MBHASHE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

General Information

Legal form of entity	Mbhashe Local Municipality
Nature of business and principal activities	The Municipality is responsible for the following activities: - collection of rates in respect of property - refuse and solid waste removal - maintenance of access roads, storm water facilities and streetlights within its jurisdiction - traffic control, issue of learners licences and renewal of drivers licences
Mayoral committee	
Mayor	Ms N O Mfecane
Speaker	Mr P Madingana
Members of the Executive Committee	Ms N Stefana
	Ms N Xhungu
	Mr DT Tsengwa
	Miss X O Willie
	Mr M Peter
	Mr M Mbomvu
	Mr VSK Mbewu
	Mr F Khekhetshe
	Mr M Noyila
Chief WHIP	Mr M Bhele
Councillors	Mr A Bambiso
	Mr A T Magoda
	Mr P D Methu
	Mr A L Xana
	Mr M W Jiya
	Ms C N Buyeye
	Mr J S Tutsheni
	Mr M J Savu
	Miss N Tswila
	Mr B Jamda
	Mr M Ndinisa
	Mr M Mapungu
	Mr M Khwakhwi
	Miss F Ndaule
	Mr T Tshika
	Mr S Hoyo
	Mr M G Mgushelo
	Ms I N Quvile
	Ms N Janda
	Mr S Mfihlo
	Ms N Mangaliso
	Mrs T Mafanya
	Ms N Sigcawu
	Mr SS Futshane
	Mr S S Magwa
	Ms T Z Lubaxa
	Mr B Mqoqi
	Mr X A Zimba
	Mr T Nodliwa

General Information

Councillors (continued)	Mrs N Magatya Mr B Sigcawu Ms N B Benya Mr S Wulana Ms Z Pencil Mr M Zidlele Mrs N N Nkqwiliso Mrs G Y Mhlathi Ms N Lumkwana Mr P Faniso Ms F Mbiko Mr N N Ndlodaka Miss N V Nonjaca Mr M Tetyana Mrs B Mbalela Mr M Takani Ms X P Baleni Ms Tyodana Mr MS Jafta
Grading of local authority	Grading 3
Accounting Officer	Mr. M Somana
(Acting) Chief Finance Officer	Mr. S Ndakisa
Registered office	454 Steatfield Road Dutywa 5000
Postal address	P.O. Box 25 Dutywa 5000
Auditors	Auditor-General of South Africa
Traditional Leaders	Mr S V Qothongo Mr S X Ndevu Mr S Nyendani Mr M P G Manxiwa Mr M A B Dumalisile Mr M Titshala Mr N Ngubechanti Mr B S Sigidi Mrs A N Sigcawu Mr F F Ndim Mr N W Zenani Mr M Sigcawu

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

AFS	Annual Financial Statements
ASB	Accounting Standards Board
FMG	Financial Management Grant
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
SARS	South African Revenue Services
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual 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 opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 5 to 42, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2012 and were signed on its behalf by:

Municipal Manager

Statement of Financial Position

Figures in Rand	Notes	2012	2011
Assets			
Current Assets			
Receivables from exchange transactions	4	3 234 989	321 220
VAT receivable	5	1 068 664	5 579 963
Consumer debtors	6	648 145	781 505
Cash and cash equivalents	7	30 470 409	11 502 960
		35 422 207	**18 185 648**
Non-Current Assets			
Investment property	8	46 628 020	46 776 400
Property, plant and equipment	9	162 561 664	137 330 480
Intangible assets	10	235 508	130 666
		209 425 192	**184 237 546**
Total Assets		**244 847 399**	**202 423 194**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	9 858 947	7 158 910
Unspent conditional grants and receipts	12	3 754 578	3 999 890
Provisions	13	950 982	898 000
Bank overdraft	7	3 315 336	-
		17 879 843	**12 056 800**
Total Liabilities		**17 879 843**	**12 056 800**
Net Assets		**226 967 556**	**190 366 394**
Net Assets			
Accumulated surplus		226 967 556	190 366 394

Statement of Financial Performance

Figures in Rand	Notes	2012	2011
Revenue			
Property rates	16	6 972 692	6 971 504
Service charges	17	801 605	701 768
Rental of facilities and equipment		542 887	536 248
Fines		520 850	462 460
Licences and permits		923 714	984 768
Government grants & subsidies	18	162 253 629	120 722 277
Other income	19	590 356	1 504 360
Interest received	20	2 086 609	654 425
Total Revenue		**174 692 342**	**132 537 810**
Expenditure			
Personnel	21	(37 533 070)	(33 932 991)
Remuneration of councillors	22	(15 744 953)	(12 600 886)
Depreciation and amortisation		(24 338 097)	(14 036 090)
Finance costs	23	(17 961)	(23 714)
Debt impairment	24	(5 757 613)	(5 913 272)
Repairs and maintenance		(4 865 969)	(7 076 550)
General Expenses	25	(49 833 518)	(43 629 709)
Total Expenditure		**(138 091 181)**	**(117 213 212)**
Surplus for the year		**36 601 161**	**15 324 598**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	70 956 961	70 956 961
Correction of errors	104 084 835	104 084 835
Balance at 01 July 2010 as restated	**175 041 796**	**175 041 796**
Changes in net assets		
Surplus for the year	15 324 598	15 324 598
Total changes	15 324 598	15 324 598
Opening balance as previously reported	100 398 794	100 398 794
Prior year adjustments	89 967 601	89 967 601
Balance at 01 July 2011 as restated	**190 366 395**	**190 366 395**
Changes in net assets		
Surplus for the year	36 601 161	36 601 161
Total changes	36 601 161	36 601 161
Balance at 30 June 2012	**226 967 556**	**226 967 556**

