 2,684,511.67	Fruitless & wasteful
SCM	Quotations limited to R20,000 to circumvent the tender process	R 1,650,000.00	Irregular
SCM	Business Linkage centres were not implemented/contracted through the tender system/process	R 1,800,000.00	Irregular
SCM	Procurement processes were not adhered to - procured with incorrect order numbers	R 291,042.76	Irregular
SCM	Conflict of interests in the Outdoor Advertising	R 142,842.00	Irregular
SCM	Irregularities i.r.o. transactions in building maintenance section	R 123,532.40	Irregular
SCM	Awards to employees	R 4,002,145.00	Irregular
SCM	Duplicating of litter picking and street cleaning services	R 28,925,257.63	Fruitless & wasteful
SCM	Irregularities around the storing of paving	R 992,290.20	Irregular
SCM	Review of procurement of the water awareness programme	R 2,414,262.31	Fruitless & wasteful
SCM	Allegations on group One electrical cc SAMWU	R 6,626,799.50	Fruitless & wasteful
SCM	Awards above R10m not approved by the accounting officer in terms of section 5(2)(a) of the supply chain management policy	R 119,250,753.00	Irregular
SCM	Appointment of Lesira-tec under paragraph 32 of the supply chain policy	R 45,545,872.00 R 31,465,584.00	Irregular Fruitless & wasteful
SCM	Awards to family members of employees where no declaration of interest was received	R 784,022.00	Irregular
SCM	Awards made to persons in the service of other organs of state where no declaration of interest was received	R 6,381,168.00	Irregular
SCM	Improper application of paragraph 36 of the supply chain management policy	R 28,784,070.00	Irregular

Refer to Statement of Comparative and Actual information, note 59, for any unauthorised expenditure.

2011

Controlling entity

Department	Description	Amount	Classification
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	2012	2011	2012	2011
53. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE (continued)				
SCM	Non compliance with supply chain management policy		R 13,500,136.00	Irregular
Employee	B A Mbatha, meter reader related to Amafa Audio Visual Enterprise cc (AMA124)		R 79,044.00	Irregular
	G Tshabalala, caretaker related to Entsikeni Grading cc (ENT005)		R 129,562.00	Irregular
	D Britz, inspector related to Rotary Turbo Technology cc (ROT013)		R 291,030.70	Irregular
Councillor	J S Mashinini related to Dadewethu Business Enterprise cc (DAD002)		R 15,440.00	Irregular
SCM	Awards above R10m not approved by the accounting officer in terms of section 5(2)(a) of the supply chain management policy		R 53,104,669.00	Irregular
SCM	Improper relationship between employee and service provider (Makhari Trading CC)		R 2,306,639.59	Irregular
SCM	Appointment of Lesira-tec under paragraph 32 of the supply chain policy		R 3,616,137.00	Irregular
			R 35,328,905.00	Fruitless & wasteful

Controlled Entities

Fruitless expenditure of the controlled entities amounted to R122,302 (2011 - R402,674).

Irregular expenditure of the controlled entities amounted to R70,405,489 (2011 - R3,439,889).

54. IN-KIND DONATIONS AND ASSISTANCE

The economic entity received the following in-kind donations and assistance:

2012

None

2011

Two chartered accountants (up to 31 March 2011) and seven registered engineers (up to 31 May 2011) have been seconded to the economic entity as part of the partnership between DLG and SAICA.

55. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Current year subscription / fee	9 575 000	9 811 773	9 575 000	9 811 773
Amount paid - current year	(9 575 000)	(9 811 773)	(9 575 000)	(9 811 773)
	-	-	-	-

Material losses through criminal conduct and fraudulent activities

Current year	-	3 108 162	-	3 108 162
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2012

None

2011

- Irregular audit journals passed at the Kempton Park CCC - R1,307,585
- Improper conduct by an official at the corporate CCA office - R236,852
- Fraudulent sale of pre-paid electricity using the IMS system at the Tembisa CCA - R1,495,725
- Allegations against improper behaviour of the area manager in the City Development department - R68,000

Audit fees

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Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
55. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)				
Opening balance	-	430 734	-	386 185
Current year fees	18 006 245	16 149 125	14 880 101	14 186 136
Amount paid - current year	(17 776 526)	(16 579 859)	(14 880 101)	(14 572 321)
	229 719	-	-	-

