

CITY OF TSHWANE METROPOLITAN MUNICIPALITY

Annual Consolidated Financial Statements for the year ended 30 June 2012

Annual Consolidated Financial Statements for the year ended 30 June 2012

General Information

Legal form of entity Municipality (MFMA)

Mayoral committee

Executive Mayor Ramokgopa, Kgosientso

Mosupyoe, Morakane (Speaker)

Councillors Mabona, Jabu (Chief Whip)

Pillay, Subesh (MMC: Economic Development & Planning)

Ngonyama, Joshua(MMC: Housing and Sustainable Human Settlement)

Malapane, Nkele (Ms) (MMC: Agriculture and Environment)

Mashego, Terence (MMD: Safety and Security) Mabiletsa, Dorothy (Ms) (MMC: Finance)

Kgaditse, Faith (Ms) (MMC: sport, Recreations, Arts and Culture)

Matjila, George (MMC: Roads and Transport)
Zitha, Percy (MMC: Public Works and Infrastructure)

Moselelane, Sibongile (Ms) (MMC: Health and Social Development) Mmoko, Thembi (Ms) (MMC: Corporate and Shared Services)

Grading of local authority High Capacity (Metro)

Accounting Officer Ngobeni, Jason

Telephone: 012-358 4901

Chief Financial Officer (CFO) Dyakala, Andile

Telephone: 012-358 8100

Registered office

Isivuno House

cnr Madiba Rd and Lillian Ngoyi Street

PRETORIA 0002

Postal address P O Box 408

PRETORIA 0002

Bankers Standard Bank

Auditors Auditor-General South Africa (AGSA)

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act 56 of 2003)

Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998)

Housing Act (Act 107 of 1997)

Constitution of the Republic of South Africa (Act 108 of 1996)

Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)

Entities consolidated

Consistent with the prior financial year the following Municipal entities were

included in the Consolidated Annual Financial Statements:

Housing Company Tshwane Sandspruit Works Association

Tshwane Economic Development Agency (TEDA)

Entities dormant/being disestablished

Metsweding Economic Development Agency (MEDA) - Council decision of 25

August 2011 to disestablish MEDA

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The reports and statements set out below comprise the annual consolidated financial statements presented to the provincial legislature:

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Certification by City Manager

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

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

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

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

I am responsible for the preparation of these annual consolidated financial statements, which are set out from pages 17 to 135, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

Jason Ngobeni CITY MANAGER

Pretoria
30 September 2012

Annual Consolidated Financial Statements for the year ended 30 June 2012

Report of the Chief Financial Officer

1. INTRODUCTION

Towards the end of the previous financial year, Statistics South-Africa stated that the country is formally out of the global recession. This means that the economy is rallying and that we are therefore on our way back to financial stability. Further, the financial turnaround strategies engineered by the City were showing a positive impact which resulted in the credit rating changing from negative to stable till the end of November 2011.

The political leadership of the city had a significant role to play in strengthening the link between government's priorities and spending plans, with the goal to enhance service delivery aimed at improving the quality of life for all people within the City.

The main challenges experienced during the 2011/12 financial year can be summarised as follows:

- Cost of absorbing temporary workers employed through the labour brokers, in a phased manner, as permanent employees and provision for the payment of benefits from 1 July 2012
- · Additional requests for funds regarding capital and operating expenditure
- · Limited funds for the filling of critical vacancies
- Tariff increases in bulk purchases from Eskom and Rand Water
- Increasing upward pressure on affordability of services by residents continuous high tariff increases are clearly not sustainable currently
- Inclusion of costs regarding the incorporation of the Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities and expectations regarding increased service delivery
- · Cash backing of capital reserves, provisions and unspent conditional grants

In all of the above the City had to do more with less as a budget principle. To ensure that the City continues to deliver on its core mandate and achieve its developmental goals, measures such as the Cash-flow-Management Intervention Initiatives and Strategy, Long-term Financial Model, the Budget Policy, revenue enhancement, budget principles, fund management tool, etc are in place. From its inception the City of Tshwane has always been guided by the national imperative of building a democratic developmental government and will continue to do so as the largest metropolitan municipality in the country

2. Operational and Financial Performance Review

The City of Tshwane, during the State of the City Address launched a new logo with the slogan "Igniting Excellence". It is a pleasure for me as the Chief Financial Officer to present the annual financial statements for the year ended 30 June 2012 as part of igniting excellence.

It is our responsibility to ensure that the annual financial statements of the City of Tshwane present the financial position of the City and financial performance and cash flows for the year ended required by South African Standards of Generally Recognised Accounting Practice and Municipal Finance Management Act 56 of 2003. The management and leadership of the City played a significant role to fulfill this mandate and responsibility, thereby also managing limited resources and economic condition challenges while focusing on effective service delivery.

It is the City's commitment to promote sound and good governance in pursuit of a clean audit opinion from the Auditor General. This concept is institutionalized in the City through implementing sound and effective internal control environment.

For the year ended 30 June 2012 the City of Tshwane showed growth in revenue, capital expenditure and uncompromising commitment to the people of Tshwane to support social infrastructure despite the resources being constrained. Indeed people of Tshwane come first "Batho pele". It was important for the City not to compromise in adapting to circumstances and change to do things differently in ensuring that the basic needs of the community are addressed.

Various financial initiatives were continuously implemented during the financial year in anticipation of these adverse economic conditions to place City of Tshwane in its best possible position to mitigate the economic impact.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Report of the Chief Financial Officer

The prudent financial management has paid off as indicated by the credit rating granted by Moody's credit rating company during the first half of the financial year. This reflects the effectiveness of the City's efforts towards fiscal recovery and improved liquidity position. Despite the increase of electricity and water tariffs, which had resulted in lower usage, a constant revenue growth was still experienced by the City of Tshwane. Notwithstanding improved results, the City of Tshwane remains conscious of the fact that demand for services continues to outstrip its resources while key performance indicators show the municipality and its entities to be within its internal targets.

Cost control has also become more important to maintain affordability and ensure that City of Tshwane honours its financial commitments to all stakeholders.

City of Tshwane financial framework:-

Assessment rates and service charges	Grants and subsidies	Other revenue	Total revenue	Total expenditure	Surplus *		
Up 23.3% (Group = 23.2% R 13.961 billion (Group = R13.939 billion)	Up 42.2% R3.561	Down 18.1% (Group = 17.9%) R0.957 billion billion (Group = R0.991 billion)	Up 28.6% (Group = 28.4%) R20.020 billion (Group = R20.056 billion)	Up 22.7% (Group = 22.5%) R18.142 billion (Group = R18.172 billion)	Up 141.3% (Group = 137.9%) R1.879 billion (Group = R1.884 billion)		
Assessment Rates Service Charges	Assessment Rates Employee Costs General Expenditure						
Economic infrastructu	ure 1		Finance cost	Î			
Social infrastructure Community returns			Surplus and cash	generation 👚			

*High increase due to net gain on transfer of functions

The City of Tshwane's financial framework is shown to indicate strong operational performance allowing the group to pay its finance costs and interest.

The incorporation of the Metsweding District Municipality and the local municipalities of Nokeng-tsa-Taemane and Kungwini resulted in the City of Tshwane becoming the largest metropolitan municipality in South Africa. The incorporation also provided the City the wide range of new opportunities to diversify its revenue base and the new areas brought valuable resources e.g. vast tracts of vacant, undeveloped land, agricultural or farming communities, mining enterprises, eco-tourism, forestry and fishing.

3. ACCOUNTING FRAMEWORK FOR 2011/12

No changes to the accounting framework were implemented during the 2010/11 financial year. Additional standards were approved by the Accounting Standards Board during the financial year, but no standards became effective before 30 June 2012.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Report of the Chief Financial Officer

4. FINANCIAL STATISTICS AND FINANCIAL RATIO'S

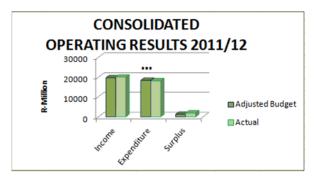
Financial statistics	2011/12		2010	0/11	
	Municipality	Group	Municipality	Group	
Cash and Investment balances (R)	971 474 073	1 01 298 469	979 422 782	1 030 284 030	
Growth in total revenue (%)	28.6%	28.4%	15.2%	14.1%	
Growth in total expenditure (%)	22.7%	22.5%	13.3%	12.4%	
Growth in grants (%)	42.2%	42.2%	0.01%	(0.2%)	
Growth in assessment rates (%)	16.0%	16.0%	8.5%	8.5%	
Growth in service charges (%)	25.9%	25.7%	19.6%	18.4%	
Growth in capital expenditure (%)	38.9%	38.9%	1.8%	1.8%	
Surplus (R)	R1 878 573 121	R1 884 653 964	R778 464 211	R791 921 405	
Growth in total gross debtors (%)	17.7%	20.1%	9.8%	10.7%	
Growth in total net debtors (%)	3.9%	7.5%	4.7%	7.4%	
Growth in net consumer debtors (%)	3.3%	3.6%	10.7%	10.1%	

5. REVIEW OF OPERATING RESULTS

The 2011/12 budget of the City of Tshwane was approved by Council on 28 April 2011 and the Adjustment Budget was approved by Council on 26 January 2012.

5.1 General

Details of the 2011/12 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. Below is a graphical presentation of the operating results:



The overall operating results for the year ending 30 June 2012 are as follows:

Description	Adjusted Budget 2012 Group R'000	Adjusted Budget 2012 Municipality R'000	Actual 2012 Municipality R'000	Actual 2012 Group R'000	Variance Actual/ Adjusted Budget Group %	Actual 2011 Restated Municipality R'000	Actual 2011 Restated Group R'000
Accumulated surplus: Opening Operating revenue	19 668 700 19 668 700	19 316 632 19 316 632	1 864 439 20 020 197 21 884 636	1 903 398 20 056 366 21 959 764	1.97	1 391 050 15 567 437 16 958 487	1 416 552 15 625 024 17 041 576
Operating expenditure	18 403 369	18 051 301	18 141 624	18 171 712	1.26	14 788 973	14 833 103
Sundry transfers *	1 265 331	1 265 331	(7 351 194)	(7 351 195)		305 075	305 075
Accumulated surplus: Year End			11 094 206	11 139 247		1 864 439	1 903 398
	19 668 700	19 316 632	21 884 636	21 959 764		16 958 487	17 041 576

^{*} Sundry transfers consist of transfers from the reserves as the Capital replacement reserve, Capitalisation reserve and Capital Grants and Donations reserve were written back against the accumulated surplus during 2011/12

Annual Consolidated Financial Statements for the year ended 30 June 2012

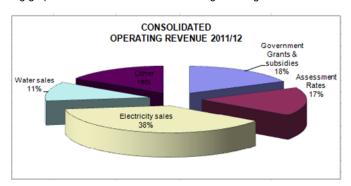
Report of the Chief Financial Officer

The actual net expenditure of the Municipality reflects an increase of 22.7%(Group = 22.5%) while the actual revenue of the Municipality has increased by 28.6% (Group = 28.4%) since 2011/12. The largest increase on revenue occurred on Assessment rates (16.0%), service charges (25.9%) (group = 25.7%), government grants and subsidies (42.2%). A further factor contributing to the large increase in revenue is the net gain on the transfer of functions in the municipality (not cash but the net effect of all assets and liabilities taken over on 1 July 2011).

The largest increase on expenditure occurred on remuneration (11.9%), bulk purchases (37.1%), repair and maintenance (15.1%) (group = 14.3%), general expenditure (7.1%) (group = 7.0%), depreciation (25.7%) (group = 25.6%), debt impairment (68.6%) (group = 61.4%) and loss on disposal of PPE (100%).

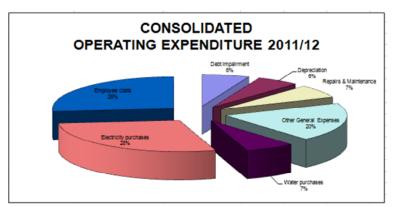
5.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



5.3 Operating expenditure

The graph below indicates the breakdown per main expenditure group.



5.4 Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a decrease from 28.65% in 2010/11 to 26.13% in 2011/12. The group decreased from 26.50% to 26.13%. This decrease is due to the fact that the remuneration increased at a lower percentage (11.87%) compared to the increase in the total expenditure (22.7%).

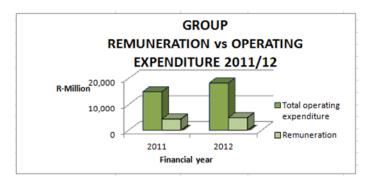
According to INCA a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example;

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Report of the Chief Financial Officer

certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33 %.

Description	2011	/12	2010/11		
	Municipality R'000	Group R'000	Municipality R'000	Group R'000	
Total operating expenditure	18 141 618	18 171 712	14 788 973	14 833 103	
Total operating revenue	20 020 197	20 056 366	15 567 437	15 625 024	
Employee remuneration	4 739 894	4 815 372	4 236 966	4 304 326	
Ratio: % of total expenditure	26.13%	26.50%	28.65%	29.02%	
Ratio: % of total revenue	23.68%	24.01%	27.22%	27.55%	
% Growth in remuneration	11.87%	11.87%	20.4%	20.5%	



5.5 Government grants and subsidies

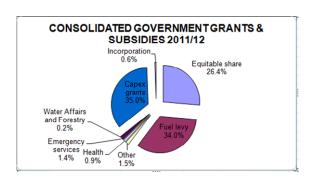
The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

	2011/12		2010	0/11
Description	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Equitable share	923 020	923 020	717 978	717 978
Primary Health Care subsidy	27 325	27 325	27 271	27 271
Emergency Management Subsidy	47 902	47 902	44 415	44 415
Equitable Share Fuel Levy	1 191 521	1 191 521	1 085 816	1 085 816
Opex grants and donations	2 814	2 814	41 186	41 186
Finance Management Grant	5 116	5 116	673	673
DWAF grant	6 926	6 926	6 664	6 664
DACE	0	0	102	102
Topstructure grant	93 057	93 057	13 294	13 294
HIV/AIDS	5 310	5 310	1 627	1 627
Community Library services	5 848	5 848	6 427	6 427
Capex grants and donations	1 225 796	1 225 796	496 494	496 494
PTIS opex	3 645	3 645	60 816	60 816
USDG (MIG) opex	3 060	3 060	1 685	1 685
Incorporation grant	20 000	20 000	0	0
	3 561 340	3 561 340	2 504 450	2 504 450

Below is a graphical presentation of the categories.

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Report of the Chief Financial Officer



6. ANALYSIS OF FINANCIAL POSITION AS AT 30 JUNE 2012

Туре	June 2012 Municipality R'000	June 2012 Group R'000	June 2011 Municipality R'000	June 2011 Group R'000	Variance (R) Group R'000	Variance Group (%)
Current assets	4 687 429	4 776 123	4 453 773	4 442 628	333 495	7.51
Non-current assets	20 748 495	20 770 487	17 170 979	17 200 565	3 569 922	20.75
Total Assets	25 432 924	25 546 610	21 624 752	21 643 193	3 903 417	18.05
Current liabilities	5 895 024	5 960 549	4 922 023	4 897 777	1 062 772	21.70
Non-current liabilities	8 073 540	8 076 660	7 116 942	7 120 671	955 989	13.43
Total liabilities	13 968 563	14 037 209	12 038 965	12 018 448	2 018 761	16.80
Net Assets	11 464 360	11 509 401	9 585 787	9 624 747	1 884 656	19.58

The following is a summary of the most critical ratios:

Financial Statistics	2011	1/12	2010/11	
	Municipality	Group	Municipality	Group
Current asset ratio	0.80:1	0.80:1	0.90:1	0.90:1
Acid test ratio	0.73:1	0.73:1	0.84:1	0.84:1
Solvability ratio	1.82:1	1.82:1	1.80:1	1.82:1
Total long-term debt to total revenue*	33.64	33.60%	38.66%	38.54%
Inventory turnover	2.62 times	2.62 times	2.86 times	2.86 times
Overdraft (cashbook) plus short-term loans to total operating	4.54% #	4.53%	5.63% #	5.46%
revenue				
Cash to interest coverage	6.33:1	6.31:1	2.67:1	3.38:1
Capital charges to total operating revenue	12.06:1	12.05:1	10.96:1	10.961
Debt to cash ratio	1.68:1	1.68:1	3.73:1	2.95:1
Financing to capital expenditure ratio	0.15:1	0.15:1	0.32:1	0.32:1
Repairs & maintenance to annual operating revenue	5.98%	6.03%	6.49%	6.77%
Net debtors to total annual operating revenue	16.37%	16.63%	20.34%	19.85%
Borrowings to PPE Assets (%)	32.75%	32.73%	35.53%	35.51%

[#] According to credit rating companies the benchmark for local government is a ratio of less than 5%

7. CASH AND CASH EQUIVALENTS, INVESTMENTS AND LIQUIDITY RATIO'S

Туре	2011	/12	2010/11		
	Municipality Group		Municipality	Group	
Cash and cash equivalents	560 000 625	599 825 021	359 233 479	410 094 727	
Liquidity ratio	6.45	6.67	5.40	5.75	
Acid test ratio	0.73:1	0.73:1	0.84:1	0.84:1	
Gearing ratio *	33.64%	33.60%	38.66%	38.54%	

 $^{^{\}star}$ According to credit rating companies the benchmark for local government is a ratio of less than 50 %.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Report of the Chief Financial Officer

8. DEBTORS

Details regarding the debtors are provided in Note 17 (Long-term receivables), Note 19 (Consumer Debtors) and Note 20 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

8.1 Long-term receivables (note 17)

The long-term receivables show an increase of R27,713 million (9.86%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R2,305 million) and an increase in the sale of land (R25.164 million).

8.2 Other debtors (note 20)

The Other Debtors (debtors other than consumer debtors – see note 20 for detail) for the Municipality in total increased with an amount of R81.805 million (9.5%). This is mainly the result of Sundry persons increasing with an amount of R11.362 million and the public contributions debtor increasing with an amount of R51,729 million (34.3%) as well as the AARTO debtor increasing with an amount of R14.583 million (41.7%).

For the group, the other debtors increased with R228.884 million (29.0%) mainly due to sundry debtors of Sandspruit Works Association under the category of miscellaneous debtors (increase of 69.2%).

8.3 Consumer debtors (note 19)

For the Municipality the consumer debtors increased in total with an amount of R904.450 million (19.2 %). The debtors taken over from the erstwhile Nokeng-tsa-Taemane and Kungwini Local Municipalities amounted to R580 million. The increase in debt per customer classification is made up as follows:

	Municipal	ity 2011/12	Group 2011/12		
Customer classification	Total R-million	Increase/ (Decrease) R-million	Total R-million	Increase/ (Decrease) R-million	
Households	3 409 052	376 532	3 752 192	414 203	
Industrial/Commercial	1 455 640	439 271	1 455 640	439 271	
National and Provincial government	139 552	124 503	139 552	124 503	
Other	619 211	(35 855)	619 211	(35 855)	
Total	5 623 454	904 450	5 966 594	942 121	

The increase in consumer debt per ageing analysis is as follows:

	Municipa	lity 2011/12	Group 2011/12		
Age analysis group	Total R-million	Increase/ (Decrease) R-million	Total R-million	Increase/ (Decrease) R-million	
Current (0-30 days)	2 077 903	695 735	2 421 043	673 744	
31 – 60 days	233 150	131 846	233 150	131 846	
61 – 90 days	125 956	32 015	125 956	32 015	
91 + days	3 186 445	44 854	3 126 783	364 934	
Total	5 623 454	904 450	5 966 594	942 121	

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Annual Consolidated Financial Statements for the year ended 30 June 2012

Report of the Chief Financial Officer

	201	1/12	2010/11		
Description	Municipality R'000	Group R'000	Municipality R'000	Group R'000	
Debits levied : Consumer debtors	13 960 799	13 939 131	11 322 114	11 313 530	
Balance on 1 July	4 719 004	5 024 473	4 253 786	4 522 054	
Balance on 30 June	5 623 454	5 966 594	4 719 004	5 024 473	
Average balance	5 171 229	5 495 534	4 486 395	4 773 264	
Days in the financial year	366	366	366	365	
Turnover: Number of days	136	144	145	154	
Turnover: Number of times (levies/average balance)	2.70	2.54	2.52	2.37	

For the municipality a collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 105.4% (2011 = 105.7% and 2010 = 105.0%) was maintained by the Municipality during the 2011/12 financial year regardless of the incorporation of Nokeng-tsa-Taemane and Kungwini Local Municipalities.

9. CAPITAL EXPENDITURE AND FINANCING (only with regard to the Municipality)

The Municipality's original approved Capital Expenditure Budget for 2011/12 amounted to R3 185 417 740 and was accepted by National Treasury.

This Capital Budget was amended by means of an adjustments budget approved by Council on 23 February 2012 to R3 403 637 183 in total, which resulted in an increase of R218 219 443 in the total Capital Expenditure Budget, primarily to address additional National and Provincial grant allocations, to accommodate unspent grant allocations from the 2010/11 financial year approved by National Treasury in terms of the DoRA for roll-over, as well as other contributions, corrections and re-allocations of savings identified by Strategic Units requested to review the performance of the capital programme.

The table below reflects the net increase / decrease in the various funding sources:

Funding source	Municipality Original Budget 2011/12 R	Municipality Adjustment Budget 2011/12 R	Increase/ (Decrease)
Council funding	1 974 850 453	1 954 871 453	(19 979 000)
Public Transport Infrastructure and Systems Grant (PTIS)	180 000 000	295 057 000	115 057 000
Neihbourhood Development Partnership Grant (NDPG)	46 000 000	83 861 813	37 861 813
Government Housing	-	41 101 421	41 101 421
Urban Settlements Development Grant (USDG)	887 581 000	887 581 000	-
Integrated National Electrification Programme (INEP)	21 000 000	21 000 000	-
Capital Replacement Reserve	35 986 287	36 236 287	250 000
Electricity Efficiency Demand Side Management (EEDSM)	25 000 000	46 531 158	21 531 158
Other contributions	15 000 000	15 515 977	515 977
Financial Management Grant (FMG)	-	304 074	304 074
Community Library Services (CLS)	-	5 980 000	5 980 000
Department of Water Affairs (DWA)	-	15 597 000	15 597 000
TOTAL	3 185 417 740	3 403 637 183	218 219 443

Actual expenditure incurred during the 2011/12 financial year as indicated in the table below amounts to R3 115 999 216 or 92% measured against the adjusted budget, resulting in a variance of R287 637 967 or 8.45% measured against adjusted budget. The main contributors to this variance were the following projects:

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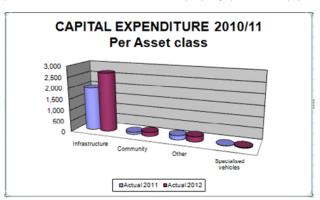
Report of the Chief Financial Officer

- CBD and Surrounding Areas (2010SWC) HOV/BRT Lanes on Corridors to North and Hatfield (R129 509 559); and
- Tsosoloso/Rekgabisa (R34 557 609).

On comparison of the actual expenditure for the 2011/12 financial year with the actual expenditure of the 2010/11 financial year, an increase in expenditure of R872 747 503 is evident, which indicates that the City increased its investment in Property, Plant and Equipment.

Actual Capital expenditure according to asset class					
Time of Acces	Municipality Actual	Municipality Actual			
Type of Asset	2012 R	2011 R			
Infrastructure	2,685,962,678	1,957,613,630			
Community	178,098,141	97,551,794			
Heritage Assets	_	-			
Investment Properties	_	-			
Other Assets	226,460,912	185,070,012			
Specialised Vehicles	25,477,485	3,016,277			
Intangibles	-	-			
TOTAL	3,115,999,216	2,243,251,713			

The graph below shows the distribution of the property, plant and equipment according to the type.



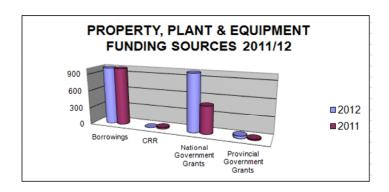
The above-mentioned property, plant and equipment were financed from the following sources:

Type of finance	Municipality Actual 2012 R	Municipality Actual 2011 R
External loans	1 890 203 416	1 720 029 950
Capital Replacement Reserve	0	26 419 294
National Government Transfers & Grants	1 183 232 736	481 389 242
Provincial Government Transfers & Grants	42 563 063	15 416 227
Total	3 115 999 216	2 243 251 713

The following is a graphic presentation according to financing sources:

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Report of the Chief Financial Officer



When comparing the actual expenditure to the budgeted expenditure, the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

10. CREDITORS

Creditors as at financial year end mainly related to the following categories:

Type	2011/12		2010/11		
	Municipality R	Group R	Municipality R	Group R	
Trade creditors	2 603 174 353	2 698 705 715	1 860 492 311	1 821 050 583	
Payment received in advance	18 732 775	18 732 775	46 279 950	46 279 950	
Accrued leave pay	542 593 356	547 778 932	486 557 585	490 383 438	
Debtors with credit balances	542 142 628	238 990 712	494 021 119	494 021 119	
Retention	238 990 712	238 990 712	159 096 715	159 096 715	
RTMC: AARTO	77 877 587	77 877 587	53 351 435	53 351 435	
Other creditors	419 625 671	422 892 617	308 815 599	311 527 915	
Total	4 443 137 082	4 547 120 966	3 408 614 714	3 375 711 155	

11. LONG-TERM DEBT

For the municipality long-term debt increased from R6 018 318 045 to R6 734 709 984 (R716 385 939 increase) during the year under review. This is as a result of financing required for the funding of capital projects. Two loans were taken up on 29 June 2012 from DBSA and Standard Bank respectively. The maturity dates of the two loans are 29 June 2022 (Standard Bank) and 29 June 2027 (DBSA) and both were for an amount of R500 000 000 respectively. A shortfall of R500 million still remained which will be taken subsequent to year end.

For the group the long-term debt increased from R6 022 362 138 to R6 738 139 678 (R715 777 540 increase).

12. ACCUMULATED SURPLUS

The year under review was closed with an accounting accumulated surplus of R11 464 360 469 (group = R11 509 400 655) compared to R9 585 787 354 (group = R962 474 695) of 2010/11. This is a result of:

 The write down of the Capital Replacement Reserve, Capitalisation Reserve and Capital Grants and Donations Reserve to the total value of R7 354 259 526. Note must be taken that this amount does not represent any cash/investments.

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• The net gain on the transfer of functions with the incorporation of the 3 municipalities (Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities) which increased the revenue of the Municipality but also do not represent any cash.

13. TREATMENT OF MATTERS RAISED BY THE AUDITOR-GENERAL DURING THE PREVIOUS AUDIT (Municipality)

The City of Tshwane received an unqualified audit report for the 2010/11 financial year. There were, however, emphasis of matter as well as other important matters reported in the audit report due to non-compliance and performance information. In order to ensure a clean audit report, these items need to be properly addressed and rectified.

A high-level Operation Clean Audit (OPCA) project plan was developed. The plan sets out the steps that need to be taken into account and what needs to be in place to ensure a clean audit report. This will be an ever evolving plan, which will be improved as the project progresses and new and/or more appropriate steps become necessary.

As part of enhancing Operation Clean Audit, the City of Tshwane took an initiative to appoint 28 Operation Clean Audit officers, by each service department and region, solely focussing on achieving a clean audit opinion.

In an effort to monitor OPCA activities, a steering committee, chaired by the Executive Mayor, was established to oversee the OPCA project on a strategic level and ensure a clean audit report. The functions of the steering committee include:

- ✓ Overseeing the development of an OPCA strategy
- ✓ Overseeing the development of an overall OPCA plan
- ✓ Assist in the identification of risk areas that might affect OPCA
- ✓ Risk areas to be allocated to relevant divisions and departments for prioritisation and elimination
- Divisions and department to present specific progress on the risk areas to the steering committee
- ✓ Monitor progress
- ✓ Sign-off on readiness for external audit purposes

14. CREDIT RATING (Municipality)

A credit rating performed on the Municipality during June 2012 by the firm Moody's and issued on 15 June 2012 was as follows:

- Long term debt rating: -Aa3.za (maturities of one year or greater): Defined as high-grade. "Aa" rated are judged to be of a high quality and are subject to very low credit risk..
- Short term debt rating: Prime-1.za (maturities of less than one year): Defined as the highest quality. A high certainty of timely payment is indicated.
- Financial outlook: Negative: The negative rating outlook mirrors the outlook on South Africa's government bond rating. An upgrade is regarded as unlikely given the negative rating outlook. A stabilization of the outlook would require a stabilization of the sovereign rating outlook.

15. MUNICIPAL ENTITIES

15.1 Viable municipal entities

In the 2011/12 financial year the City of Tshwane had two active municipal entities which were found to be viable and functioning in compliance with the Municipal Finance Management Act and the Local Government Systems Act. These were the following

- Sandspruit Works Association
- Housing Company Tshwane
- Tshwane Economic Development Agency (TEDA) (not in full operation yet)

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Report of the Chief Financial Officer

15.2 Consolidation of municipal entities

Consistent with the previous financial years separate consolidated financial statements will be compiled for the City of Tshwane and its operational municipal entities for submission to the Office of the Auditor-General on 30 September 2012, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- TEDA

16. CASH FLOW IMPROVEMENT VS RATIOS (Municipality)

During the 2009/10 financial year the City of Tshwane implemented various cash flow strategies. To ensure sound financial management and sustainability over the medium to long-term the belt tightening intervention initiatives had to continue in the 2010/11 and 2011/12 financial year. These intervention initiatives assisted in the implementation of the City of Tshwane's strategy towards reserves cash backing. The positive effect of these strategies can be seen in the positive cash flow of R721 million during 2010/11 and R855 million during 2011/12 compared to the low cash and cash equivalents of R172 million in 2009/10.

Overall, the cash flow of the municipality increased as the net cash flow from operating activities increased with 99.7% from R2,008 billion to R4,009 billion since 2010/11, although the net cash and cash equivalents only increased with R28,280 million since 2010/11.

17. FIXED ASSET REGISTER (Municipality)

Although it was still a challenge to produce a compliant and purified asset register in the 2011/12 financial year, the improvement was huge compared to the previous three financial years. A service provider was appointed (during 2009/10) to assist the City of Tshwane for two years with the Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were performed during the 2011/12 financial year end to ensure a GRAP compliant fixed asset register.

18. FINANCIAL SUSTAINABILITY (Municipality)

Municipalities are required to move away from short-term to long-term planning, for which a long-term sustainability strategy is needed that complies with financial viability, financial sustainability and value for money. The Long Term Financial Model (LTFM) essentially informs the compilation of the Medium Term Revenue and Expenditure Framework (MTREF) with the emphasis on affordability and long-term sustainability. Although the LTFM is predominantly a financial planning tool to ensure long-term financial sustainability for the organisation, the financial planning process and LTFM run parallel to ensure that the strategies and direction of the Municipality are at all times informed by best practice. One of the salient features of the LTFM is the attentiveness to ultimate sustainability, not only from a municipal finance perspective, but also relating to service delivery in line with the Capital Development Strategy (CDS) imperatives/priorities that drive the five-year Integrated Development Plan (IDP).

As with any organisation, municipalities can experience sustainability challenges if they do not have robust financial planning, management and governance in place. This should include a strong ten-year plan, consistent annual budgets and detailed quarterly financial position reviews.

Financial sustainability is defined as whether or not the City will have the financial capacity to continue existing in the long term. The City of Tshwane therefore continuously develops processes in striving for excellence as well as strategies and programmes to deal with the challenges it faces. These strategies are developed in response to projections of a picture of the future over various time frames. Planning enables the City of Tshwane to move towards a proactive target setting approach. Long-term financial planning recognizes the effect that long lived assets (through proper maintenance as well as timeous replacement) have on financial sustainability.

The strategies and measures already implemented to ensure sustainability are the following:

- Long-term Financial Model (main informer)
- Budget policy
- Revenue enhancement strategy

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Report of the Chief Financial Officer

- · Budget principles and guidelines
- · Cash-flow management intervention initiatives

Long-term financial planning is currently moving towards planning for more capital investment over ten years to result in financial sustainability, growth and a positive economic environment for investors. The strategy is to increase tariffs for the next three years, moderately above the increases anticipated in the approved 2011/12 MTREF, in order to kick-start the ten-year plan with additional revenue. Several initiatives have already been factored into the MTREF for implementation such as the higher tariff increases, the capital expenditure target of 90% that was increased to 93% and the revenue collection rate of 94% that was increased to 95%. However, high-priority issues have left little capacity for a robust increase in the capital budget, and the ten-year strategy will be a live process which will have to be reviewed annually for availability of funds for capital expansion.

The strategy would further entail to target 100% spending of the capital budget and then increase it to levels to robustly address backlogs, as at that stage, capacity to implement the progress will be in place to ensure delivery on an increased capital budget.

The pyramid of sustainability illustrates the City's goal to move from the bottom to the top of the pyramid within the next ten years:



19. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the City Manager and Strategic Executive Directors for the support they have given me and my staff during the 2010/11 financial year. A sincere word of appreciation to everybody, and in particular the financial staff, for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the annual financial statements within the prescribed period of two months after year end (i.e. 31 August) as well as the consolidated annual financial statements within the prescribed period of 3 months after year end (i.e. 30 September).