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		3 747 574	5 032 244
Grants		162 253 629	120 722 277
Interest income		2 086 609	654 425
Other receipts		2 577 807	3 487 837
		170 665 619	129 896 783
Payments			
Employee costs		(53 278 023)	(46 533 878)
Suppliers		(52 191 788)	(48 703 060)
Finance costs		(17 961)	(23 714)
		(105 487 772)	(95 260 652)
Net cash flows from operating activities	35	**65 177 847**	**34 636 131**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(49 324 976)	(46 740 076)
Purchase of other intangible assets	10	(200 768)	(80 640)
Net cash flows from investing activities		**(49 525 744)**	**(46 820 716)**
Net increase/(decrease) in cash and cash equivalents		**15 652 103**	**(12 184 585)**
Cash and cash equivalents at the beginning of the year		11 502 960	23 687 546
Cash and cash equivalents at the end of the year	7	**27 155 063**	**11 502 961**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual 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 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. These accounting policies are consistent with the previous period.

1.1 Reporting entity

Mbhashe Local Municipality ("the municipality") is a low capacity local government institution covering Dutywa, Willowvale and Elliotdale in the Eastern Cape. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information".

1.2 Basis of preparation

Basis of measurement

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include:
- Impairment of debtors. Management is required to assess the debtors portfolio on an individual and collective basis and to determine an appropriate Impairment based on the collection trends, type of consumer and the general economic environment.
- Provision for landfill sites. Management is required to base the provision for the rehabilitation of the landfill sites on appropriate supporting documentation and assumptions
- Assessment of conditions related to unspent grants. Management must exercise judgement in assessing the extent to which the conditions pertaining to grants have been met in order to release an appropriate amount to revenue.
- Assets. Management are required to exercise judgement when assessing the fair value / deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.

Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Amounts are rounded off to the nearest Rand.

Going concern assumption

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

1.2 Basis of preparation (continued)

Comparative information

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

1.3 Property, plant and equipment

Initial Recognition

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

When significant components of an item of property, plant and equipment have different useful lives, residual values or depreciation methods they are accounted for as separate items (major components) of property, plant and equipment for the purposes of calculating depreciation. The costs of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

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

Where an asset is acquired at no cost, or for a nominal cost (i.e. a non-exchange transaction) its cost is deemed to be equal to the fair value of the asset.

Subsequent Measurement - cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Useful lives, residual values and depreciation methods are reassessed annually and changes are accounted for as a change in estimate. Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current Assets Held for Sale and Discontinued Operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.3 Property, plant and equipment (continued)

The annual depreciation rates are based on the following estimated average asset lives:

Asset category	Average useful life
Plant and machinery	7 years
Furniture and fixtures	5 years
Motor vehicles	5 years
IT equipment	3 - 5 years
Tar Roads	10 - 30 years
Gravel access roads	3 years
Street lights	10 years
Buildings	40 years

Derecognition

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

Heritage assets

Heritage assets that would otherwise meet the definition of, and recognition criteria for, property, plant and equipment are recognised in terms of GRAP 17 Property, Plant and Equipment however (as permitted by the Standard) the measurement requirements have not been applied.

1.4 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its statement of financial position only when it meets the definition of an intangible asset and it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. The cost of an item of an asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. The cost of an asset acquired in a non-exchange transition is its fair value as at date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

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

Subsequent measurement - cost model

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

Amortisation

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

Computer software - 3 years

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

Accounting Policies

1.4 Intangible assets (continued)

Derecognition

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

1.5 Investment property

Initial recognition

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

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

Subsequent measurement and derecognition - cost model

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rate is 50 years.

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

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

Loans and receivables

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

Accounting Policies

1.6 Financial instruments (continued)

Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end for objective evidence of impairment. The review is conducted on an individual and collective basis through applying the principles contained in IAS 39 (AC133) Financial Instruments: Recognition and Measurement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined with reference to the period for which debts have been outstanding and the rate at which the Municipality has collected cash from its debtors. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in surplus or deficit. When a trade receivable is not recoverable, it is written off. Subsequent recoveries of amounts previously written off are recognised in surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and subsequently carried at amortised cost using the effective interest method. Cash includes cash on hand (including petty cash) and investments comprising cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Trade and other payables from exchange transactions reflected on the face of the statement of financial position or in the notes thereto are classified as other financial liabilities.

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

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except where municipality approves the write-off of financial assets due to non-recoverability.

1.6 Financial instruments (continued)

Impairment of financial assets

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

1.7 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.8 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it meets the definition and recognition criteria of an asset.