PAYE and UIF

Opening balance	281 856	-	-	-
Current year payroll deductions	628 387 929	584 522 907	609 462 329	566 989 131
Amount paid - current year	(628 494 646)	(584 241 051)	(609 462 329)	(566 989 131)
	175 139	281 856	-	-

Pension and Medical Aid Deductions

Opening balance	14 195	15 909	-	-
Current year payroll deductions	889 215 282	819 708 652	856 465 974	792 775 976
Amount paid - current year	(889 180 449)	(819 710 366)	(856 465 974)	(792 775 976)
	49 028	14 195	-	-

VAT

VAT receivable	29 540 450	130 187 427	29 540 450	130 187 427
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

2012

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012

NAME	Outstanding more than 90 days					
	Outstanding less than 90 days	Normal account	Arrangement	Hand-over	Credit	Total
BALE NE	202	78	-	-	-	280
BODIBE S	-	-	24 089	-	(2 285)	21 804
KHUMALO TL	134	6 690	-	-	-	6 824
LESHABANE SM	-	-	69 451	-	(1 772)	67 679
LETSIMO ST	1 355	71 770	-	-	-	73 125
MABASO CN	162	12 592	-	-	-	12 754
MABOTE MI	-	-	12 428	-	-	12 428
MABUZA TH	1 459	4 949	18 265	-	-	24 673
MAHLOMA KF	395	1 892	-	-	-	2 287
MAKALENG PJ	156	719	-	-	-	875
MAKGOBOLA TU	1 182	7 752	-	-	-	8 934
MARAQANA SR	811	30 542	-	-	-	31 353
MDLULI NB	737	-	23 701	-	-	24 438

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	2012	2011	2012	2011		
55. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)						
MOHOALADI	380	5 376	8 977	-	-	14 733
MS						
MWELASE SP	431	611	935	-	-	1 977
MXABANGELI	-	-	-	17 127	(34)	17 093
VS						
NGOBESE SS	437	-	6 705	-	-	7 142
NKOSI MI	-	-	26 488	-	(361)	26 127
NOMVETE JP	933	6 318	-	56 640	-	63 891
NTOMBELA SI	493	14 644	-	-	-	15 137
PAPU ME	1 788	-	24 631	-	-	26 419
PIENAAR R	818	1 590	-	-	-	2 408
RADEBE TG	164	7 245	-	-	-	7 409
SHABALALA	-	-	8 653	-	(1 720)	6 933
RR						
TSHONGWENI	1 430	2 480	10 045	-	(4 880)	9 075
ZK						
VILAKAZI G	996	420	-	-	-	1 416
ZIDE VG	-	-	21 934	-	(463)	21 471
ZUMA LZ	-	-	6 045	-	(1 482)	4 563
DHLADHLA MG	-	-	-	4 131	-	4 131
NGOBESE AK	2 352	27 215	-	-	(21)	29 546
SHONGWE NG	2 684	13 339	-	-	-	16 023
	19 499	216 222	262 347	77 898	(13 018)	562 948