Andile Dyakala
GROUP CHIEF FINANCIAL OFFICER

Statement of Financial Position

	,	Gro	oup	Munic	cipality
		2012	Restated 2011	2012	Restated 2011
	Note(s)	R	R	R	R
Assets					
Current Assets					
Inventories	18	407,070,105	328,973,678	404,714,978	326,869,362
Current portion of long-term receivables	17	108,802,610	102,835,275	108,802,610	102,835,275
Other debtors	20	651,409,709	511,296,609	615,731,876	579,841,922
Consumer debtors	19	2,683,857,561	2,590,863,129	2,673,020,434	2,586,427,742
Call investment deposits	16	323,851,507	496,337,962	323,851,507	496,337,962
Cash and cash equivalents	22	599,825,021	410,094,727	560,000,625	359,233,479
		4,774,816,513	4,440,401,380	4,686,122,030	4,451,545,742
Non-Current Assets					
Investment property	12	546,487,147	419,971,300	533,086,129	404,180,286
Property, plant and equipment	11	19,445,138,067	16,080,886,689	19,433,547,226	16,067,091,350
Leased assets	14	294,663,015	256,999,299	294,663,015	256,999,299
Intangible assets	13	300,980,778	199,924,120	300,980,778	199,924,120
Investments	16	87,621,941	123,851,341	87,621,941	123,851,341
Long-term receivables	17	95,595,894	118,932,709	95,595,894	118,932,709
		20,770,486,842	17,200,565,458	20,745,494,983	17,170,979,105
Assets held for sale	15	1,306,886	2,227,086	1,306,886	2,227,086
Total Assets		25,546,610,241	21,643,193,924	25,432,923,899	21,624,751,933
Liabilities					
Current Liabilities					
Long-term liabilities	4	349,627,684	494,949,519	349,312,286	494,634,121
Lease liabilities	5	126,026,714	111,263,325	126,026,714	111,263,325
Payables from exchange transactions	8	4,504,243,112	3,375,711,155	4,443,137,082	3,408,614,716
VAT payable	10	252,267,366	156,473,129	255,243,501	154,453,229
Consumer deposits	7	406,953,225	359,616,961	403,868,672	356,856,244
Unspent conditional grants and receipts	9	319,820,499	398,492,532	317,435,273	396,201,031
Provisions	6	1,610,788	1,269,998		
		5,960,549,388	4,897,776,619	5,895,023,528	4,922,022,666
Non-Current Liabilities					
Long-term liabilities	4	6,085,260,182	5,261,795,691	6,082,139,886	5,258,066,996
Lease liabilities	5	177,225,098	154,353,603	177,225,098	154,353,603
Retirement benefit obligation	42	1,587,376,653	1,499,218,899	1,587,376,653	1,499,218,899
Provisions	6	226,798,265	205,302,417	226,798,265	205,302,417
		8,076,660,198	7,120,670,610	8,073,539,902	7,116,941,915
Total Liabilities		14,037,209,586	12,018,447,229	13,968,563,430	12,038,964,581
Net Assets		11,509,400,655	9,624,746,695	11,464,360,469	9,585,787,352
Net Assets					
Accumulated surplus	41	11,509,400,655	9,624,746,695	11,464,360,469	9,585,787,352

Statement of Financial Performance

		Gro	oup	Munic	ipality
	Note(s)	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Revenue					
Property rates	23	3,396,203,752	2,927,933,933	3,396,321,346	2,928,036,882
Service charges	24	10,542,926,612	8,385,596,112	10,564,477,607	8,394,076,681
Rental of facilities and equipment		100,221,337	103,047,541	97,923,329	101,027,554
Interest received- outstanding consumer debtors		265,720,882	213,994,778	244,643,012	195,141,732
Public contributions and donations		142,084,742	114,594,748	142,084,742	114,594,748
Fines		4,540,725	3,036,431	4,540,725	3,036,431
Licences and permits		52,425,804	35,988,659	52,425,804	35,988,659
Government grants, subsidies, awards and donations	25	3,561,339,848	2,504,449,849	3,561,339,848	2,504,449,849
Gain: Disestablishment of ME		-	2,065,376	-	2,065,376
Other income	26	990,860,352	1,207,009,400	957,147,141	1,168,798,927
Interest received - external investments	31	52,933,829	111,038,461	52,185,100	110,142,589
Gains on disposal of assets		-	10,077,632	-	10,077,632
Gain attributable to transfer of functions	61	947,108,331	-	947,108,331	-
Gain on fair value adjustment		-	6,191,014	-	-
Total Revenue		20,056,366,214	15,625,023,934	20,020,196,985	15,567,437,060
Expenditure					
Personnel	27	(4,815,371,616)	(4,304,325,951)	(4,739,894,487)	(4,236,965,765)
Remuneration of councillors	28	(91,436,294)	(61,711,890)	(91,436,294)	(61,711,890)
Depreciation and amortisation	29	(1,030,012,208)	(820,309,106)	(1,027,286,794)	(816,862,297)
Impairment loss/ Reversal of impairments		(29,807,842)	(490,306)	(29,807,842)	(490,306)
Finance costs	30	(633,924,345)	(605,036,018)	(633,408,584)	(604,114,601)
Debt impairment	32	(1,145,643,806)	(709,796,272)	(1,078,516,396)	(639,687,334)
Collection costs		(94,983,032)	(84,779,034)	(94,983,032)	(84,779,034)
Repairs and maintenance		(1,209,210,617)	(1,057,516,146)	(1,197,743,525)	(1,040,396,799)
Bulk purchases	33	(6,169,832,861)	(4,483,667,351)	(6,256,547,053)	(4,562,399,704)
Grants and subsidies paid	34	(21,495,798)	(27,625,621)	(21,495,798)	(27,625,621)
Loss on disposal of assets		(60,971,549)	(6,188)	(60,971,549)	-
Loss on foreign exchange		(2,632,952)	-	(2,632,952)	-
Loss on fair value adjustments	0.5	(2,734,273)	(498,573)	(264,454)	(498,573)
General Expenses	35	(2,863,655,057)	(2,677,340,073)	(2,906,635,104)	(2,713,440,924)
Total Expenditure		(18,171,712,250)	(14,833,102,529)	(18,141,623,864)	(14,788,972,848)

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
	R	R
Group Opening balance as previously reported Adjustments	9,217,648,775	9,217,648,775
Prior year adjustments	(384,823,485)	(384,823,485)
Balance at 01 July 2010 as restated Changes in net assets	8,832,825,290	8,832,825,290
Surplus for the year	791,921,405	791,921,405
Total changes	791,921,405	791,921,405
Opening balance as previously reported Adjustments	9,781,924,425	9,781,924,425
Prior year adjustments	(157,177,734)	(157,177,734)
Balance at 01 July 2011 as restated	9,624,746,691	9,624,746,691
Changes in net assets Surplus for the year	1,884,653,964	1,884,653,964
Total changes	1,884,653,964	1,884,653,964
Balance at 30 June 2012	11,509,400,655	11,509,400,655
Note(s)	41	
Municipality		
Opening balance as previously reported Adjustments	9,192,146,625	9,192,146,625
Prior year adjustments	(384,823,485)	(384,823,485)
Balance at 01 July 2010 as restated Changes in net assets	8,807,323,140	8,807,323,140
Surplus for the year	778,464,212	778,464,212
Total changes	778,464,212	778,464,212
Opening balance as previously reported Adjustments	9,742,965,082	9,742,965,082
Prior year adjustments	(157,177,734)	(157,177,734)
Balance at 01 July 2011 as restated Changes in net assets	9,585,787,348	9,585,787,348
Surplus for the year	1,878,573,121	1,878,573,121
Total changes	1,878,573,121	1,878,573,121
Balance at 30 June 2012	11,464,360,469	11,464,360,469
Note(s)	41	

Cash Flow Statement

	Group		oup	Munic	Municipality	
	Note(s)	2012 R	Restated 2011 R	2012 R	Restated 2011 R	
Cash flows from operating activities						
Receipts						
Cash receipts from rate payers, government and other		18,662,631,333	14,656,106,788	18,850,273,360	14,635,421,282	
Interest income		52,933,829	111,038,461	52,185,100	110,142,589	
		18,715,565,162	14,767,145,249	18,902,458,460	14,745,563,871	
Payments						
Cash paid to suppliers and employees Finance costs (Interest paid)		(14,081,680,121) (633,924,345)	(12,119,939,518) (605,036,018)	(14,259,261,466) (633,408,584)	(12,133,153,830) (604,114,601)	
		(14,715,604,466)	(12,724,975,536)	(14,892,670,050)	(12,737,268,431)	
Net cash flows from operating activities	36	3,999,960,696	2,042,169,713	4,009,788,410	2,008,295,440	
Cash flows from investing activities						
Purchase of property, plant and equipment	11	(4,307,647,173)	(2,735,845,529)	(4,307,126,257)	(2,735,372,001)	
Purchase of leased assets Proceeds from sale of property, plant and	14 11	(110,199,975) (60,971,549)	(104,190,496) 10,071,444	(110,199,975) (60,971,549)	(104,190,496 10,077,632	
equipment		(00,971,549)	10,071,444	(00,971,949)	10,077,032	
Purchase of investment property	12	(141,045,299)	-	(140,965,476)	-	
Purchase of other intangible assets Proceeds from sale of financial assets	13	(132,229,283) 53,598,880	(90,418,591) 164,146,371	(132,229,283) 53,598,880	(90,418,591 164,146,371	
Net cash flows from investing activities		(4,698,494,399)	(2,756,236,801)	(4,697,893,660)	(2,755,757,085)	
Cash flows from financing activities						
Proceeds from long-term liabilities Repayment of long-term liabilities Finance lease payments		1,022,303,530 (344,160,874) 37,634,884	1,361,000,000 (536,736,824) 56,450,490	1,022,303,530 (343,552,475) 37,634,884	1,361,000,000 (535,693,935) 56,450,490	
Net cash flows from financing activities		715,777,540	880,713,666	716,385,939	881,756,555	
Net increase/(decrease) in cash and cash equivalents		17,243,837	166,646,578	28,280,689	134,294,910	
Cash and cash equivalents at the beginning of the year	Э	906,432,689	739,786,111	855,571,441	721,276,532	
Cash and cash equivalents at the end of the year	22	923,676,526	906,432,689	883,852,130	855,571,442	

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Basis of Preparation of Annual Financial Statements

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

These annual consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Consolidation

Basis of consolidation

Investments in associates, subsidiaries and joint ventures are carried at cost in the annual financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post-acquisition results of these investments.

1.2 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

The acquisition method

The entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree;
- recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the entity as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the entity as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The entity as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The entity as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The entity as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The entity as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

At the acquisition date, the entity as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The entity as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The entity as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the entity as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- · fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The entity as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the entity as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the entity as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

Exceptions to both the recognition and measurement principles

Employee benefits:

The entity as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the entity as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The entity as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the entity as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The entity as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Assets held for sale:

The entity as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations at fair value less costs to sell.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (If any)

The entity as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

- the aggregate of:
- (i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value (see paragraph .66);
- (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
- (iii) in a transfer of functions achieved in stages (see paragraphs .70 and .71), the acquisition-date fair value of the entity as
 acquirer's previously held equity interest in the acquiree.
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the entity as acquirer, the liabilities incurred by the entity as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the entity as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The entity as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

The entity as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial Instruments, or other applicable Standard of GRAP. The entity as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

An entity as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the entity as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the entity as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the entity as acquirer had disposed directly of the previously held residual interest.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the entity as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The entity as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the entity as acquirer identifies any amounts that are not part of what the entity as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquire recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the entity as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Effective settlement of a pre-existing relationship between the entity as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the entity as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the entity as acquirer recognises a gain or loss, measured as follows:

- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of (i) and (ii):
 - (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity as acquirer when compared with terms for current market transactions for the same or similar items.
 - (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.
 - If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying

A pre-existing relationship may be a contract that the entity as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the entity as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the entity as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The entity as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement and accounting

In general, an entity as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An entity as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the entity as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:

- the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Indemnification assets

At the end of each subsequent reporting period, the entity as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The entity as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the entity as acquirer recognises after the acquisition date may be the result of additional information that the entity as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The entity as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

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Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

- Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
- Contingent consideration classified as an asset or a liability that:
 - (i) is a financial instrument and is within the scope of the Standard of GRAP on Financial Instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
 - (ii) is not within the scope of the Standard of GRAP on Financial Instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets or other Standards of GRAP as appropriate.

1.3 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality and its municipal entities and are rounded to the nearest Rand.

1.4 Going concern assumption

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

With regard to the municipal entities: The financial statements have also been prepared on a going concern basis as the directors have no reason to believe that the relevant entity will not be a going concern in the foreseeable future.

1.5 Property, plant and equipment

Property, plant and equipment are stated at:

- * historical cost less accumulated depreciation and any write-downs, or
- * where assets have been acquired by grant or donation the cost is considered to be the fair value of the asset at date of acquisition.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The useful lives of items of property, plant and equipment were assessed as follows:

Ass	et category	Average useful life (Years)
Infra	astructure: Electricity	
•	Cables	20-50
•	Control centre	20-35
•	Fibre optic cables	25-45
•	High mast lighting	10-25
•	General electrical equipment	30-40
•	Lines: Overhead	20-30
•	Lines: Underground	25-45
•	Meters: Pre-paid	10-20
•	Meters: Credit	20-25
•	Pole/structure	20-35
•	Substations: Structure	20-30
•	Substations: Civil	20-35
•	Substations: Equipment	30-40
•	Substations: Switchgear	20-30
•	Transformers	25-50

Accounting Policies

	tructure: Water Meters	10-20
	Bulk meters	40-120
		40-120
	Supply/reticulation	30-55
	Pump station: Structure	30-55
	Pump station: Civil	15-40
	Pump station: Electrical	15-40
	Pump station: Mechanical Pump station: Perimeter protection	10-25
	·	40-120
	Pump station: Pipe works Pressure relief valve station: Structure	30-55
	Pressure relief valve station: Structure	30-55
	Pressure relief valve station: Civil Pressure relief valve station: Electrical	15-40
-		10-30
	Pressure relief valve station: Metal work	10-25
	Pressure relief valve station: Perimeter protection	40-120
	Pressure relief valve station: Pipe works	30-50
	Boreholes; Structure	20-55
	Boreholes: Civil	
_	Boreholes: Electrical	15-40 15-40
	Boreholes: Mechanical	10-25
	Boreholes: Perimeter protection	40-120
	Boreholes: Pipe works	40-120 30-50
	Nater treatment plant: Structure	30-50 30-55
	Nater treatment plant: Civil	15-40
	Nater treatment plant: Electrical	15-40
	Nater treatment plant: Mechanical	
	Nater treatment plant: Perimeter protection	10-25 40-120
	Nater treatment plant: Pipe works	
	Service reservoir: Structure	30-50
	Service reservoir: Civil	30-55 1-40
	Service reservoir: Electrical	1-40 15-40
	Service reservoir: Mechanical	
	Service reservoir: Pipe works	40-120 30-50
	Dams/Weirs/Fountains: Structure	
	Dams/Weirs/Fountains: Civil	30-55 15-40
	Dams/Weirs/Fountains: Electrical	15-40
	Dams/Weirs/Fountains: Mechanical Dams/Weirs/Fountains: Perimeter protection	10-25
	Dams/Weirs/Fountains: Penmeter protection Dams/Weirs/Fountains: Pipe works	40-120
Sewer	·	40-120
	aye Bulk meter	40-120
	Outfall sewer: Civil	30-55
	Outfall sewer: Electrical	15-40
	Sewerage pump station: Structure	30-55
	Sewerage pump station: Structure	1540
	Sewerage pump station: Electrical Sewerage pump station: Mechanical	50-40
	0 1 1	10-25
	Sewerage pump station: Perimeter protection Sewerage pump station: Pipe works	40-120
	0 1 1	30-55
	Sewer reticulation: Structure	40-120
	Sewerage reticulation: Pipe works	30-55
	Naste water treatment plant: Structure	15-40
	Waste water treatment plant: Electrical Waste water treatment plant: Mechanical	15-40
	•	10-25
	Naste water treatment plant: Perimeter protection	40-120
	Naste water treatment plant: Pipe works	30-50
	Reservoir	JU-JU
Buildir	Dwellings (hostels, housing schemes, residences, etc)	25-30
	Non-residential (agricultural, clinics, fire stations, museums, etc)	25-30
	, , , , , , , , , , , , , , , , , , , ,	10-25
	Non-residential: Perimeter protection caping	10-25 10-15
	caping waste disposal:	10-10
	rip site: Structure	25-30
Railwa	•	JV
	·y~·	

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Accounting Policies

1.5

	perty, plant and equipment (continued)	
	ads:	00.00
•	Bridges: Vehicles (concrete)	60-80
•	Bridges: Pedestrian (concrete)	60-80
•	Storm water: Culverts	25-40
•	Storm water: Inlet, junction, point, outlet	25-50
•	Storm water: Pipes	25-50
•	Roads: Kerb and channels	40-50
•	Roads: Municipal roads -butimen layer	10-20
•	Roads: Municipal roads - butimen surface	10-20
•	Roads: Municipal roads - mixed surface layer	30-50
•	Roads: Municipal roads - mixed surface surface	20-30
•	Roads: Municipal roads - paving blocks layer	10-30
•	Roads: Municipal roads - paving blocks surface	20-30
•	Roads: Municipal roads - unpaved layer	3-10
•	Roads: Municipal roads - unpaved surface	3-10
•	Roads: Overhead traffic signs	15-20
•	Roads: Street lighting	10-25
•	Roads: Traffic signals	15-20
•	Roads: Traffic signs	5-15
•	Roads: Tunnel	6080
•	Roads: Municipal roads (butimen surface)	30-50
	neteries:	25-30
Oth	er machinery and equipment:	
•	Irrigation equipment	10-15
•	Cold room	10-15
•	Telecommunication equipment	3-5
Cor	nputer equipment:	
•	Networks	3-5
Her	itage assets:	
•	Historical buildings	25-30
Oth	·-··	0.00
•	Specialist vehicles	8-20
•	Other vehicles	8
•	Office equipment	5-8
•	Furniture and fittings	7-10 -
•	Watercraft	5
•	Bins and containers	5
•	Specialist plant and equipment	10-15
•	Other plant and equipment	2-5
•	Landfill sites and quarries	1-50
•	Books	5-20
Lea	sed assets	3-5

Subsequent expenditure:

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

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 are measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

The difference between the depreciation based on the revalued carrying amount of the asset charged to the Statement of Financial Performance and the depreciation based on the asset's original cost is transferred from other reserves to the accumulated surplus/(deficit).

Depreciation:

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Property, plant and equipment (continued)

Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The actual useful lives of the assets, residual values and depreciation method are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance program are taken into account.

Impairment of property, plant and equipment

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

Disposal of property, plant and equipment

The gain or loss 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 of the asset on the date of disposal and is recognised in the Statement of Financial Performance.

Heritage assets

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at cost and where heritage assets were received as donation or acquired at nominal value, the cost is recorded as nil. GRAP 103 only becomes effective from 1 July 2012 and then the heritage assets will be reflected at fair value. Heritage assets are not depreciated as they are regarded as having an infinite useful life. Improvements to heritage assets are considered as sub-assets and the useful life of the improvements is determined with reference to the depreciation charge of the relevant property, plant and equipment category.

Land

Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work (Assets under construction)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

1.6 Investment property

Investment property, is property held to earn rental revenue or for capital appreciation or both.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the group, and the cost or fair value of the investment property can be measured reliably.

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the municipality or municipal entity and have an probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

1.8 Biological assets (game)

Biological assets (game) are measured at their fair value less point-of-sale costs.

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

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 Transfer of functions between entities not under common control (continued)

A gain or loss arising on initial recognition of biological assets (game) or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets (game) is included in surplus or deficit for the period in which it arises. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

1.9 Non-current assets held for sale and disposal groups

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

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

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

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the group.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the statement of financial performance to the Capital replacement reserve in terms of the implementation guidelines on GRAP. These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. the following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the statement of financial performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may
 not be used for the maintenance of these items.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Internal reserves (continued)

- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the
 CRR into a future depreciation reserve called the Capitalisation reserve (CR). This reserve is equal to the remaining depreciable
 value (book value) of assets purchased out of the CRR. The Capitalisation reserve is used to offset depreciation charged on
 assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the statement of financial performance.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Capitalisation reserve

On the implementation of GAMAP/GRAP, the balances of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Self insurance reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers is regarded as expenses and must be shown as such in the statement of financial performance. These premiums do not affect the Self insurance reserve.
- Claim amounts received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the statement of financial performance.
- Claims received to meet repairs of damages on assets are reflected as income in the statement of financial performance.

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Accounting Policies

1.11 Internal reserves (continued)

The Self insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self insurance reserve
- The following liabilities are taken into account in determining this surplus capacity: Reported known outstanding claims;
 - Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophe loss
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that
 exists based on the assumption that sufficient capacity will be built up to cover that asset through the Self insurance reserve over
 an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy)
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budged premium contribution over a 5year period.

Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R239 172 per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in the statement of financial performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

Donations and public contributions reserve

Revenue received from donations and public contributions may be transferred to the Capital replacement reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

Additional No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

1.12 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development fund has its own separate bank account/allocated investments and is backed by cash.
- any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash backed surplus or deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.13 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable 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 obligation.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole, a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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Accounting Policies

1.13 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

• Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

· Cleaning up of illegal dumping

Currently the Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision has been established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

Quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

1.14 Retirement benefits

Pension, Provident and Retirement Funds

The Municipality and its employees contribute to various pension, provident and retirement funds and its councilors contribute to the Pension Fund for Municipal Councilors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.

Current contributions are charged against the operating account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councilors. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense then incurred.

The Tshwane Pension fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service cost.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that the assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of IAS 19.

Medical Aid: Continued members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality.

According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognise immediately.

1.15 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.

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Accounting Policies

1.15 Leases (continued)

Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The City of Tshwane leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges as to achieve a constant rate on the finance balance outstanding. the corresponding rental obligations, net of finance charges, are included in other long-term payables. the interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The Municipality will not incur a foreign currently lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Operating leases - lessor

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

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.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.16 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Interest bearing borrowings

Classification depends on the purpose for which the financial instruments were obtained / incurred and management determines the classification at initial recognition. With regard to reclassifications, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

Counter party exposure:

The City of Tshwane limits its counter party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Impairment of financial assets

At each end of the reporting period the group assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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Accounting Policies

1.16 Financial instruments (continued)

Financial instruments designated as available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. they are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date.

Regular purchase and sales of financial assets are recognised on the trade date - the date on which the City of Tshwane commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Receivables from exchange transactions

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. 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).

Short-term receivables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice for municipalities to allow consumers a period of time, after issuing an invoice, to settle for example, their water and electricity accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide and indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

The carrying amount of the asset is reduced through the use of a provision for bad debt 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 provision for bad debt account for trade receivables after obtaining Council approval for the write-off. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

Provision for Doubtful Debt

Provision for doubtful debt is made by means of an annual contribution of rates, sanitation, sewerage, electricity and water levies, debtor's revenue from Fire Brigade Services, Ambulance Services, Wonderboom Airport and Rentals excluding the Tshwane Market. The percentage contribution is calculated during the budget process each year.

The annual contribution is determined by calculating the estimated non-payment (recovery rate) by debtors for the financial year.

Payables from exchange transactions

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

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality.

Payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice to allow municipalities a period of time, after issuing an invoice, to settle their accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide and indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Financial instruments (continued)

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

Bank overdraft and borrowings

Bank overdrafts and interest bearing borrowings are initially measured at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest rate method.

Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. the interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings.

Derivatives

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Payments and receipts under interest rate swap contracts are recognised in the Statement of Financial Performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

Held to maturity

Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity. These investments have been normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

HTM financial instruments originated by the municipality and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and minus any write-down for impairment of uncollectability.

Hedging activities

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The City of Tshwane's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

Offsetting of financial assets and liabilities

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when and only when:

- (a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
- (b) The City of Tshwane intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not quality for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

Disposal and derecognition

Disposal:

On disposal of an investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Financial instruments (continued)

Derecognition:

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

1.17 Translation of foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Municipality (i.e. SA Rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rte at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.18 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

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

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgment in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

Measurement

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity, water, waste removal and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed (up to a maximum of 3 months). The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Services provided on a prepayment basis

Various services are provided on a pre-payment basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from 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.

Housing rental and installments

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred.

Interest, royalties and dividends

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

Fines

From 1 July 2008 the City of Tshwane was part of the pilot project of the new AARTO fines and act as an issuing authority. The new revenue from traffic fines is recognised on an agency basis.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue form rates is recognised when the legal entitlement to this revenue arises. A site rating system is applied.

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Accounting Policies

In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality 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.

1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Value added tax

The Municipality accounts for Value Added Tax on the cash basis.

1.23 Segmental information

The principle 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. The secondary basis classifies all operations based on the classification of income and expenditure.

Segmental information on property, plant and equipment, as well as income and expenditure is set out the Appendices consistent with the prior year.

1.24 Grants-in aid (Expense)

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the Municipality does not:

- · Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.26 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Comparative figures

Prior year comparatives

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 financial year the correction is made retrospectively as far as it is practical 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 it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

1.29 Tax

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)(c)B(i)(ff) of the Income Tax Act.

1.30 Significant judgements and sources of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

Trade receivables / Held to maturity investments and/or loans and receivables

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Accounting Policies

1.30 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 42.

Effective interest rate

The municipality used the weighted average interest rate on external borrowings to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

1.31 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which are given effect through authorising legislation, appropriation or similar procedures.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements. Refer to note 60.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

Group Municipality

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group'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 group. 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 group'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 no 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.

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 un 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 is for years beginning on or after 01 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated 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 group.

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 recognise 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 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated 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

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

by way of note disclosure, an explanation of material differences between the budget for which the group 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 annual consolidated financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual consolidated financial statements. Where the budget and annual consolidated 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 annual consolidated financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual consolidated 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 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

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

GRAP 103: Heritage Assets

GRAP 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 group; 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.

GRAP 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.

GRAP 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.

GRAP 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.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

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.

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

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

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

A group 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.

A group 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, 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 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated financial statements.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an group 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, a group estimates the recoverable amount of the asset. When estimating the value in use of an asset, a group estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a group 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, a group 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 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.

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

A group 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, a group 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 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated financial statements.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a group 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 a group 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:

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

- Employee benefits as all forms of consideration given by a group in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a group 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 group that employes 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 a group 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;
- 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.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

- 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 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated 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 group and a financial liability or residual interest in another group. 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.

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 a group to a portion of another group'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, a group 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 a group 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 group 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. A group 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:

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

- 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. A group 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, a group can however designate such an instrument to be measured at fair value.

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

Once a group 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 group has transferred control of the asset to another group.

A group 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 group 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.

A group 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 a group's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a group is exposed to as a result of its annual consolidated 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. A group 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 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

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

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The group expects to adopt the interpretation for the first time in the 2014 annual consolidated financial statements.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated 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 is for years beginning on or after 01 April 2014.

The group expects to adopt the standard for the first time in the 2015 annual consolidated financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated 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 is for years beginning on or after 01 April 2014.

The group expects to adopt the standard for the first time in the 2015 annual consolidated financial statements.

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

GRAP 107: Mergers

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 is for years beginning on or after 01 April 2014.

The group expects to adopt the standard for the first time in the 2015 annual consolidated financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual consolidated 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 annual consolidated 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:

- 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 is for years beginning on or after 01 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

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 group expects to adopt the interpretation for the first time in the 2015 annual consolidated financial statements.

The adoption of this interpretation is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated 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;
- 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 group expects to adopt the interpretation for the first time in the 2015 annual consolidated financial statements.

The adoption of this interpretation is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

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 Noncurrent 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 annual consolidated 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 group expects to adopt the amendment for the first time in the 2015 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 annual consolidated 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 group expects to adopt the amendment for the first time in the 2015 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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

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 group expects to adopt the amendment for the first time in the 2015 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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:

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

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 April 2013

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 April 2013

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the annual consolidated 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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

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

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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:

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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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:

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

2. New standards and interpretations (continued)

- 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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated 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 annul 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.

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 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

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

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
3. Housing development fund				
Unappropriated surplus Less: Loans extinguished by Government on 1 April 1998	197,857,941 69,006,463	197,857,941 69,006,463	197,857,941 69,006,463	197,857,941 69,006,463
Housing development fund	128,851,478	128,851,478	128,851,478	128,851,478
The housing development fund is represented by th	e following assets and	l liabilities		
Housing selling scheme loans Housing debtors Bank and cash	20,395,710 32,366,390 76,089,378	20,219,221 26,981,442 81,650,815	20,395,710 32,366,390 76,089,378	20,219,221 26,981,442 81,650,815
Housing Development Fund Assets	128,851,478	128,851,478	128,851,478	128,851,478
4. Long-term liabilities				
Summary of Long Term Borrowings: Term loan Local registered stock Annuity loans	134,656,107 98,052,671 6,201,863,690	361,755,853 97,274,513 5,297,399,446	131,536,811 98,051,671 6,201,863,690	358,028,158 97,273,513 5,297,399,446
	6,434,572,468	5,756,429,812	6,431,452,172	5,752,701,117
Held at amortised cost Term loan ABSA Bank Ltd (1-01) Secured structured 15 year loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 Oct 2011. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	-	227,950,578	-	227,950,578
Development Bank of South Africa (1-02) Secured 20 year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 Oct 2019. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	79,718,642	78,331,528	79,718,642	78,331,528
Development Bank of South Africa (1-400) Secured 20 year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 Sept 2018. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.	51,818,169	51,746,052	51,818,169	51,746,052
Gauteng Partnership Fund (Housing Company Tshwane) This loan is unsecured, interest free and has no	-	293,000	-	-
fixed term of repayments. National Housing Finance Corporation (Housing Company Tshwane) This loan is secured, bears interest at 14% per annum and is repayable in 153 monthly installments of R69 792.33. The loan is secured by a mortgage bond over Eloff building which has a fair value of R15 335 631. Local registered stock	3,119,296	3,434,695	-	-

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
4. Long-term liabilities (continued) First Rand Bank Ltd 2 Secured bond paying fixed interest semi-annually. As security sinking fund investments were made which together with interest capitalised, will be utilised to redeem on 30 June 2014	98,045,858	97,267,701	98,045,858	97,267,701
Development Bank of South Africa (1-1250) Unsecured bond paying fixed interest semi-annually.	5,813	5,812	5,813	5,812
TEDA Municipal Entity Shares Share capital in municipal entity (loan bears no interest and has no fixed terms of repayment) Annuity loans	1,000	1,000	-	-
Standard Bank (1-1300) Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing	963,546,944	1,000,000,000	963,546,944	1,000,000,000
balance until capital is paid off on 29 June 2026. Development Bank of South Africa (1-1250) Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December	355,204,913	354,740,557	355,204,913	354,740,557
Development Bank of South Africa (1-951) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance	669,603,702	648,786,396	669,603,702	648,786,396
until capital is paid off on 30 June 2029. Development Bank of South Africa (1-950) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance	144,950,286	142,305,704	144,950,286	142,305,704
until capital is paid off on 30 June 2029. Development Bank of South Africa (1-851) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance	101,113,389	107,297,726	101,113,389	107,297,726
until capital is paid off on 31 March 2021. Development Bank of South Africa (1-800) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance	200,957,380	191,991,667	200,957,380	191,991,667
until capital is paid off on 30 June 2028. Development Bank of South Africa (1-700) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	92,657,256	91,382,256	92,657,256	91,382,256
Development Bank of South Africa (1-701) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	202,191,994	191,689,206	202,191,994	191,689,206
Development Bank of South Africa (1-501) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	325,146,835	319,587,132	325,146,835	319,587,132
Development Bank of South Africa (1-500) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	73,031,583	74,144,325	73,031,583	74,144,325
Development Bank of South Africa (1-200) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.	216,299,390	213,818,951	216,299,390	213,818,951

	Grou	ıp	Municipality	
		Restated		Restated
	2012	2011	2012	2011
	R	R	R	R
A Long town lightlifting (postinged)				
4. Long-term liabilities (continued) INCA (1-100)	158,674,099	171,323,140	158,674,099	171,323,140
Unsecured fixed interest 15 year loan repayable	,,	,,	,,	,,
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 31 March 2020. Development Bank of South Africa (1-52)	183,239,644	199,772,612	183,239,644	199,772,612
Secured fixed interest 20 year loan repayable	103,233,044	199,772,012	103,233,044	199,772,012
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 30 Sept 2018.	4 000 000	5.050.404	4 000 000	E 050 404
Development Bank of South Africa (1-51) Unsecured fixed interest 10 year loan repayable	4,299,892	5,853,131	4,299,892	5,853,131
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 31 December 2012.				
Development Bank of South Africa (1-50)	194,376,969	192,840,442	194,376,969	192,840,442
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 31 December 2018.				
iVuzi Investments (1-550)	153,922,487	163,951,984	153,922,487	163,951,984
Unsecured fixed interest 15 year loan repayable				
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance until capital is paid off on 12 December 2021.				
iVuzi Investments (1-450)	61,719,094	65,608,985	61,719,094	65,608,985
Unsecured fixed interest 15 year loan repayable				
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 30 June 2021. iVuzi Investments (1-300)	74,627,296	79,733,310	74,627,296	79,733,310
Unsecured fixed interest 15 year loan repayable	74,027,200	70,700,010	7 4,027,200	70,700,010
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 31 December 2020.	20.007.000	20.005.424	20 007 000	20 005 424
iVuzi Investments (1-150) Unsecured fixed interest 15 year loan repayable	36,007,660	38,695,134	36,007,660	38,695,134
semi-annually in equal installment of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 30 June 2020.				
iVuzi Investments (1-0)	13,294,498	14,499,099	13,294,498	14,499,099
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 30 June 2019.				
Nedbank (1-1150)	312,167,474	338,630,811	312,167,474	338,630,811
Unsecured variable interest rate 10 year loan				
repayable in semi-annually installments of interest and capital with interest payable on reducing				
balance until capital is paid off on 16 June 2020.				
Nedbank (1-1100)	313,853,431	340,378,960	313,853,431	340,378,960
Unsecured variable interest rate 10 year loan				
repayable in semi-annually installments of interest				
and capital with interest payable on reducing balance until capital is paid off on 18 May 2020.				
Nedbank (1-852)	134,590,448	142,650,186	134,590,448	142,650,186
Unsecured fixed interest 13 year loan repayable			, ,	, ,
semi-annually in equal installments of interest and				
capital with interest payable on reducing balance				
until capital is paid off on 31 March 2021. ABSA Bank Ltd (1-850)		207 747 722	196,024,229	207,717,732
ADDA DUIR Eta (1-000)	196 024 229	/11/ /11/ /3/		
Unsecured fixed interest 13 year loan repayable	196,024,229	207,717,732	130,024,223	201,111,102
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and	196,024,229	201,111,132	100,024,223	201,111,102
	196,024,229	207,717,732	100,024,220	201,111,102

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
4. Long-term liabilities (continued) Development Bank of South Africa (1-1351) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until	345,345	-	345,345	-
capital is paid off on 31 March 2013. Loan taken over from Nokeng Municipality on 1 July 2011. Development Bank of South Africa (1-1352) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 August 2016. Loan taken	878,718	-	878,718	-
over from Nokeng Municipality on 1 July 2011. Development Bank of South Africa (1-1400) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2016. Loan taken	17,933,306	-	17,933,306	-
over from Kungwini Municipality on 1 July 2011. Standard Bank - Magalies Water (1-1401) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2014. Loan taken over from Kungwini Municipality on 1 July	975,303	-	975,303	-
2011. Development Bank of South Africa (1-1600) Unsecured (Jibar) variable interest 15 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30	500,000,000	-	500,000,000	-
June 2027. Standard Bank (1-1601) Unsecured (Jibar) variable interest 10 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.	500,230,125	-	500,230,125	-
	6,434,572,468	5,756,429,812	6,431,452,172	5,752,701,117
Non-current liabilities At amortised cost	6,085,260,182	5,261,795,691	6,082,139,886	5,258,066,996
Current liabilities At amortised cost	349,627,684	494,949,519	349,312,286	494,634,121
	6,434,887,866	5,756,745,210	6,431,452,172	5,752,701,117

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
5. Lease liabilities				
Minimum lease payments due				
- within one year	150,559,406	132,053,651	150,559,406	132,053,651
- in second to fifth year inclusive	187,822,824	169,833,763	187,822,824	169,833,763
	338,382,230	301,887,414	338,382,230	301,887,414
Less: future finance charges	(35,130,418)	(36,270,486)	(35,130,418)	(36,270,486)
Present value of minimum lease payments	303,251,812	265,616,928	303,251,812	265,616,928
Present value of minimum lease payments due				
- within one year	126,026,714	111,263,325	126,026,714	111,263,325
- in second to fifth year inclusive	177,225,098	154,353,603	177,225,098	154,353,603
	303,251,812	265,616,928	303,251,812	265,616,928
Non-current liabilities	177,225,098	154,353,603	177,225,098	154,353,603
Current liabilities	126,026,714	111,263,325	126,026,714	111,263,325
	303,251,812	265,616,928	303,251,812	265,616,928
Collateral held in terms of the above leases (Net book amount of leased assets)	303,251,812	265,616,928	303,251,812	265,616,928
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default	294,663,015	256,999,299	294,663,015	256,999,299