1.9 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance unless it meets the definition and recognition criteria of an asset.

1.10 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance unless it meets the definition and recognition criteria of an asset.

1.11 Provisions and contingencies

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

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

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

1.12 Leases

Municipality as lessor

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

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

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

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.13 Value add tax

The municipality accounts for VAT on the payment basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

1.14 Revenue from exchange transactions

Revenue from exchange transactions includes 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, except when specifically stated otherwise. 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.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of the services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

1.14 Revenue from exchange transactions (continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements and receiving service. Tariffs are determined per category of property usage, and are levied at a fixed monthly rate based on the category of the customer.

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

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

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

Interest shall be recognised using the effective interest rate method.

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

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes rates levied and grants from other spheres of government.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is 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 if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset have been met.

1.16 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue in the reporting period in which the recognition criteria are met.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments arising from grants is recognised as interest earned in the statement of financial performance.

Accounting Policies

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits (those payable within 12 months after the service is rendered) are measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid in terms of short term bonus or leave arrangements when the municipality has a present legal or constructive obligation to pay the amount as a result of a past service provided by an employee and the amount can be estimated reliably.

Liabilities for annual leave are recognised as they accrue to the employees. The liability is based on the total amount of leave days due to the employee and the total related remuneration package.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the surplus or deficit in the period in which the service is rendered by the relevant employees.

The municipality makes contributions to the following plans:
- South African Municipal Workers Union National Provident Fund
- Eastern Cape Group Municipal Pension Fund
- Eastern Cape Group Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:
- HOSMED
- Key Health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

1.18 Impairment of non-cash-generating assets

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets includes.
- The assets ability to generate significant cash flows; and
- The degree to which it is utilised to generate commercial returns.

The carrying amounts of the municipality’s non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset’s fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset’s remaining service potential.

1.18 Impairment of non-cash-generating assets (continued)

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount. Impairment losses are recognised in surplus or deficit. Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, plant or equipment.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Additional disclosure will be required, which includes segment revenue and expenses as well as the carrying amount of segment assets and liabilities.
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9. Due to the nature of the non-exchange revenue received by the municipality, the impact of implementing GRAP 23 is not expected to be significant.
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Although the municipality currently presents budget information in terms of legislation, additional disclosure will be required in terms of GRAP 24. The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.
• GRAP 103: Heritage Assets	01 April 2012	The municipality does not have significant heritage assets portfolio however due to the nature of the assets the municipality anticipates difficulties with regards to the application of measurement requirements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	The municipality has phased out the transitional provisions as provided in Directive 4, accordingly the impact of implementing GRAP 23 is not expected to be significant.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	The municipality does not hold cash generating assets accordingly the standard is not expected to have a significant impact.
• GRAP 25: Employee benefits	01 April 2013	Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2010/11 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes. The main impact appears to be from a disclosure perspective as the municipality does not participate in defined benefit schemes.
• GRAP 104: Financial Instruments	01 April 2012	No material impact is expected on the measurement of financial instruments as the measurement basis of the municipality's financial instruments is expected to remain unchanged (i.e. at amortised cost and at fair value).
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.

2. New standards and interpretations (continued)

• GRAP 107: Mergers	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 20: Related parties	01 April 2013	The Municipality will be required to enhance the processes required to identify, track and report on related party transactions. Limited information regarding related party transactions is currently reported in the Annual Financial Statements.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	The Standard is not expected to have any impact on the municipality's operations.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	The Standard is not expected to have a significant impact on the municipality's operations.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	The Standard is not expected to have any impact on the municipality's operations.

2. New standards and interpretations (continued)

• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• GRAP 12 (as revised 2012): Inventories	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• GRAP 13 (as revised 2012): Leases	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.
• IGRAP16: Intangible assets website costs	01 April 2013	The Standard is not expected to have a significant impact on the municipality’s operations.

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the phasing out of the Directive 4 transitional provisions affecting the following standards:

- GRAP 16 - Investment properties
- GRAP 17 - Property, plant and equipment
- GRAP 19 - Provisions, contigent liabilities and contigent assets
- GRAP 102 - Intangible assets

Changes in accounting policies have been applied retrospectively.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period specific effects or the cumulative effect of the error. In such cases the Municipality will restate the opening balances of assets, liabilities and net assets for the earliest period for which the respective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Figures in Rand	2012	2011

4. Receivables from exchange transactions

Trade debtors	3 014 815	101 046
Staff Debtors	220 174	220 174
	3 234 989	**321 220**

5. VAT receivable

VAT refund due from SARS	1 068 664	5 579 963

The municipality is registered for VAT on the payment basis. VAT is claimed from / paid to SARS only once payment is made to suppliers or cash is collected on vatable supplies.