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	2012	2011	2012	2011

55. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

30 June 2011

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

	Outstanding Less than 90 Days	Outstanding more than 90 days			Credit	Total (Ex VAT)
		Normal Account	Arrangement	Hand-Over		
BABA NJ	470.90	1,115.05	-	-	-	1,585.95
BALE NE	2,911.19	-	5,536.66	-	-	8,447.85
BODIBE RS	669.13	-	-	37,448.90	-	38,118.03
CHAUKE HM	1,108.32	1,579.00	-	12,326.61	-	15,013.93
DHLADHLA MK	1,369.05	21.87	572.14	3,911.23	-	5,874.29
DUBA QB	140.23	595.00	-	-	-	735.23
GERSBACH GAK	-	1,189.00	-	-	-	1,189.00
GUMEDE T	3,376.79	1,455.29	-	4,641.47	-	9,473.55
KHUMALO TL	275.00	1,182.56	-	11,028.28	-	12,485.84
KLAAS GS	-	-	7,011.99	5,312.94	-10,150.67	2,174.26
KOMANE CL	1,869.31	35,646.56	-	-	-	37,515.87
KWILI MS	2,466.93	1,537.56	-	-	-	4,004.49
LESHABANE SM	670.84	-	6,466.04	62,203.83	-	69,340.71
LETSIMO ST	438.40	1,901.18	-	77,331.14	-	79,670.72
LETSOHA KT	947.66	1,383.75	-	32,488.79	-	34,820.20
MABASO SJ	302.21	1,282.02	-	23,330.96	-	24,915.19
MABENA VM	-	-	900.17	-	-505.40	394.77
MABUZA TH	1,982.56	2,600.67	-	36,064.67	-	40,647.90
MALOPE S	187.25	-	-	6,440.83	-	6,628.08
MARAQANA SR	1,138.64	14,046.55	-	12,056.37	-	27,241.56
MASHININI SJ	1,770.03	7,885.00	-	-	-	9,655.03
MATABANE TJ	235.80	1,676.60	-	-	-	1,912.40
MOKHETHOA SS	217.71	362.62	7,219.79	-	-	7,800.12
MORAKE P	-	-	2,539.25	3,075.86	-26.55	5,588.56
MOTAUNG A	684.80	928.45	-	17,154.47	-	18,767.72
MXABANGELI VS	386.06	-	-	25,236.62	-	25,622.68
NGOBESE AK	3,821.23	12,414.64	-	21,929.12	-	38,164.99
NGOBESE SS	527.14	905.66	-	7,797.82	-	9,230.62
NKOSI MI	885.54	721.73	-	31,672.55	-	33,279.82
NOMVETE JP	2,030.60	56.48	54,814.06	-	-	57,701.14
NTOMBELA SI	1,305.28	15,249.69	-	-	-	16,554.97
NXUMALO IS	106.11	-	-	13,417.17	-	13,523.28
NXUMALO A	285.63	1,374.77	-	-	-	1,660.40
PAPU EM	1,709.02	6,384.02	-	20,127.20	-	28,220.24
PHETLA TJ	1,317.02	5,032.98	-	22,082.76	-	28,432.76
RADEBE NM	1,269.91	9,630.12	-	-	-	10,900.03
RADEBE TG	563.12	1,462.44	-	9,788.74	-	11,814.30
RAMPAI TC	674.18	627.30	-	-	-	1,301.48
SENTSHO LD	9,799.67	9,672.97	-	-	-	19,472.64
SHABALALA RR	858.27	731.62	-	10,060.33	-	11,650.22
SHABALALA HV	1.90	57.66	-	-	-	59.56
SHABANGU SP	3,248.70	909.27	-	-	-	4,157.97
SITHOLE MM	167.80	312.32	-	3,719.44	-	4,199.56
SWANEPOEL CD	3,767.67	758.13	-	-	-13.49	4,512.31
TERBLANCHE HJ	953.22	1,726.31	-	2,846.50	-	5,526.03
ZIDE VG	676.98	356.42	-	23,853.42	-	24,886.82
ZUMA LZ	1,251.89	305.86	-	6,645.96	-	8,203.71
ZWANE TS	1,831.76	4,891.75	-	-	-	6,723.51
Total Councillor Arrears	60,671.45	150,770.87	85,060.10	543,993.98	-10,696.11	829,800.29

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55. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillor Arrears 30 June 2011

Declared municipal services accounts in respect of Councillors have been monitored on a monthly basis to ensure compliance with provisions of the Systems act, which states that councillor accounts may not be in arrears for periods in excess of 90 day's.

Status of councillor accounts as at end May 2011, prior to municipal elections can be summarized as follows :

• Number of accounts linked	192			
• Accounts in arrears (+90 Days)	3	R 19 465.00		
• Accounts with arrangement	1	R 1 060.02		
• Arrear Debt (30 – 90 Days)	54	R 30 405.06		

Municipal elections on 18 May 2011 however resulted in approximately 129 new councillors being elected. Personal details in respect of all elected councillors were received during August 2011.

Verification process against billing data basis was performed based on submitted id numbers and re-elected councillor information.

The results can be summarized as follows :

• Linked accounts				
• Number of councillors	154			
• Number of accounts linked	248			
• Accounts in arrears (+90 Days – June 2011)	R 693 781			
• Not linked (No positive link to billing account)	50			

PROCESS.