	Group		Municipality		
	204	2	Restated	2012	Restated
	201: R		2011 R	2012 R	2011 R
6. Provisions					
Reconciliation of provisions - Group - 2012					
	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during	Total
Clearing of alien vegatation Rehabilitation of landfill sites Performance bonus: Sandspruit	25,519,617 163,319,115 1,269,998	2,575,068 32,788,828 340,790	(3,176,895) (16,129,690) -	the year 443,962 4,627,645	25,361,752 184,605,898 1,610,788
Rehabilitation of quarries	16,463,685 206,572,415	1,626,560 37,331,246	(1,196,026) (20,502,611)	(63,604) 5,008,003	16,830,615 228,409,053
econciliation of provisions - Group - 2011					
	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
learing of alien vegatation ehabilitation of landfill sites erformance bonus: Sandspruit	7,005,253 135,780,097 997,981	2,435,386 19,385,843 272,017	(2,467,850) (21,558,628)	18,546,828 29,711,803 -	25,519,617 163,319,115 1,269,998
Rehabilitation of quarries	13,988,038 157,771,369	3,506,833 25,600,079	(445,748) (24,472,226)	(585,438) 47,673,193	16,463,685 206,572,415
		. ,	, , ,	. ,	, ,
econciliation of provisions - Municipality - 20	12				
	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegatation Rehabilitation of landfill sites Rehabilitation of quarries	25,519,617 163,319,115 16,463,685	2,575,068 32,788,828 1,626,560	(3,176,895) (16,129,690) (1,196,026)	443,962 4,627,645 (63,604)	25,361,752 184,605,898 16,830,615
	205,302,417	36,990,456	(20,502,611)	5,008,003	226,798,265
econciliation of provisions - Municipality - 20	11				
	Opening Balance	Additions	the year	Reversed during the year	Total
Clearing of alien vegatation Lehabilitation of landfill sites Lehabilitation of quarries	7,005,253 135,780,097 13,988,038	2,435,386 19,385,843 3,506,833	(2,467,850) (21,558,628) (445,748)	18,546,828 29,711,803 (585,438)	25,519,617 163,319,115 16,463,685
	156,773,388	25,328,062	(24,472,226)	47,673,193	205,302,417
otal Provisions Ion-current liabilities Current liabilities	•	98,265 10,788	205,302,417 1,269,998	226,798,265	205,302,417
	228,4	09,053	206,572,415	226,798,265	205,302,417
. Consumer deposits					
lectricity and water	406,9	53,225	359,616,961	403,868,672	356,856,244
Guarantees held: Electricity and water consumers (who do not have	154,9	20,913	158,315,818	154,920,913	158,315,818
leposits) Guarantees held in lieu of Township Development		48,803	299,588,556	193,848,803	299,588,556
	348,7	69,716	457,904,374	348,769,716	457,904,374

	Group		Municipality	
	Restated			Restated
	2012	2011	2012	2011
	R	R	R	R
Payables from exchange transactions				
rade payables	2,655,869,526	1,821,050,583	2,603,174,353	1,860,492,313
ayments received in advance	18,732,775	46,279,950	18,732,775	46,279,950
ccrued leave pay	547,778,932	490,383,438	542,593,356	486,557,585
eposits received	22,792,550	19,899,287	22,355,062	19,551,499
ebtors with credit balances	542,142,628	494,021,119	542,142,628	494,021,119
ther creditors	391,382,000	278,767,236	388,594,207	276,402,708
etention creditors	238,990,712	159,096,715	238,990,712	159,096,715
TMC: AARTO	77,877,587	53,351,435	77,877,587	53,351,435
eferred operating lease liability	8,676,402	12,861,392	8,676,402	12,861,392
	4,504,243,112	3,375,711,155	4,443,137,082	3,408,614,716
Unspent conditional grants and receipts				
nspent conditional grants and receipts comprises of	:			
Inspent conditional grants and receipts				
oRA: Department Water Affairs & Forestry	2,675,592	3,441,339	290,366	1,149,838
DWAF)				
oRA: INEP (Electricity for All)	387,274	1,526,274	387,274	1,526,274
DRA: Finance Management Grant (FMG)	-	938,998	-	938,998
oRA: Restructuring Grant		11,479,345		11,479,345
rovincial: Housing Projects	93,758,781	40,571,990	93,758,781	40,571,990
oRA: Urban Settlement Development Grant	10,117,921	-	10,117,921	-
ISDG)				
oRA: PTIS	137,609,647	282,319,532	137,609,647	282,319,532
ovincial: DPLG - Health	89,650	303,052	89,650	303,052
oRA: 2010 Host Cities	-	2,125,801	-	2,125,801
eighbourhood Development Program	34,017,099	381,813	34,017,099	381,813
ontle ke Botho award	763,315	521,450	763,315	521,450
ts and Culture grant (Libraries)	4,429,968	1,673,147	4,429,968	1,673,147
conomic Development grant	8,750,000	8,750,000	8,750,000	8,750,000
autrans job creation	1,408,211	1,408,211	1,408,211	1,408,211
lue IQ	24,998,876	39,998,820	24,998,876	39,998,820
G SETA Merit Awards	-	5,625	-	5,625
port and Recreation	515,977	515,977	515,977	515,977
	268,665	-	268,665	· .
erformance Management				
erformance Management lectricity Demand Side	29,523	2,531,158	29,523	2,531,158

Notes to the Annual Consolidated Financial Statements

	Gro	Group		ipality
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
9. Unspent conditional grants and receipts	s (continued)			
Movement during the year				
Balance at the beginning of the year	398,492,532	329,318,555	396,201,031	323,638,362
Additions during the year	3,682,088,085	2,547,600,825	3,681,383,150	2,549,286,265
Income recognition during the year	(3,561,951,058)	(2,514,734,034)	(3,561,339,848)	(2,513,030,782)
Transfer between grants	(2,074,060)	30,325,315	(2,074,060)	30,325,315
Prior year restatements	-	5,981,871	-	5,981,871
Returned	(196,735,000)	-	(196,735,000)	-
	319.820.499	398,492,532	317.435.273	396,201,031

The figures above shows:

Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

See note 25 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

10. VAT

VAT payable VAT receivable	(255,243,501) 2,976,135	(156,473,129)	(255,243,501)	(154,453,229)
	(252,267,366)	(156,473,129)	(255,243,501)	(154,453,229)

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

The nature and extent of government grants recognised in the annual consolidated financial statements and an indication of other forms of government assistance from which the group has directly benefited; and

^{*} Unfulfilled conditions and other contingencies attaching to government assistance that have been recognised.

Notes to the Annual Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment

Gra		

Land Buildings Biological assets (game) Infrastructure Community Other property, plant and equipment Housing stock Heritage Housing

Municipality

Total

Total

Land Buildings Biological assets (game) Infrastructure Community Other property, plant and equipment Housing stock Heritage Housing

	2012			2011	
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
704,297,277	-	704,297,277	700,018,836	-	700,018,836
1,599,707,095	(709,605,396)	890,101,699	1,129,090,014	(433,020,263)	696,069,751
12,706,506	-	12,706,506	12,970,960	-	12,970,960
18,332,226,934	(3,857,746,536)	14,474,480,398	14,903,616,996	(3,319,587,684)	11,584,029,312
1,967,155,118	(497,794,480)	1,469,360,638	1,733,461,302	(431,886,217)	1,301,575,085
2,375,139,047	(936,387,940)	1,438,751,107	2,526,040,438	(1,035,763,082)	1,490,277,356
39,343,705	-	39,343,705	3,769,730	-	3,769,730
26,058,896	(325,319)	25,733,577	25,844,496	(235,353)	25,609,143
390,638,872	(275,712)	390,363,160	266,805,100	(238,584)	266,566,516
25,447,273,450	(6,002,135,383)	19,445,138,067	21,301,617,872	(5,220,731,183)	16,080,886,689

	2012			2011	
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
704,297,277	-	704,297,277	700,018,836	-	700,018,836
1,591,872,525	(707,256,237)	884,616,288	1,121,277,382	(431,068,812)	690,208,570
12,706,506	-	12,706,506	12,970,960	-	12,970,960
18,319,576,154	(3,849,986,858)	14,469,589,296	14,891,029,504	(3,313,225,656)	11,577,803,848
1,967,155,118	(497,794,480)	1,469,360,638	1,733,461,302	(431,886,217)	1,301,575,085
2,365,165,279	(927,628,500)	1,437,536,779	2,516,478,882	(1,027,910,220)	1,488,568,662
39,343,705	-	39,343,705	3,769,730	-	3,769,730
26,058,896	(325,319)	25,733,577	25,844,496	(235,353)	25,609,143
390,638,872	(275,712)	390,363,160	266,805,100	(238,584)	266,566,516
25,416,814,332	(5,983,267,106)	19,433,547,226	21,271,656,192	(5,204,564,842)	16,067,091,350

Notes to the Annual Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	-	-	-	704,297,277
Buildings	696,069,751	23,550,734		246,152,499	-	21,869,192	(75,671,285)	(21,869,192)	890,101,699
Biological assets (game)	12,970,960	-	-	-	(264,454)	-	· -	-	12,706,506
Infrastructure	11,584,029,312	3,454,131,536	(5,713,535)	(3,973,437)	· -	7,443,288	(561,418,593)	(18,173)	14,474,480,398
Community	1,301,575,085	223,512,830	(14,103,009)	22,696,734	-	(31)	(64,320,971)	-	1,469,360,638
Other property, plant and equipment	1,490,277,356	423,658,395	(59,624,268)	(261,519,878)	-	7,920,476	(154,040,497)	(7,920,477)	1,438,751,107
Housing stock	3,769,730	41,072,830	(1,729,124)		-	(3,769,731)	-	-	39,343,705
Heritage	25,609,143	214,400	<u>-</u>	-	-	-	(89,966)	-	25,733,577
Housing	266,566,516	136,567,561	-	(12,733,787)	-	-	(37,130)	-	390,363,160
	16,080,886,689	4,307,647,173	(81,749,002)	(9,459,249)	(264,454)	33,463,194	(855,578,442)	(29,807,842)	19,445,138,067

Reconciliation of property, plant and equipment - Group - 2011

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	705,754,663	-	(452,130)	(5,283,697)	-	-	-	-	700,018,836
Buildings	641,229,727	64,510,939	· -	-	-	25,456,673	(35,127,588)	-	696,069,751
Biological assets (game)	13,322,433	-	-	-	(351,473)	-	-	-	12,970,960
Infrastructure	10,136,186,276	1,866,923,386	-	(17,056,499)	-	(3,023,397)	(399,000,454)	-	11,584,029,312
Community	1,259,317,349	105,860,475	(39,183)	(8,033,114)	-	-	(55,530,442)	-	1,301,575,085
Other property, plant and equipment	1,117,241,635	655,052,918	(3,042,095)	(66,449,946)	-	(27,554,625)	(184,480,225)	(490,306)	1,490,277,356
Housing stock	1,142,732	-	-	-	-	2,626,998	-	-	3,769,730
Heritage	5,478,201	20,169,639	-	-	-	-	(38,697)	-	25,609,143
Housing	240,716,923	23,328,172	-	2,558,549	-	-	(37,128)	-	266,566,516
	14,120,389,939	2,735,845,529	(3,533,408)	(94,264,707)	(351,473)	(2,494,351)	(674,214,534)	(490,306)	16,080,886,689

Notes to the Annual Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	-	-	-	704,297,277
Buildings	690,208,570	23,528,796	-	246,152,499	-	21,869,192	(75,273,577)	(21,869,192)	884,616,288
Biological assets (game)	12,970,960	-	-	-	(264,454)	-			12,706,506
Infrastructure	11,577,803,848	3,454,068,249	(5,713,535)	(3,973,437)	` -	7,443,288	(560,020,944)	(18,173)	14,469,589,296
Community	1,301,575,085	223,512,830	(14,103,009)	22,696,734	-	(31)	(64,320,971)	-	1,469,360,638
Other property, plant and equipment	1,488,568,662	423,222,704	(59,624,268)	(261,519,878)	-	7,920,476	(153,110,440)	(7,920,477)	1,437,536,779
Housing stock	3,769,730	41,072,830	(1,729,124)	-	-	(3,769,731)	-	-	39,343,705
Heritage	25,609,143	214,400	-	-	-	-	(89,966)	-	25,733,577
Housing	266,566,516	136,567,561	-	(12,733,787)	-	-	(37,130)	-	390,363,160
	16,067,091,350	4,307,126,257	(81,749,002)	(9,459,249)	(264,454)	33,463,194	(852,853,028)	(29,807,842)	19,433,547,226

Reconciliation of property, plant and equipment - Municipality - 2011

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	705,754,663	-	(452,130)	(5,283,697)	-	-	-	-	700,018,836
Buildings	634,993,266	64,489,647	· -	-	-	25,456,675	(34,731,018)	-	690,208,570
Biological assets (game)	13,322,433	-	-	-	(351,473)	-	-	-	12,970,960
Infrastructure	10,128,463,154	1,865,349,004	-	(15,454,123)	-	(3,023,392)	(397,530,795)	-	11,577,803,848
Community	1,259,317,349	105,860,473	(39,183)	(8,033,112)	-	-	(55,530,442)	-	1,301,575,085
Other property, plant and equipment	1,114,432,591	656,175,066	(3,042,095)	(46,383,080)	-	(49,223,869)	(182,899,645)	(490,306)	1,488,568,662
Stock	1,142,732	-	-	-	-	2,626,998	-	-	3,769,730
Heritage	5,478,201	20,169,639	-	-	-	-	(38,697)	-	25,609,143
Housing	240,716,923	23,328,172	-	2,558,549	-	-	(37,128)	-	266,566,516
	14,103,621,312	2,735,372,001	(3,533,408)	(72,595,463)	(351,473)	(24,163,588)	(670,767,725)	(490,306)	16,067,091,350

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group	Municipality		
2012 R	Restated 2011 R	2012 R	Restated 2011 R	

Property, plant and equipment (continued)

Useful lives

The useful lives of the assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within the City of Tshwane.

Impairment

The City of Tshwane tested it's property, plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount. Impairment tests were performed on the following group of assets:

- Assets held for sale: Fair values were determined based on the selling price of the items as per previous auctions held taking into consideration its current condition. Where the net book value of the item exceeded the fair market value less the cost to sell, the assets were impaired to reflect the recoverable cost. The impairment loss of these assets were R1 274 138...
- Assets with a condition rating of poor or very poor: Items with a condition rating that is either "poor" or "very poor" have been subjected to an impairment test. The following percentages were used in performing the impairment test:

 - Items with a condition rating of "poor", 25% of its expected useful life; and
 Items with a condition rating of "very poor", 10% of its expected useful life.
 - Only items with an impairment value of more than R100 were impaired.
- Library books: After performing a 100% verification on library books, books with a condition rating of "poor" and "very poor/scrap" were identified and impaired in terms of the Local Government Capital Asset Management Guideline 2008.

 - Items with a condition rating of "poor", 30% of its expected useful life; and
 Items with a condition rating of "very poor/scrap", 20% of its expected useful life.
- - Busses no longer in use a list of busses was provided by the Raods and Transport Department that is no longer in use by the City due to their physical condition.
 - Munitoria Offices to be demolished and re-built as at 30 June 2012 the offices were not utilised at maximum capacity. Majority of the offices and officials have been relocated to Isivuno House.
 - An impairment test was performed in both instances no further impairment was however done due to the fact that the net book value of these assets is lower than the depreciated replacement cost.
 - Schubart Park and Kruger Park: Both these properties of the municipality will be demolished due to the fact that they are structurally unsound and do not comply with current SANS regulations. Both these properties have been impaired to R1, the value of the impairment being R21 869 192.

Figures in Rand						
12. Investment property						
Group		2012			2011	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	587,157,016	(40,669,869)	546,487,147	459,883,476	(39,912,176)	419,971,300
Municipality		2012			2011	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	573,755,998	(40,669,869)	533,086,129	444,092,462	(39,912,176)	404,180,286
Reconciliation of investment property - Group - 2012						
	Opening balance	Additions	Disposals	Fair value adjustments	Depreciation	Total
Investment property	419,971,300	141,045,299	(11,300,433)		(759,200)	546,487,147
Reconciliation of investment property - Group - 2011						
	Opening balance	Disposals	Transfers	Fair value adjustments	Depreciation	Total
Investment property	415,762,519	(161,352)	(7,928)		(1,812,953)	419,971,300
Reconciliation of investment property - Municipality - 2012						
Investment property		Opening balance 404,180,286	Additions 140,965,476	Disposals (11,300,433)	Depreciation (759,200)	Total 533,086,129
Reconciliation of investment property - Municipality - 2011						
Investment property		Opening balance 406,162,519	Disposals (161,351)	Transfers (7,929)	Depreciation (1,812,953)	Total 404,180,286

Figures in Rand						
13. Intangible assets						
Group		2012			2011	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software, other	525,579,878	(224,599,100)	300,980,778	360,064,799	(160,140,679)	199,924,120
Municipality	-	2012			2011	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software, other	525,579,878	(224,599,100)	300,980,778	360,064,799	(160,140,679)	199,924,120
Reconciliation of intangible assets - Group - 2012						
Computer software, other		Opening balance 199,924,120	Additions 132,229,283	Transfers 12,513,588	Depreciation (43,686,213)	Total 300,980,778
Reconciliation of intangible assets - Group - 2011						
Computer software, other		Opening balance 107,248,103	Additions 90,418,591	Transfers 44,121,381	Amortisation (41,863,955)	Total 199,924,120
Reconciliation of intangible assets - Municipality - 2012						
Computer software, other		Opening balance 199,924,120	Additions 132,229,283	Transfers 12,513,588	Depreciation (43,686,213)	Total 300,980,778
Reconciliation of intangible assets - Municipality - 2011						
Computer software, other		Opening balance 107,248,103	Additions 90,418,591	Transfers 44,121,381	Amortisation (41,863,955)	Total 199,924,120

Figures in Rand						
14. Leased assets						
Group	-	2012			2011	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets	418,360,561	(123,697,546)	294,663,015	430,447,267	(173,447,968)	256,999,299
Municipality		2012			2011	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets	418,360,561	(123,697,546)	294,663,015	430,447,267	(173,447,968)	256,999,299
Reconciliation of leased assets - Group - 2012						
Leased assets		Opening balance 256,999,299	Additions 110,199,975	Other changes 57,452,096	Depreciation (129,988,355)	Total 294,663,015
Reconciliation of leased assets - Group - 2011						
		Opening balance	Additions through entity combinations	Other changes	Depreciation	Total
Leased assets		198,868,256	104,190,496	56,358,211	(102,417,664)	256,999,299
Reconciliation of leased assets - Municipality - 2012						
Leased assets		Opening balance 256,999,299	Additions 110,199,975	Other changes 57,452,096	Depreciation (129,988,355)	Total 294,663,015
Reconciliation of leased assets - Municipality - 2011						
Leased assets		Opening balance 198,868,256	Additions 104,190,496	Other changes 56,358,211	Depreciation (102,417,664)	Total 256,999,299

Notes to the Annual Consolidated Financial Statements

	Group)	Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
15. Non-current assets held for sale				
Cost Accumulated depreciation Inventory held for sale	9,944,699 (9,600,109) 962,296	5,619,097 (4,183,833) 791,822	9,944,699 (9,600,109) 962,296	5,619,097 (4,183,833) 791,822
	1,306,886	2,227,086	1,306,886	2,227,086

The abovementioned non-current groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and are in the auction yard at year end.

Inventory held for sale also include obsolete inventory to the amount of R962 296 (2011 = R791 822; 2010 = R1 094 831) which have been transferred /marked for disposal.

16. Investments

Available-for-sale Investments Short-term deposits	323,851,507	496,337,962	323,851,507	496,337,962
Held to maturity investments	2 022 002	2 022 002	2 022 002	2 022 002
Municipal stock	3,033,003	3,033,003	3,033,003	3,033,003
Assurance companies	3,867,827	3,592,836	3,867,827	3,592,836
Fixed deposits	80,721,111	117,225,502	80,721,111	117,225,502
	87,621,941	123,851,341	87,621,941	123,851,341
Total Investments	411,473,448	620,189,303	411,473,448	620,189,303
Non-current Investments Long-term investments	87,621,941	123,851,341	87,621,941	123,851,341
Current Investments Short-term deposits	323,851,507	496,337,962	323,851,507	496,337,962

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.

Market value of listed investments and
management's valuation of unlisted
investments:
Unlisted investments

Average rate of return:				
Average rate of return on long-term investments:	7.77 %	11.17 %	7.77 %	11.17 %
Average rate of return on short-term investments:	5.19 %	5.36 %	5.19 %	5.36 %

282,571,456

638,915,619

282,571,456

638,915,619

No impairment occurred during the financial year under review

Carrying amount of investments to the amount of R282 571 456 (2011 = R458 973 046; 2010 = R675 797 922) is ceded over to all secured long-term liabilities as per note 4. Also refer to note 21 and note 37.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
17. Long-term receivables				
Consumers: Arrangement debtors Housing loans Loans to sports clubs Motor car loans Study loans Sale of land	201,991,222 20,395,710 1,569,306 11,710 - 84,754,405	199,685,823 20,219,221 1,448,713 63,748 2,126 59,589,719	201,991,222 20,395,710 1,569,306 11,710 - 84,754,405	199,685,823 20,219,221 1,448,713 63,748 2,126 59,589,719
Short-term portion of Long-term receivables	308,722,353 (108,802,610)	281,009,350 (102,835,275)	308,722,353 (108,802,610)	281,009,350 (102,835,275)
Provision: Bad debt housing debtors	199,919,743 (104,323,849)	178,174,075 (59,241,366)	199,919,743 (104,323,849)	178,174,075 (59,241,366)
	95,595,894	118,932,709	95,595,894	118,932,709
Reconciliation of provision for bad debt housing debtors				
Balance at the beginning of year Write back of provision during the year Transfer from other provisions	(59,241,366) - (45,082,483)	(43,113,788) (16,127,578)	(59,241,366) - (45,082,483)	(43,113,788) (16,127,578)
	(104,323,849)	(59,241,366)	(104,323,849)	(59,241,366)

Consumer: Arrangement debtors

A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.

Housing loans

Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attract interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.

Motor car loans

Senior staff were entitled to motor car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in the next financial year.

Loans to sport clubs

Sports Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.

Study loans

Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying. Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.

Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14%) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11%. Interest is calculated monthly on the outstanding balance of the property.

Notes to the Annual Consolidated Financial Statements

	Group Restated 2012 2011		Municipality	
			2012	Restated 2011
	R	R	R	R
18. Inventories				
General stores	336,540,811	244,573,033	334,185,684	242,468,717
Bulk Water	6,411,664	3,865,476	6,411,664	3,865,476
Catering (Premos restaurant)	29,080	19,425	29,080	19,425
Wonderboom Airport	1,923,883	1,587,401	1,923,883	1,587,401
Bus Tickets	405,242	474,372	405,242	474,372
Plants (Nursery)	72,381	79,907	72,381	79,907
Quarries	706,173	380,817	706,173	380,817
Coal (power stations)	60,980,871	77,993,247	60,980,871	77,993,247
	407,070,105	328,973,678	404,714,978	326,869,362

Consumer debtors 19.

The City of Tshwane has a consolidated account billing system. The division of debtors per service category is done on a pro-rata basis based on the levies. The provision for bad debt is also not available per income/service group.

Service debtors:	4 000 740 000	4 407 400 000	4 000 740 000	4 407 400 000
Rates	1,366,713,032	1,197,192,802	1,366,713,032	1,197,192,802
Electricity	2,535,471,468	2,159,224,942	2,535,471,468	2,159,224,942
Water	1,502,378,653	1,186,508,107	1,159,239,038	881,038,798
Sewerage	259,941,274	223,190,244	259,941,274	223,190,244
Refuse	302,089,081	258,356,774	302,089,081	258,356,774
	5,966,593,508	5,024,472,869	5,623,453,893	4,719,003,560
Less: Arrangement debtors	(201,991,221)	(199,685,823)	(201,991,221)	(199,685,823)
	5,764,602,287	4,824,787,046	5,421,462,672	4,519,317,737
Less: Provision for debt impairment				
Provision for bad debt	(3,080,744,726)	(2,233,923,917)	(2,748,442,238)	(1,932,889,995)
1 TOVISION TO BAG GEBT	(3,000,744,720)	(2,233,923,917)	(2,740,442,230)	(1,332,003,333)
Net balance				
Rates	1,366,713,032	1,197,192,802	1,366,713,032	1,197,192,802
Electricity	2,535,471,468	2,159,224,942	2,535,471,468	2,159,224,942
Water	1,502,378,653	1,186,508,107	1,159,239,038	881,038,798
Sewerage	259,941,274	223,190,244	259,941,274	223,190,244
Refuse	302,089,081	258,356,774	302,089,081	258,356,774
Less: Arrangement debtors	(201,991,221)	(199,685,823)	(201,991,221)	(199,685,823)
Less: Provision for bad debt	(3,080,744,726)	(2,233,923,917)	(2,748,442,238)	(1,932,889,995)
	2,683,857,561	2,590,863,129	2,673,020,434	2,586,427,742

An amount of R111 208 265 (R126 777 422 inclusive of VAT) was written off during 2011/12 [2010/11 = R202 849 828 (R231 248 804 inclusive of VAT)] in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of indigent households are written off. In terms of a Council Resolution dated 29 June 2012 interest on arrear amounts up to 30 June 2011 as well as indigent debtors were written off to the value of R549 212 459. Although the actual write off was only effected on the individual accounts in July 2012, the write off was done on the 2011/12 financial statements already.

AGEING

Rates				
Current (0 -30 days)	419,704,549	294,990,242	419,704,549	294,990,242
31 - 60 days	76,281,065	41,488,783	76,281,065	41,488,783
61 - 90 days	44,713,014	34,119,794	44,713,014	34,119,794
91 + days	826,014,404	826,593,983	826,014,404	826,593,983
	1,366,713,032	1,197,192,802	1,366,713,032	1,197,192,802

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
19. Consumer debtors (continued)				
Electricity				
Current (0 -30 days)	890,586,199	816,649,187	890,586,199	816,649,187
31 - 60 days 61 - 90 days	298,923,955 29,635,804	31,302,700 33,436,767	298,923,955	31,302,700
91 + days	1,316,325,510	1,277,836,288	29,635,804 1,316,325,510	33,436,767 1,277,836,288
	2,535,471,468	2,159,224,942	2,535,471,468	2,159,224,942
		-		
Water	000 404 404	F07 40F 000	252 004 000	224 005 722
Current (0 -30 days) 31 - 60 days	696,131,481 93,642,632	537,465,032 20,079,852	352,991,866 93,642,632	231,995,723 20,079,852
61 - 90 days	24,423,468	17,838,145	24,423,468	17,838,145
91 + days	688,181,072	611,125,078	688,181,072	611,125,078
	1,502,378,653	1,186,508,107	1,159,239,038	881,038,798
Sanitation				
Current (0 -30 days)	76,126,052	58,748,664	76,126,052	58,748,664
31 - 60 days	21,598,626	3,497,524	21,598,626	3,497,524
61 - 90 days	4,787,659	3,729,946	4,787,659	3,729,946
91 + days	157,428,937	157,214,110	157,428,937	157,214,110
	259,941,274	223,190,244	259,941,274	223,190,244
Solid waste				
Current (0 -30 days)	50,966,529	39,445,504	50,966,529	39,445,504
31 - 60 days	23,312,922	4,934,958	23,312,922	4,934,958
61 - 90 days	6,055,394	4,815,877	6,055,394	4,815,877
91 + days	221,754,236	209,160,435	221,754,236	209,160,435
	302,089,081	258,356,774	302,089,081	258,356,774
Ageing: Total				
Current (0 -30 days)	2,421,042,564	1,747,298,630	2,077,902,949	1,441,829,320
31 - 60 days 51 - 90 days	233,149,637 125,956,330	101,303,818 93,940,528	233,149,637 125,956,330	101,303,818 93,940,528
91 + days	3,186,444,977	3,081,929,893	3,186,444,977	3,081,929,893
,	5,966,593,508	5,024,472,869	5,623,453,893	4,719,003,559
Summary of debtors by customer classification				
•				
Consumers Household	3,752,191,774	3,337,989,481	3,409,052,159	3,032,520,171
ndustrial/Commercial	1,455,639,538	1,016,368,590	1,455,639,538	1,016,368,590
National and Provincial Government	139,551,641	15,048,763	139,551,641	15,048,763
Other	619,210,555	655,066,035	619,210,555	655,066,035
	5,966,593,508	5,024,472,869	5,623,453,893	4,719,003,559
Fotal State of the				
Reconciliation of debt impairment provision				
Balance at beginning of the year	(2,233,923,917)	(1,934,433,608)	(1,932,889,995)	(1,682,944,157)
· ,	(940,872,358)	(314,407,187)	(909,603,792)	(270,294,638)
Contributions to provision				
Contributions to provision Transfer to other provisions	94,051,549	20,348,800	94,051,549	20,348,800
	94,051,549	(5,431,922)	94,051,549	20,348,800

Notes to the Annual Consolidated Financial Statements

	Grou	ıp	Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
20. Other debtors				
Municipal Infrastructure Grant	21,915,045	24,075,135	21,915,045	24,075,135
Housing debtors	32,366,390	26,981,442	32,366,390	26,981,442
Government subsidies	45,029,500	41,595,500	45,029,500	41,595,500
Miscellaneous	201,440,028	144,410,774	165,972,126	210,922,591
Lease revenue	59,740,873	55,975,628	59,460,834	55,893,356
DWAF outstanding grant	4,750,000	4,750,000	4,750,000	4,750,000
Waste management	69,581,130	36,777,366	69,581,130	36,777,366
Sundry rentals	56,345,371	47,332,600	56,345,371	47,332,600
Sundry Persons	197,748,586	184,363,048	197,793,251	186,431,015
Public contributions	202,422,820	150,693,464	202,422,820	150,693,464
Sandspruit	34,298,530	34,298,530	34,298,530	34,298,530
RTMC: AARTO debtor	49,526,846	34,943,480	49,526,846	34,943,480
National Treasury	91,655		91,655	
	975,256,774	786,196,967	939,553,498	854,694,479
Less: Provision for bad debt other debtors	(323,847,065)	(274,900,358)	(323,821,622)	(274,852,557)
	651,409,709	511,296,609	615,731,876	579,841,922
Reconciliation of provision for impairment of trade a	and other receivables			
Opening balance	(274,900,358)	(191,424,952)	(274,852,557)	(191,305,855)
Contributions to provision	· •	(63,197,902)	<u>-</u>	(63,197,902)
Transfer from consumer debtor provision	(48,969,065)	(20,348,800)	(48,969,065)	(20,348,800)
Other: Municipal entities	22,358	71,296	-	-
	(323,847,065)	(274,900,358)	(323,821,622)	(274,852,557)

21. Call investment deposits ring-fencing

Other deposits of R311 607 094 (2011 = R638 915 619; 2010 = R701 869 596 and 2009 = R660 332 240) are ring-fenced and attributable to the Capital Replacement Reserve of R536 779 891 (2010 = R460 173 985 and 2009 = R361 254 474).

Fixed deposits amounting to R282 571 456 (2011 = R458 973 046; 2010 = R675 797 922 and 2009 = R598 458 250) have also been ringfenced for the purpose of repaying long-term liabilities.

22. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand Bank balances Short-term deposits	332,865	291,927	323,306	283,027
	599,492,156	409,802,800	559,677,319	358,950,452
	323,851,507	496,337,962	323,851,507	496,337,962
·	923,676,528	906,432,689	883,852,132	855,571,441
Cash and bank Call investments deposits	599,825,021	410,094,727	560,000,625	359,233,479
	323,851,507	496,337,962	323,851,507	496,337,962
	923,676,528	906,432,689	883,852,132	855,571,441

Notes to the Annual Consolidated Financial Statements

Group		Municipality	
2012 R	Restated 2011 R	2012 R	Restated 2011 R

Cash and cash equivalents (continued)

The municipality and municipal entities have the following bank accounts

Account number / description		statement balar	ices	Cash book balances		
-	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Absa - 4060738263	4,271,940	22,589,302	8,808,030	(31,355,553)	22,949,006	8,822,546
FNB - 51420107207	24,511,235	9,458,968	4,686,127	20,916,843	9,464,455	4,784,071
Standard - 410801453	497,639,119	249,163,354	66,606,728	535,250,349	303,717,749	47,513,098
Insurance Contingency - Absa - 4062593950	9,813,883	1,985,425	62,724	9,813,883	1,985,425	62,274
Tshwane Market - FNB - 51421161509	25,502,452	21,853,817	19,593,055	25,051,797	20,833,817	18,781,373
Nedbank - 1454121963	_	1,356,360	_	_	_	_
Civirelo: Absa - 4052561692	_	-,,	18,521	_	_	18,521
Civirelo: Absa - 9078443130	_	_	136,740	_	_	136,740
Housing Company: Absa - 4065722829	3,208,599	672,493	70,705	3,208,599	672,493	70,705
Housing Company: Absa - 4057481879	14,776,125	8,588,453	8,475	14,776,125	8,588,453	8,475
Housing Company: Absa - 911408066	517,671	409,444	342,958	517,671	409,444	342,958
Sandspruit: Standard - 32250738	2,205,649	22,150,482	3,075,461	1,572,856	21,890,068	2,477,666
Sandspruit: Standard - 11020	128,192	67,536	86,535	128,192	67,536	86,536
Sandspruit: Standard - 11020	18,508,342	16,827,485	15,005,198	18,508,342	16,827,485	15,005,198
Sandspruit: Absa - 4051139634	954,575	2,256,070	31,494	954,575	2,256,070	31,494
Sandspruit: Absa Money Market - 9074185817	148,477	140,799	-	148,477	140,799	-
Total	602,186,259	357,519,988	118,532,751	599,492,156	409,802,800	98,141,655
23. Property rates						
Rates received						
Property rates Less: Interdepartmental charges		3,420,706 (24,502		,731,964 3, ,798,031)	420,823,759 (24,502,413)	2,943,834,913 (15,798,031)
		3,396,203	,752 2,927	,933,933 3,	396,321,346	2,928,036,882
Valuations						
Residential Other		235,554,628 94,486,436			554,628,015 486,436,697	222,674,062,806 71,245,851,141
		330,041,064	,712 293,919			293,919,913,947

The site value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.

No difference is made between land value and improvement value and only market value appears on the valuation roll. Applicable tariff with the implementation of the MPRA categories of properties are levied at different tariffs with different rebates applicable.

Persons of 60 years or older and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions.