6. Consumer debtors

Gross balances		
Rates	23 533 473	18 474 556
Refuse	4 301 170	3 735 834
	27 834 643	**22 210 390**
Less: Provision for debt impairment		
Consumer debtors impairment	(27 186 498)	(21 428 885)
Net balance		
Rates	23 533 473	18 474 556
Refuse	4 301 170	3 735 834
Provision for debt impairment	(27 186 498)	(21 428 885)
	648 145	**781 505**
Rates		
Current (0 -30 days)	537 251	528 658
31 - 60 days	532 080	526 983
61 - 90 days	528 165	524 439
90 Days +	21 457 224	16 415 724
Reconcilling items (between debtors ledger and aging analysis)	478 753	478 752
	23 533 473	**18 474 556**
Refuse		
Current (0 -30 days)	71 170	60 699
31 - 60 days	71 170	60 190
61 - 90 days	70 468	60 003
90 days +	3 382 312	2 730 106
Reconcilling items (between debtors leger and aging analysis)	706 050	824 836
	4 301 170	**3 735 834**
Consumer debtors impairment		
Accumulated debtors impairment	(27 186 498)	(21 428 885)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(21 428 885)	(15 515 613)
Contributions to provision	(5 757 613)	(5 913 272)
	(27 186 498)	**(21 428 885)**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

7. Cash and cash equivalents

Cash on hand	4 735	4 735
Bank balances	-	1 371 042
Call Investment deposits	30 465 674	10 127 183
Current assets	30 470 409	11 502 960
Bank overdraft	(3 315 336)	-
	27 155 073	**11 502 960**

Current assets	30 470 409	11 502 960
Current liabilities	(3 315 336)	-
	27 155 073	**11 502 960**

Figures in Rand	2012	2011

7. Cash and cash equivalents (continued)

The municipality had the following bank and investment accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	**30 June 2011**	**30 June 2010**	**30 June 2012**	**30 June 2011**	**30 June 2010**
ABSA Bank Limited - Account Number 4048384454	-	2 616 782	4 089 714	(1 176 496)	1 523 723	(39 504 354)
First National Bank Limited - Account Number 62231175953	4 078 277	1 819 447	1 968 777	(3 891 187)	(2 634 684)	42 336 868
First National Bank Limited - Account Number 62231177280 (FMG)	-	413 590	397 085	-	413 590	397 085
First National Bank Limited - Account Number 62231176935 (MSIG)	-	590 428	566 672	-	590 428	566 672
ABSA Bank Limited - Account Number 4054446052	-	29 650	30 225	-	29 650	30 225
Standard Bank Limited - Account Number 280775954	1 752 350	1 436 978	1 437 298	1 752 350	1 436 978	1 437 298
Standard Bank Limited - Account Number 280763921	-	11 356	12 518	-	11 356	12 518
ABSA Bank Limited - Account Number 9056683798	-	67 788	65 626	-	67 788	65 626
ABSA Bank Limited - Account Number 9059705408	-	647 236	624 636	-	647 236	624 636
ABSA Bank Limited - Account Number 9056533262	-	6 494	6 341	-	6 494	6 342
ABSA Bank Limited - Account Number 9056685669	-	2 877	2 814	-	2 877	2 814
ABSA Bank Limited - Account Number 9057376730	-	103 904	100 533	-	103 904	100 533
ABSA Bank Limited - Account Number 9056617880	-	15 205	14 837	-	15 205	14 837
ABSA Bank Limited - Account Number 9057233364	601 753	582 484	563 118	601 753	582 484	563 118
ABSA Bank Limited - Account Number 9056533115	39 387	38 336	37 259	39 387	38 336	37 259
ABSA Bank Limited - Account Number 9061831536	-	3 523	3 521	-	3 523	3 521
ABSA Bank Limited - Account Number 9092743314	-	308 744	307 288	-	308 744	307 289
ABSA Bank Limited - Account Number 9092743005	-	533 466	530 951	-	533 466	530 951
ABSA Bank Limited - Account Number 9092742368	-	792 138	788 404	-	792 138	788 405
ABSA Bank Limited - Account Number 9057228882	-	27 791	27 018	-	27 791	27 018
ABSA Bank Limited - Account Number 9057225135	-	464 827	449 323	-	464 827	449 324
ABSA Bank Limited - Account Number 9057252990	-	142 178	137 558	-	142 178	137 558
ABSA Bank Limited - Account Number 9056686013	-	240 358	232 645	-	240 358	232 645
ABSA Bank Limited - Account Number 9110890209	-	1 259 273	1 253 337	-	1 259 273	1 253 338
Standard Bank Limited Account Number 38 873 187 7	-	298 698	289 034	-	298 698	289 035
First National Bank Limited - Account Number 62015966099	5 643	5 587	6 125	5 643	5 587	6 126

7. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA Bank Limited - Account Number 9205591041	1 515 219	1 730 633	3 296 285	1 515 219	1 730 633	3 296 285
ABSA Bank Limited - Account Number 9065656825	-	191	191	-	191	191
First National Bank Limited - Account Number 62231177769	5 285 761	804 144	7 598 877	5 285 761	804 144	7 598 877
First National Bank Limited - Account Number 62231195323	83 331	780 543	748 941	83 331	780 543	748 942
ABSA Bank Limited - Account Number 9100317908	6 750 201	335 029	333 238	6 750 201	335 029	333 239
First National Bank - Account Number 6223280487	668 917	651 395	635 645	668 917	651 395	635 645
ABSA Bank Limited - Account Number 9110889747	279 295	279 015	277 699	279 295	279 015	277 700
Standard Bank Limited - Account Number 388732180	-	5 325	5 245	-	5 325	5 245
First National Bank - Account Number 74321424942	15 236 167	-	-	15 236 167	-	-
Total	**36 296 301**	**17 045 413**	**26 838 778**	**27 150 341**	**11 498 223**	**23 612 811**