- Letter to all councillors to confirm linked accounts	- September 2011
- Letter to all councillors in arrears to settle or arrange debt	- September 2011
- Letter to all councillors NOT linked to submit account details	- September 2011

56. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Outstanding long-term liabilities	4 070 190 973	2 887 913 569	3 891 068 355	2 695 562 832
Redemption of loans	(187 677 664)	(436 011 112)	(175 556 632)	(419 494 477)
New loans	800 000 000	1 630 000 000	800 000 000	1 615 000 000
	4 682 513 309	4 081 902 457	4 515 511 723	3 891 068 355
Used to finance property, plant and equipment:	(4 058 069 941)	(2 887 913 569)	(3 891 068 355)	(2 695 562 832)
Opening Balance				
Redemption of loans	175 556 632	436 011 112	175 556 632	419 494 477
Capital financed from external loans for the year	(475 499 863)	(1 043 571 750)	(475 499 863)	(1 043 571 750)
Capital expenditure for 2009/2010 financed from loans taken up this year	-	(498 767 872)	-	(483 767 872)
Opening balance of unspend long term liabilities brought forward	87 660 378	-	87 660 378	-
Unspend long term liabilities	412 160 515	87 660 378	412 160 515	87 660 378
Cash set aside for the repayment of long-term liabilities for the year	428 095 850	176 754 221	428 095 850	176 754 221

Long-term liabilities have been utilized 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.

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	2012	2011	2012	2011

57. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the group annual financial statements.

The expenses incurred, as listed hereunder, have been approved/condoned

Emergencies	19 703 742	14 444 367	3 961 430	13 092 617
Sole supplier	19 163 200	45 648 550	18 450 456	45 169 059
Appointment of consultants	51 087 435	29 210 530	50 856 587	29 210 530
Upgrade electricity infrastructure	14 267 141	1 419 892	14 267 141	1 419 892
Upgrade of roads infrastructure	68 100 000	-	68 100 000	-
Upgrade water infrastructure	30 000 000	1 469 100	30 000 000	1 469 100
Events	420 772	2 382 208	420 772	2 382 208
Operational services	22 914 259	-	22 914 259	-
Other	1 597 717	148 031 379	1 597 717	147 832 842
Training	2 187 935	-	2 187 935	-
Extension of contract	113 732 735	75 942 258	113 732 735	75 942 258
Deviations less than R200,000	1 234 434	3 266 684	1 234 434	3 266 684
	344 409 370	321 814 968	327 723 466	319 785 190

Number/quantity of deviations included above (Controlling entity) is 75 (2011: 80)

58. UNACCOUNTED ELECTRICITY AND WATER

Electricity

	2011/2012		2010/2011	
	Units	Value	Units	Value
Units purchased	10 874 885 184.00	5,934,915,571.44	10,832,990,778.00	4,708,908,535.47
Units sold	<u>9,665,581,695.00</u>	<u>5,274,944,088.08</u>	<u>9,563,122,126.37</u>	<u>4,156,919,204.44</u>
Units lost	1,209,303,489.00	659,971,483.36	1,269,868,651.63	551,989,331.03
Total lost %	11.12%	11.12%	11.72%	11.72%
Technical loss%	5.90%		5.90%	
Non-technical loss%	5.22%		5.82%	

Water

	2011/2012		2010/2011	
	Units	Value	Units	Value
Units on hand 1 July	1,246,000.00	5,069,381.42	2,720,000.00	9,621,456.00
Units purchased	<u>339,056,381.00</u>	<u>1,544,154,231.41</u>	<u>332,557,257.00</u>	<u>1,353,017,318.87</u>
	340,302,381.00	1,549,223,612.83	335,277,257.00	1,362,638,774.87
Units on hand 30 June	<u>1,203,000.00</u>	<u>5,478,786.55</u>	<u>1,246,000.00</u>	<u>5,069,381.42</u>
Units for sale	339,099,381.00	1,543,744,826.28	334,031,257.00	1,357,569,393.45
Units sold	<u>236,225,854.00</u>	<u>1,075,416,134.03</u>	<u>235,171,946.78</u>	<u>955,425,771.99</u>
Units lost	102,873,977.00	468,330,741.67	98,859,310.22	402,143,621.46
Units lost %	30.34%	30.34%	29.60%	29.62%

Additional information are contained in the annual report on unaccounted water (paragraph 3.1.1) and electricity (paragraph 3.1.2).