Service charges

Sale of electricity	7,674,141,602	6,052,168,596	7,676,731,253	6,054,223,934
Sale of water	2,106,050,770	1,679,482,389	2,125,012,114	1,685,907,620
Solid waste	491,338,823	404,476,313	491,338,823	404,476,313
Sewerage and sanitation charges	503,272,574	434,791,968	503,272,574	434,791,968
Less: Interdepartmental charges	(231,877,157)	(185,323,154)	(231,877,157)	(185,323,154)
	10,542,926,612	8,385,596,112	10,564,477,607	8,394,076,681

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Gro	Group		ipality
		Restated		Restated
	2012	2011	2012	2011
	R	R	R	R
25. Government grants and subsidies				
DoRA: Equitable share	923,020,000	717,977,936	923,020,000	717,977,936
Opex: Grants & donations	2,813,903	41,186,161	2,813,903	41,186,161
Provincial ambulance subsidy	47,901,500	44,414,500	47,901,500	44,414,500
DoRA: Equitable Share: Fuel levy	1,191,521,000	1,085,816,000	1,191,521,000	1,085,816,000
DoRA: Finance Management Grant	5,116,485	673,026	5,116,485	673,026
DoRA: DWAF grant	6,926,472	6,664,316	6,926,472	6,664,316
Provincial: DACE (operational)	-	102,450	-	102,450
Top structure grant	93,056,868	13,294,443	93,056,868	13,294,443
Provincial: Health subsidy	27,324,561	27,270,614	27,324,561	27,270,614
Provincial: HIV and AIDS	5,310,401	1,626,676	5,310,401	1,626,676
Provincial: Community library services	5,848,016	6,427,479	5,848,016	6,427,479
Capex: Grants and donations	1,225,795,800	496,494,461	1,225,795,800	496,494,461
PTIS opex	3,644,603	60,816,322	3,644,603	60,816,322
USDG (MIG) opex	3,060,239	1,685,465	3,060,239	1,685,465
Incorporation grant	20,000,000	-	20,000,000	-
	3,561,339,848	2,504,449,849	3,561,339,848	2,504,449,849

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R378 (2011 = R251; 2010 = R 223 and 2009 = R 186), which is funded from the grant.

Primary Health Care Subsidy (Provincial)

Current-year receipts Conditions met - transferred to revenue Transfers	27,324,561 (27,324,561)	19,414,474 (27,270,614) 7,856,140	27,324,561 (27,324,561)	19,414,474 (27,270,614) 7,856,140
		-		_

Conditions still to be met - remain liabilities (see note 9)

The Municipality renders health services on behalf of the Provincial Government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services included in the Social Development vote in Appendix D). The conditions of the grant have been met. The subsidy for the last quarter of 2010/11 have not been paid over to the municipality yet and a debtor was created to the value of R8 956 000.

The percentage of expenditure incurred refunded during the financial year = 15.55 % (2011 = 15.99%)

Emergency Mangement Services Subsidy (Provincial)

Current-year receipts Conditions met - transferred to revenue Transfers	47,901,500 (47,901,500)	21,725,000 (44,414,500) 22,689,500	47,901,500 (47,901,500)	21,725,000 (44,414,500) 22,689,500
	-		-	

Conditions still to be met - remain liabilities (see note 9)

The municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effect emergency care. This subsidy has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the grant have been met. The subsidy for the last quarter of 2010/11 and the last 2 quarters of 2011/12 have not been paid over the the municipality yet and a debtor was created to the value of R11 827 000 and R24 246 500 respectively.

The percentage of expenditure incurred refunded during the financial year = 54.98% (2011 = 55.49%)

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Grou	p	Municip	Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R	
25. Government grants and subsidies (continued)					
Gauteng Sport & Recreation (Loftus Upgrade) (DoRA)					
Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue		9,851,876 2,270,328 (12,122,204)	- - -	9,851,876 2,270,328 (12,122,204)	
Conditions still to be met - remain liabilities (see note 9)					
This grant was received for the upgrade of sporting facilities	during the 2010 Socce	er World Cup.			
Department of Water Affairs & Forestry (DoRA)					
Balance unspent at beginning of year Transfer Current-year receipts Conditions met - transferred to revenue Returned	3,441,339 - 23,323,935 (23,134,682) (955,000)	8,214,447 (100) 11,257,000 (16,030,008)	1,149,838 - 22,619,000 (22,523,472) (955,000)	2,534,254 (100) 5,280,000 (6,664,316)	
	2,675,592	3,441,339	290,366	1,149,838	

Conditions still to be met - remain liabilities (see note 9)

The balance consists of the unspent portion of the 2010/11 balance of which R955 000 was already repaid to National Treasury during 2011/12.

The purpose of this grant is to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department and transfer these schemes to local government. This grant was received for the supply of water services for community upliftment.

Electricity for All (INEP) (DoRA)

Balance unspent at beginning of year	1,526,274	1,139,262	1,526,274	1,139,262
Current-year receipts	21,000,000	55,000,000	21,000,000	55,000,000
Conditions met - transferred to revenue	(21,000,000)	(54,612,988)	(21,000,000)	(54,612,988)
Returned	(1,139,000)	-	(1,139,000)	-
	387,274	1,526,274	387,274	1,526,274

Conditions still to be met - remain liabilities (see note 9)

Request for roll over of the balance was submitted to Department Mineral and energy and National Treasury. An amount of R1 139 000 was already repaid to National Treasury during 2011/12.

The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Notes to the Annual Consolidated Financial Statements

	Group		Municip	Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R	
25. Government grants and subsidies (continued)					
Finance Management Grant (FMG) (DoRA)					
Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue Returned Prior year restatements	938,998 5,250,000 (5,438,998) (750,000)	843,155 1,000,000 (1,843,155) 938,998	938,998 5,250,000 (5,438,998) (750,000)	843,155 1,000,000 (1,843,155) - 938,998	
		938,998	-	938,998	

Conditions still to be met - remain liabilities (see note 9)

An amount of R750 000 relating to the previous year was returned to National Treasury during 2011/12.

The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in municipalities the grant provides funding for water and energy internship program to graduates in selected ward boards and municipalities. No funds have been withheld.

Restructuring grant (DoRA)

Balance unspent at beginning of year Conditions met - transferred to revenue	11,479,345	11,479,345 (11,315,919)	11,479,345	11,479,345 (11,315,919)
Prior year restatements	-	11,315,919	-	11,315,919
Returned	(11,571,000)	-	(11,571,000)	-
Transfers	91,655	-	91,655	-
	-	11,479,345	-	11,479,345

Conditions still to be met - remain liabilities (see note 9)

An amount of R11 571 000 relating to the previous financial year were returned to National Treasury during 2011/12.

This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy.

Housing Grants (Provincial)

Prior year restatements	-	(6,273,046)	-	(6,273,046)
Transfers	-	(26,082,191)	-	(26,082,191)
Conditions met - transferred to revenue	(131,524,769)	(22,834,017)	(131,524,769)	(22,834,017)
Current-year receipts	184,711,560	124,894,000	184,711,560	124,894,000
Balance unspent at beginning of year	40,571,990	(29,132,756)	40,571,990	(29,132,756)

Conditions still to be met - remain liabilities (see note 9)

The balance consists of amounts received in advance for the 2012/13 financial year.

Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
25. Government grants and subsidies (continued)				
Municipal System Improvement Grant (MSIG) (DoRA)				
Balance unspent at beginning of year Conditions met - transferred to revenue	<u>-</u>	28 (28)	<u> </u>	28 (28)
		-	-	

Conditions still to be met - remain liabilities (see note 9)

The R28 balance of the previous financial year has been recognised as revenue during 2010/11. During 2010/11 the balance was due to an administrative error during the previous financial year.

This grant was used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000 and related legislation, policies and local government turnaround strategy.

Urban Settlement Development Grant (USDG) (previously MIG) (DoRA)

Balance unspent at beginning of year	-	36,080,486	-	36,080,486
Current-year receipts	891,081,000	314,739,000	891,081,000	314,739,000
Conditions met - transferred to revenue	(880,963,079)	(374,754,167)	(880,963,079)	(374,754,167)
Transfers	· -	23,934,681	· -	23,934,681
	10,117,921	-	10,117,921	-

Conditions still to be met - remain liabilities (see note 9)

Request for roll over of the balance was submitted to National Treasury.

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

Public Transport Infrastructure System Grant (PTIS) (DoRA)

Balance unspent at beginning of year Current-year receipts	282,319,532 200,000,000	264,094,990 100.000.000	282,319,532 200.000.000	264,094,990 100.000.000
Conditions met - transferred to revenue	(162,389,885)	(81,630,964)	(162,389,885)	(81,630,964)
Transfer (correction of incorrect allocation)	(400,000,000)	(144,494)	(400,000,000)	(144,494)
Returned	(182,320,000)		(182,320,000)	
	137,609,647	282,319,532	137,609,647	282,319,532

Conditions still to be met - remain liabilities (see note 9)

Request for roll over of the balance was submitted to National Treasury and Department of Transport. An amount of R182 320 000 relating to previous years has already been returned to National Treasury during 2011/12.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

HIV and AIDS (Provincial Health Department) (Provincial)

Balance unspent at beginning of year	303,052	929,728	303,052	929,728
Current-year receipts	5,097,000	1,000,000	5,097,000	1,000,000
Conditions met - transferred to revenue	(5,310,402)	(1,626,676)	(5,310,402)	(1,626,676)
	89,650	303,052	89,650	303,052

Conditions still to be met - remain liabilities (see note 9)

Request was submitted by the department for the roll forward of the unspent portion at year end as the payments have already been committed in the next financial year.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

Gr	oup	Muni	cipality
2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support ward structures to address AIDS in the local community.

2010 Host Cities (DoRA)

Balance unspent at beginning of year	2,125,801	17,721,573	2,125,801	17,721,573
Current-year receipts	-	10,900,000	-	10,900,000
Conditions met - transferred to revenue	(5,500)	(26,495,772)	(5,500)	(26,495,772)
Transfers	(2,120,301)	<u>-</u>	(2,120,301)	-
	-	2,125,801	-	2,125,801

Conditions still to be met - remain liabilities (see note 9)

This grant is received for the expenditures of the 2010 World Cup Soccer Host Cities.

Monument Golf Club donation

Balance unspent at beginning of year Transfers	<u> </u>	214,837 (214,837)	<u>-</u>	214,837 (214,837)
	_	-	-	-

Conditions still to be met - remain liabilities (see note 9)

The balance of 2009/10 was utilised during the 2010/11 financial year to finalise the project.

This amount relates to a donation that was received from the Monument Golf Club to build a golf driving range in Mabopane.

Neighbourhood Development Program (DoRA)

Balance unspent at beginning of year Current-year receipts	381,813 82.000.000	1 11.116.460	381,813 82.000.000	1 11.116.460
Conditions met - transferred to revenue Transfers	(48,304,204) (60,510)	(10,734,648)	(48,304,204) (60,510)	(10,734,648)
	34,017,099	381,813	34,017,099	381,813

Conditions still to be met - remain liabilities (see note 9).

Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted under served neighbourhoods (townships generally).

Bontle ke Botho (Award)

Balance unspent at beginning of year	521,450	880,150	521,450	880,150
Current-year receipts	595,000	380,000	595,000	380,000
Conditions met - transferred to revenue	(353,135)	(738,700)	(353,135)	(738,700)
	763,315	521,450	763,315	521,450

Conditions still to be met - remain liabilities (see note 9).

The unspent portion of this award as at 30 June will normally roll forward for usage in projects during the next financial year due to the timing of the receipt of the prize money.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
25. Government grants and subsidies (continue Community Library Services (Provincial Department)	,	nd Pasyastian)		
Balance unspent at beginning of year	1,673,147	3,334,231	1,673,147	3,334,231
Current-year receipts Conditions met - transferred to revenue Transfers	12,700,000 (9,943,179)	6,220,000 (6,427,479) (1,453,605)	12,700,000 (9,943,179)	6,220,000 (6,427,479) (1,453,605)
	4,429,968	1,673,147	4,429,968	1,673,147

Conditions still to be met - remain liabilities (see note 9).

Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial and local government level.

DACE (Department Agriculture, Conservation and Environmental) (Provincial)

Balance unspent at beginning of year Conditions met - transferred to revenue	 102,450 (102,450)	 102,450 (102,450)

Conditions still to be met - remain liabilities (see note 9).

The purpose of the grant is to ensure a sustainable environment, equitable agricultural development and an efficient waste management service through innovative use of technologies in partnership with stakeholders.

Local Economic Development (Provincial)

Balance unspent at beginning of year	8,750,000	192,578	8,750,000	192,578
Current-year receipts	-	8,750,000	-	8,750,000
Other (corrections and transfers)	-	(192,578)	-	(192,578)
	8,750,000	8,750,000	8,750,000	8,750,000

Conditions still to be met - remain liabilities (see note 9).

The purpose of the grant is in support of the urban renewal programme. An assessment has been undertaken on the requirements and a scope exercise conducted looking at the viability of current projects which the department are undertaking in other townships. The grant will be utilised in the 2012/13 financial year after an agreement has been signed.

Gautrans job creation (DoRA)

Balance unspent at beginning of year Conditions met - transferred to revenue	1,408,211	1,553,167	1,408,211	1,553,167
	-	(144,956)	-	(144,956)
	1,408,211	1,408,211	1,408,211	1,408,211

Conditions still to be met - remain liabilities (see note 9).

The balance consists of funds from the previous financial year, a request was received from the relevant Department for the roll over of the balance.

	2012	Restated 2011	2012	Restated
	R	R	2012 R	2011 R
5. Government grants and subsidies (continued)				
xpanded Public Works Program (EPWP) (DoRA)				
alance unspent at beginning of year ransfers	<u> </u>	454,357 (454,357)	<u>-</u>	454,35 (454,35
onditions still to be met - remain liabilities (see note 9).	<u>-</u>			
ne purpose of this grant is to encourage local author nvironment and culture programs through the use of lat ublic Works Program guidelines.				
DMC Reservists (Donation)				
Balance unspent at beginning of year Conditions met - transferred to revenue	<u> </u>	1,364,650 (1,364,650)	- - -	1,364,650 (1,364,650
		-	- .	
onditions still to be met - remain liabilities (see note 9).				
unding was received for the appointment of 80 reservis	t fire fighters during the 20	10 Soccer World Cup		
lue IQ				
alance unspent at beginning of year urrent-year receipts	39,998,820	- 39,998,820	39,998,820	39,998,820
onditions met - transferred to revenue	(14,999,944)	<u> </u>	(14,999,944)	
	24,998,876	39,998,820	24,998,876	39,998,820
onditions still to be met - remain liabilities (see note 9).				
	nced until the project has b	een finalised.		
ne amount was received in advance and will be ring-fer				

Balance unspent at beginning of year	5,625	-	5,625	_
Current-year receipts	-	24,375	-	24,375
Conditions met - transferred to revenue	-	(24,375)	-	(24,375)
Transfers	(5,625)	5,625	(5,625)	5,625
	-	5,625	-	5,625

Conditions still to be met - remain liabilities (see note 9).

This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.

Public Works

Current-year receipts Conditions met - transferred to revenue Transfers	930,000	-	930,000	-
	(928,490)	-	(928,490)	-
	(1,510)	-	(1,510)	-
	-	-		-

Conditions still to be met - remain liabilities (see note 9).

The grant was received from Public Works for the repair of the Basden Street Sinkhole.

Notes to the Annual Consolidated Financial Statements

	Grou	р	Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
25. Government grants and subsidies (continued)				
Event sponsorship				
Current-year receipts Conditions met - transferred to revenue	<u>-</u>	258,268 (258,268)	- - -	258,268 (258,268
Conditions still to be met - remain liabilities (see note 9).				
This amount was received as a sponsorship for the Mayoral	Lekgotla.			
Sport and Recreation				
Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue	515,977 21,000,000 (21,000,000)	515,977 -	515,977 21,000,000 (21,000,000)	- 515,977 -
	515,977	515,977	515,977	515,977
This amount was received during 2010/11 for the HM Pitje S Drakensberg Promotions Current-year receipts Conditions met - transferred to revenue Transfers	132,529 (94,250) (38,279)	- -	132,529 (94,250) (38,279)	
iransiers	(30,279)		(30,279)	
Conditions still to be met - remain liabilities (see note 9).				
These funds are a donation for the development density prog	gramme in the Norther	n Areas.		
Performance Management (DPLG)(DoRA)				
Current-year receipts Conditions met - transferred to revenue	1,500,000 (1,231,335)	<u>-</u>	1,500,000 (1,231,335)	-
	268,665	- .	268,665	-
Conditions still to be met - remain liabilities (see note 9).				
These funds were received to provide funding for the upperformance result system and the enterprise project manage				m, the quality
reconnance result system and the enterbuse broiect Mahao	iemeni system to inclu	ue me newiv merded	municipalides.	

	29.523	2,531,158	29.523	2.531.158
Conditions met - transferred to revenue	(46,501,635)	(20,468,842)	(46,501,635)	(20,468,842)
Current-year receipts	44,000,000	23,000,000	44,000,000	23,000,000
Balance unspent at beginning of year	2,531,158	-	2,531,158	-

Conditions still to be met - remain liabilities (see note 9).

The department has request a roll over of the unspent portion from Department Mineral and Energy and National Treasury.

The purpose of this grant is to provide subsidies to municipalities to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Notes to the Annual Consolidated Financial Statements

Group		Municipality	
012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Other income

Market fees	97,750,161	90.463.491	97,750,161	90,463,491
Land sales	837,912	2,464,335	837,912	2,464,335
Reconnection fees	59,814,631	97,390,357	59,814,631	97,390,357
Sewerage: Industrial effluent	32,484,874	32,045,351	32,484,874	32,045,351
Sale of unusable stock	2,997,043	2,360,261	2,997,043	2,360,261
Drain cleaning fees	1,170,355	1,167,399	1,170,355	1,167,399
Sundry services	11,486,913	4,954,229	11,486,913	4,954,229
Interest on property sales	1,521,829	2,684,724	1,521,829	2,684,724
Donated:Assets	84,000	8,530,000	84,000	8,530,000
Dumping fees	25,456,403	16,770,209	25,456,403	16,770,209
Building plan fees	25,805,902	24,344,682	25,805,902	24,344,682
Income from grave services	5,202,005	5,050,730	5,202,005	5,050,730
Refund: Motor vehicles licences	66,927,537	62,170,777	66,927,537	62,170,777
Training fees recovered	25,686,003	11,258,435	25,686,003	11,258,435
Gain: Review useful life/fair value	240,160,648	456,890,952	240,160,648	456,890,952
Insurance claims	42,151,721	40,830,086	42,151,721	40,830,086
Connection fees: Urban areas	4,656,108	5,246,375	4,656,108	5,246,375
Sundry fees	40,125,577	42,882,327	6,412,366	4,671,854
Airside income	4,515,991	3,467,362	4,515,991	3,467,362
Ambulance fees	5,566,923	4,460,593	5,566,923	4,460,593
Reminder fees	39,350,729	32,456,527	39,350,729	32,456,527
Discount on prompt payments	453,440	1,215,931	453,440	1,215,931
Approval fees: advertisements	39,272,765	35,093,842	39,272,765	35,093,842
Connection fees	11,232,930	16,789,956	11,232,930	16,789,956
Cemetery fees	4,684,796	4,917,841	4,684,796	4,917,841
Application fees	2,650,908	2,672,975	2,650,908	2,672,975
Income from bulk containers	26,063,600	30,332,001	26,063,600	30,332,001
Sales: Aeroplane fuel	34,439,614	27,855,176	34,439,614	27,855,176
Transport fees	43,509,528	35,503,357	43,509,528	35,503,357
Miscellaneous	94,799,506	104,739,119	94,799,506	104,739,119
	990,860,352	1,207,009,400	957,147,141	1,168,798,927

2012 R 27. Employee related costs Salaries and wages 3,245,805,93 Medical aid contributions 253,309,92 UIF 23,971,51 Pension fund contributions 519,602,67 Travel, motor car, accommodation, subsistence 246,704,27 and other allowances 302,506,85 Covertime payments 302,506,85 Long-service awards 7,975,13 Performance bonus 474,80 Other allowances 165,170,31 Housing benefits and allowances 21,984,09 Compensation Commissioner (COIDA) 27,866,08 4,815,371,61 Remuneration of City Manager Annual Remuneration 1,750,00 Contributions to UIF, Medical and Pension Funds	Restated 2011 R	2012 R	Restated 2011 R
Salaries and wages Medical aid contributions UIF Pension fund contributions Travel, motor car, accommodation, subsistence and other allowances Overtime payments Long-service awards Performance bonus Other allowances Other allowances Other allowances Other allowances Other allowances Other allowances Ar4,800 Compensation Commissioner (COIDA) Remuneration of City Manager Annual Remuneration Contributions to UIF, Medical and Pension Funds			
Medical aid contributions 253,309,92 UIF 23,971,51 Pension fund contributions 519,602,67 Travel, motor car, accommodation, subsistence 246,704,27 and other allowances 302,506,85 Long-service awards 7,975,13 Performance bonus 474,80 Other allowances 165,170,31 Housing benefits and allowances 21,984,09 Compensation Commissioner (COIDA) 27,866,08 4,815,371,61 Remuneration of City Manager Annual Remuneration 1,750,00 Contributions to UIF, Medical and Pension Funds			
Overtime payments 302,506,85 Long-service awards 7,975,13 Performance bonus 474,80 Other allowances 165,170,31 Housing benefits and allowances 21,984,09 Compensation Commissioner (COIDA) 27,866,08 4,815,371,61 Remuneration of City Manager 1,750,00 Annual Remuneration Contributions to UIF, Medical and Pension Funds 1,750,00	6 217,848,969 0 22,910,482 8 456,192,488	3,170,328,807 253,309,926 23,971,510 519,602,678 246,704,278	2,814,737,909 217,848,969 22,910,482 456,192,488 224,086,584
Remuneration of City Manager Annual Remuneration 1,750,00 Contributions to UIF, Medical and Pension Funds	7 8,192,846 8 206,917 3 161,571,464 4 21,423,613	302,506,855 7,975,137 474,808 165,170,313 21,984,094 27,866,081	284,968,204 8,192,846 206,917 161,571,464 21,423,613 24,826,289
Annual Remuneration 1,750,00 Contributions to UIF, Medical and Pension Funds	6 4,304,325,951	4,739,894,487	4,236,965,765
Contributions to UIF, Medical and Pension Funds			
Cell phone allowance 24,00 Non pension allowance 750,00 2,524,00	- 38,208 0 9,600 0 290,692	1,750,000 - 24,000 750,000 2,524,000	767,432 38,208 9,600 290,692 1,105,932
Remuneration of Deputy City Managers			
Annual Remuneration 5,129,72 Travel allowance 648,00 Cell phone allowance 86,40 Non pension allowance 1,329,58	0 - 0 -	5,129,727 648,000 86,400 1,329,585	
7,193,71		7,193,712	
There are 4 Deputy City Managers appointed during 2011/12 which relate to Remuneration of Chief Financial Officer	Š		
Annual Remuneration 1,155,00 Car Allowance 60,00 Contributions to UIF, Medical and Pension Funds 39,33 Cell phone allowance 21,60 Non pension allowance 395,66	0 60,000 8 15,442 0 9,600	1,155,000 60,000 39,338 21,600 395,662	767,424 60,000 15,442 9,600 344,810
1,671,60	1,197,276	1,671,600	1,197,276
Remuneration: Strategic Executive Directors			
Annual Remuneration 9,791,85 Car Allowance 1,730,40 Contributions to UIF, Medical and Pension Funds 880,98 Cell phone allowance 204,00 Non pension allowance 2,348,72	0 2,140,800 9 693,918	9,791,852 1,730,400 880,989	12,293,081 2,140,800 693,918
14,955,96		204,000 2,348,721	121,200 2,433,685

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
		Restated		Restated
	2012 R	2011 R	2012 R	2011 R
27. Employee related costs (continued)				
Remuneration:Technical services				
Annual Remuneration	2,039,688	2,402,862	2,039,688	2,402,862
Car Allowance Contributions to UIF, Medical and Pension Funds	1,128,000 102,264	432,000 129,840	1,128,000 102,264	432,000 129,840
Cell phone allowances	43,200	37,200	43,200	37,200
Non pension allowance	421,488	467,958	421,488	467,958
	3,734,640	3,469,860	3,734,640	3,469,860
Remuneration:Corporate services				
Annual Remuneration	997,388	4,986,635	997,388	4,986,635
Car Allowance	96,000	1,118,400	96,000	1,118,400
Contributions to UIF, Medical and Pension Funds	23,832	61,918	23,832	61,918
Cell phone allowances	21,600	18,000	21,600	18,000
Non pension allowance	307,620	956,751	307,620	956,751
	1,446,440	7,141,704	1,446,440	7,141,704
Remuneration: Community Services				
Annual Remuneration	6,754,776	4,903,584	6,754,776	4,903,584
Car Allowance	506,400	590,400	506,400	590,400
Contributions to UIF, Medical and Pension Funds	754,893	502,160	754,893	502,160
Cell phone allowances	139,200	66,000	139,200	66,000
Non pension allowance	1,619,613	1,008,976	1,619,613	1,008,976
	9,774,882	7,071,120	9,774,882	7,071,120
28. Remuneration of councillors				
Executive Mayor's allowance	44,466	977	44,466	977
Councillors' allowances	60,436,125	39,454,784	60,436,125	39,454,784
Councillors' pension contribution	24,658	3,339,855	24,658	3,339,855
Travelling allowance Councillor's medical contributions	28,944,567	15,737,707 982,387	28,944,567	15,737,707 982,387
Councillor's housing allowance	1,986,478	2,196,180	1,986,478	2,196,180
	91,436,294	61,711,890	91,436,294	61,711,890
			01,100,201	

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.

According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.

Depreciation and amortisation

Depreciation: Property, plant & equipment Depreciation: Leased assets Depreciation: Rehabilitation assets	896,059,516	683,083,759	893,334,102	679,636,950
	129,988,355	102,417,664	129,988,355	102,417,664
	3,964,337	34,807,683	3,964,337	34,807,683
	1,030,012,208	820,309,106	1,027,286,794	816,862,297

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012	Restated 2011	2012	Restated 2011
	R	R	R	R
30. Finance costs (Interest paid)				
Long-term liabilities (external loans)	540,170,906	524,966,675	539,657,344	524,395,348
Finance leases	34,064,937	26,187,769	34,064,937	26,187,769
Bank overdraft Other finance cost (hank sharges transit hanking	4,118,842 33,255,479	5,929,714 26,259,534	4,116,643 33,255,479	5,579,624 26,259,534
Other finance cost (bank charges, transit banking, etc)	33,255,479	20,259,554	33,255,479	20,259,534
Amortisation: provisions	22,314,181	21,692,326	22,314,181	21,692,326
	633,924,345	605,036,018	633,408,584	604,114,601
31. Investment revenue				
Interest revenue (interest received)				
Bank	8,953,289	11,243,243	8,953,289	11,243,243
Investments	5,639,381	2,924,815 88,210,251	4,890,652	2,028,943
Long-term investments Contingency insurance	31,472,505 6,868,654	8,660,152	31,472,505 6,868,654	88,210,251 8,660,152
Contingency insurance	52,933,829	111,038,461	52,185,100	110,142,589
				110,112,000
32. Debt impairment				
Contributions to bad debt provision	442,604,547	418,518,436	411,076,657	385,680,104
Amounts written off	703,039,259	291,277,836	667,439,739	254,007,230
	1,145,643,806	709,796,272	1,078,516,396	639,687,334
33. Bulk purchases				
Electricity	5,140,035,720	3,657,577,291	5,142,610,831	3,659,189,935
Water	1,029,797,141	826,090,060	1,113,936,222	903,209,769
	6,169,832,861	4,483,667,351	6,256,547,053	4,562,399,704
34. Grants and subsidies paid				
Other subsidies		,	-1	
Grants-In-Aid: Property Rates	21,495,798	27,625,621	21,495,798	27,625,621

The grant-in-aid is in respect of the funding of Non-Governmental Organisation involved in empowerment programs for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.

The municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the municipality in writing, for such grant-in-aid.

	Group		Municipality	
		Restated		Restated
	2012	2011	2012	2011
	R	R	R	R
35. General expenses				
Rates and services	256,379,570	201,121,185	256,379,570	201,121,185
Rental of property, plant and equipment	328,390,711	245,415,037	328,390,711	245,415,037
Insurance	69,109,494	70,439,613	69,109,494	70,439,613
Implementation: OITPS	59,850,386	55,355,243	59,850,386	55,355,243
Restructuring/Transformation		11,243,136		11,243,136
Leasing of property	157,865,055	134,638,593	157,865,055	134,638,593
Advertising and marketing	17,556,077	11,621,889	17,556,077	11,621,889
Employment benefit provision expense	54,439,588	329,957,429	54,439,588	329,957,429
Consultant fees	29,260,248	37,363,593	29,260,248	37,363,593
Private sector labour	42,815,923	71,453,308	42,815,923	71,453,308
Electricity disconnections	38,376,184	63,587,860	38,376,184	63,587,860
Telecommunication	78,303,884	60,068,037	78,303,884	60,068,037
Service providers	107,345,324	71,183,175	150,325,371	107,284,026
Project Linked Housing: Top structures	93,056,868	13,294,443	93,056,868	13,294,443
Soccer World Cup 2010 related expenses	-	579,880	-	579,880
Special projects	30,447,316	42,356,233	30,447,316	42,356,233
Coal	209,885,226	199,446,765	209,885,226	199,446,765
EPWP: Job creation	29,191,304	-	29,191,304	-
Management information	20,118,723	9,051,889	20,118,723	9,051,889
Formalisation: Informal sector	33,527,340	38,156,837	33,527,340	38,156,837
Medical aid fund	43,612,405	38,767,303	43,612,405	38,767,303
Water care: Private	39,405,570	35,804,591	39,405,570	35,804,591
Locomotion allowance	20,464,804	19,481,897	20,464,804	19,481,897
Household refuse removal	148,292,983	97,224,053	148,292,983	97,224,053
Rental vehicles	45,338,628	27,999,986	45,338,628	27,999,986
Tanker water services	32,912,773	17,245,029	32,912,773	17,245,029
CCTV	26,232,790	14,784,000	26,232,790	14,784,000
Petrol and diesel fuel	199,173,487	136,303,330	199,173,487	136,303,330
Prepaid Electricity Commission	7,125,353	5,397,019	7,125,353	5,397,019
Legal costs	28,796,596	24,532,605	28,796,596	24,532,605
Licences	31,721,966	36,842,361	31,721,966	36,842,361
Stationary	25,430,419	16,605,405	25,430,419	16,605,405
Tshwane Inner City	19,233,473	-	19,233,473	-
Internet fees	27,281,451	21,554,143	27,281,451	21,554,143
Training Board fees	38,348,260	33,255,345	38,348,260	33,255,345
Hostel charges	215,867,199	147,511,036	215,867,199	147,511,036
Other expenses	514,877,249	538,819,010	514,877,249	538,819,010
	3,120,034,627	2,878,461,258	3,163,014,674	2.914.562.109
Less: Interdepartmental charges	(256,379,570)	(201,121,185)	(256,379,570)	(201,121,185)
	2,863,655,057	2,677,340,073	2,906,635,104	2,713,440,924

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
36. Cash generated from operations				
Surplus	1,884,653,964	791,921,405	1,878,573,121	778,464,212
Adjustments for:				
Depreciation and amortisation	1,030,012,208	820,309,106	1,027,286,794	816,862,297
(Loss) /gain on sale of assets and liabilities	60,971,549	(10,071,444)	60,971,549	(10,077,632)
Fair value adjustments	2,734,273	(5,692,441)	264,454	498,573
Impairment deficit	29,807,842	490,306	29,807,842	490,306
Debt impairment	1,145,643,806	709,796,272	1,078,516,396	639,687,334
Movements in retirement benefit assets and	88,157,754	329,957,429	88,157,754	329,957,429
liabilities	04 000 000	10 001 010	04.405.040	40 500 000
Movements in provisions	21,836,638	48,801,046	21,495,848	48,529,029
Changes in working capital:	(70,000,407)	(440.057.744)	(77.045.040)	(4.44.700.000)
Inventories	(78,096,427)	(113,957,711)	(77,845,616)	(141,799,333)
Other debtors Consumer debtors	(140,113,100) (1,238,638,238)	34,221,435 (942,592,160)	(35,889,954)	6,202,565 (884,826,351)
	1,128,531,959	(942,592,160)	(1,165,109,088) 1,034,522,368	320,630,578
Payables from exchange transactions VAT	95,794,237	(5,517,114)	1,034,522,366	(8,832,075)
Unspent conditional grants and receipts	(78,672,033)	71,773,039	(78,765,758)	75,161,731
Consumer deposits	47,336,264	37,810,000	47,012,428	37,346,777
Consumer deposits	47,330,204	37,610,000		37,340,777
	3,999,960,696	2,042,169,713	4,009,788,410	2,008,295,440
37. Utilisation of Long-term liabilities reconciliation				
Long-term liabilities raised	6,434,887,866	5,756,745,210	6,431,452,172	5,752,701,117
Used to finance property, plant and equipment	(9,873,888,530)	(8,374,369,154)	(9,873,888,530)	(8,374,369,154)
	(3,439,000,664)	(2,617,623,944)	(3,442,436,358)	(2,621,668,037)
Cash set aside for the repayment of long-term liabilities	(252,571,456)	(458,973,046)	(282,571,456)	(458,973,046)
	(3,691,572,120)	(3,076,596,990)	(3,725,007,814)	(3,080,641,083)

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.

Included in the amount used to finance property, plant & equipment (2011 = R8 374 369) were amounts financed temporarily out of revenue in expectation of the receipt of external loans over the year end.

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,861,602	1,816,320	1,861,602	1,816,320
Amount paid - current year	(1,861,602)	(1,816,320)	(1,861,602)	(1,816,320)
		-	-	-
Audit fees				
Opening balance Current year audit fee	951,750	2,753,844	951,750	2,753,844
	26,401,686	18,304,671	24,753,877	16,514,700
Amount paid - current year	(26,401,686)	(17,352,921)	(24,753,877)	(15,562,950)
Amount paid - previous years	(951,750)	(2,753,844)	(951,750)	(2,753,844)
	-	951,750	-	951,750

The balance of the previous financial year was paid in the following financial year.

Notes to the Annual Consolidated Financial Statements

	Gro	Group		ipality
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
38. Additional disclosure in terms of Municipal	Finance Management Act	(continued)		
PAYE and UIF				
Opening balance Current year payroll deductions Amount paid - current year Amount paid - previous years	51,166,441 681,043,743 (624,033,529) (51,166,440)	41,146,641 595,323,874 (543,508,123) (41,146,641)	51,166,441 670,062,489 (613,895,036) (51,166,441)	40,221,054 586,725,257 (535,558,815) (40,221,054)
	57,010,215	51,815,751	56,167,453	51,166,442
Pension and Medical Aid Deductions				
Current year payroll deductions and council contributions	1,161,084,141	1,010,723,288	1,150,295,107	1,003,253,545
Amount paid - current year	(1,161,084,141)	(1,010,723,288)	(1,150,295,107)	(1,003,253,545)
VAT				
VAT receivable VAT payable	2,976,135 (255,243,501)	(156,473,129)	(255,243,501)	- (154,453,229)
	(252,267,366)	(156,473,129)	(255,243,501)	(154,453,229)

VAT output payables and VAT input receivables are shown in note 10.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Without payoff arrangements	With payoff arrangements	Total R
Joosub U Campbell A W Singh S Makitla N B Makeke D V & N P Nkosi W M S Marema M P Matsena M M Mathebe M R Katake N S Nemuthenga L N Morudu M T & M G Marotola Buthelezi F K & N L E Maila K P & V H S Makgatho & Bofu AL & J T Thobejane H S Boshoff C H Wannenburg D G	14,164 2,520 39,347 - 436 2,023 - 953 8,374 3,333 341 9,768 4,420 2,535	14,307 1,143 3,780 3,082 - - - 11,868 2,392 - - 5,153 - - - - - - - - - - - - - - - - - - -	14,307 1,143 3,780 3,082 14,164 2,520 39,347 11,868 2,392 436 2,023 5,153 953 8,374 3,333 341 9,768 4,420 2,535
30 June 2011	Without payoff arrangements	With payoff arrangements	Total R
Ledwaba D C	129		129

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		cipality
2012 R	Restated 2011 R	2012 R	Restated 2011 R

Non-compliance with applicable legislation

MFMA: Section 116(3)

Contracts were amended or extended without notifying the public as required by section 116(3) of the MFMA.