	2012	2011
Cash on hand	4 735	4 735

8. Investment property

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	48 660 000	(2 031 980)	46 628 020	48 660 000	(1 883 600)	46 776 400

Reconciliation of investment property - 2012

	Opening balance	**Depreciation**	**Total**
Investment property	46 776 400	(148 380)	46 628 020

Reconciliation of investment property - 2011

	Opening balance	**Depreciation**	**Total**
Investment property	46 925 163	(148 763)	46 776 400

9. Property, plant and equipment

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	55 577 551	(12 761 002)	42 816 549	55 577 551	(11 643 587)	43 933 964
Plant and machinery	2 599 068	(1 129 627)	1 469 441	2 087 273	(834 636)	1 252 637
Furniture and fixtures	2 398 659	(1 108 929)	1 289 730	2 147 394	(783 290)	1 364 104
Motor vehicles	4 939 630	(1 923 219)	3 016 411	3 482 405	(1 206 084)	2 276 321
IT equipment	2 043 205	(1 070 842)	972 363	1 796 344	(703 650)	1 092 694
Infrastructure and community assets	166 600 650	(92 180 134)	74 420 516	137 883 171	(71 425 300)	66 457 871
Streetlights and electrification	40 041 675	(1 465 021)	38 576 654	21 901 324	(948 435)	20 952 889
Total	**274 200 438**	**(111 638 774)**	**162 561 664**	**224 875 462**	**(87 544 982)**	**137 330 480**

Reconciliation of property, plant and equipment - 2012

	Opening balance	**Additions**	**Work in progress**	**Depreciation**	**Total**
Land and Buildings	43 933 964	-	-	(1 117 415)	42 816 549
Plant and machinery	1 252 637	511 795	-	(294 991)	1 469 441
Furniture and fixtures	1 364 104	251 265	-	(325 639)	1 289 730
Motor vehicles	2 276 321	1 457 225	-	(717 135)	3 016 411
IT equipment	1 092 694	246 860	-	(367 191)	972 363
Infrastructure and community assets	66 457 871	34 626 058	(5 908 578)	(20 754 835)	74 420 516
Streetlights and electrification	20 952 889	-	18 140 351	(516 586)	38 576 654
	137 330 480	**37 093 203**	**12 231 773**	**(24 093 792)**	**162 561 664**

Reconciliation of property, plant and equipment - 2011

	Opening balance	**Additions**	**Work in progress**	**Depreciation**	**Total**
Land and Buildings	44 373 842	677 082	-	(1 116 960)	43 933 964
Plant and machinery	1 525 148	22 462	-	(294 973)	1 252 637
Furniture and fixtures	1 504 871	150 224	-	(290 991)	1 364 104
Motor vehicles	2 068 417	738 804	-	(530 900)	2 276 321
IT equipment	1 260 209	165 617	-	(333 132)	1 092 694
Infrastructure and community assets	41 031 017	22 730 844	13 483 113	(10 787 103)	66 457 871
Streetlights and electrification	12 671 688	-	8 771 930	(490 729)	20 952 889
	104 435 192	**24 485 033**	**22 255 043**	**(13 844 788)**	**137 330 480**

10. Intangible assets

	2012			2011		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	388 393	(152 885)	235 508	187 625	(56 959)	130 666

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	130 666	200 768	(95 926)	235 508

Reconciliation of intangible assets - 2011

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	92 564	80 640	(42 538)	130 666

11. Payables from exchange transactions

	2012	2011
Trade payables	4 741 925	2 263 235
Debtors with credit balances	1 138 983	857 768
Accrued leave pay	2 579 748	2 302 395
Accrued bonus	608 425	590 067
Other creditors	789 866	1 145 445
	9 858 947	**7 158 910**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2012	2011
IGG Fund 1	2 248	2 248
IGG Fund 2	23 072	23 072
Housing Development Fund	575 099	575 099
Pilot Housing Fund	4 577	4 577
Willowvale roads	5 456	5 456
Town Planning 1	450 378	450 378
Town Planning 2	400 198	400 198
Survey fund	193 283	193 283
Ntlonyane find	1 126 903	1 126 903
Finance Management Grant	-	245 312
LGSETA Fund	111 463	111 463
Extension fund (ABSA - 9056533115)	31 578	31 578
Water reticulation (FNB - 6201596609)	6 674	6 674
IDP Fund 2	709 286	709 286
IDP Fund 3	114 363	114 363
	3 754 578	**3 999 890**

Figures in Rand	2012	2011

12. Unspent conditional grants and receipts (continued)

Movement during the year

	2012	2011
Balance at the beginning of the year	3 999 890	3 754 578
Additions during the year	-	245 312
Released to revenue	(245 312)	-
	3 754 578	**3 999 890**