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59. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Economic entity - 2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	2 817 728 777	2 812 194 874	2 812 194 874	2 643 092 190	169 102 684	94 %	94 %
Service charges	13 381 440 622	13 308 011 247	13 308 011 247	12 598 243 381	709 767 866	95 %	94 %
Investment revenue	71 725 451	110 720 454	110 720 454	164 804 973	(54 084 519)	149 %	230 %
Transfers recognised	4 586 385 509	4 650 774 881	4 650 774 881	4 568 533 803	82 241 078	98 %	100 %
Other own revenue	899 287 332	843 659 108	843 659 108	882 281 409	(38 622 301)	105 %	98 %
Total revenue (excluding capital transfers and contributions)	21 756 567 691	21 725 360 564	21 725 360 564	20 856 955 756	868 404 808	96 %	96 %
Employee costs	(4 491 342 048)	(4 409 050 080)	(4 409 050 080)	(4 257 136 931)	(151 913 149)	97 %	95 %
Remuneration of councillors	(78 572 289)	(79 406 263)	(79 406 263)	(79 406 240)	(23)	100 %	101 %
Debt impairment	(1 539 318 795)	(1 576 161 292)	(1 576 161 292)	(1 573 793 206)	(2 368 086)	100 %	102 %
Depreciation and asset impairment	(2 144 861 047)	(2 193 676 359)	(2 193 676 359)	(2 064 037 568)	(129 638 791)	94 %	96 %
Finance charges	(532 192 084)	(465 276 649)	(465 276 649)	(469 695 012)	4 418 363	101 %	88 %
Materials and bulk purchases	(8 096 693 260)	(8 099 405 727)	(8 099 405 727)	(7 595 425 523)	(503 980 204)	94 %	94 %
Transfers and grants	(296 430 200)	(456 326 120)	(456 326 120)	(362 004 390)	(94 321 730)	79 %	122 %
Other expenditure	(4 262 396 560)	(4 068 408 022)	(4 068 408 022)	(3 729 206 413)	(339 201 609)	92 %	87 %
Total expenditure	(21 441 806 283)	(21 347 710 512)	(21 347 710 512)	(20 130 705 283)	(1 217 005 229)	94 %	94 %
Surplus/(Deficit)	314 761 408	377 650 052	377 650 052	726 250 473	(348 600 421)	192 %	231 %

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59. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Taxation	(160 100)	(217 599)	(217 599)	814 880	(1 032 479)	(374)%	(509)%
Attributable to minorities	-	-	-	(4 453 885)	4 453 885	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	314 601 308	377 432 453	377 432 453	722 611 468	(345 179 015)	191 %	230 %

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59. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	2 706 175 014	2 417 645 923	2 417 645 923	2 059 930 353	357 715 570	85 %	76 %
Sources of capital funds							
Transfers recognised - capital	1 346 183 235	1 348 425 669	1 348 425 669	1 294 361 231	54 064 438	96 %	96 %
Public contributions and donations	21 500 000	21 461 041	21 461 041	21 617 505	(156 464)	101 %	101 %
Borrowing	1 103 934 512	781 511 131	781 511 131	475 499 863	306 011 268	61 %	43 %
Internally generated funds	234 557 267	266 248 082	266 248 082	268 453 754	(2 205 672)	101 %	114 %
Total sources of capital funds	2 706 175 014	2 417 645 923	2 417 645 923	2 059 932 353	357 713 570	85 %	76 %
Cash flows							
Net cash from (used) operating	2 679 239 696	2 764 345 696	2 764 345 696	3 269 065 460	(504 719 764)	118 %	122 %
Net cash from (used) investing	(2 900 116 529)	(2 777 435 529)	(2 777 435 529)	(2 301 003 851)	(476 431 678)	83 %	79 %
Net cash from (used) financing	879 792 227	412 316 773	412 316 773	650 441 312	(238 124 539)	158 %	74 %
Net increase/(decrease) in cash and cash equivalents	658 915 394	399 226 940	399 226 940	1 618 502 921	(1 219 275 981)	405 %	246 %
Cash and cash equivalents at the beginning of the year	1 378 018 881	1 382 495 439	1 382 495 439	1 431 951 245	(49 455 806)	104 %	104 %
Cash and cash equivalents at year end	2 036 934 275	1 781 722 379	1 781 722 379	3 050 454 166	(1 268 731 787)	171 %	150 %