MFMA: Section 65(e) and Section 99(2)(b)

All invoices of the parent are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression.

Supply Chain Management Regulations

In terms of Supply Chain Management Regulation 44 awards may not be made to a person who is in service of the state. Awards were made by the municipality to persons who are in the service of the state.

Certain deviations from the supply chain management process were not in accordance with: inter alia the requirements of Supply Chain Management regulation 36(1).

Tshwane Economic Development Agency (TEDA):

The entity did not trade and therefore it was not deemed practical/feasible to adhere to the Municipal Systems Act and the following requirements of the MFMA:

Section 85(1): Open and maintain a bank account

Section 87: Annual budget

Section 87(5)(d): Multi-year business plan Section 87(11): Monthly financial/budget statements

Section 97: Revenue management policies

Section 99(2)(b): Payment of creditors

Section 111, 112, 115: Supply chain management policies

Section 165: Internal audit and risk based audit plan

Section 165(2)(b): Report to the Accounting Officer and audit committee on controls and risks

No service delivery agreement between the City of Tshwane and the company has as yet been signed as required by section 76 and 80 of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended).

	Gro	up	Munic	ipality
		Restated		Restated
	2012	2011	2012	2011
	R	R	R	R
40. Commitments				
Authorised capital expenditure				
Approved and contracted for				
 Infrastructure 	3,262,603,977	2,052,825,852	3,262,603,977	2,052,825,852
• Community	444,150,806	264,881,350	444,150,806	264,881,350
• Other	423,114,000	381,456,390	423,114,000	381,456,390
Housing	25,955,044	33,301,000	25,955,044	33,301,000
	4,155,823,827	2,732,464,592	4,155,823,827	2,732,464,592
Approved but not yet contracted for				
Infrastructure	68,172,072	329,090,148	68,172,072	329,090,148
• Community	80,700,000	68,250,000	80,700,000	68,250,000
• Other	48,351,000	40,613,000	48,351,000	40,613,000
• Housing	-	15,000,000	-	15,000,000
	197,223,072	452,953,148	197,223,072	452,953,148
	4,353,046,899	5,464,929,184	4,353,046,899	3,185,417,740
This expenditure will be financed from:				
Council funding	637,383,777	1,974,850,453	637,383,777	1,974,850,453
Borrowings	1,640,000,000	-	1,640,000,000	-
Other contributions	14,355,044	-	14,355,044	-
FMG - Financial Management Grant	500,000	-	500,000	-
CLS - Community Library Services	2,300,000	-	2,300,000	-
Public Contributions & Donations	88,571,223	-	88,571,223	-
EPWP Incentive - Expanded Public Works	10,151,000	-	10,151,000	-
Programme	63 360 000	25 006 207	62.260.000	25 006 207
Capital replacement reserve Provincial grants	63,260,000	35,986,287 16,000,000	63,260,000	35,986,287 16,000,000
Human Settlements Development Grant	72,186,855	10,000,000	72,186,855	10,000,000
(Government Housing)	72,100,000	-	12,100,000	-
PTIS	738,702,000	180,000,000	738,702,000	180,000,000
MIG/Urban Settlements Development Grant	996,070,000	887,581,000	996.070.000	887,581,000
National Electrification Fund/INEP	30,000,000	21,000,000	30,000,000	21,000,000
Energy Efficiency Demand Side Management	-	25,000,000	-	25,000,000
Neighbourhood Development Partnership Grant	59,567,000	45,000,000	59,567,000	45,000,000

Notes to the Annual Consolidated Financial Statements

Figures in Rand

41. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance Net surplus for the year Transfer reserve to accumulated surplus	210,179,636	1,578,325,738 - (1,578,325,738)	5,240,670,219 - (5,240,670,219)	325,083,933	135,591,487 - -	102,645,896 - -	128,851,478	1,903,398,308 1,884,653,964 7,354,259,526	9,624,746,695 1,884,653,964
Transfer to/(from) reserves	-	-	-	-	(25,938,380)	29,003,019	-	(3,064,639)	
	-	-	-	-	109,653,107	131,648,915	128,851,478	11,139,247,159	11,509,400,659

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2011

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	222,734,008	1,690,411,195	4,902,333,894	237,439,978	146,257,158	88,247,216	128,849,720	1,259,374,391	8,675,647,560
Prior year correction	-	-	-	-	-	-	-	157,177,732	157,177,732
Net surplus for the year	-	-	-	-	-	-	-	791,921,405	791,921,405
Transfer to/(from) reserves	-	-	-	87,643,955	(10,665,671)	14,398,680	1,758	(91,378,722)	-
Capital grants used to purchase property, plant									
and equipment	-	-	492,893,260	-	-	-	-	(492,893,260)	-
Property, plant and equipment purchases	(27,176,397)	27,176,397	-	-	-	-	-	-	-
Asset purifications/retirements	14,622,025	(705,600)	(1,048,454)	-	-	-	-	(12,867,971)	-
Offsetting of depreciation		(138,556,254)	(153,508,481)	-	-	-	-	292,064,735	<u> </u>
	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,903,398,310	9,624,746,697

Notes to the Annual Consolidated Financial Statements

Figures in Rand

41. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance Net surplus for the year	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487 -	102,645,896	128,851,478 -	1,864,438,964 1,878,573,121	9,585,787,351 1,878,573,121
Transfer reserve to accumulated surplus Transfer to/(from) reserves	(210,179,636)	(1,578,325,738)	(5,240,670,219)	(325,083,933)	(25,938,380)	29,003,019		7,354,259,526 (3,064,639)	-
	-	-	-	-	109,653,107	131,648,915	128,851,478	11,094,206,972	11,464,360,472

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2011

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	222,734,008	1,690,411,195	4,902,333,894	237,439,978	146,257,158	88,247,216	128,849,720	1,233,872,242	8,650,145,411
Prior year adjustments	-	-	-	-	-	-	-	157,177,732	157,177,732
Net surplus for the year	-	-	-	-	-	-	-	778,464,211	778,464,211
Property, plant and equipment purchases	(27,176,397)	27,176,397	-	-	-	-	-	-	-
Offsetting of depreciation	-	(138,556,254)	(153,508,481)	-	-	-	-	292,064,735	-
Capital grants used to purchase property, plant									
and equipment	-	-	492,893,260	-	-	-	-	(492,893,260)	-
Asset purification/retirements	14,622,025	(705,600)	(1,048,454)	-	-	-	-	(12,867,971)	-
Transfer to/(from) reserves	-	-	-	87,643,955	(10,665,671)	14,398,680	1,758	(91,378,722)	_
	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,864,438,967	9,585,787,354

Notes to the Annual Consolidated Financial Statements

Gr	oup	Municipality		
2012 R	Restated 2011 R	2012 R	Restated 2011 R	

Employee benefit obligations

Pension funds

Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.

Defined contribution plan (as classified by the relevant fund):

The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 27.

monisors of the fand.	448,279,726	405,563,959	448,279,726	405,563,959
Retirement Fund: 47 (0.36%) of the Municipality's employees are members of this fund.	1,494,483	1,512,416	1,494,483	1,512,416
member of this fund. Meshawu National Local Authorities				
Germiston Municipal Retirement Fund: 5 (0.04%) of the Municipality's employees are a	423,354	67,364	423,354	67,364
SAMWU National Provident Fund: 1 070 (8.20%) of the Municipality's employees are members of this fund.	43,154,598	38,743,968	43,154,598	38,743,968
SAMWU National Pension Fund: 16 (0.12%) of the Municipality's employees are members of this fund.	786,042	766,760	786,042	766,760
SALA Provident Fund: 70 (0.54%) of the Municipality's employees are members of this fund.	1,086,421	1,079,895	1,086,421	1,079,895
fund. 66 (0.51%) of the Municipality's employees are members of this fund. National Fund for Municipal Workers: 3 695 (28.31%) of the Municipality's employees are members of this fund.	229,094,052	208,634,870	229,094,052	208,634,870
are members of this fund. Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this	3,918,433	6,222,096	3,918,433	6,222,096
Tshwane Municipal Provident Fund: 3 092 (23.69 %) of the Municipality's employees	168,322,343	148,536,590	168,322,343	148,536,590

Defined contribution plan (as classified by the relevant funds):

Tshwane Municipal Pension Fund

The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 95%. as at 31 December 2009. 331 (2.54%) of the Municipality's employees are members of this fund.

Included in general expenses are: Current service cost Interest cost Expected return on assets Recognised Net (Gain)/Loss	25,564,438 62,559,247 (59,988,825) (34,188,261)	25,566,160 62,731,461 (58,568,112) (13,436,813)	25,564,438 62,559,247 (59,988,825) (34,188,261)	25,566,160 62,731,461 (58,568,112) (13,436,813)
Defined benefit expense	(6,053,401)	16,292,696	(6,053,401)	16,292,696
Post-employment benefit liability (funded status) Present value of the obligation Fair value of plan assets	(726,140,957) 616,219,065	(721,072,962) 588,125,731	(726,140,957) 616,219,065	(721,072,962) 588,125,731
Liability recognised in statement of financial position	(109,921,892)	(132,947,231)	(109,921,892)	(132,947,231)

	Group		Municipality	
		Restated		Restated
	2012 R	2011 R	2012 R	2011 R
42. Employee benefit obligations (continued)				
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	721,072,962	686,903,774	721,072,962	686,903,774
Interest cost Current service cost	62,559,247 25,564,438	62,731,461 25,566,160	62,559,247 25,564,438	62,731,461 25,566,160
Member contributions	6,781,774	6,846,464	6,781,774	6,846,464
Risk premiums	(2,181,498)	(2,242,963)	(2,181,498)	(2,242,963)
Actuarial (gain)/loss on obligation	(87,655,966)	(58,731,934)	(87,655,966)	(58,731,934)
Present value of obligation at end of year	726,140,957	721,072,962	726,140,957	721,072,962
Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)				
40000)	588,125,731	552,529,361	588,125,731	552,529,361
Expected return on plan assets	59,988,825	58,568,112	59,988,825	58,568,112
Contributions	23,753,713	24,566,342	23,753,713	24,566,342
Risk premiums Actuarial (gain)/loss on obligation	(2,181,498) (53,467,706)	(2,242,963) (45,295,121)	(2,181,498) (53,467,706)	(2,242,963) (45,295,121)
Fair value of plan assets at end of year	616,219,065	588,125,731	616,219,065	588,125,731
Composition of plan assets:			_	
Cash	10.50 %	8.30 %	10.50 %	8.30 %
Equity	58.50 %	58.20 %	58.50 %	58.20 %
Bonds	16.70 %	21.60 %	16.70 %	21.60 %
Property Other	1.20 % 1.00 %	0.50 % 0.50 %	1.20 % 1.00 %	0.50 % 0.50 %
International	12.10 %	10.90 %	12.10 %	10.90 %
Total	100.00 %	100.00 %	100.00 %	100.00 %
Actual return on plan assets	6,521,026	13,272,991	6,521,026	13,272,991
7 Octubration on Plan accord				,_,_,
Estimated contributions payable in the next financial period	23,843,713	24,115,356	23,843,713	24,115,356
Municipal gratuity fund				
Actuarial valuations are carried out every 2 years.1 62 plan assets are set aside for the Gratuity Fund. The integration of the sound as at 30 June 2010.				
Included in general expenses are:				
Current service cost	4,446,790	3,594,632	4,446,790	3,594,632
Interest cost Expected return on assets	7,815,575 (7,890,260)	6,388,063 (4.764.251)	7,815,575 (7,890,260)	6,388,063 (4,764,251)
Recognised Net (Gain)/Loss	(7,890,260) (4,865,624)	(4,764,251) 9,512,018	(4,865,624)	(4,764,251) 9,512,018
Defined benefit expense	(493,519)	14,730,462	(493,519)	14,730,462
Donnou benefit expense	(430,313)	17,730,702	(+30,019)	17,730,702

	Grou	0	Municip	ality
	0010	Restated	0010	Restated
	2012 R	2011 R	2012 R	2011 R
2. Employee benefit obligations (continued)				
Post-employment benefit liability (funded				
status) Present value of the obligation Net (expense)/income recognised	(90,222,065) 493,519	(75,491,604) (14,730,461)	(90,222,065) 493,519	(75,491,604 (14,730,46
iability recognised in statement of financial osition	(89,728,546)	(90,222,065)	(89,728,546)	(90,222,06
econciliation of defined benefit obligation:				
Obligation: Present value - begining of year	90,222,066	75,491,604	90,222,066	75,491,60
nterest cost	7,815,575	3,594,632	7,815,575	3,594,632
Current service cost	4,446,790	6,388,063	4,446,790	6,388,063
enefits paid ctuarial (gain)/loss on obligation	(7,890,260) (4,865,624)	(4,764,251) 9,512,018	(7,890,260) (4,865,624)	(4,764,25° 9,512,018
Present value of obligation at end of year	89,728,547	90,222,066	89,728,547	90,222,06
	· · · · · · · · · · · · · · · · · · ·			
stimated benefit payable in next financial eriod	8,980,401	7,890,290	8,980,401	7,890,260
lulti-employer funds				
f these funds, the lack of information and the fact that as mployers, these funds are accounted for as defined co	ssets are not specifically a		obligations in respec	
f these funds, the lack of information and the fact that as mployers, these funds are accounted for as defined concluded in Employee related costs, Note 27). GALA Pension Fund: The actuarial valuation is carried annually since 1 uly 1998. The actuarial valuation performed on 1 uly 2004 showed an unfunded liability of R516,62 nillion (81.9% funding level). The Municipality's imployees make up approximately 5,4 % of the otal membership and therefore the Municipality's cossible liability with regard to the unfunded ability is calculated at R28 million. 773 (5.92%) of the Municipality's employees are members of	ssets are not specifically a	associated to meet the	obligations in respec	tributions are
If these funds, the lack of information and the fact that as imployers, these funds are accounted for as defined concluded in Employee related costs, Note 27). In actuarial valuation is carried annually since 1 ruly 1998. The actuarial valuation performed on 1 ruly 2004 showed an unfunded liability of R516,62 rullion (81.9% funding level). The Municipality's employees make up approximately 5,4% of the rotal membership and therefore the Municipality's rossible liability with regard to the unfunded ability is calculated at R28 million. 773 (5.92%) of the Municipality's employees are members of rotal fund. The Government Employees Pension Fund: Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 1008 reported the fund to be in a sound financial rosition with a funding level of 100%. 30 (0.23%) of the Municipality's employees are members of the Municipality's employees are members of the Municipality's employees are members of	ssets are not specifically a ontribution funds in terms	associated to meet the of paragraph 30 of	e obligations in respec IAS 19. The total cor	atributions are
It these funds, the lack of information and the fact that as apployers, these funds are accounted for as defined concluded in Employee related costs, Note 27). ALA Pension Fund: the actuarial valuation is carried annually since 1 ally 1998. The actuarial valuation performed on 1 ally 2004 showed an unfunded liability of R516,62 allilion (81.9% funding level). The Municipality's amployees make up approximately 5,4 % of the otal membership and therefore the Municipality's cossible liability with regard to the unfunded ability is calculated at R28 million. 773 (5.92%) are fit to the Municipality's employees are members of the Government Employees Pension Fund: Cutuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March consistion with a funding level of 100%. 30 (0.23%) and the Municipality's employees are members of the Municipality's employees are members of the Municipal Pension Fund: Cutuarial valuations are performed every 3 years. The actuarial valuation performed on 30 eptember 2010 indicated a funding level of 04,9% and the fund was in a sound financial cosition at the valuation date. 108 (0.83%) of the lunicipality's employees are members of this	ssets are not specifically a ontribution funds in terms 34,598,206	associated to meet the of paragraph 30 of 33,561,876	e obligations in respectives 19. The total condition 34,598,206	33,561,87 353,31
of these funds, the lack of information and the fact that as employers, these funds are accounted for as defined concluded in Employee related costs, Note 27). SALA Pension Fund: The actuarial valuation is carried annually since 1 duly 1998. The actuarial valuation performed on 1 duly 2004 showed an unfunded liability of R516,62 million (81.9% funding level). The Municipality's employees make up approximately 5,4% of the otal membership and therefore the Municipality's cossible liability with regard to the unfunded ability is calculated at R28 million. 773 (5.92%) of the Municipality's employees are members of his fund. The Government Employees Pension Fund: Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial cosition with a funding level of 100%. 30 (0.23%) of the Municipality's employees are members of his fund. Noint Municipal Pension Fund: Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 04,9% and the fund was in a sound financial cosition at the valuation date. 108 (0.83%) of the Municipality's employees are members of this fund. Municipal Employees Pension Fund: The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial cosition with a funding level of 100%. 2 119 116.24%) of the Municipality's employees are members of this fund.	ssets are not specifically a contribution funds in terms 34,598,206	associated to meet the of paragraph 30 of 33,561,876	e obligations in respectives and the total conditions of the total conditions and the total conditions and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition and the total conditions are also as a second condition are also as a second condition and the total conditions are also as a second condition are a second condition ar	

Subsidy Increase rate:

Accrued liability 30 June

Decrease of 1 %

Increase of 1 %

% change

% change

Notes to the Annual Consolidated Financial Statements

	Grou	ıp	Municip	ality
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
42. Employee benefit obligations (continued)				
Medical aid funds				
Included in general expenses are:	44.754.554	40,000,000	44 754 554	40,000,000
Current service cost	11,754,554	12,366,000	11,754,554	12,366,000
Interest cost Expected Employer Benefit Payments	73,991,057 (37,485,048)	57,568,000 (31,132,000)	73,991,057 (37,485,048)	57,568,000 (31,132,000)
Recognised Net (Gain)/Loss	80,241,199	198,686,000	80,241,199	198,686,000
Defined benefit expense	128,501,762	237,488,000	128,501,762	237,488,000
Post-employment benefit liability (funded				
status)				
Present value of the unfunded obligation	(867,854,000)	(630,366,000)	(867,854,000)	(630,366,000)
Recognised actuarial gains	(128,502,198)	(237,488,000)	(128,502,198)	(237,488,000)
Liability recognised in statement of financial position	(996,356,198)	(867,854,000)	(996,356,198)	(867,854,000)
Reconciliation of defined benefit obligation:	007.054.000	620, 260, 000	007.054.000	020 200 000
Present value of unfunded obligation at beginning of year	867,854,000	630,366,000	867,854,000	630,366,000
Interest cost	73,991,057	57,568,000	73,991,057	57,568,000
Current service cost	11,754,554	12,366,000	11,754,554	12,366,000
Employer contributions	(37,485,048)	(31,132,000)	(37,485,048)	(31,132,000)
Actuarial Gains/Losses	80,241,199	198,686,000	80,241,199	198,686,000
Present value of obligation at end of year	996,355,762	867,854,000	996,355,762	867,854,000
Actuarial (gains)/losses recognised in other				
comprehensive income:	(04.400.004)	(40, 400, 040)	(0.4.400.004)	(40, 400, 040)
Tshwane Pension Fund Gratuities	(34,188,261) (4,865,624)	(13,436,813) 9,512,018	(34,188,261) (4,865,624)	(13,436,813) 9,512,018
Medical aid funds	80,241,199	198,686,000	80,241,199	198,686,000
Total amount of actuarial (gains)/losses	41,187,314	194,761,205	41,187,314	194,761,205
recognised				
Estimated benefit payable in next financial period	38,676,240	37,485,000	38,676,240	37,485,000
Sensitivity Results				
The effect of an increase and decrease of one percent	age point in the assume	ed medical cost trend	rates on is the follo	wing: Subsidy

99

96,356,198

(14.0)%

17.0 %

856,523,000

1,170,397,000

867,854,000

751,838,000

1,011,241,000

(13.0)%

17.0 %

867,854,000

751,838,000

1,011,241,000

(13.0)%

17.0 %

996,356,198

856,523,000

1,170,397,000

(14.0)%

1.0 %

	G	roup	Mur	Municipality		
	2012 R	Restated 2011 R	2012 R	Restated 2011 R		
42. Employee benefit obligations (continued)						
Long service awards						
Included in general expenses are: Current service cost	42,284,040	31,283,171	42,284,040	31,283,171		
Interest cost	25,800,630	28,678,386	25,800,630	28,678,386		
Expected Employer Benefit Payments	(32,112,586)	(30,377,644)	(32,112,586)			
Recognised Net (Gain)/Loss	(80,890,568)	49,882,237	(80,890,568)			
Defined benefit expense	(44,918,484)	79,466,150	(44,918,484)	79,466,150		
Post-employment benefit liability (funded						
status) Present value of the unfunded obligation	(408,195,603)	(329,029,453)	(408,195,603)	(329,029,453)		
Recognised actuarial gains	44,918,484	(79,166,150)	44,918,484	(79,166,150)		
Liability recognised in statement of financial position	(363,277,119)	(408,195,603)	(363,277,119)	(408,195,603)		
Reconciliation of defined benefit obligation: Present value of unfunded obligation at beginning of year	408,195,603	329,029,453	408,195,603	329,029,453		
Interest cost	25,800,630	28,678,386	25,800,630	28,678,386		
Current service cost	42,284,040	31,283,171	42,284,040	31,283,171		
Employer contributions Actuarial gains/losses	(32,112,586) (80,890,568)	(30,677,644) 49,882,237	(32,112,586) (80,890,568)			
Present value of obligation at end of year	363,277,119	408,195,603	363,277,119	408,195,603		
Actuarial (gains)/losses recognised in other						
comprehensive income: Long service awards	(80,890,568)	49,882,237	(80,890,568)	49,882,237		
	(00,000,000)		(00,000,000)	.0,002,20:		
Estimated benefit payable in next financial period	28,041,819	32,112,586	28,041,819	32,112,586		
Sensitivity Results						
The effect of an increase and decrease of one perclincrease rate:	centage point in the assi	umed medical cost tr	end rates on is the f	ollowing: Subsidy		
Salary Increase rate:						
Accrued liability 30 June	363,277,119	408,195,603	363,277,119	408,195,603		
Decrease of 1 %	337,864,000	377,133,000	337,864,000	377,133,000		
% change Increase of 1 %	(7.0)% 391,721,000	(8.0)% 443,460,000	(7.0)% 391,721,000	(8.0)% 443,460,000		
% change	8.0 %	9.0 %	8.0 %	9.0 %		
Post-employment benefit liability (funded status)						
Pension Fund	(138,014,790)	(132,947,231)	(138,014,790)	(132,947,231)		
Municipal gratuity fund	(89,728,546)	(90,222,065)	(89,728,546)	(90,222,065)		
Medical aid funds Long service awards	(996,356,198) (363,277,119)	(867,854,000) (408,195,603)	(996,356,198) (363,277,119)	(867,854,000) (408,195,603)		
Total per Statement of Financial Position	(1,587,376,653)	(1,499,218,899)	(1,587,376,653)	(1,499,218,899)		
per distance of the financial toolson	(.,,,	(.,,=10,000)	(.,,0.0,000)	(.,,=10,000)		

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

Group			/lunicipality		
012 R	Restated 2011 R	2012 R	Restated 2011 R		

42. Employee benefit obligations (continued)

Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

Economic assumptions (pension fund and gratuities):

gratuities).				
Discount rate	7.99 %	43.00 %	7.99 %	43.00 %
Inflation rate	5.03 %	5.44 %	5.03 %	5.44 %
Salary Increase rate	6.03 %	6.44 %	6.03 %	6.44 %
Expected rate of return on assets	9.50 %	10.20 %	9.50 %	10.20 %
Pension increase allowance	3.75 %	4.75 %	3.75 %	4.75 %
Health Care Cost Inflation	6.78 %	7.19 %	6.78 %	7.19 %

Discount rate (pension fund and gratuities):

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability is to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 7.99% per annum has been used.

Inflation rate (pension fund and gratuities):

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 5.03% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3 % to 6 % per annum.

Salary increase:

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1% (pension funds) and 1 % (gratuities).

Expected return on assets:

The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of the asset spilt as at 30 June 2012. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 7.99 % per annum. The expected long-term rate of return on equities was set at a level of 3 % above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2 % below the bond rate. Return on overseas equity was assumed at 1% above the bond rate. Adjustments were made to reflect the effect of expenses.

Pension rate increase:

We have made use of a post-retirement discount rate of 3.75 % per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 3.75 % per annum.

Health Care Cost Inflation:

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 5.46 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.75 % per annum over the long-term.

43. Events after the reporting date

No material events occurred with respect to the 2011/12 financial year end after the date of the statement of financial position in respect of loans and investments..

The City will still be issuing a R500 million bond in 2012/13 which was a shortfall of the 2011/12 financial year for the funding of capital projects.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

Group		Municipality	Municipality		
Restated 2012 2011 R R		2012 R	Restated 2011 R		

44. Related parties

The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.

Related party balances

Amounts included in trade receivables and loans regarding related parties Sandspruit Works Association TEDA	34,298,530 44,665	34,928,530 16,857
Amounts included in trade payables regarding related parties Sandspruit Works Association	8,534,659	17,975,806
Related party transactions		
Sales to related parties Housing Company Tshwane Sandspruit Works Association	132,134 94,568,387	324,296 73,702,521
Purchases by related parties Sandspruit Works Association	84,139,081	76,914,102
Expenses paid/ revenue received on behalf of related parties Cenbis Housing Company Tshwane Housing Company Tshwane Housing Company Tshwane TEDA	7,085 114 182,588 3,868	40,635 8,276 13,978 153,123 25,074
Grants to related parties Housing Company Tshwane Sandspruit Works Association: DWAF subsidy Sandspruit Works Association: CoT subsidy	13,727,275 4,185,000 98,379,175	15,265,254 5,977,000 79,318,915
Disestablishment of municipal entities: Civirelo Water Metsweding Economic Development Agency (MEDA)	- 480,474	(2,715,175)

MEDA was part of the former Metsweding District Municipality and it was resolved by Council on 25 August 2011 to disestablish the municipal entity. During the 2011/12 financial year all assets and liabilities of MEDA were taken over by the City of Tshwane and creditors outstanding were paid by the City of Tshwane. The amount of R480 474 relates to the net balance (accumulated surplus) between assets and liabilities on 1 July 2011. The final close down financial statements are still to be compiled and finalised.

Civirelo Water, a municipal entity, was disestablished on 30 June 2010. All transactions, assets and liabilities were taken over by the City of Tshwane on 1 July 2010. A summary of the transactions can be seen below:

Gain o	n disesi	tahliehr	nant co	neiete	of∙

	-	(2,716,931)	-	(2,716,931)
Tswaing Electricity: final bank balance	<u> </u>	(234)		(234)
Enterprise SA: final bank balance	-	(1,528)	-	(1,528)
during 2010/11				
Civirelo: Expenditure paid by City of Tshwane	-	(5,769,836)	-	(5,769,836)
construction)				
Civirelo: Work in progress (asset under	-	5,416,171	-	5,416,171
Civirelo: Sundry debtor	-	2,611,738	-	2,611,738
Civirelo: Creditors	-	(2,277,442)	-	(2,277,442)
Accumulated Depreciation				
Civirelo: Property, plant & equipment -	-	(117,022)	-	(117,022)
Civirelo: Property, plant & equipment - Cost	-	136,394	-	136,394
Civirelo:Accumulated surplus 2009/10	-	(5,575,844)	-	(5,575,844)
Civirelo: Operating loss 2010/11	-	2,860,672	-	2,860,672

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group	Muni	Municipality		
2012 R	Restated 2011 R	2012 R	Restated 2011 R		

45. Prior period restatements

Change in accounting policy

None

Reclassification

AARTO fines have been reclassified from Fines to Other income due to the fact that is an agency revenue item rather than fine revenue.

Correction of errors

Revenue:

Restatements due to subsequent corrections on assessment rates.

Government grants were restated due to incorrect recognition of revenue on the Finance Management Grant, Restructuring Grant and Topstructures grant.

Public contributions and donations were restated due to changes in the accrual done at year end relating to bulk service contributions for rezoning for services rendered and not paid.

Gain: Disestablishment of municipal entity was corrected due to the incorrect clearing of debtors and creditors of Civirelo Water during 2010/11.

Rental of facilities: Business rentals were accounted for incorrectly during 2010/11.

Other income: Restatement due to first time take-on of meters on the asset register, calculation errors in library books and bulk waste debtors revenue.

Expense:

Finance cost: Restatement due to calculation corrections in interest of lease liabilities.

Depreciation and amortisation were restated as a result of a calculation error with respect to library books and leased assets during 2010/11 as well as the first time take-on of meters on the asset register.

Statement of Financial Position:

The restatements also relate to the subsequent corrections on assessment rates, calculation errors on the lease liability and leased assets and first time take-on of meters on the asset register. Unspent grants were restated due to incorrect recognition of revenue during 2010/11.

Presented below are the prior period adjustments contained in the Statement of Financial Performance, Statement of Position and Cash flow statements:

		Group		Municipality		
		Resta			Restated	
	2012 R	201 R		2012 R	2011 R	
45. Prior period restatements (continued)						
Group		As previously reported	Reclassi- fication	Correction of errors	Restated	
2011		·			DIOOO	
		R'000	R'000	R'000	R'000	
Statement of Financial Performance Revenue:						
Property rates		2,907,284,048	-	20,649,885	2,927,933,933	
Service charges		8,387,430,103	-	(1,833,991)		
Rental of facilities and equipment		101,719,839	-	1,327,702	103,047,541	
Interest received outstanding consumer debtors		213,994,778	-	(4.550.404)	213,994,778	
Public contributions and donations Fines		119,154,209	(4.054.220)	(4,559,461)		
Licences and permits		7,990,659 35,988,659	(4,954,228)	-	3,036,431 35,988,659	
Government grants and subsidies		2,513,030,783	-	(8,580,934)		
Gain: Disestablishment of ME		2,716,931	_	(651,555)	2,065,376	
Other income		811,168,866	4,954,228	390,886,306	1,207,009,400	
Interest received - external investments		111,038,461	-	-	111,038,461	
Gain: Disposal of assets and liabilities		9,770,203	-	307,429	10,077,632	
Fair value adjustments	,	6,191,014		-	6,191,014	
Total Revenue	,	15,227,478,553	-	397,545,381	15,625,023,934	
Expenditure:						
Remuneration		4,304,325,951	_	_	4,304,325,951	
Remuneration of Councilors		61,711,890	_	_	61,711,890	
Depreciation and amortisation		815,777,680	_	4,531,427	820,309,107	
Impairment loss/reversal of impairments		490,306	-	-	490,306	
Finance cost		603,863,842	-	1,172,176	605,036,018	
Debt impairment		709,796,272	-	-	709,796,272	
Collection costs		84,779,034	-	-	84,779,034	
Repairs and maintenance		1,057,463,847	-	52,298	1,057,516,145	
Bulk purchases		4,485,501,342	-	(1,833,991)	4,483,667,351	
Grants and subsidies paid		27,625,621	-	9 702 709	27,625,621	
General expenses Fair value adjustments		2,668,546,275 498,573	-	8,793,798	2,677,340,073 498,573	
Loss on disposal of assets		490,573	_	6,188	6,188	
	,	14 920 290 622				
Total expenditure		14,820,380,633 407,097,920	-	384,823,485	14,833,102,529 791,921,405	
Surplus for the year		407,097,920		364,623,465	791,921,405	
Statement of Financial Position		220 070 707		0.400.044	200 070 070	
Inventory		326,872,767	-	2,100,911	328,973,678	
Other debtors Consumer debtors		514,350,383 2,560,730,236	<u>-</u> -	(3,053,774) 30,132,893	511,296,609 2,590,863,129	
Property, plant and equipment		15,537,772,361			16,080,886,689	
Leased assets		253,751,962	_	3,247,337	256,999,299	
Investment property		419,971,300	_	-,,,-	419,971,300	
Intangible assets		199,924,120	-	-	199,924,120	
Long-term receivables		231,846,251	-	(10,078,267)	221,767,984	
Lease liabilities		261,701,620	-	3,915,308	265,616,928	
Trade and other payables from exchange transactions		3,372,136,356	-	3,574,799	3,375,711,155	
		146,482,898	-	9,990,231	156,473,129	
VAT payable						
VAT payable Unspent conditional grants and receipts Accumulated surplus		392,510,660 9,082,745,477	-	5,981,872 542,001,218	398,492,532 9,624,746,695	

	Group				Municipality		
	Rest 2012 20 R F		11	2012 R		Restated 2011 R	
45. Prior period restatements (continued)							
Group		As previously reported	Reclassi- fication	С	orrection of errors	Restated	
2011		·				Dioce	
Cash flow statement		R'000	R'000		R'000	R'000	
Cash generated from operations Cash receipts from ratepayers government & other Cash paid to suppliers and employees Finance costs (interest paid) Interest Income		14,252,966,543 (12,115,755,712) (603,863,842) 111,038,461		- - -	, ,	14,656,106,788 (12,119,939,518) (605,036,018) 111,038,461	
Net cash generated from operations		1,644,385,450		-	397,784,263	2,042,169,713	
Cash flow from investing activities Purchase of property, plant & equipment Purchase of leased assets Proceeds from sale of financial assets Purchase of intangible assets Proceeds from sale of financial assets		(2,340,599,098) (107,061,505) 9,770,203 (90,418,591) 163,923,881		- (- - -	(395,246,431) 2,871,009 301,241 - 222,490	(2,735,845,529) (104,190,496) 10,071,444 (90,418,591) 164,146,371	
Net cash from investing activities		(2,364,385,110)		- ((391,851,691)	(2,756,236,801)	
Cash flow from financing activities Proceeds from long-term liabilities Repayment of long-term liabilities Finance lease repayments		1,361,000,000 (536,736,824) 62,383,062		- -	- - (5,932,572)	1,361,000,000 (536,736,824) 56,450,490	
Net cash from financing activities		886,646,238		-	(5,932,572)	880,713,666	

		Group		Municipa	ality
	-	Resta	ated		Restated
	2012	201		2012	2011
	R	R	<u> </u>	R	R
45. Prior period restatements (continued)					
Municipality		As previously	Reclassi-	Correction of	Restated
2011		reported	fication	errors	
2011		R'000	R'000	R'000	R'000
Statement of Financial Performance					
Revenue:		0.007.000.007		00 040 005	0.000.000.000
Property rates		2,907,386,997	-	20,649,885	2,928,036,882
Service charges		8,394,076,681	-	-	8,394,076,681
Rental of facilities and equipment		99,546,729	-	1,480,825	101,027,554
Interest received outstanding consumer debtors		195,141,732	-	. .	195,141,732
Public contributions and donations		119,154,209	-	(4,559,461)	114,594,748
Fines		7,990,659	(4,954,228)	-	3,036,431
Licences and permits		35,988,659 2,513,030,783	-	- (0 E00 033)	35,988,659 2,504,449,850
Government grants and subsidies			-	(8,580,933)	
Gain: Disestablishment of ME Other income		2,716,931 772,958,393	4,954,228	(651,554) 390,886,303	2,065,377 1,168,798,924
Interest received - external investments		110,142,589	4,934,220	390,000,303	110,142,589
Gain: Disposal of assets and liabilities		9,776,391	_	301,242	10,077,633
Total Revenue		15,167,910,753	-	399,526,307	15,567,437,060
	•				
Expenditure: Remuneration		4,236,965,765	_	_	4,236,965,765
Remuneration of Councilors		61,711,890	_	_	61,711,890
Depreciation and amortisation		812,330,871	_	4,531,427	816,862,298
Impairment loss/reversal of impairments		490,306	_	4,551,421	490,306
Finance cost		602,956,403	-	1,158,197	604,114,600
Debt impairment		639,687,334	_	-	639,687,334
Collection costs		84,779,034	-	-	84,779,034
Repairs and maintenance		1,040,344,500	-	52,298	1,040,396,798
Bulk purchases		4,562,399,704	-	-	4,562,399,704
Grants and subsidies paid		27,625,621	-	-	27,625,621
General expenses		2,704,480,025	-	8,960,899	2,713,440,924
Fair value adjustments		498,573	-	-	498,573
Total expenditure		14,774,270,026	-	14,702,821	14,788,972,847
Surplus for the year		393,640,727	-	384,823,486	778,464,213
Statement of Financial Position		004 = 00 4 = 1		0.400.044	000 000 0
Inventory		324,768,451	-	2,100,911	326,869,362
Other debtors		582,895,696	-	(3,053,775)	579,841,921
Consumer debtors		2,556,294,849	-	30,132,893	2,586,427,742
Property, plant and equipment		15,523,977,022	-	543,114,328	16,067,091,350
Leased assets		253,751,962	-	3,247,338	256,999,300
Long-term receivables		231,846,251	-	(10,078,268)	, ,
Lease liabilities		261,701,620	-	3,915,309	265,616,929
Trade and other payables from exchange transactions		3,405,039,917	-	3,574,796	3,408,614,713
VAT payable		144,462,998	-	9,990,231	154,453,229
Unspent conditional grants and receipts		390,219,159 9,043,786,134	-	5,981,871 542,001,210	396,201,030
Accumulated surplus		3,043,700,134	-	542,001,219	9,585,787,353

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group				Municipality			
	2012 R			1	2012 R		Restated 2011 R	
45. Prior period restatements (continued)								
Municipality		As pre	,	Reclassi- fication		Correction of errors	Restated	
2011							Dioco	
Cash flow statement		R'C	000	R'000		R'000	R'000	
Cash generated from operations Cash receipts from ratepayers government & other Cash paid to suppliers and employees Finance costs (interest paid) Interest Income		(12,127, (602,	798,684 473,693) 956,403) 142,589		- - -		14,635,421,282 (12,133,153,831) (604,114,601) 110,142,589	
Net cash generated from operations		1,610,	511,177		-	397,784,262	2,008,295,439	
Cash flow from investing activities Purchase of property, plant & equipment Purchase of leased assets Proceeds from sale of financial assets Purchase of intangible assets Proceeds from sale of financial assets		(107, 9, (90, 163,	125,571) 061,505) 776,391 418,591) 923,881		- - - -	2,871,009 301,241 - 222,490	(2,735,372,001) (104,190,496) 10,077,632 (90,418,591) 164,146,371	
Net cash from investing activities		(2,363,	905,395)		-	(391,851,690)	(2,755,757,085)	
Cash flow from financing activities Proceeds from long-term liabilities Repayment of long-term liabilities Finance lease repayments Net cash from financing activities		(535, 62,	000,000 693,935) 383,062 689,127		- - -	(5,932,572) (5,932,572)	1,361,000,000 (535,693,935) 56,450,490 881,756,555	
46. Unauthorised expenditure	•							
Opening balance Unauthorised expenditure in current year Less: Approved/condoned by Council in respect of previous financial year	46,803 363,982 (46,803	,592	46,8	34,212 03,873 34,212)	56,990,535 523,831,090 (56,990,535)		593,210,770 56,990,535 (593,210,770)	
,	363,982	,592	46,8	03,873	523,831,090		56,990,535	

2012:

Unauthorised expenditure as a result of overspending of the budget amounted to R523 831 090 for the municipality and R363 982 592 for the group. These over expenditure amounts are not recoverable and a deviation report will be submitted to Council for approval and/or condonement in terms of section 28 and 29 of the MFMA on 25 August 2011 in respect of the over expenditures of the parent municipality.