A number of the above grants relate to housing projects that have been temporarily halted due to various reasons. The municipality is attempting to resolve these matters in order to proceed with the projects

13. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	898 000	52 982	950 982

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	-	898 000	898 000

Environmental rehabilitation provision

The Municipality has an obligation to restore three landfill / dumping sites located on commonage. These sites are in Dutywa, Willowvale and Elliotdale. The commonage is not surveyed as such no corresponding asset may be recognised relating to this provision resulting in any movement in the provision being recognised directly in surplus or deficit for the year. The provision based on a estimated cost provided in 2010 and has been adjusted in line with the average consumer price index over the period 1 July 2011 to 30 June 2012

There is uncertainty around:
- Timing of when the sites will be rehabilitated
- Total actual costs to undertake the rehabilitation

14. Revenue

	2012	2011
Property rates	6 972 692	6 971 504
Service charges	801 605	701 768
Rental of facilities & equipment	542 887	536 248
Fines	520 850	462 460
Licences and permits	923 714	984 768
Government grants & subsidies	162 253 629	120 722 277
	172 015 377	**130 379 025**

The amounts included in revenue arising from exchanges of goods or services are as follows:		
Service charges	801 605	701 768
Rental of facilities & equipment	542 887	536 248
Licences and permits	923 714	984 768
	2 268 206	**2 222 784**

Figures in Rand	2012	2011

14. Revenue (continued)

The amounts included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	6 972 692	6 971 504
Fines	520 850	462 460
Transfer revenue		
Government grants and subsidies	162 253 629	120 722 277
	169 747 171	**128 156 241**

15. Other revenue

Other income	590 356	1 504 360

16. Property rates

Rates received

	6 972 692	6 971 504

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Valuations processed on annual basis take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.02 (2011: R 0.02) is applied to property valuations to determine assessment rates. Rebates of R15 000 (2011:R15 000) are granted to residential consumers.

Rates are levied on an annual basis.

The supplementary general valuation will be implemented on 01 July 2012.

17. Service charges

Refuse removal	801 605	701 768

18. Government grants and subsidies

Equitable share	105 238 000	77 759 389
Municipal System Improvement Grant	790 000	750 000
Intergrated Electrification programme	20 680 000	10 000 000
Finance Management Grant	1 745 312	1 004 688
Other government grants	807 453	1 928 200
IEC Grant	-	2 000 000
Municipal Infrastrucutre grant	32 809 000	27 280 000
IDP Funding	183 864	-
	162 253 629	**120 722 277**

Finance Management Grant

Balance unspent at beginning of year	245 312	-
Current - year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	(1 745 312)	(1 004 688)
	-	**245 312**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

19. Other income

Administration Fees	96 015	-
Building Plans	126 532	26 333
Burial and cemetery	4 709	4 572
Chair Hire	785	9 479
Tender Deposits	-	162 660
Library Fees	-	154
Public Toilets	26 482	33 950
Pound Fees	58 283	61 784
Sundry income	277 550	1 205 428
	590 356	**1 504 360**

20. Interest received

Interest revenue		
Interest on bank accounts and investment balances	2 086 609	654 425

21. Employee related costs

Basic	29 595 628	24 974 947
Bonus	1 233 215	1 160 101
Medical aid - company contributions	1 357 465	1 190 113
Unemployment Insurance Fund	239 382	185 370
Workmens Compensation	470	-
Leave pay provision charge	363 303	723 146
Bargaining council contributions	5 180	6 770
Post-employment benefits - Pension - Defined contribution plan	2 772 552	2 579 853
Travel, motor car, accommodation, subsistence and other allowances	843 298	1 044 443
Overtime payments	675 189	711 886
Housing benefits and allowances	344 555	339 757
Casual wage employment	87 220	968 756
Stand by Allowances	15 613	47 849
	37 533 070	**33 932 991**

Remuneration of Municipal Manager

Annual remuneration	500 093	210 909
Backpay	25 925	-
Contributions to UIF, Medical and Pension Funds	111 488	-
Travel, motor car, accommodation, subsistence and other ollowance	136 666	-
	774 172	**210 909**

The encumbent Municipal Manager was appointed in November 2011. Prior to this an Acting Municipal Manager was seconded from Provincial Government.