Controlling entity - 2012

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59. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	2 817 728 777	2 812 194 874	2 812 194 874	2 644 169 729	168 025 145	94 %	94 %
Service charges	12 972 764 246	12 899 334 871	12 899 334 871	12 640 496 148	258 838 723	98 %	97 %
Investment revenue	70 000 000	105 000 000	105 000 000	153 736 169	(48 736 169)	146 %	220 %
Transfers recognised	4 512 155 029	4 551 760 397	4 551 760 397	4 557 540 172	(5 779 775)	100 %	101 %
Other own revenue	778 200 364	723 747 539	723 747 539	808 801 862	(85 054 323)	112 %	104 %
Total revenue (excluding capital transfers and contributions)	21 150 848 416	21 092 037 681	21 092 037 681	20 804 744 080	287 293 601	99 %	98 %
Employee costs	(4 333 687 366)	(4 252 209 236)	(4 252 209 236)	(4 109 531 899)	(142 677 337)	97 %	95 %
Remuneration of councillors	(78 572 289)	(79 406 263)	(79 406 263)	(79 406 240)	(23)	100 %	101 %
Debt impairment	(1 536 305 545)	(1 573 268 042)	(1 573 268 042)	(1 570 904 704)	(2 363 338)	100 %	102 %
Depreciation and asset impairment	(2 101 119 139)	(2 151 573 424)	(2 151 573 424)	(2 029 143 565)	(122 429 859)	94 %	97 %
Finance charges	(488 226 680)	(461 486 680)	(461 486 680)	(453 417 828)	(8 068 852)	98 %	93 %
Materials and bulk purchases	(7 945 553 951)	(7 948 266 418)	(7 948 266 418)	(7 930 516 453)	(17 749 965)	100 %	100 %
Transfers and grants	(296 430 200)	(456 326 120)	(456 326 120)	(426 284 806)	(30 041 314)	93 %	144 %
Other expenditure	(4 127 745 889)	(3 927 315 894)	(3 927 315 894)	(3 640 266 965)	(287 048 929)	93 %	88 %
Total expenditure	(20 907 641 059)	(20 849 852 077)	(20 849 852 077)	(20 239 472 460)	(610 379 617)	97 %	97 %
Surplus/(Deficit) for the year	243 207 357	242 185 604	242 185 604	565 271 620	(323 086 016)	233 %	232 %

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59. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	2 374 785 485	2 252 103 854	2 252 103 854	2 001 014 443	251 089 411	89 %	84 %
Sources of capital funds							
Transfers recognised - capital	1 296 183 235	1 298 425 669	1 298 425 669	1 256 427 052	41 998 617	97 %	97 %
Public contributions and donations	21 500 000	21 461 041	21 461 041	21 617 505	(156 464)	101 %	101 %
Borrowing	867 934 512	701 059 502	701 059 502	475 499 863	225 559 639	68 %	55 %
Internally generated funds	189 167 738	231 157 642	231 157 642	247 470 023	(16 312 381)	107 %	131 %
Total sources of capital funds	2 374 785 485	2 252 103 854	2 252 103 854	2 001 014 443	251 089 411	89 %	84 %
Cash flows							
Net cash from (used) operating	2 576 098 000	2 633 841 000	2 633 841 000	3 071 674 766	(437 833 766)	117 %	119 %
Net cash from (used) investing	(2 557 154 000)	(2 434 473 000)	(2 434 473 000)	(2 242 130 565)	(192 342 435)	92 %	88 %
Net cash from (used) financing	654 844 000	654 844 000	654 844 000	670 016 446	(15 172 446)	102 %	102 %
Net increase/(decrease) in cash and cash equivalents	673 788 000	854 212 000	854 212 000	1 499 560 647	(645 348 647)	176 %	223 %
Cash and cash equivalents at the beginning of the year	1 338 863 442	1 338 863 442	1 338 863 442	1 338 863 442	-	100 %	100 %
Cash and cash equivalents at year end	2 012 651 442	2 193 075 442	2 193 075 442	2 838 424 089	(645 348 647)	129 %	141 %