For the Municipality the over expenditure can mainly be attributed to the electricity purchases from Eskom to the extent of R481.5 million, repairs and maintenance to the amount of R23.9 million, grants and subsidies paid to the amount of R7.2 million and councillor remuneration to the amount of R1.1 million. For the group the over expenditure mainly lies with repairs and maintenance and bulk purchases.

2011

Unauthorised expenditure as a result of overspending of the budget amounted to R56 990 535 for the municipality and R46 803 873 for the group. These over expenditure amounts are not recoverable and a deviation report served before Council for approval and/or condonement in terms of section 28 and 29 of the MFMA on 25 August 2011 in respect of the over expenditures of the parent municipality.

The over expenditure can be attributed mainly to the electricity purchases from Eskom to the extent of R47.9 million, which is owing to volatility in demand due to seasonality and natural elements, that is beyond the control of the municipality.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
47. Fruitless and wasteful expenditure				
Opening balance Fruitless and wasteful expenditure in current year Less: Transferred to irregular expenditure Less: Approved by Council/Condoned	4,409,212 8,259,570 - (1,898,024)	4,345,072 469,472 (404,576) (756)	1,761,482 8,252,063 - (1,898,024)	2,165,519 1,295 (404,576) (756)
	10,770,758	4,409,212	8,115,521	1,761,482

2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200. Disciplinary steps: Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.

2008: Incident 2: Petty Cash - Late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Report to be written for amount to be written off.

2008: Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager. Disciplinary steps: Awaiting authorisation. Authorisation given during 2008/09 (R57 414)

2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps: Investigation underway (R1 160 594)

2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from cost centre. Disciplinary steps: None taken - amount was transferred to irregular expenditure during 2010/11.

2010: Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SED condoned as there was no wilful misconduct.

2010: Incident 2: Office of the Executive Mayor - approval of incorrect art work on bill board - SED condoned as there was no wilful misconduct

2010: Incident 3: Office of the Executive Mayor - appointment of service provider for distribution of newsletter not approved - SED condoned there was no wilful misconduct.

2011: Incident 1: Housing & Sustainable Development - Official opening event of Loftus Gardens Clinic - name plate was already made when date was changed. No action taken as there was no wilful misconduct.

2010:Civirelo - Penalties for late/non-payment of taxes (R501 878) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2010:Civirelo - Interest on late/non-payment of taxes (R335 608) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2011: Sandspruit Works Association - Interest paid to City of Tshwane (R33 313). All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by City of Tshwane.

2011: Sandspruit Works Association - Interest paid to Rand Water due to late payment of account to the value of R199 509 (2010 = R1 160 516) and penalties and interest for SARS to the amount of R142 801. All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by City of Tshwane.

2011 and 2012: Housing Company Tshwane - Interest, penalties, legal fees and recovery fees was incurred as a result of non-payment of the entity's creditors when due to the amount of R7 507 and 2011 = R80 820 (2010 = R89 329). Objection was lodged and outcome is still pending.

2011: Civirelo - Penalties for late/non-payment of taxes (R16 019) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2011: Civirelo - Penalties for late/non-payment of taxes (R16 019) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2012: Incident 1: Emergency Services - Establishment and launch of water pod system and BESAFE centres in identified areas - condoned by Council.

2012: Incident 2: City Planning - insurance claims repudiated - survey equipment, digital camera and laptop - to be recovered from employee and discussion to be held with other two employees.

Notes to the Annual Consolidated Financial Statements

	Group		cipality
2012 R	Restated 2011 R	2012 R	Restated 2011 R

47. Fruitless and wasteful expenditure (continued)

2012: Housing - SARS penalties to be paid - in process to reconcile with SARS.

2012: Public Works (Electricity) - payment of storage fees and repairs for vehicles on tenders CB65/2005 and CB22/2006 - investigation to be conducted.

48. Irregular expenditure

71,640,407	46,906,295	67,565,036	46,072,743
(69,165,423)	-	(69,165,423)	-
-	(94,454,151)	-	(94,454,151)
-	(2,996,925)	(3,241,819)	(3,830,477)
(2,585,155)	(393,226) (161,584,434)	(2,585,155)	(393,226) (161,584,434)
69,165,423	-	69,165,423	-
7,898,220	24,316,618	7,898,220	24,316,618
3,241,819	94,454,151	3,241,819	94,454,151
12,763,999	20,020,727	12,763,999	20,020,727
46,906,295 3,415,229	166,842,709 700,826	46,072,743 3,415,229	166,842,709 700,826
	3,415,229 12,763,999 3,241,819 7,898,220 69,165,423 (2,585,155) (69,165,423)	3,415,229 700,826 12,763,999 20,020,727 3,241,819 94,454,151 7,898,220 24,316,618 69,165,423 - (2,585,155) (393,226) - (161,584,434) - (2,996,925) - (94,454,151) (69,165,423) -	3,415,229 700,826 3,415,229 12,763,999 20,020,727 12,763,999 3,241,819 94,454,151 3,241,819 7,898,220 24,316,618 7,898,220 69,165,423 - 69,165,423 (2,585,155) (393,226) (2,585,155) - (161,584,434) - - (2,996,925) (3,241,819) - (94,454,151) - (69,165,423) - (69,165,423)

Notes to the Annual Consolidated Financial Statements

	G	roup	Mun	icipality
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
48. Irregular expenditure (continued)			,	
Details of irregular expenditure – current year				
		taken/criminal proceedii	ngs	
2007: Unapproved travelling to Swaziland	None - report to be writ			15,175
2009: Corporate & Shared Services - fraudulent	Reported in October 20	08		150,337
payment of salaries 2009: Sport, Recreation, Arts & Culture - New Year	Implementation of City	Manager Penert		553,360
celebration	recommendation	wanager Report		333,300
2010: Sport Recreation Arts & Culture - procurement		ditors and Legal Service	es	104,000
procedures not followed SAFA U/19 reception	, a.ag oatooo o. , ta	anoro arra 20gan 00. rro		,
2010: Office of the Executive Mayor	Purchase of furniture of	utside official procureme	ent	10,837
	process. Forensic Aud			
2011: Health & Social Development - repudiated		claims originating from C	October	404,576
claims	2008, November 2008	,		
2011: Health & Social Development - spending for		party packs expenditure	e- ex	296,250
Madiba bash 2011: Non disclosure by CoT employees - owning	facto payments	ection 44 of the Municipa	al	20,020,727
companies that rendered services to municipality	Supply Chain Managen		aı	20,020,727
2010 Office		cer 2010 related expend	iture	200,863
2009/10 actual expenditure on contracts during		FMA - no condonement		94,454,151
2010/11	National Treasury		•	
2011: Irregular expenditure relating to 2010/11		FMA - no condonement	: by	24,316,618
	National Treasury			
2012; Sport, Recreation, Arts & Culture - Support to		n 32 of MFMA - steps to	be	265,000
Office of Executive Mayor after contract expired 2012: Communication: Marketing & Events -	taken against SED	CM Pagulations regue	atad	195,430
Celebrations during Freedom day - payment of artists	legal advice on action t	CM Regulations - reque	sieu	195,430
2012: Public Works (Electricity) - payment of service	Investigation to be cond			32,630
provider	congano to be com	action by acpartment		0=,000
2012: Agriculture & Environmental Management -	Delays in tender proces	ss - deviation report appr	roved by	108,110
Freshmark Systems	council			
2012: Economic Development - proper supply chain		oe taken against relevan	ıt	52,950
procedures not followed	employee	na franthan antian talean		4 054 004
2012: Metro Police - Security services 2012; Emergency Services - annual renewal of ESS	Condoned by Council - Deviation report to be to			1,951,231 472,863
system	committee and submitte			4/2,003
3,000	investigation	od to intomar/taut for		
2012: Health & Social Development - celebration of		aterer - report tabled at I	EAC	337,014
nternational day for the elderly 14 October	meeting	•		•
Deviations approved by Council relating to 2009/10 -		FMA - no condonement	: by	3,241,819
actual expenditure on contracts during 2011/12	National Treasury			10 =00 000
2012: Non-disclosure by CoT employees		ection 44 of Municipal S	upply	12,763,999
2012: Irragular avpanditura relating to 2010/11	Chain Management Re		. h	7 000 000
2012: Irregular expenditure relating to 2010/11	National Treasury	FMA - no condonement	. Dy	7,898,220
2012: Irregular expenditure relating to 2011/12		FMA - no condonement	· hv	69,165,423
10 . 1	National Treasury	110 0011001101110111	~,	30,100,420
Sandspruit Works Association		er 2010 related expend	iture	159,980
Civirelo Water		osts resolved by SARS r		673,572
	recovery process under	taken by Legal Service	s	
				237,845,135
				,,

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

		Restated		Restated
	2012 R	2011 R	2012 R	2011 R
48. Irregular expenditure (continued)				
Details of irregular expenditure condoned			_	
	,	ouncil/City Manager/SE		
2008: Cash shortage at Premos restaurant	Manager undertook in v	vriting to replace cash s	hortage	6,980
2010: Community Safety - Payment of ESS system	City Manager condoned	d payment on 26 July 20)10	152,617
2010: 2010 Office - Printing of Host Cities brochure	Condoned on 26 April 2	2010		148,232
Deviations not in line with criteria of section 36 of SCM Regulations (refer note 56)	Condoned by Accounting	ng Officer and noted by	Council	161,584,434
2009: Electricity & Energy Department - issuing of gas stove cost centre 109 30	Condoned according to	declaration		112,269
2010: Health & Social Development	Irregular expenditure ire		nit was	92,340
	condoned ex facto by C			
2010: None disclosure by CoT employees - owning companies that rendered services to municipality	Condoned by Accounting	ng Officer and noted by	Council	212,120
2010: Misrepresentation by owners/directors of companies who are in service of state	Condoned by Accounting	ng Officer and noted by	Council	3,618,357
2009/10 actual expenditure on contracts during 2010/11	Condoned by Accounting	ng Officer and noted by	Council	94,454,151
2012: Agriculture & Environmental Management - Freshmark Systems	Delays in tender proces	s - deviation report app	roved by	108,110
2012: Economic Development - proper supply chain	Disciplinary action will b	e taken against relevar	nt	52,950

Condoned by council - no further action taken

Deviation report to be tabled at bid evaluation

committee and submitted to Internal Audit for

Condoned by accounting officer and noted by council

Condoned by accounting officer and noted by council

274,106,693

1,951,231

3,241,819

7,898,220

472,863

Municipality

The irregular expenditure of R3 241 819 (2011 = R94 454 151) relates to the prior year deviations that were condoned in terms of the Supply Chain Management Policy by the Accounting Officer and were noted by Council initially. This irregular expenditure was then viewed as irregular subsequently to have not complied with section 36 of the Supply Chain Management Policy, which allows the Accounting Officer to dispense with the official procurement process established by policy to procure any required goods or services through any convenient process, but only:

investigation

(i) in an emergency

procedures not followed

expenditure in 2011/12

expenditure in 2011/12

system

2012: Metro Police - Security services

2012: Emergency Services - annual renewal of ESS

Deviations approved relating to 2009/10 - actual

Deviations approved relating to 2010/11 - actual

- (ii) if such goods or services are produced or available from single provider only
- (iii) in any other exceptional case where it is impractical or impossible to follow the official procurement process.

The prerogative of approval and condonement of deviation is a permission granted to the accounting officer of the municipality and to be noted by Council, however this particular deviations were viewed as not having complied with regulation 36, namely not being emergency or impractical or impossible to follow official procurement process, in the prior year.

These prior year deviations were also contracts running for the future years, however condoned and certified by Council as irrecoverable which is the core competency and function of the Council.

49. Financial instruments

Risks

In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

Notes to the Annual Consolidated Financial Statements

	Group		nicipality
20° R	R	d 2012 R	Restated 2011 R

49. Financial instruments (continued)

Year ended 30 June 2012

			Fixed rate		Non-intere	est bearing	
Description	Floating rate	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	Total
	R	R	%	Years	R	Years	R
Assets							
Investments Long-term receivables:	176,300,510	235,172,938	12.91	15.90			411,473,448
Housing loans		20,395,710	13.87	30.00			20,395,710
Motor car loans		11,710	8.66	6.00			11,710
Loans to sport clubs		1,569,306	11.99	10.00			1,569,306
Sale of Land		84,754,405	11.09	5.00			84,754,405
Arrangement debtors Trade receivables:		10,179,294	-		191,811,927		201,991,221
Consumer		3,627,037,854	9.00	1.00	2,137,564,433		5,764,602,287
Other					1,018,134,628		1,018,134,628
Cash		599,825,021					599,825,021
Total financial assets	176,300,510	4,578,946,238			3,347,510,988		8,102,757,736
Liabilities							
Interest bearing borrowings	3,650,036,342	2,650,195,417	9.92	13.92			6,300,231,759
Interest rate swaps		134,656,107	9.92	13.92			134,656,107
Lease liabilities Trade payables:		303,251,812					303,251,812
Creditors					4,308,130,254	0.08	4,308,130,254
Retention					238,990,712	1.00	238,990,712
Consumer deposits					406,953,225	0.08	406,953,225
Unspent grants and receipts					319,820,499	0.08	319,820,499
VAT					252,267,366	0.08	252,267,366
Total financial assets	3,650,036,342	3,088,103,336			5,526,162,056		12,264,301,734

Notes to the Annual Consolidated Financial Statements

	Group		nicipality
20° R	R	d 2012 R	Restated 2011 R

Financial instruments (continued)

Year ended 30 June 2011

			Fixed rate		Non-intere	est bearing	
Description	Floating rate	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	Total
	R	R	%	Years	R	Years	R
Assets							
Investments Long-term receivables:	403,746,642	216,442,661	11.17	13.67			620,189,303
Housing loans		20,219,221	13.87	30.00			20,219,221
Motor car loans		63,748	8.66	6.00			63,748
Loans to sport clubs		1,448,713	11.99	10.00			1,448,713
Study loans					2,126		2,126
Sale of Land		59,589,719	11.09	5.00			59,589,719
Arrangement debtors		6,548,805			193,137,018		199,685,823
Trade receivables:							
Consumer		3,489,889,274		9.30	1,334,897,771		4,824,787,045
Other					789,250,741		789,250,741
Cash		410,094,727					410,094,727
Total financial assets	403,746,642	4,204,296,868			2,317,287,656		6,925,331,166
Liabilities							
Interest bearing borrowings	2,760,798,459	2,767,996,173	9.91	15.00			5,528,794,632
Interest rate swaps		227,950,578	20.61	18.00			227,950,578
Lease liabilities Trade payables:		265,616,928					265,616,928
Creditors					3,216,614,440	0.08	3,216,614,440
Retention					159,096,715	1.00	159,096,715
Consumer deposits					359.616.961	0.08	359,616,961
Unspent grants and					398,492,532	0.08	398,492,532
receipts VAT					156,473,129	0.08	156,473,129
Total financial assets	2,760,798,459	3,261,563,679			4,290,293,777		10,312,655,915

Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the statement of financial position date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

Group		Municipality	,
012 R	Restated 2011 R	2012 R	Restated 2011 R

49. Financial instruments (continued)

	Fair value R	Estimated fair value gain/(loss) R
Year ended 30 June 2011	-	200,000,000

Currency risk

The Municipality undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The Municipality, however, manages this risk by entering into contracts where the risk is carried by the service provider.

Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The Municipality limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

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

	30 June 2012	30 June 2011
Consumer debtors:		
Household	50	52
Industrial/Commercial	21	17
National and Provincial Government	2	1
Other consumer debtors	9	11
Long-term receivables	4	5
Other (long-term receivables and other)	-	16
Sundry debtors	14	14
	100	116

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		cipality
2012 R	Restated 2011 R	2012 R	Restated 2011 R

49. Financial instruments (continued)

Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

30 June 2012	30 June 2013	30 June 2014
R	R	R
1,500,000,000	1,640,000,000	1,500,000,000

External funding: capital expenditure

Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities

Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Notes to the Annual Consolidated Financial Statements

	Group		nicipality
20° R	R	d 2012 R	Restated 2011 R

49. Financial instruments (continued) Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date are as follows:

30 June 2011

Liabilities Interest rate swaps

200,000,000 200,000,000

Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

Year ended 30 June 2012

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets Investments Long-term receivables:	323,851,508	86,911,420	710,520	411,473,448
Housing loans Motor car loans	11,710		20,395,710	20,395,710 11,710
Loans to sport clubs Sale of Land Arrangement debtors Cash	106,371,323 599,825,021	84,754,405 95,619,898	1,569,306	1,569,306 84,754,405 201,991,221 599,825,021
Total financial assets	1,030,059,562	267,285,723	22,675,536	1,320,020,821
Liabilities				
Interest bearing borrowings Lease liabilities Trade payables:	4,305,705 126,026,714	98,045,858 177,225,098	6,332,536,303	6,434,887,866 303,251,812
Creditors Retention		4,308,130,254 238,990,712		4,308,130,254 238,990,712
Consumer deposits Unspent grants and receipts VAT		406,953,225 319,820,499 252,267,366		406,953,225 319,820,499 252,267,366
Total financial liabilities	130,332,419	5,801,433,012	6,332,536,303	12,264,301,734

Notes to the Annual Consolidated Financial Statements

Group		Munic	cipality
012 R	Restated 2011 R	2012 R	Restated 2011 R

Financial instruments (continued)

Year ended 30 June 2011

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets Investments	496,337,962	123,820,833	30,508	620,189,303
Long-term receivables: Housing loans Motor car loans	63,748		20,219,221	20,219,221 63,748
Loans to sport clubs Study loans	2,126		1,448,713	1,448,713 2,126
Sale of Land Arrangement debtors Cash	100,345,675 410,094,727	59,589,719 99,340,148		59,589,719 199,685,823 410,094,727
Total financial assets	1,006,844,238	282,750,700	21,698,442	1,311,293,380
Liabilities				
Interest bearing borrowings Lease liabilities	237,853,613 111,263,325	97,267,701 154,353,603	5,421,623,896	5,756,745,210 265,616,928
Trade payables: Creditors	3,216,614,440			3,216,614,440
Retention Consumer deposits	159,096,715 359,616,961			159,096,715 359,616,961
Unspent grants and receipts VAT Bank overdrafts	398,492,532 156,473,129			398,492,532 156,473,129
Total financial liabilities	12,979,239 4,652,389,954	251,621,304	5,421,623,896	12,979,239 10,325,635,154

Hedging

Hedging is not applicable in the environment of the Municipality.

In-kind donations and assistance

The Municipality received the following in-kind- donations and assistance:

- Assistance from Provincial Treasury with reconciliation of merger take-on accounts.
- City Planning and Development: Receipt of tools and equipment to assist in the curbing of illegal outdoor advertising transgressions occuring within City of Tshwane boundaries.
- The City of Tshwane received various sponsorships for prizes for the Tshwane Service Excellence Awards e.g. iPod, laptops, iPads, iPhone, chauffeur driven vehicles to the gala dinner, overnight packages at hotels, books, etc.

Operating leases

The municipality leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10%. The municipality has the option to extend the agreement for periods ranging between one month and three years.

The amounts of minimum lease payments under non-cancelable and non-cancelable operating leases in respect of office equipment and properties are as follows:

Non-cancelable office equipment Payable within a year Payable within 2 to 5 years	3,816,281 2,652,738	5,285,849 5,243,951	410,198 399,164	1,780,020 1,704,023
	6,469,019	10,529,800	809,362	3,484,043
Non-cancelable property leases				
Payable within a year Payable within 2 to 5 years	46,735,365 44,074,015	110,225,728 75,373,160	46,735,365 44,074,015	110,225,728 75,373,160
	90,809,380	185,598,888	90,809,380	185,598,888

Notes to the Annual Consolidated Financial Statements

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
52. Rental income straightlining				
Gross investment in the lease due - within one year - in second to fifth year inclusive - later than five years	16,672,905 56,842,782 232,221,075	16,363,665 61,456,602 238,589,690	16,672,905 56,842,782 232,221,075	16,363,665 61,456,602 238,589,690
	305,736,762	316,409,957	305,736,762	316,409,957
53. Contingencies				
Housing loan guarantees Guarantees for housing loans to employees at financial institutions	389,685	442,485	389,685	442,485
With the implementation of the MFMA no new guarantee collateral in cases of default of payments.	es are issued, the liability	will therefore decreas	e in future. The prope	erty is used as
Indemnification Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	53,260,876	49,229,513	53,260,876	49,229,513
The capitalised value as at 31 December as calculated by actual amount ceded is R53 455 350. Consistent with property year.				
Guarantees issued Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
Insurance claims				
Pending claims iro asset-, motor own damage- contractors and electricity claims	378,524	821,890	378,524	821,890
Pending claims iro public liabilities	59,137,354	24,052,072	59,137,354	24,052,072
	59,515,878	24,873,962	59,515,878	24,873,962

Above mentioned insurance claims originated before 30 June.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R109 653 107 (2011 = R134.4 million).

Housing Company Tshwane have two pending court cases against the entity by a security company and a building construction company for unpaid services rendered to the amount of R715 475 and R47 303 respectively. These amounts have been fully provided for. During 2011/12 the case of the building construction company was closed but the case of the security company is still ongoing.

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

	Group		cipality
2012 R	Restated 2011 R	2012 R	Restated 2011 R

53. Contingencies (continued)

Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups:

a. General litigations:

City Planning, Development & Regional Services Department:

Case 1

The applicant requested information from the City of Tshwane to enable the applicant to institute proceedings against the respondent. The information was provided as per the granted Court Order. The applicant then brought an action for damages against the respondent. The City of Tshwane is not involved as the applicant requested no legal relief against the City of Tshwane. The City of Tshwane however decided to inform the court of our approach on the matter. This matter is being reported as there is a potential for the respondent to sue. The matter is still pending as a trial date and judgement is awaited.

Case 2:

The claimant had entered into agreements in respect of various advertising sites that were allocated to the claimant in terms of a council resolution in 2002. The various agreements were entered into in 2005 and in terms of the agreements, the claimant was to erect advertising structures. These advertising structures were to generate income for the claimant and the City of Tshwane would, in turn, be entitled to monthly payment for the allocation of the sites. In 2007 the City of Tshwane cancelled the agreements because the claimant failed to comply with various terms of the agreements. City of Tshwane already pleaded in this matter. The consolidation of the claims and the counter claims has been approved by the court. Due to reluctance of the plaintiff to set the matter down for hearing, the City of Tshwane is now in the process to apply for a trial date. Summons were issued against the City of Tshwane for the specific performance of the contracts between the plaintiff and City of Tshwane, alternatively damages to the amount of R15 300 000.

Case 3

Claimant is suing City of Tshwane for R44 000 000 for cancellation of the contract agreement to build new Munitoria Offices as architectures. During 1997 the former City Council of Pretoria invited entries to a competition for the design of the new Munitoria offices. The winner of the competition would form part of the team to manage the project. The claimant won the competition and were commissioned as the architects. This agreement was eventually cancelled/or repudiated around 2006 & 2007 by the City of Tshwane hence claimant is suing for breach of contract. A date of cancellation of the agreement was also disputed. The City of Tshwane has filed an amended plea. A trial date was set for 5 August 2011.

Case 4:

The City of Tshwane had previously sold a piece of land to the claimant in an amount of R29 000. Part of the condition of the land sale agreement was that the claimant would apply for street closure and rezoning; and affect all incidental requirements related therefore. The plaintiff was never party to the agreement. However, the plaintiff is of the opinion that they have an interest in the sale agreement as the relevant property sold borders their property. The proposed sale was advertised according to the prescribed procedure and no objections were received. The City of Tshwane awaits the confirmation of the trial date which must be requested by the plaintiff.

Case 5

The applicant brought an application that the City of Tshwane declared to be ordinary members of the Boskoop Estate Property Owners Association (section 21 company) and that the City of Tshwane be compelled to enforce the conditions of establishment of Wapadrand Extension 44. The application was served on the City of Tshwane on 17 February 2011. In this regard the applicant brought the application against the developer of the estate as well as against the City of Tshwane and request the court to compel the City of Tshwane to enforce the conditions of establishment and to be declared to be in default of enforcing the conditions. If this application succeeds it will force the City of Tshwane to get involved in all section 21 companies which was created through the process of land use applications i.e. rezoning, township establishment and subdivisions. Attorneys were instructed to oppose the matter and an opposing affidavit was filed. A trial date is awaited.

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Notes to the Annual Consolidated Financial Statements

	Group		cipality
2012 R	Restated 2011 R	2012 R	Restated 2011 R

53. Contingencies (continued)

Housing and Sustainable Human Settlement Development Department:

Case 1:

In this matter the property was expropriated by the City of Tshwane and compensation was paid. The owners did not agree with the compensation paid and brought action for additional compensation. This is a complicated matter and will have a bearing on other claimant's claims in the area as another expropriation was done in the area to provide low cost housing.) The relief sought amounts to: R746 110 (compensation), R43 700 as solatium in terms of the Expropriation Act and payment of interest on R746 110. There is also a potential risk of a flood of claims. The matter was postponed "sine die" and cost reserved. The matter is set down for trial on 6 October 2011.

Case 2:

The matter relates to the expropriation of portion 34 of the farm Kameelzynkraal in order to establish an agri-village on the property. The expropriation was executed; however the matter was taken on review. The matter is still pending in court and confirmation from Housing Department is awaited regarding the suitability of the envisaged land for human habitation and the concomitant finances related thereto.

Case 3

The plaintiff issued summonses against the municipality for the loss of rental in respect of the illegal occupiers and money lost for the cleaning of the property after the illegal occupiers were removed. The matter is defended and is pending.

Financial Service Department:

Case 1:

Plaintiff claims damages to the amount of R11 461 450 as she maintains that the tender for network maintenance should have been awarded to her. The application brought by the applicant was defective. The City of Tshwane is at present awaiting the amended claim, where after a decision will be taken on the way forward. A notice of exception was served on the applicant's attorneys as the amended particulars of the claim were still excipiable.

Case 2:

Claim against City of Tshwane for fees outstanding for work done in terms of contract to the amount of R207 589.99. The matter is defended as no agreement exists. However, the City of Tshwane entered into an agreement with a consortium to do certain work of which the plaintiff was a party. The consortium has been paid for the service rendered. This matter was set down for trial on 10 November 2009 but he plaintiff withdrew the application. The City of Tshwane is awaiting further report from our attorneys whether the plaintiff is prepared to pay the City of Tshwane's legal costs. Only after this report has become available a decision will be taken on whether an application must be brought to compel the plaintiff to pay the City of Tshwane's legal costs. The Legal Services Department is still in process to recover legal costs from the plaintiff.

Case 3:

In this matter a summons was issued against the City of Tshwane for an amount of R2 622 000 being for services rendered. In this matter the plaintiff claims that a written and oral agreement was concluded with the City of Tshwane in terms of which the applicant would develop a long term financial sustainability plan for the City of Tshwane. The matter was heard by the Court. The City of Tshwane opposed the application for summary judgement as lodged by the applicant as it does not conform to the requirements of a summary judgement in this specific case. The Court granted the City of Tshwane leave to defend and the cost was reserved. In the meantime the applicant has lodged his amended application. This amendment to the application as aforementioned will be opposed by the City of Tshwane. The City of Tshwane awaits a trial date.

Case 4:

The plaintiff issued a summons in which debatement (reconciliation) of two service accounts are requested as the plaintiff avers that these accounts are defective and inadequate in certain respects. The summons was served on the City of Tshwane on 1 March 2011. In this regard the plaintiff avers that two service accounts are not correct and defective. The plaintiff also avers that the plaintiff has requested the City of Tshwane to debate the service accounts which were not done. This is the reason why they issued summons. to defend the action and put the City of Tshwane's version of the history of the two accounts (debit to the amount of R49 636.10 and credit to the amount of R5 000.00) before the court. The City of Tshwane is proceeding to file an exception to the summons.

Case 5

The plaintiff issued a summons against the City of Tshwane in which the plaintiffs request delivery of all accounts and documents that relate to all bulk services contributions claimed by the City of Tshwane from subsequent developers that connected to the sewer line erected by the plaintiff which must be refunded by the plaintiffs. The plaintiffs further aver that the City of Tshwane might owe them money. The City of Tshwane is proceeding to file an exception to the summons.

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012 R	Restated 2011 R	2012 R	Restated 2011 R

53. Contingencies (continued)

Case 6:

Implementation of the NERSA (electricity regulator) ruling regarding the adjustment and crediting of the applicant's account. The applicant had queried an account on the basis of electricity charges. The applicant questioned the accuracy of the City of Tshwane's meter. As such the applicant approached the Court on an urgent basis to compel the City of Tshwane to refer the dispute to NERSA and not to implement credit control policies pending ruling by NERSA. The matter did eventually go to NERSA and NERSA made a ruling to the effect that the City of Tshwane had to credit the applicant's account with an amount of R42 599.19. Despite this ruling being made in 2009 the Finance Department has not implemented the NERSA decision. It is the view of the Finance Department that the NERSA decision is wrong as it was based on a report which contained wrong calculations.

Case 7:

The matter pertains to a dispute relating to legal fees. Apparently the municipality verbally ("orally engaged the services of") instructed a service provider in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm R 657 251 (being legal cost on work done on 951 files). Matter is defended.

Case 8:

The plaintiff instituted an action for the re-payment of property rates paid to the municipality and which is alleged not to have been due. The matter is on the roll for 14 September 2011.

Case 9

The plaintiff instituted action for the re-payment of property rates paid to the municipality and which is alleged not to have been due in the amount of R438 640.94. Matter removed from the roll on 20 April 2011. Each party pays its own cost. New trial date received 26 November 2011.

Corporate and Shared Services Property Management:

Case 1

City of Tshwane is being sued for nearly R3 200 000 which, according to the plaintiff, is the loss they suffered as a result of failure by City of Tshwane to give transfer on properties in accordance with sale agreement. The City of Tshwane sold a stand to a third party after a sale agreement with the first party was concluded. The said properties have been transferred to the third party. The result was that the City of Tshwane could not give transfer to the applicant and the City of Tshwane is now being sued for damages. Awaiting a trial date.

Case 2

Claim for interest accruing from the purchase amount paid to an estate agent and not to the seller for portion 174 Kameeldrift 298 JR bought by the municipality. To defend the matter and claim costs against the applicant.

Case 3:

The applicant and the municipality entered into a written agreement for the sale of erf 549 Erasmus Extension 2. The agreement was subject to the suspensive condition which neither the applicant nor the municipality fulfilled for a period of 5 years. The plaintiff subsequently instituted an action for the transfer of the property at the original purchase price, the property which is worth a considerable amount more now. The matter was defended successfully in court, however, the applicant applied for leave of appeal. The matter is set down for trial in the Supreme Court of Appeal on 20 August 2012.