Remuneration of Acting Chief Finance Officer

Annual Remuneration	256 690	398 580
Backpay	37 023	-
Bonus	22 025	-
Acting allowance	391 550	76 454
Travel, motor car, accommodation, subsistence and other allowance	10 578	183 125
Contributions to UIF, Medical and Pension Funds	50 269	73 731
	768 135	**731 890**

Figures in Rand	2012	2011

21. Employee related costs (continued)

Remuneration of Community Services Manager

Annual Remuneration	395 259	398 580
Backpay	36 650	-
Travel, motor car, accommodation, subsistence and other allowance	215 591	166 258
Contributions to UIF, Medical and Pension Funds	94 445	77 267
	741 945	**642 105**

Remuneration of Acting Human Resources and Administration Manager

Annual Remuneration	262 856	398 580
Backpay	46 975	-
Bonus	20 743	-
Acting Allowance	362 489	-
Travel, motor car, accommodation, subsistence and other allowance	26 249	183 125
Contributions to UIF, Medical and Pension Funds	49 357	73 731
	768 669	**655 436**

Remuneration of Acting Technical Service Manager

Annual Remuneration	233 776	441 774
Backpay	42 888	-
Acting Allowance	391 550	-
Travel, motor car, accommodation, subsistence and other allowance	118 729	187 572
Contributions to UIF, Medical and Pension Funds	38 672	68 828
	825 615	**698 174**

Remuneration of Local Economic Development Manager

Annual Remuneration	294 945	400 707
Backpay	29 986	-
Travel, motor car, accomodation, subsistence and other allowance	134 613	175 945
Contributions to UIF, Medical and Pension Funds	149 697	78 780
	609 241	**655 432**

Remuneration of Land and Housing Manager

Annual Remuneration	395 259	398 580
Backpay	36 650	-
Acting Allowance	-	191 135
Travel, motor car, accommodation, subsistence and other allowance	185 734	183 125
Contributions to UIF, Medical and Pension Funds	79 272	73 731
	696 915	**846 571**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. Remuneration of councillors

Council remuneration and allowances	15 744 953	12 600 886

Analysis of council remuneration		
Mayor	622 929	618 831
Speaker	505 895	1 001 556
Traditional leaders	630 909	1 103 435
Executive committee members	2 958 012	1 528 266
Councillors	9 369 441	5 612 226
Councillors allowances	1 657 767	2 736 573
	15 744 953	**12 600 887**

23. Finance costs

Interest paid on trade and other payables	17 958	21 980
Interst paid on bank account	3	1 734
	17 961	**23 714**

24. Debt impairment

Contributions to debt impairment provision	5 757 613	5 913 272

Figures in Rand	2012	2011

25. General expenses

Advertising	308 342	136 157
Animal Costs	12 857	14 743
Assets expensed	21 300	22 869
Audit committee fees	678 123	814 386
Auditors remuneration	1 856 978	1 922 677
Bank charges	357 472	216 468
Cleaning	398 147	315 398
Community development and public participation	375 253	1 132 766
Conferences and seminars	2 040 090	1 848 091
Consumables	21 952	40 789
Donations	204 616	78 754
Electricity	491 942	252 547
Entertainment	558 526	646 482
Fuel and oil	915 699	686 985
Equipment and plant hire	143 694	-
IT expenses	131 576	-
Indigent support	8 034 797	4 181 731
Insurance	229 078	161 164
Lease rentals on operating lease	655 204	541 782
Legal expenses	1 721 951	2 262 840
Magazines, books and periodicals	52 691	8 143
Motor vehicle expenses	92 512	485 725
Other expenses	10 150 034	5 929 169
Postage and courier	4 478	11 914
Printing and stationery	1 013 016	546 150
Professional fees	1 831 225	2 600 473
Projects	7 426 076	11 279 364
Protective clothing	299 807	318 656
Refuse	150 415	135 495
Security	2 078 144	1 390 908
Software expenses	509 036	354 788
Special programme	509 112	256 980
Subscriptions and membership fees	670 630	598 403
Telephone and fax	1 494 790	1 752 691
Training	2 158 050	672 528
Travel - local	1 078 866	1 087 743
Water	1 157 039	923 950
	49 833 518	**43 629 709**

26. Auditors' remuneration

Fees	1 856 978	1 922 677

Figures in Rand	2012	2011

27. Employee benefit obligations

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The municipality makes contributions to the following plans:
- South African Municipal Workers Union National Provident Fund
- Eastern Cape Municipal Pension Fund
- Eastern Cape Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:
- HOSMED
- Key health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA health
- Medichex

These contributions have been expensed.

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	14 835 057	44 490 237

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	881 189	313 352
- in second to fifth year inclusive	1 331 579	170 304
	2 212 768	**483 656**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years. No contingent rent is payable.

Figures in Rand	2012	2011

29. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include councillors, key management personnel and close members of family.

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager and supply chain officials.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

Related party balances

Municipal accounts - Owed by councillors		
Quvile N	40 321	-
Jafta BM	57 810	45 571
Janda N	-	2 235
Nonjaca N	-	15 185

Related party transactions

During the year the Municipality rendered services to various Councillors residing within its jurisdiction. These services include rates and refuse charges.

The services rendered to related parties are charged at approved tariffs that were advertised to the general public. Amounts outstanding are unsecured and will be settled in cash.

30. Unauthorised expenditure

Opening balance	3 780 393	-
Unauthorised expenditure current year	-	3 780 393
Unauthorised expenditure approved by council in the current year	(3 780 393)	-
	-	**3 780 393**

No unauthorised expenditure was incurred in the current year. The prior year amount arose as a result of over expenditure on employee related costs. The municipality however did not overspend on the total budget. A report on this matter was submitted to Council and the expenditure was approved.