Case 4:

Payment of invoices for repairs done to one of the vehicles. Awaiting trial date.

Case 5

Motor vehicle accident. The plaintiff alleges that the traffic officer caused the accident on 1 September at Poort Primary School on the Kameeldrift Road and since, at all material times, the traffic officer was acting within the scope of his employment the municipality is vicariously liable for the damages caused to the plaintiff's car to the amount of R29 238.04. The applicant secured a default judgement against the former Nokeng Municipality without the said municipality being aware of the application since it was not served on the municipality. Matter is defended to set aside the default judgement.

Public Works and Infrastructure Development Department: Roads & Storm water:

Case 1:

The plaintiff is suing the City of Tshwane for an amount of R2 616 642 plus interest and costs. This matter stems from three contracts entered into between the then Northern Pretoria Metropolitan Sub-Structure on the one hand and plaintiff together with a third party as a joint venture on the other hand. The contractors had to, in terms of the agreements, construct and complete the work, as defined and remedy any defects therein, in accordance with the provision of the three contracts. The contractor claimed to have constructed and completed the works to the satisfaction of the engineer and the City of Tshwane. The contractor alleges, that due to the non performance on the part of the municipality in not providing them information and the failure to move the existing services (to allow construction to progress), the project suffered serious delays which resulted in time delays and they suffered damages.

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012 R	Restated 2011 R	2012 R	Restated 2011 R

53. Contingencies (continued)

Case 2:

The plaintiff was injured in 1996 when she drove through a pothole, lost control of her car and collided into a tree. Summons was issued in 1999 for an amount of R450 000 plus interest for injuries sustained. The matter was defended. A trial date for the adjudication of the quantum is awaited for the settlement.

Case 3:

Breach of contract, tender awarded to plaintiff. Plaintiff failed to live up to tender specifications and the City of Tshwane cancelled the contract and is now being sued for R1 401 516. The matter is defended.

Case 4:

Breach of contract. Plaintiff awarded tender to construct roads and storm water drainage in Winterveld. Plaintiff failed to live up to tender specifications and is now suing the City of Tshwane for the tender amount of R690 446.30. The City of Tshwane instructed another contractor to complete the work. Matter is defended.

Case 5:

Breach of contract. Plaintiff instructed to sandblast and paint 1 820 cubic meter bins which wer not collected and now kept as lien. Plaintiff is suing for storage cost at R2 299 500. Matter is defended.

Case 6:

Contractual claim for payment, arising out of contractual disputes consisting of payment for work done and costs incurred due to adverse conditions experienced on site, over and above amounts paid as the contract price. The consulting engineer refused to pay for claims. Adjudicator ruled that the contractor was entitled to claim additional payment. Plaintiff issued summons to claim payment of R6 683 428.18. The matter is defended.

Case 7:

Contractor alleged that they encountered adverse conditions on site which led them expanding more work and expenses inorder to carry out the construction of the sewer network infrastructure in Temba, Ramotse, Marokolong, Kudube (5, 8, 9), Leboneng, Stinkwater (A-D). There is a compliant about labour unrest and a disagreement about the measurement of manholes. Contractor had submitted claims for payment for the additional work and expenses incurred but the consulting engineer had refused topay or make a determination on them. As result, a dispute was declared and the matter is now in arbitration. The matter is defended.

Case 8

Plaintiff was appointed as project manager for the Refilwe Extension 2, 3 and 5 Housing Project at a cost of R1 650 per stand, inclusive of VAT, for a maximum of 670 stands. For some reason the construction project agreement between the municipality and Gauteng Department of Housing was never finalised. The appointment of the applicant was conditional upon the commencement of the Construction Project Agreement between the municipality and the Gauteng Department of Housing. The amount owing on 10 January 2007 was R1 012 000. The service provider is suing for this amount plus 15.5% interest. The matter is defended.

Case 9:

Personal injury allegedly caused by the municipality's negligence, by leaving cables hanging and the substation's door open and as a result a young boy was electrocuted and his body sustained 90 degree burns. The municipality's approach is to proceed with the matter and finalise it as the municipality was not negligent on this matter. The matter was defended and was later removed fromt he roll. Awaiting trial date.

Agricultural and Environmental Management Department

Case 1:

The plaintiff issued summons for damages for the alleged breach of contract by appointing two new contractors before the expiry of the tender. Relief sought is payment in the amount of R99 689.00 (excluding VAT); interest on the aforesaid amount and at the rate of 15.5% per annum as from 30 June 2009 to date of payment; payment in the amount of R82 696 (excluding VAT). Interest on the aforesaid amount at the rate of 15.5% per annum from 31 July 2009; payment in the amount of R97 349.00, interest on the aforesaid amount at the rate of 15.5% per annum as from 30 September 2009 to date of payment; payment in the amount of R79 181. Interest on the aforesaid amount at the rate of 15.5% per annum as from 31 October 2009 to date of payment. Cost of the suit. Further and/or alternative relief.

Social Development Department, Sport and Recreation

Case 1:

Application for rescission of judgement taken against the Stadsraad van Centurion for payment of license fees relating to music licenses (music was allegedly piped through the City of Tshwane's systems in public halls). The City of Tshwane is seeking an order setting aside the judgement taken in default by the Southern African Music Rights Organisation for payment of an amount of R14 969.66 in license fees. The City of Tshwane has launched an application for rescission of judgement. The City of Tshwane's contention is that the summons was not properly served. The summons was issued against the Centurion Town Council which no longer exists. The summons was also issued in Johannesburg Magistrates Court while the said court does not have jurisdiction. In addition the amounts claimed have prescribed. Awaiting court date.

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Group		Municipality		
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53. Contingencies (continued)

b. Court matters for Finance Service Department (Debt Collection):

Urgent applications were also served on the City of Tshwane to obtain a Court order to re-connect disconnected services. Further legal actions, including applications for Contempt of Court, were instituted by the applicants to compel the City of Tshwane to adhere to the orders granted. The cost orders that were granted against the City of Tshwane amounts to a minimum of R20 000 per case. Currently 67 such cases are pending.

c. Labour prosecutions:

The municipality is involved in litigation with certain employees whose employment was terminated as a result of re-organization or dismissals due to disciplinary reasons, disputes in respect of allowances, placing policies, disputes with unions and SALGA, etc. The following is a summary of the cases:

Case 1

Senior employees of disestablished municipalities e.g. City Council of Pretoria, Centurion Town Council, GPMC and Northern Pretoria Metropolitan Sub-structure: These employees are stating that they have not been employed in the positions they used to occupy before the disestablishment. It could have a huge financial implication as these employees will have to be paid severance packages. Settlement agreement signed on behalf of SALGA and various municipalities that revolve around the re-employment of former permanent employees on fixed term contracts (commonly known as "section 56 employees"). The case is still to be heard in court. The applicants will in all probability not proceed with there case against City of Tshwane.

Case 2:

An employee issued summons against Council out of the High Court. Applicant approached court on the pretext that City of Tshwane breached his section 57 contract. Applicant is suing the municipality from all fora available to him. The City of Tshwane could be liable for breach of contract as well as other costs. The court ordered that the matter be removed from the roll and costs to be awarded against applicant. The applicant has submitted a request for rescission of the initial award and the order of 6 December 2010. The City of Tshwane is waiting for the outcome of the matter.

Case 3

Approximately 43 metro police members: Unfair labour practice relating to promotion. Applicants claimed that they should be promoted to senior superintendents in the Metro Police Division.

Case 4

Unfair dismissal: The employee's services had been terminated after it was discovered that their re-employment to the City of Tshwane had not been in line with the recruitment and selection policy of the City of Tshwane. The approached the SALGBC with a dispute of unfair dismissal. The court order is awaited.

Case 5:

Claimant and 99 other metro police constables: Applicants lodged an application at the High Court claiming to be accelerated progressed to the rank of sergeants in terms of the grading scheme and on grounds of a legitimate expectation created by the City of Tshwane in this respect. A Notice of Opposition was filed and an opposing affidavit. Applicants seem not to pursue their case any further and the City of Tshwane has instructed the attorney to close his file and provide the Legal Services with his account.

Case 6:

Claimant is taking an award against him on review to Labour Court. Claimant approached an arbitrator and requested that he be promoted to the rank of Director in the Community Safety Department (Metro Police). He complained that he applied for the position but was not short listed nor invited to job interviews. The Arbitrator ruled that he in fact did not apply for the position and dismissed his claim. He is now taking this award on review to Labour Court. A Notice of Opposition was filed. City of Tshwane are awaiting the transcript of the record of the arbitration where after the parties need to comply with the rules of the court before the matter will be set down for hearing.

Case 7

Unfair dismissal: The employee had been dismissed for misconduct at the Disciplinary Tribunal of the City of Tshwane. The employee now challenges the dismissal as being both procedurally and substantively unfair. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 8

Unfair Labour Practice relating to promotion in terms of the ASD Migration and Placement Collective Agreement. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process. The applicant has in the meantime approached the City of Tshwane with an offer to resign should an amount of R600 000 be paid to him as settlement. This is the approximate amount he lost would he have been appointed to the position he claimed to be in. Electricity and Energy Division is in favour of this settlement and a report to this effect has been prepared for approval by the Accounting Officer.

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53. Contingencies (continued)

Case 9:

Solidarity o.b.o. Augusto & 28 others: Claim i.t.o. sec. 77(3) & 77(A) of the B.C.E.A., claim for unpaid salaries, unlawful deductions and their contracts of service. Applicants were employed by a labour broker contracting to the City of Tshwane. The broker deducted certain amounts from the salaries of the employees. The broker then went into liquidation leaving the employees only with a claim against Council as we are held jointly and severally liable with the broker i.t.o. labour legislation. The Department has however withheld certain payments to the broker due to invoices not submitted and the bulk of their claims centred on these outstanding amounts. A settlement was negotiated with the contractors and we are in the process of finalizing the case. Council has done away with hiring workers via labour broking firms. Figures were given through and the City of Tshwane are awaiting a final reply.

Case 10:

Unfair Labour Practice relating to promotion: The employee had successfully obtained an arbitration award in his favour against the City of Tshwane at the SALGBC that he be appointed and/or promoted to a senior position. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 11:

Applicant alleges that he was demoted when the structure changed and he now had to report to an official in higher job level as previously he reported to the Speaker. Applicant's attorney approached the City of Tshwane to investigate the possibility of termination of his contract but that he is paid out for the rest of his fixed term.

Case 12:

Review of an award made against the former Kungwini Local Municipality to the amount of appoximately R4 million based on the wrongful interpretation and aplication of an upgrading of the local authority to a higher grade culminating in the abolishment of job levels 14 and 15 and the employees on those levels transgressing to level 13. Applicants argued that all other employees of the municipality should likewise be transgressed to higher levels and the arbitrator agreed with them and made such an order. The matter is being defended. Heads of argument to be filed by the parties.

Case 13:

Dismissal after a disciplinary hearing. The applicant was charged with fraud pertaining to the issuing of clearance certificates and subsequent refunds that were due to the applicant (members of the community) for the clearance certificate if the property was transferred before the expiry date. He was subsequently found guilty in absentia by the disciplinary committee since he failed to attend the hearing without a valid reason and was dismissed. The matter is defended and the municipality shall claim costs.

d. Litigation matters that have a strategic and financial impact on the management of City of Tshwane:

Case 1

The applicant referred a claim to the amount of R32 000 000 to arbitration which claim eminates from services the applicant allegedly rendered for the City of Tshwane in terms of a contract to refurbish Loftus Versveld for the 2010 World Cup. In this matter the applicant had a contract with the City of Tshwane to refurbish Loftus Versveld stadium. His contract was cancelled. He now avers that there are monies owed to him. The matter will be referred to arbitration and we expect that an arbitrator will be appointed soon. This matter is still in process.

54. Change in estimate

Property, plant and equipment

Sandspruit Municipal Entity: The useful life of certain plant, equipment and vehicles was revised during the year under review. The effect of this revision has increased the depreciation charge for the current and future periods.

Housing Company Tshwane Municipal Entity: The useful life of certain plant, equipment and vehicles was revised during the previous year. The effect of this revision has decreased the depreciation charge for the current and future periods.

For the municipality the useful lives of all asset classes have been reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. Taking into consideration the condition of the assets where the cost of these assets would have depreciated completely to Rnil at year end or within the following 12 to 24 months. The useful lives were adjusted on the following basis:

Remaining useful life: less than 12 months:-

Condition: Excellent, fair, good Additional useful life = 24 months
Condition: Scrap Additional useful life = 12 months

Remaining useful life: between 12 and 24 months:-

Condition: Excellent, fair, good Additional useful life = 12 months
Condition: Scrap Additional useful life = 12 months

The effect of changing the remaining useful lives has decreased the depreciation charge for the current and future periods.
 The total number of assets affected is 103 246 with respect to the parent municipality.

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54. Change in estimate (continued)

Landfill sites

For the municipality the useful lives of landfill sites have been reviewed and adjusted after closure of some sites to more accurately reflect the life spans of the assets. The closure of Valhalla resulted in a decrease of useful life for Garankuwa, Hatherley, Onderstepoort and Soshanguve landfill sites to 15 years. The effect of this revision has decreased the depreciation charges for the current and future periods.

Effect of change in estimates				
Other and infrastructure assets	11,513,046	62,938,926	11,513,046	62,938,926
Library books	-	13,174,320	-	13,174,320
Landfill sites	3,723,913	15,359,594	3,723,913	15,359,594
Housing Company Tshwane: review of useful lives	-	153,713	-	-
Sandspruit: review of useful lives	44,432	669,594	-	-
	15,281,391	92,296,147	15,236,959	91,472,840

55. 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 accounting officer and includes a note to the annual consolidated financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special works of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos and/or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes

Deviation from tender and quotation process:

Most of the reasons why the deviations were necessary was due to the following:

- * Sole suppliers
- * Emergency
- * Impracticality:

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by Council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

Deviation from tender process (amounts above R200 000)

Other deviations: various reasons Less: Transfer to Irregular expenditure (note 48)	208,038,864 (7,898,220)	435,809,355 (24,316,618)	208,038,864 (7,898,220)	435,809,355 (24,316,618)
	200,140,644	411,492,737	200,140,644	411,492,737
Deviation from quotation process Amounts below R200 000	10,463,298	23,386,182	10,463,298	23,386,182

56. Co-operative relationships

The City of Tshwane is involved in the following PPP's (only co-operative relationships) (existing contracts/agreements)

- Health & Social Development with Foundation for Professional Development iro Multi Sectorial AIDS Management
- Health Care Service with Elisabeth Glaser Pediatric Aids Foundation prevention of AIDS transmission from mother to child
- Health & Social Development with Carel du Toit Hearing Centre conduct audiometric tests targeting hearing acuity for children
- Health & Social Development with Foundation for Professional Development public service to identify epidemiological and community service data that will assis in directing public, private, international and other non-governmental bodies in addressing needs of people affected by HIV.
- Health & Social Development with Znimpilo (NGO) conduct research project on why males are reluctant to visit PHC clinics in Atteridgeville

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56. Co-operative relationships (continued)

- Health & Social Development with NAFCI: Establishing youth friendly services in Mamelodi West, Lotus Gardens, Atteridgeville and Saulsville PHC clinics
- Emergency Services: Fire Protection Associations (FPA's) in the rural areas Their role is to assist in fire fighting on veld and forest fires in terms of the National Veld and Forest Fire Act, 1998 (Act 101 of 1998).

57 Joint Ventures

The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements)

- Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities
- Health & Social Development with HSRC iro prevention strategy targeting commercial sex workers
- City of Tshwane has joint venture with GDARD on mechanization scheme. MoV was signed between the 2 parties articulating association of the 2 organisations.

58. Distribution losses: Water

Water is supplied to the City of Tshwane from Rand Water and from the City's own water sources. Monthly meter readings of supply are used to monitor the total gross supply of the City. Monthly meter readings of water exported from Tshwane to Madibeng, Moretele Thembisile and Johannesburg are also taken, so that the net water input to the city can be determined.

Water loss management in the City is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management Strategies. The primary outcome of these strategies are to reduce:

- * Technical losses (where not all water supplied reached the consumer), and
- * Financial losses (where not all water reaching the consumer is paid for).

These losses are caused by:

- Real losses (physical loss of water from the system), and
- Apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption this is water consumed not properly measured, accounted and paid for).

From the above, water losses in the city is determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption.

At the end of June 2012 the Non Revenue Water (NRW) in the City is calculated at 81 202 788 kl (25.48% of the total input into the system). This is a 1.07% increase in NRW in the city as compared to June 2011 where the NRW was 70 167 272 kl (24.41 of the total input into the system). The Water and Sanitation Division has managed to reduce water loss over the past few years even though the input volume, number of consumers and length of water mains increased significantly over the same period. The unexpected increase in NRW for the previous financial year may be attributed to the inclusion of the Metsweding area (regions 5, 6 and 7) which has excessive water losses, calculated to be in excess of 44%.

It must be noted that the inclusion of the Metsweding area has negatively influenced the City's ability to achieve the envisaged "City Target" of a 1% annual reduction in NRW. The losses in R-value amount to R369.5 million (2011 = R282.96 million). The calculation is based on the unit tariff per kilolitre on Rand Water purchases and the municipality's production costs from own sources. There was an increase in the NRW from 70 167 272 kl to 81 202 788 kl. The total loss in Rand value is likewise considerably higher than last year, due to the substantial increase in NRW and the Rand Water tariff (12.8%).

59. Distribution losses: Electricity

The electricity distribution loss comprises of technical and non-technical losses. Technical losses are losses on the electricity subtransmission and distribution equipment due to attenuation of the power signal by conductors like copper and aluminium.

Non-technical losses are losses due to electricity theft, tampering, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.

The loss [difference between the total kWh available for selling i.e. own generation plus purchases, and consumed (billing system)] for the City of Tshwane amounts to 12.11% [6.0% for technical losses and 6.11% or 644 035 079 kWh for non-technical losses] for the 2011/12 financial year which compares favourably with the standard. Various measures are in place to reduce the losses. During the 2010/11 financial year the figures were: 9.32% [6.0% for technical losses and 3.32% or 323 577 085 kWh for non-technical losses].

The value of the non-technical loss amounts to R339.8 million (2011 = R133.9 million based on the cost per unit purchased/generated namely 52.76 c/kWh (2010/11 = 41.39c/kWh) for the 2011/12 financial year.

Notes to the Annual Consolidated Financial Statements

Figures in Rand

60. Statement of comparative and actual information

Group - 2012

Group - 2012	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % o of final budget	
Financial Performance								
Property rates Service charges Investment revenue Transfers recognised - operational Other own revenue	3,461,000,000 10,690,754,542 55,876,899 2,380,128,554 1,643,741,480	3,461,000,000 10,880,754,542 50,191,534 2,273,208,298 1,591,016,265	3,461,000,000 10,880,754,542 50,191,534 2,273,208,298 1,591,016,265	3,396,203,752 10,542,926,612 52,933,829 2,308,839,206 1,413,769,100		64,796,248 337,827,930 (2,742,295 (35,630,908 177,247,165	97 %) 105 %) 102 %	98 % 99 % 95 % 97 % 86 %
Total revenue (excluding capital transfers and contributions)	18,231,501,475	18,256,170,639	18,256,170,639	17,714,672,499		541,498,140	97 %	97 %
Employee costs Remuneration of councillors Debt impairment Depreciation and asset impairment Finance charges Materials and bulk purchases Transfers and grants Other expenditure	(91,019,321) (840,147,310) (859,810,412) (737,057,639) (6,328,267,944) (14,281,600) (4,443,864,402)	(1,042,446,246) (673,218,329) (5,858,972,090) (14,281,600) (4,965,453,091)	(90,972,569) (922,144,311) (1,042,446,246) (673,218,329) (5,858,972,090) (14,281,600) (4,965,453,091)	(91,436,294) (1,145,643,806) (1,059,820,050) (633,924,345) (6,169,832,861) (21,495,798) (4,234,187,480)	463,725 - - 310,860,771 7,214,198 45,443,898	(20,509,108 463,725 223,499,495 17,373,804 (39,293,984 310,860,771 7,214,198 (731,265,611	101 % 124 % 102 %) 94 % 105 % 151 %) 85 %	98 % 100 % 136 % 123 % 86 % 97 % 151 % 95 %
Total expenditure			(18,403,368,960)			(231,656,710)		100 %
Surplus/(Deficit)	12,657,837	(147,198,321)	(147,198,321)	(457,039,751)		309,841,430	310 %	(3,611)%

Notes to the Annual Consolidated Financial Statements

Figures in Rand

60. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital Contributions recognised - capital and contributed assets	1,174,581,000 -	1,412,529,443	1,412,529,443 -	1,252,500,642 142,084,742		160,028,801 (142,084,742)	89 % DIV/0 %	107 % DIV/0 %
Surplus/(Deficit) after capital transfers and contributions	1,187,238,837	1,265,331,122	1,265,331,122	937,545,633		327,785,489	74 %	79 %
Surplus/(Deficit) for the year	1,187,238,837	1,265,331,122	1,265,331,122	937,545,633		327,785,489	74 %	79 %

Notes to the Annual Consolidated Financial Statements

Figures in Rand	
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60. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % o of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources Sources of capital funds Transfers recognised - capital Public contributions and donations	1,174,581,000 130,723,700	1,412,529,443 51,106,000	1,412,529,443 51,106,000	1,225,795,800 142,084,742		186,733,643 (90,978,742) 278 %	104 % 109 %
Borrowing Internally generated funds	1,500,000,000 380,113,040	1,500,000,000 440,001,740	1,500,000,000 440,001,740	-		1,500,000,000 440,001,740		- % - %
Total sources of capital funds	3,185,417,740	3,403,637,183	3,403,637,183	1,367,880,542		2,035,756,641	40 %	43 %
Cash flows								
Net cash from (used) operating Net cash from (used) investing Net cash from (used) financing	2,179,135,056 (2,452,915,178) 1,043,646,596	2,232,451,147 (2,951,458,253) 1,050,180,479	2,232,451,147 (2,951,458,253) 1,050,180,479	3,999,960,696 (4,698,494,399) 715,777,540)	(1,767,509,549 1,747,036,146 334,402,939	159 %	184 % 192 % 69 %
Net increase/(decrease) in cash and cash equivalents	769,866,474	331,173,373	331,173,373	17,243,837		313,929,536	5 %	2 %
Cash and cash equivalents at the beginning of the year	1,056,093,281	868,025,895	868,025,895	906,432,689		(38,406,794) 104 %	86 %
Cash and cash equivalents at year end	1,825,959,755	1,199,199,268	1,199,199,268	923,676,526		275,522,742	77 %	51 %

Notes to the Annual Consolidated Financial Statements

Figures in Rand

60. Statement of comparative and actual information (continued)

Municipality - 2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	
Financial Performance								
Property rates Service charges Investment revenue Transfers recognised - operational Other own revenue	3,461,000,000 10,489,788,500 55,876,899 2,363,729,187 1,521,390,749	3,461,000,000 10,679,788,500 49,901,534 2,259,708,298 1,453,703,889	3,461,000,000 10,679,788,500 49,901,534 2,259,708,298 1,453,703,889	3,396,321,346 10,564,477,607 52,185,100 2,308,839,206 1,356,680,011		64,678,654 115,310,893 (2,283,566) (49,130,908) 97,023,878	99 %) 105 %) 102 %	98 % 101 % 93 % 98 % 89 %
Total revenue (excluding capital transfers and contributions)	17,891,785,335	17,904,102,221	17,904,102,221	17,678,503,270		225,598,951	99 %	99 %
Employee costs Remuneration of councillors Debt impairment Depreciation and asset impairment Finance charges Materials and bulk purchases Transfers and grants Other expenditure Total expenditure	(4,828,223,054) (90,293,361) (840,147,310) (856,860,412) (737,057,639) (5,660,049,900) (14,281,600) (4,852,214,845) (17,879,128,121)	(14,281,600) (4,831,667,806)	(90,293,361) (851,547,311) (1,039,496,246) (690,308,757) (5,775,049,900) (14,281,600) (4,831,667,806)	(91,436,294) (1,078,516,396) (1,057,094,636) (633,408,584) (6,256,547,053) (21,495,798) (4,263,230,616)	43,163,514 13,827,021	(18,761,074 1,142,933 226,969,085 17,598,390 (56,900,173 481,497,153 7,214,198 (568,437,190	101 % 127 % 102 %) 92 % 108 % 151 %) 88 %	98 % 101 % 128 % 123 % 86 % 111 % 151 % 88 %
Surplus/(Deficit)	12,657,214	(147,198,321)	(147,198,321)	(463,120,594)	<u> </u>	315,922,273	315 %	(3,659)%

Notes to the Annual Consolidated Financial Statements

Figures in Rand

60. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital Contributions recognised - capital and contributed assets	1,174,581,000 130,723,700	1,412,529,443 51,106,000	1,412,529,443 51,106,000	1,252,500,642 142,084,742		160,028,801 (90,978,742)		107 % 109 %
Surplus/(Deficit) after capital transfers and contributions	1,317,961,914	1,316,437,122	1,316,437,122	931,464,790		384,972,332	71 %	71 %
Surplus/(Deficit) for the year	1,317,961,914	1,316,437,122	1,316,437,122	931,464,790		384,972,332	71 %	71 %

Notes to the Annual Consolidated Financial Statements

Figures	in	Rand
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60. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources Sources of capital funds Transfers recognised - capital Public contributions and donations Borrowing Internally generated funds	1,174,581,000 130,723,700 1,500,000,000 380,113,040	1,412,529,443 51,106,000 1,500,000,000 440,001,740	1,412,529,443 51,106,000 1,500,000,000 440,001,740	1,225,795,800 142,084,742 - -		186,733,643 (90,978,742) 1,500,000,000 440,001,740	87 % 278 % - % - %	104 % 109 % - % - %
Total sources of capital funds	3,185,417,740	3,403,637,183	3,403,637,183	1,367,880,542		2,035,756,641	40 %	43 %
Cash flows								
Net cash from (used) operating Net cash from (used) investing Net cash from (used) financing	2,176,310,623 (2,454,319,178) 1,043,446,596	2,224,553,376 (2,946,952,167) 1,050,588,875	2,224,553,376 (2,946,952,167) 1,050,588,875	4,009,788,410 (4,697,893,660) 716,385,939)	(1,785,235,034) 1,750,941,493 334,202,936	180 % 159 % 68 %	184 % 191 % 69 %
Net increase/(decrease) in cash and cash equivalents	765,438,041	328,190,084	328,190,084	28,280,689		299,909,395	9 %	4 %
Cash and cash equivalents at the beginning of the year	1,043,638,827	855,571,441	855,571,441	855,571,441		-	100 %	82 %
Cash and cash equivalents at year end	1,809,076,868	1,183,761,525	1,183,761,525	883,852,130		299,909,395	75 %	49 %

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

61. Transfer of functions

During the current reporting period

Transfer of function 1

The name of the acquiree Metsweding District Municipality

Description of the acquiree District Municipality

The acquisition date of the transfer of function 1 July 2011

The primary reasons for the transfer of functions Provincial Gazette Ex

Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.

The acquirer obtained control of the acquiree in the following

manner

Take over of all assets and liabilities on 1 July 2011.

The acquisition-date fair value of the total consideration

transferred

R3 747 093 net gain

Assets and liabilities

Major class of asset and liabilties	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	895,369	895,369	-
Cash and cash equivalents	27,525	27,525	-
Property, plant and equipment	6,245,461	7,059,877	814,416
Intangible assets	301,268	304,268	-
Provisions	(409,973)	(409,973)	-
Unspent conditional grants	(2,371,568)	(2,371,568)	-
Trade and other payables	(2,190,469)	(2,194,817)	4,348
Reserves	(2,872,838)	(55,491)	2,928,329
	(375,225)	3,255,190	3,747,093

Transfer of function 2

The name of the acquiree Nokeng-tsa-Taemane Local Municipality

Description of the acquiree Local Municipality

The acquisition date of the transfer of function 1 July 2011

Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.

The acquirer obtained control of the acquiree in the following

The primary reasons for the transfer of functions

manner

Take over of all assets and liabilities on 1 July 2011

The acquisition-date fair value of the total consideration

transferred

R302 003 759 net gain

Annual Consolidated Financial Statements for the year ended 30 June 2012

Notes to the Annual Consolidated Financial Statements

Acquired assets and nabilities			
Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	20,099,327	19,930,264	(169,063)
Inventory	52,233	52,233	-
Cash and cash equivalents	3,676,949	3,676,949	-
Property, plant and equipment	379,462,061	393,358,421	13,896,360
Intangible assets	286,392	286,392	-
Loans and receivables	448,987	448,987	28,665
Provisions	(19,850,727)	(19,036,798)	813,926
Consumer deposits	(2,525,842)	(2,525,842)	-
Unspent conditional grants	(28,616,727)	(28,616,727)	-
Trade and other payables	(62,939,326)	(61,456,249)	1,483,077
Long-term loans	(2,869,517)	(2,869,517)	-
Finance leases	(474,322)	(252,879)	221,443
Bank overdraft	(912,772)	(912,772)	-
Accumulated surplus	-	-	285,729,350
	285,836,716	302,082,462	302,003,758

Transfer of function 3

The name of the acquiree Kungwini Local Municipality

Description of the acquiree Local Municipality

The acquisition date of the transfer of function 1 July 2011

The primary reasons for the transfer of functions

Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane

The acquirer obtained control of the acquiree in the following

manner

The acquisition-date fair value of the total consideration

transferred

Take over of all assets and liabilities

R641 357 480 net gain

Notes to the Annual Consolidated Financial Statements

Acquired assets and liabilities				
Major class of assets and liabilities		Take-on balance	Fair value	Gain/(loss) on transfer of functions
Receivables		123,384,014	146,532,384	(23,148,370)
Inventory		1,928,004	1,930,754	(2,750)
Cash and cash equivalents		1,690,997	1,690,997	` -
Property, plant and equipment		783,194,004	828,321,392	45,127,388
Intangible assets		663,518	663,518	-
Provisions		(33,221,460)	(24,250,921)	8,970,539
Consumer deposits		(11,939,062)	(11,939,062)	-
Unspent conditional grants		(16,421,156)	(16,421,156)	-
Trade and other payables Long-term loans		(241,076,588) (20,750,543)	(217,209,647) (20,750,543)	23,866,941
Finance leases		(214,296)	(199,471)	14,825
Accumulated surplus		-	-	586,528,907
		587,237,432	688,368,245	641,357,480
Gain/(loss) recognised in current reporting pe	riod			
Gain/(loss) recognised	947,108,331	-	947,108,331	-

The trial balances and audited annual financial statements as at 30 June 2011 of the 3 municipalities were used to bring in the balances on 1 July 2011 via take-on accounts. All these balances were then verified and reconciled by the relevant officials and any amounts that could not be satisfactorily verified or substantiated by acceptable supporting documentation were transferred to the net gain/(loss) on the transfer of function account. Hence the net gain realising on an amount of R947 108 331.

Schedule of external loans as at 30 June 2012

	Interest Rate (%)	Redeemable	Balance at 30 June 2011 Rand	Received Rand	Redeemed/ written Rand	Amortised value Rand	Balance at 30 June 2012 Rand	Carrying Value of PPE Rand
LOCAL REGISTERED STOCK :								
Loan 105 (Issued 1997)	16.65	2014.06.30	97,267,701		_	778,157	98,045,858	150,524,928
Loan 43 (Issued 1984)	16.25	2004.04.30	5,812		<u> </u>		5,812	8,924
			97,273,513		-	778,157	98,051,670	150,533,852
TERM LOANS								
DBSA: bullet portion DBSA: Floating rate ABSA Bank Arbitrage Housing Company: Gauteng Partnership Fund Housing Company: National Housing Finance Corp	13.50 Variable 19.13 0.00 14.00	2018.04.30 2019.10.31 2011.10.31	51,746,052 78,331,528 227,950,578 293,000 3,819,885	- - - -	- 200,000,000 293,000 385,191	72,117 1,387,114 (27,950,578) -	51,818,169 79,718,642 - - - 3,434,694	79,553,856 122,388,065 - - 3,434,694
TEDA			1,000			<u> </u>	1,000	<u> </u>
			362,142,043	-	200,678,191	(26,491,347)	134,972,505	205,376,615
ANNUITY LOANS:								
DBSA DBSA Local Authorities DBSA (Restructuring) INCA INCA INCA INCA INCA INCA INCA INCA	13.5 13.5 10.87 11.66 9.52 11.01 9.36 10.92 10.81 5.0 9.835 13.5 6.25	2018.04.30 2012.12.31 2018.12.31 2019.06.30 2020.03.31 2020.06.30 2020.12.31 2021.06.30 2021.12.31 2021.12.31 2021.12.31 2021.12.31 2021.12.31 2028.06.30	199,772,612 5,853,130 192,840,445 14,499,099 171,323,142 38,695,134 213,818,951 79,733,309 65,608,984 74,144,325 319,587,132 163,951,985 91,382,257	-	16,192,323 1,824,431 8,544,415 1,204,601 12,437,366 2,687,474 7,159,570 5,106,014 3,889,891 2,889,239 9,640,181 10,029,497 1,525,336	(340,645) 271,192 10,080,942 (211,677) - 9,640,009 - 1,776,497 15,199,883 - 2,800,336	183,239,644 4,299,891 194,376,972 13,294,498 158,674,099 36,007,660 216,299,390 74,627,295 61,719,093 73,031,583 325,146,834 153,922,488 92,657,257	281,318,708 6,601,410 298,417,290 20,410,381 243,604,450 55,280,769 332,073,691 114,571,574 94,754,254 112,121,756 499,181,758 236,309,537 142,252,074
DBSA DBSA DBSA ABSA Roodeplaat Temba DBSA Roodeplaat Temba Nedbank Roodeplaat Temba DBSA TIP DBSA IIP Nedbank Nedbank DBSA Standard Bank	12.81 11.32 12.5 11.99 12.51 6.75 10.84 9.27 9.32 10.18 7.72	2028.06.30 2028.06.30 2021.03.31 2021.03.31 2021.03.31 2029.06.30 2029.06.30 2020.05.18 2020.06.16 2010.12.01 2026.06.30	191,689,207 191,991,667 207,717,731 107,297,726 142,650,186 142,305,704 648,786,396 340,378,960 338,630,811 354,740,557 1,000,000,000	: : : : :	1,614,088 1,776,105 10,850,239 5,737,771 7,459,539 2,050,137 7,452,011 26,361,608 26,404,402 8,317,844 36,453,580	(843,263) (446,566) (600,200) 4,694,719 28,269,317 (163,920) (58,935) 8,782,200	202,191,995 200,957,379 196,024,229 101,113,389 134,590,447 144,950,286 669,603,702 313,853,432 312,167,474 355,204,913 963,546,943	310,415,309 308,519,866 300,946,245 155,234,355 206,630,018 222,534,962 1,028,009,249 481,843,558 479,255,191 545,328,430 1,479,285,683
DBSA DBSA DBSA Standard Bank - Magalies Water DBSA Standard Bank	16.55 5.00 5.00 15.04 13.50 Jibar Jibar	2011.12.31 2013.03.31 2016.08.31 2016.06.30 2014.09.30 2027.06.29 2022.06.29		17,425 705,985 1,040,568 19,353,456 1,186,096 500,000,000	17,425 362,054 165,446 2,066,462 241,177	- 1,413 3,596	345,344 878,718 17,933,307 975,303 500,000,000 500,230,125	530,192 1,349,053 27,532,113 1,497,334 767,625,124 767,978,423
			5,297,399,450	1,022,303,530	220,460,226	102,620,936	6,201,863,690	9,521,412,757
						. <u></u> .		
			5,756,815,006	1,022,303,530	421,138,417	76,907,746	6,434,887,865	9,877,323,224

Schedule of external loans as at 30 June 2012

	Interest Rate (%)	Redeemable	Balance at 30 June 2011 Rand	Received Rand	Redeemed/ written Rand	Amortised value Rand	Balance at 30 June 2012 Rand	Carrying Value of PPE Rand
FINANCE LEASES								
ABSA AMASONDO DATACENTRIX DEBIS FLEET MANAGEMENT FLEET AFRICA IMPERIAL/EQSTRA MAN FINANCIAL SERVICES MCCarthy Molpone STANDARD BANK ZEDA TSHWANE AUTO LEASING BIDVEST VUSWA ABSA SOL	Variable *		5,706,887 5,327,057 89,394,011 393,720 30,369,875 19,686,286 834,667 4,666,773 80,243,024 21,616,684 7,377,944	54,728,794 421,727 147,704,208 25,058 - 1,818,316 - 2,041,903 9,178 3,788,650 6,236,417 1,131,054 473,612 67,471	9,844,464 5,619,428 68,782,595 104,062 32,188,191 6,343,000 843,845 1,521,932 30,407,543 21,630,844 3,505,969 19,631	-	50,591,217 129,356 168,315,624 314,716 - 15,385,189 6,933,491 56,071,898 1,116,894 4,345,587 47,840	162,665,937 308,393 - - 14,887,845 - 6,838,056 54,402,848 1,113,112 4,263,497
			265,616,928	218,446,388	180,811,504		303,251,812	294,663,015

Analysis of property, plant and equipment as at 30 June 2012

		Cost/Revaluation					Accumulated depreciation						
	Opening Balance Rand	Acquisitions Rand	Disposals Rand	Transfers Rand	Additions and adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Impairment Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Carrying value Rand
Infrastructure										,			
Assets under construction Electricity General Roads Water and sanitation Sandspruit	1,880,721,693 3,610,830,152 122,414,534 4,929,692,762 4,347,370,364 12,587,491	1,831,166,042 474,827,099 13,560,948 646,529,769 495,427,676 63,287	(846,364) - (258,751) (4,848,946)	(16,349,766) 126,941,579	- - - - -	2,995,396,625 4,336,260,380 119,625,716 5,702,905,359 5,165,388,074 12,650,778	(829,402,699) (70,743,703) (1,385,644,442) (1,027,434,813) (6,362,027)	(256,845,090)	(18,173) - - - - -	102,443 - 138,082 - -	23,037,388 - - - -	(937,086,662) (62,351,376) 1,642,351,450) 1,208,197,373) (7,759,676)	2,995,396,625 3,399,173,718 57,274,340 4,060,553,909 3,957,190,701 4,891,102
	14,903,616,996	3,461,574,821	(5,954,061)	(27,010,824)	-	18,332,226,932	(3,319,587,684)	(561,418,593)	(18,173)	240,525	23,037,388	3,857,746,537)	14,474,480,395
Community Assets													
General Assets under construction	1,688,309,768 45,151,534	165,961,355 57,551,446	(14,900,557)	65,859,908 (40,778,335)	-	1,905,230,474 61,924,645	(431,886,217)	(64,320,971)	-	797,548 -	(2,384,839)	(497,794,479)	1,407,435,995 61,924,645
	1,733,461,302	223,512,801	(14,900,557)	25,081,573	-	1,967,155,119	(431,886,217)	(64,320,971)	-	797,548	(2,384,839)	(497,794,479)	1,469,360,640
Heritage assets													
General	25,844,496	214,400	-	-	-	26,058,896	(235,353)	(89,965)	-	-	-	(325,318)	25,733,578
	25,844,496	214,400	-	-	-	26,058,896	(235,353)	(89,965)	-	-	-	(325,318)	25,733,578
Housing													
Housing assets Assets under construction	253,694,176 13,110,922	38,468,160 98,099,401	- -	(12,733,788)	- -	292,162,336 98,476,535	(238,584)	(37,129)	-	- -	- -	(275,713)	291,886,623 98,476,535
	266,805,098	136,567,561	-	(12,733,788)	=	390,638,871	(238,584)	(37,129)	-	-	=	(275,713)	390,363,158
Stock													
Stock	3,769,730	41,072,830	(1,729,124)	(3,769,730)	-	39,343,706	-	-	-	-	-	_	39,343,706
	3,769,730	41,072,830	(1,729,124)	(3,769,730)	-	39,343,706			- [-	-	-	39,343,706
Land									•				
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	704,297,277	-	_	-	_	-	_	704,297,277
	700,018,836	4,938,887	(579,066)	(81,380)	-	704,297,277	-		-	-	-	-	704,297,277
Buildings	· · · · · · · · · · · · · · · · · · ·		· · · · · ·						•				
Buildings Assets under construction	1,120,987,130 290,254	45,397,986 -	- -	425,487,408 (290,254)	-	1,591,872,524	(431,068,811)	-	(21,869,192)	-	(179,044,657)	(707,256,237)	884,616,287 -
Sandspruit	7,812,631	21,938	-		-	7,834,569	(1,951,450)	(397,708)	<u> </u>	<u> </u>	-	(2,349,158)	5,485,411
	1,129,090,015	45,419,924	-	425,197,154	-	1,599,707,093	(433,020,261)	(75,671,285)	(21,869,192)	-	(179,044,657)	(709,605,395)	890,101,698

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation			tion	Accumulated depreciation								
	Opening Balance	Acquisitions Rand	Disposals Rand	Transfers Rand	Additions and adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Impairment Rand	Disposals Rand	Transfers Rand	Closing Balance Rand	Carrying value Rand
Other													
General Rehabilitation assets Non-current assets held for sale (transfer) Assets under construction Cenbis Sandspruit Housing Company Civirelo	2,284,913,228 179,689,260 (4,524,267) 56,400,660 580,824 9,212,014 349,543 75,272	334,702,259 17,033,832 - 79,407,092 - 375,445 60,248	(132,783,289) - (5,420,432) - - - - -	(398,270,677) - - (45,982,385) - - -	: : : : :	2,088,561,521 196,723,092 (9,944,699) 89,825,367 580,824 9,587,459 409,791 75,272	(924,746,694) (107,347,359) 4,183,833 - (580,824) (7,653,946) (198,917) (75,272)	(149,146,103) (3,964,337) - - - (851,341) (78,718)	(7,920,477) - - - - - - - -	73,159,021 - - - - - - - -	183,448,575 (711,236) 5,416,277 - - - - -	(825,205,678) (112,022,932) 9,600,110 (580,824) (8,505,287) (277,635) (75,272)	1,263,355,843 84,700,160 (344,589) 89,825,367 - 1,082,172 132,156
Total annual and and and annual	2,526,696,534	431,578,876	(138,203,721)	(444,253,062)	-	2,375,818,627	(1,036,419,179)	(154,040,499)	(7,920,477)	73,159,021	188,153,616	(937,067,518)	1,438,751,109
Total property plant and equipment													
	21,289,303,007	4,344,880,100	(161,366,529)	(37,570,057)	-	25,435,246,521	(5,221,387,278)	(855,578,442)	(29,807,842)	74,197,094	29,761,508	6,002,814,960)	19,432,431,561
Biological assets													
Game (livestock)	12,970,960				(264,454)	12,706,506			-	-	-	<u>-</u>	12,706,506
	12,970,960	-	-	<u> </u>	(264,454)	12,706,506				<u> </u>	-		12,706,506
Investment properties													
Investment assets Housing Company	444,092,462 15,791,014	140,965,476 79,823	(11,301,940)	- (2,469,819)	-	573,755,998 13,401,018	(39,912,176)	(759,200)	-	1,508	-	(40,669,868) -	533,086,130 13,401,018
	459,883,476	141,045,299	(11,301,940)	(2,469,819)	-	587,157,016	(39,912,176)	(759,200)	-	1,508	-	(40,669,868)	546,487,148
Intangible assets													
Computer software Civirelo Assets under construction	306,139,199 61,140 53,925,600	132,229,283 - -	(57,900) - -	87,269,294 - (53,925,600)	- - -	525,579,876 61,140 -	(160,140,679) (61,140)	(43,686,213) - -	- - -	57,900 - -	(20,830,107) - -	(224,599,099) (61,140)	300,980,777
	360,125,939	132,229,283	(57,900)	33,343,694		525,641,016	(160,201,819)	(43,686,213)	<u> </u>	57,900	(20,830,107)	(224,660,239)	300,980,777
Total													
Land Infrastructure Community Assets Heritage assets Housing Other Biological assets Intangible assets Investment properties Buildings Stock	700,018,836 14,903,616,996 1,733,461,302 25,844,496 266,805,098 2,526,696,534 12,970,960 360,125,939 459,883,476 1,129,090,015 3,769,730	4,938,887 3,461,574,821 223,512,801 214,400 136,567,561 431,578,876 132,229,283 141,045,299 45,419,924 41,072,830	(579,066) (5,954,061) (14,900,557) - (138,203,721) (57,900) (11,301,940) - (1,729,124)	(81,380) (27,010,824) 25,081,573 - (12,733,788) (444,253,062) - 33,343,694 (2,469,819) 425,197,154 (3,769,730)	- - - - - (264,454) - - -	704,297,277 18,332,226,932 1,967,155,119 26,058,896 390,638,871 2,375,818,627 12,706,506 525,641,016 587,157,016 1,599,707,093 39,343,706	(3,319,587,684) (431,886,217) (235,353) (238,584) (1,036,419,179) (160,201,819) (39,912,176) (433,020,261)	(64,320,971) (89,965) (37,129) (154,040,499) - (43,686,213) (759,200)	(18,173) - - - (7,920,477) - - - (21,869,192)	240,525 797,548 - 73,159,021 - 57,900 1,508	(2,384,839) - - 188,153,616 - (20,830,107)	3,857,746,537) (497,794,479) (325,318) (275,713) (937,067,518) (224,660,239) (40,669,868) (709,605,395)	704,297,277 14,474,480,395 1,469,360,640 25,733,578 390,363,158 1,438,751,109 12,706,506 300,980,777 546,487,148 890,101,698 39,343,706
	22,122,283,382	4,618,154,682	(172,726,369)	(6,696,182)	(264,454)	26,560,751,059	(5,421,501,273)	(900,023,855)	(29,807,842)	74,256,502	8,931,401	6,268,145,067)	20,292,605,992
		.,,,	(,,	(-,,	(== :, :• :)	,,,	(-,,,)	, , , , , , , , , , , , , , , , , , , ,	, -,,- -	-,,	-,,	, ,-,-,-,-,-,	-,,,-

Appendix C Supplementary unaudited information

Segmental analysis of property, plant and equipment as at 30 June 2012 Cost/Revaluation Accumulated Depreciation

_											•			
	Opening Balance	Additions	Disposals	Classified as held for sale	Transfers	Other changes &	Closing Balance	Opening Balance	Additions	Classified as held for sale	Disposals, transfers &	Impairment deficit	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	movements Rand	Rand	Rand	Rand	Rand	adjustments Rand	Rand	Rand	Rand
													•	
Municipality														
Office of Executive mayor and Municipal Manager	126,112,984	1,919,054	(801,675)	(177,477)	(22,075)	-	127,030,811	(22,294,160)	(4,586,634)	(58,722)	759,656	(18,514)	(26,198,374)	100,832,437
Financial Services	77,008,289	13,912,286	(1,414,864)	(317,076)	(1,559)	-	89,187,076	(38,971,353)	(6,086,395)	86,144	1,370,994	(92,177)	(43,692,787)	45,494,289
General Assessments	34,764,622	1,035,029	(251,733)	(4,809)	(1,200)	-	35,541,909	(17,701,149)	(2,920,862)	36,865	223,267	(29,474)	(20,391,353)	15,150,556
Corporate and Shared Services	2,037,651,706	172,237,003	(3,912,956)	(958,571)	(4,104,261)	-	2,200,912,921	(583,202,693)	(94,932,017)	337,635	13,171,750	(207,419)	(664,832,744)	1,536,080,177
Community Safety	260,114,339	44,761,745	(4,670,719)	250,617	(786)	-	300,455,196	(96,018,691)	(25,456,901)	526,967	4,277,415	(22,961)	(116,694,171)	183,761,025
City Planning	71,422,440	316,633,344	(30,956,441)	(360,669)	14,770	-	356,753,444	(23,345,812)	(9,298,752)	181,237	1,217,479	(36,148)	(31,281,996)	325,471,448
Health and Social Development	185,100,292	20,188,450	(1,350,788)	(559,238)	(9,084,690)	-	194,294,026	(58,659,809)	(12,121,122)	109,768	(2,105,187)		(72,984,814)	121,309,212
Sport, Recreation, Arts & Culture	1,054,728,592	81,771,885	(113,400,678)	(59,457)	-	-	1,023,040,342	(297,680,705)	(55,645,313)	1,493,811	57,727,290	(6,366,964)	(300,471,881)	722,568,461
Housing and Sustainable Human Settlement Development	2,412,289,453	663,936,224	(2,593,382)	(76,199)	(1,374,956)	-	3,072,181,140	(387,708,601)	(97,423,172)	286,724	5,022,517	(24,345,601)	(504,168,133)	2,568,013,007
Agriculture & Environmental Management	933,841,727	103,145,597	(1,807,753)	(288,918)	9,108,344	-	1,043,998,997	(288,323,212)	(42,084,083)	81,565	3,714,893	, , ,	(326,645,842)	717,353,155
Transport & Roads: Transport	742,067,919	122,078,721	(323,918)	24,618	-	-	863,847,340	(124,953,607)	(24,571,699)	40,228	321,378		(149,179,344)	714,667,996
Transport & Roads: Roads and Storm	4,297,682,804	964,378,217	(920,618)	(208,637)	82,006	-	5,261,013,772	(1,320,698,492)	(231,961,729)	45,127	879,231	(36,577)[1	,551,772,440)	3,709,241,332
water														
Public Works - Water and Sanitation	5,290,346,657		(604,904)	(1,390,283)	1,391,575	-	6,306,005,856	(1,054,640,084)		812,723	1,325,788		,208,816,991)	5,097,188,865
Public Works - Electricity	4,246,229,523		(3,629,851)	(1,199,903)	(4,216)	-	5,301,750,218	(955,351,275)		1,348,014	2,830,355		,077,781,543)	4,223,968,675
Economic Development	96,465,883	4,262,222	(140,037)	(113,899)	(229,312)	-	100,244,857	(23,496,568)	(4,704,839)	41,238	667		(28,177,973)	72,066,884
Emergency Services	255,738,917	31,277,429	(790,072)	19,466		-	286,245,740	(127,737,827)	(19,826,847)	46,953	719,927	(9,473)	(146,807,267)	139,438,473
_	22,121,566,147	4,618,154,682	(167,570,389)	(5,420,435)	(4,226,360)	-	26,562,503,645	(5,420,784,038)	(913,709,652)	5,416,277	91,457,420	(32,277,660)	5,269,897,653)	20,292,605,992

Controlling Entity

Appendix D Supplementary unaudited information

Prior Year (30 June 2011)

Segmental Statement of Financial Performance for the year ended Current Year (30 June 2012)

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
51,479,181	349,415,996	(297,936,815)	Office of Executive Mayor and Municipal Manager	52,429,015	468,947,271	(416,518,256)
32,017,104	1,000,515,752	(968,498,648)	Corporate and Shared Services	18,950,417	1,139,942,826	(1,120,992,409)
2,265,202	58,239,066	(55,973,864)	City Planning & Economic Development: Economic Development	2,205,428	62,781,481	(60,576,053)
144,050,649	647,570,967	(503,520,318)	Financial Services	91,630,904	507,080,115	(415,449,211)
4,880,981,500	779,725,711	4,101,255,789	General Assessments	6,689,439,804	274,515,061	6,414,924,743
28,900,025	319,838,472	(290,938,447)	Housing and Sustainable Human Settlement Development	557,547,723	463,396,499	94,151,224
45,243,496	194,921,749	(149,678,253)	Sport, Recreation , Arts and Culture	45,552,146	294,822,784	(249,270,638)
110,922,548	857,301,241	(746,378,693)	Community Safety	131,845,310	1,000,426,850	(868,581,540)
581,172,993	1,462,338,389	(881,165,396)	Agriculture & Environmental Management	674,472,082	1,585,361,457	(910,889,375)
29,837,908	249,311,384	(219,473,476)	Health and Social Development	31,831,838	296,051,109	(264,219,271)
101,123,998	161,049,493	(59,925,495)	City Planning & Economic Development: City Planning	131,666,157	211,319,416	(79,653,259)
153,669,307	715,571,461	(561,902,154)	Transport & Roads: Roads and Storm water	297,942,998	895,093,269	(597,150,271)
153,860,631	434,998,973	(281,138,342)	Transport & Roads: Transport	201,254,144	467,590,502	(266,336,358)
6,769,044,381	5,387,647,662	1,381,396,719	Public Works - Electricity	8,158,462,016	7,685,890,530	472,571,486
2,468,202,896	1,867,816,399	600,386,497	Public Works - Water and Sanitation	2,914,236,462	2,424,184,865	490,051,597
72,252,115	346,839,814	(274,587,699)	Emergency Services	56,899,770	394,308,215	(337,408,445)
15,625,023,934	14,833,102,529	791,921,405		20,056,366,214	18,171,712,250	1,884,653,964

Actual Operating Revenue & Expenditure vs Budget for the year ended 30 June 2012

	Current year 2012 Actual Balances Including	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Eliminating Journals Rand	Rand	Rand	Var	
	,				
Revenue					
Property rates	3,396,203,752	3,461,000,000	(64,796,248)	, ,	Some factors cannot be accurately determined, e.g. growth in properties, re-categorisation of properties, growth in indigent registrations and legislative changes in tariffs
Service charges	10,542,926,612	10,880,754,542	(337,827,930)	(3.10)	Electricity sales lower and refuse removal revenue
Rental of facilities and equipment	100,221,337	116,821,051	(16,599,714)	(14.21)	lower due to the service not expanding as anticipated. Bus rentals realised lower owing to strike action and
Interest received - external	52,933,828	50,191,534	2,742,294	5.46	unavailability of sufficient busses. Result of improved cash-flow therefore more interest
investment Interest received - outstanding debtors	265,720,882	314,967,456	(49,246,574)	(15.64)	was earned than anticipated during budget process. Interest rate is adjusted twice annually. Declining interest rates and the targeted credit control actions all
Fines	4,540,725	3,170,642	1,370,083	43.21	impacted on arrear balances Payment of fines realised higher than anticipated
Licences and permits	52,425,804	42,253,600	10,172,204		during budget process Actual raised realised more than originally projected on
Government grants & subsidies	3,561,339,849	3,685,737,741	(124,397,892)		drivers licences and motor vehicle licenses Under spending on grant funded projects hence
Other income	990,860,350	982,578,116	8,282,234	0.84	revenue could not be recognised. Gain due to review of useful lives of assets which
Public contributions and donations	142,084,742	131,225,400	10,859,342	8.28	could not be budgeted for Township Development Contributions for Rezoning realised higher than anticipated.
Fair value adjustments Gain/(Loss): Transfer of functions	- 947,108,331	- -	947,108,331	-	Could not budget for this event as this is the net result
Can (2000). Transier of failure					of all assets and liabilites taken over at fair value
_	20,056,366,212	19,668,700,082	387,666,130	1.97	
Expenses					
Employee related costs Remuneration of Councillors	(4,815,371,616) (91,436,294)	(4,835,880,724) (90,972,569)	20,509,108 (463,725)		Savings owing to non-filling of vacancies. During budget preparation the determination of councillors remuneration was not yet finalised
Bad debts: contribution	(411,076,657)	(448,447,311)	37,370,654		Review of contribution to provision for bad debt at year end
Bad debts: written off	(667,439,739)	(473,697,000)	(193,742,739)	40.90	Write off of interest and indigent only approved on 29 June 2012
Collection costs	(94,983,032)	(113,460,600)	18,477,568		Dependant on the usage and commission of third parties
Depreciation	(1,030,012,208)	(1,042,446,246)	12,434,038		Depreciation is calculated in line with the asset verification and purification process.
Impairments	(29,807,842)	-	(29,807,842)	100.00	Impairment testing only done at year end cannot be provided during budget process.
Finance costs	(633,924,344)	(673,218,329)	39,293,985	(5.84)	Lower interest rates and delayed process of borrowing disbursement.
Bulk purchases	(6,169,832,861)	(5,858,972,090)	(310,860,771)	5.31	Electricity and water purchases was higher due to higher demand
Repairs and maintenance Grants and subsidies paid Gain or loss on disposal of assets and liabilities	(1,209,210,617) (21,495,798) (60,971,549)	(1,163,766,719) (14,281,600) (1,170,032)	(45,443,898) (7,214,198) (59,801,517)	3.90 50.51	Demand marginally higher than projected. More applications received than anticipated No auctions were anticipated during budget process
Gain or loss on exchange differences	(2,632,952)	-	(2,632,952)	-	Did not budget for this item
Fair value adjustments General Expenses	(2,734,273) (2,930,782,468)	(3,687,055,740)	(2,734,273) 756,273,272	(20.51)	Did not budget for this item Savings realised on Insurance Premiums & Excesses,; temporary services, consultant fees and lease of vehicles.
	(18,171,712,250)	(18,403,368,960)	231,656,710	(1.26)	
Net surplus/ (deficit) for the year	1,884,653,962	1,265,331,122	619,322,840	48.9	

Segmental Actual Operating Revenue and Expenditure vs budget

_					-					
_	Actual Rand	Adjustment Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget					
_		,								
Revenue										
Office of Executive Mayor and City Manager	52,429,015	110,576,517	58,147,502	52.59	Unspent Inner City Grant					
Corporate and Shared Services	18,950,417	65,908,300	46,957,883	71.25	,					
City Planning & Economic Development: Economic Development	2,205,428	3,122,800	917,372	29.38	Tourism hop-on hop-off bus was not in operation					
Financial Services	91,630,904	90,158,796	(1,472,108)	(1.63)	Claims recovred: COID realised higher					
General Assessments	6,689,439,804	5,700,325,146	(989,114,658)	(17.35)	Main reason is net gain on transfer of functions					
Housing and Sustainable Human settlement Development	557,547,723	496,761,680	(60,786,043)	(12.24)	Unspent conditional grants					
Sport, Recreation , Arts and Culture	45,552,146	62,144,767	16,592,621	26.70	Unspent conditional grants					
Community Safety	131,845,310	153,591,885	21,746,575	14.16	Under collection of AARTO fines					
Agriculture & Environmental management	674,472,082	762,895,329	88,423,247	11.59	Admission & cemetary fees, grave services					
Health and Social Development	31,831,838	37,936,800	6,104,962	16.09	Unspent conditional grants					
City Planning & Economic Development: City Planning	131,666,157	116,644,000	(15,022,157)	(12.88)	Over collection on bulk contributions					
Transport & Roads: Roads and Storm water	297,942,998	322,035,080	24,092,082	7.48	Aircraft movement/passenger volumes at Wonderboom Airport did not realise as					
Transport & Roads: Transport	201,254,144	390,574,466	189,320,322	48 47	anticipated Uspent conditional grants					
Public Works - Electricity	8,158,462,016	8,073,312,174	(85,149,842)		Electricity sales realised lower than anticipated					
Public Works - Water and Sanitation	2,914,236,462	3.224.998.642	310,762,180	9 64	Water sales lower than anticipated					
Emergency Services	56,899,770	57,713,700	813,930		Ambulance fees realised lower than anticipated					
	20,056,366,214	19,668,700,082	(387,666,132)	(1.97)	• '					
_	20,030,300,214	13,000,700,002	(307,000,132)	(1.57)						
Expenditure										
Office of Executive mayor and Municipal Manager	468,947,271	513,722,057	44,774,786	8.72	Expenditure did not materialise on certain grant projects					
Corporate and Shared Services	1,139,942,826	1,193,473,928	53,531,102		Vacancies not filled					
City Planning & Economic Development: Economic Development	62,781,481	72,168,576	9,387,095	13.01	Cash flow management initiatives by department					
Financial Services	507,080,115	837,957,787	330,877,672	39.49	Vacancies not filled yet					
General Assessments	274,515,061	438,923,180	164,408,119	37.46	Post employment benefit expenditure at year end higher than anticipated					
Housing and sustainable human Settlement Development	463,396,499	456,202,116	(7,194,383)	(1.58)	Expense higher due to additional water tankers & chemical toilets in incorporated areas					
Sport, Recreation, Arts and Culture	294,822,784	252,615,606	(42,207,178)	(16.71)	Depreciation & intrest realised higher					
Community Safety	1,000,426,850	1,017,377,381	16,950,531		Depreciation lower due to useful life review					
Agriculture & Environmental Management	1,585,361,457	1,684,661,548	99,300,091		Depreciation lower due to useful life review					
Health and Social Development	296,051,109	315,654,298	19,603,189		Depreciation lower due to useful life review					
City Planning & Economic Development: City	211,319,416	196,456,649	(14,862,767)		Asset purification and review of useful life					
Planning Transport & Roads: Roads and Storm water	895,093,269	902,959,712	7,866,443	0.87	Asset purification and review of useful life					
Transport & Roads: Transport	467,590,502	457,149,024	(10,441,478)		Overtime due to public transport crisis in Olievenhoutbosch					
Public Works - Electricity	7,685,890,530	6,986,957,927	(698,932,603)	(10.00)	Bulk purchases ealised higher than anticipated					
Public Works - Water and Sanitation	2,424,184,865	2,677,884,055	253,699,190	9.47	Bulk water purchases higher than anticipated					
Emergency Services	394,308,215	399,205,116	4,896,901		Depreciation lower due to useful life review					
	18,171,712,250	18,403,368,960	231,656,710	1.26	•					
 Total	1,884,653,964	1,265,331,122	(619,322,842)	(48.95)	- 					
_	.,55 .,555,554	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(0.5,022,042)	(-10.00)	4					

Capital Expenditure: Actual vs Budget as at 30 June 2012

	Actual	Adjustment Budget	Variance	Variance	Explanation of significant variances from budget
-	Rand	Rand	Rand	%	
Municipality					
Municipality					
Office of Executive Mayor and Municipal Manager	48,304,204	84,035,413	35,731,209	42.52	Contractors only appointed at late stage and contractors could not deliver before 30 June
Corporate and Shared Services	208,992,636	228,064,845	19,072,209	8.36	Replacement of lifts - project could not start due to delay in approval of SCM documents and automated meters project could not be finalised in time for year end
Financial Services	11,557,751	24,747,074	13,189,323	53.30	Saving on replacement of assets and vehicles from insurance claims
Housing & Sustainable Human Settlement Development	622,647,069	617,843,156	(4,803,913)	(0.78)Variance not significant
Sport, Recreation, Arts and Culture	54,022,765	79,195,977	25,173,212	31.79	Saving due to VAT rebate and 6 month delay in appointment of database of consultants to assist with implementation of capex projects
Community Safety	24,894,041	25,114,000	219,959	0.88	Variance not significant
Agriculture & Environmental Management	83,585,425	92,050,000	8,464,575		Delays experienced in SCM process
Health and Social Development	13,045,923	14,334,000	1,288,077	8.99	Service provider for supply and installation of generators were not appointed
City Planning	966,800	1,148,000	181,200	15.78	Managing asset purchases awaiting micro structure approval
Economic Development	3,896,864	4,000,000	103,136	2.58	Variance not significant
Transport & Roads: Roads and Storm water	573,930,474	570,071,080	(3,859,394)	(0.68)Variance not significant
Transport & Roads: Transport	122,008,877	255,157,420	133,148,543	52.18	Delays in appointment of professional service providers (panel of consultants)
Public Works - Electricity	579,488,433	589,075,962	9,587,529	1.63	Variance not significant
Public Works - Water and Sanitation	741,176,878	791,258,256	50,081,378		Waste water treatment works falling behind due to e.g. labour unrest, rock conditions
Emergency Services	27,481,076	27,542,000	60,924	0.22	_Variance not significant
	3,115,999,216	3,403,637,183	287,637,967	8.45	- -

Controlling Entity Appendix H

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)

June 2012

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers			arterly Rece			Expen- diture	Closing balance	Grants and Subsidies delayed/ witheld	Reason for delay/ witholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA
					Sep	Dec	Mar	Jun	Total	Jun		July to June		
Capital Grants: Integrated National Electrification programme (INEP)	Department of Mineral & Energy (DME)	1,526,273	-	-	-	-	21,000,000	(1,139,000)	19,861,000	21,000,000	387,273	None	None	Yes
Gauteng Project Linked Housing	Gauteng: Local Government & Housing (GLGH)	29,921,842	(3,467,407)	-	-	-	-	38,468,160	38,468,160	38,468,160	26,454,435	None	None	Yes
Urban Settlement Development Grant (USDG)	Cooperative Governance & Traditional Affairs (CoGTA)	-	-	(3,500,000)	-	-	-	891,081,000	891,081,000	877,902,840	9,678,160	None	None	Yes
Gautran's Job Creation	Gauteng: Transport Department Water Affairs and Forestry (DWAF)	1,408,211 100	-	- (100)	-	-	-	-	-	-	1,408,211 -	None None	None None	Yes Yes
PTIS: Roads PTIS: Transport	Gauteng:Transport (GDoT) Gauteng:Transport (GDoT)	48,959,907	-	51,313,821 113,979,490	-	-	200,000,000	(182,320,000) -	17,680,000 -	54,366,422 104,378,861	63,587,306 9,600,629	None None	None None	Yes Yes
Housing Accreditation	Gauteng: Local Government & Housing (GLGH)	67,134	-	-	-	-	-	-	-	(260)	67,394	None	None	Yes
Sport and Recreation	Gauteng: Sport, Arts, Culture & Recreation	515,977	-	-	-	-	-	-	-	-	515,977	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	2,531,158	-	(140,682)	-	-	-	44,000,000	44,000,000	46,360,952	29,524	None	None	Yes
Blue IQ Local Economic Development: Winterveldt	Blue IQ Gauten: Economic Development (GPGDED)	39,998,820 8,750,000	-	-	-	-	-	-	-	14,999,944 -	24,998,876 8,750,000	None None	None None	Yes Yes
LG SETA Merit awards	LG SETA Gauteng: Sport, Arts, Culture & Recreation	5,625 -	-	(5,625) 5,980,000	-	-	-	-	-	- 4,095,163	- 1,884,837	None None	None None	Yes Yes
FMG Restructuring grant	National Treasury National Treasury	- - 381.813	- (72,784)	322,513 72,784	- - (60,510)	- - -	-	- - 82.000.000	- - 81.939.490	322,513 - 48,304,204	- - 34,017,099	None None	None None None	Yes Yes Yes
Neighbourhood Development Partnership Sandspruit Works Association	National Treasury DWAF	2,291,502	-	-	(60,510)	-	-	4,185,000	4,185,000	4,091,276	2,385,226	None None	None	Yes
	•	136,358,362	(3,540,191)	168,022,201	(60,510)	-	221,000,000	876,275,160	1,097,214,650	1,214,290,075	183,764,947	•		

Controlling Entity Appendix H Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information) June 2012

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers		Qu	arterly Recei	pts		Expen- diture	Closing balance	Grants and Subsidies delayed/ witheld	Reason for delay/ witholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA
					Sep	Dec	Mar	Jun	Total	Jun		July to June		
Operational grants/subsid												-		
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	303,052	-	-	-	-	-	5,097,000	5,097,000	5,310,402	89,650	None	None	Yes
Primary Health Care	Gauteng: Department of Health & Social Development	-	-	-	-	-	-	27,324,561	27,324,561	27,324,561	-	None	None	Yes
Emergency Medical Services	Gauteng: Department of Health & Social Development	-	-	-	-	-	-	47,901,500	47,901,500	47,901,500	-	None	None	Yes
Top Structures: Project Linked Housing	Gauteng: Local Government & Housing	15,620,826	(2,805,639)	-	-	-	-	146,243,400	146,243,400	93,056,868	66,001,719	None	None	Yes
Finance Management Grant	National Treasury	-	938,998	(322,513)	-	-	5,250,000	(750,000)	4,500,000	5,116,485	-	None	None	Yes
Restructuring Grant	National Treasury	163,426	11,243,136	164,438	_	_	_	(11,571,000)	(11,571,000)	_	_	None	None	Yes
	Drakensberg Promotions	-	- 1,210,100	(38,279)	_	_	-	132,529	132,529	94,250	-	None	None	Yes
Equitable share	National Treasury	-	-	-	-	-	923,020,000		923,020,000	923,020,000	-	0None	None	Yes
Urban Settlement	Cooperative Governance and	-	-	3,500,000	-	-	-	-	-	3,060,239	439,761	None	None	Yes
Development (USDG)	Traditional Affairs (CoGTA)													
Merger Grant `	Department Local Government	-	-	-	-	-	-	20,000,000	20,000,000	20,000,000	-	None	None	Yes
Water Services Operating	Department of Water Affairs and	1,149,838	-	(15,597,000)	-	-	22,619,000	(955,000)	21,664,000	6,926,472	290,366	None	None	Yes
Grant	Forestry													
Housing Accreditation	Gauteng: Local Government & Housing	1,235,233	-	-	-	-	-	-	-	-	1,235,233	None	None	Yes
Bontle Ke Botho	Gauteng: Agriculture, conservation & Environment (GDACE)	521,450	-	-	-	-	-	595,000	595,000	353,136	763,314	None	None	Yes
Community Libraries	Gauteng: Sport, Arts, Culture & Recreation	1,673,147	-	(5,980,000)	-	-	-	12,700,000	12,700,000	5,848,016	2,545,131	None	None	Yes
Performance Management	Department Local Government	-	-	-	-	-	-	1,500,000	1,500,000	1,231,335	268,665	None	None	Yes
FIFA SWC 2010: Host Cities	Gauteng: Transport	2,125,801	-	(2,120,301)	-	-	-	-	-	5,500	-	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	-	-	140,682	-	-	-	-	-	140,682	-	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	-	-	60,510	-	-	-	-	-	60,510	-	None	None	Yes
PTIS: Transport	Gauteng: Transport (GDoT)	233,359,625	-	(165,293,311)	-	-	-	-	-	3,644,602	64,421,712	None	None	Yes
Public Works	Department Public Works		-	(1,510)	-	-	-	930,000	930,000	928,490	-	None	None	Yes
Equitable Share: Fuel levy		-	-	-	-	-	-	1,191,521,000	1,191,521,000	1,191,521,000	-	None	None	Yes
	•	256,152,398	9,376,495	(185,487,284)	-	-	950,889,000	1,440,668,990	2,391,557,990	2,335,544,048	136,055,551	F		
Revenue per Statement of (see note 25)	Financial Performance	392,510,760	5,836,304							3,549,834,123				
Unspent conditional grants	per Statement of Financial Position													
(see note 9)			(398,347,064)								319,820,498			