31. Fruitless and wasteful expenditure

Opening balance	2 484 686	2 036 788
Fruitless and wasteful expenditure current year	439 328	668 072
To be recovered	-	(220 174)
	2 924 014	**2 484 686**

A report of all the fruitless and wasteful expenditure incurred was submitted to the Council for consideration. Council has taken a resolution to investigate all incidents of fruitless and wasteful expenditure.

Figures in Rand	2012	2011

32. Irregular expenditure

	2012	2011
Opening balance	29 253 927	376 465
Add: Irregular Expenditure - current year	239 364	28 877 462
	29 493 291	**29 253 927**

Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	-
Supply chain management processes for various catering services were circumvented and tenders were awarded to unregistered suppliers. This was done to avoid disruptions of ward committee elections.	A report was submitted to council and a resolution was passed to investigate all matters of irregular expenditure.	198 253
Proper supply chain processes were not adhered to when purchasing goods and services	A report was submitted to council and a resolution was passed to investigate all matters of irregular expenditure.	41 129
		239 382

33. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2012	2011
Current year subscription / fee	304 482	380 916
Amount paid - current year	(217 487)	(207 693)
Amount paid - previous years	-	(173 223)
	86 995	**-**

Audit fees

	2012	2011
Audit fees - current year audit	1 804 594	1 609 254
Audit fees - planning and interim	-	311 015
Amount paid - current year	(1 804 594)	(1 609 254)
Amount paid - previous years	-	(311 015)
	-	**-**

PAYE and UIF

	2012	2011
Opening balance	364 105	1 264 232
Current year payroll deductions	7 230 456	5 914 386
Amount paid - current year	(7 230 456)	(5 888 056)
Amount paid - previous years	(364 105)	(926 457)
	-	**364 105**

Pension and Medical Aid Deductions

	2012	2011
Opening balance	108 761	108 761
Current year payroll deductions	7 451 680	5 926 982
Amount paid - current year	(7 451 680)	(5 926 982)
	108 761	**108 761**

Figures in Rand	2012	2011

33. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	1 068 664	5 579 963

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns for the financial period were submitted by the due dates.

34. Contingencies

The municipality is currently party to the following litigation:

- Disciplinary hearings dealing with labour matters. The projected costs are R200 000.
- Case No. 1122/2011 - Costs for the application of an interdict - R100 000
- The municipality is party to a number of eviction cases the cost of which are currently estimated to be R30 000.
- Liability of defence case with projected cost of R6 000.
- Case No. 415/09 - Application for review of taxation. Projected cost is R20 000.
- Garnishee order not yet effected - projected cost R3 000
- Pending case on legal opinion - R80 000
- Pending litigation case involving traditional leaders - R300 000
- Negligence and liability of defence case going to trial - R18 000
- Liability of the municipality - R3 000
- Liability of defendant - R12 000

35. Cash generated from operations

Surplus	36 601 161	15 324 598
Adjustments for:		
Depreciation and amortisation	24 338 097	14 036 090
Debt impairment	5 757 613	5 913 272
Movements in provisions	52 982	898 000
Prior year adjustments	-	693 648
Changes in working capital:		
Receivables from exchange transactions	(2 913 769)	109 103
Consumer debtors	(5 624 253)	(4 880 212)
Payables from exchange transactions	2 700 029	859 887
VAT	4 511 299	1 436 433
Unspent conditional grants and receipts	(245 312)	245 312
	65 177 847	**34 636 131**

36. Prior period errors

During the current financial period the following errors were identified with regards to transactions processed against accumulated surpluses prior to 1 July 2010. The corrections restated below have been effected to address these transactions. The net effect on Accumulated Surpluses is summarised below:

Statement of financial position		
Cash and cash equivalents	-	(66 152)
Trade and other receivables from exchange transactions	-	(725 569)
Consumer debtors	-	781 505
Vat receivable	-	1 109 285
Property, plant and equipment	-	44 883 814
Investment property	-	46 776 400
Trade and other payables	-	(537 200)
Provisions	-	(898 000)
Accumulated surplus	-	(104 084 835)
Intangible assets	-	92 564

Figures in Rand	2012	2011

36. Prior period errors (continued)

Statement of Financial Performance		
Surplus for the year	-	12 668 186

37. Risk management

Classification of financial instruments

Financial assets

Loans and receivables		
Refuse	4 301 170	3 735 834
Sundry debtors	325 320	321 220
Vat receivables	1 068 664	5 579 963
	5 695 154	9 637 017
Add: Loans and receivables from non-exchange transactions	23 533 473	18 474 556
Less: Impairment	(27 186 498)	(21 428 885)
	2 042 129	6 682 688
Cash and cash equivalents		
Cash held with banking institutions	27 150 341	11 564 376
Cash on hand	4 735	4 735
	27 155 076	11 569 111
	29 197 205	**18 251 799**

Financial liabilities

Employee benefits		
Accrued bonus	698 425	590 067
Staff leave accrual	2 579 748	2 302 395
	3 278 173	2 892 462
Trade and other payables		
Trade payables	3 385 414	2 306 719
Provision for rehabilitation of landfills sites	950 982	898 000
Payments received in advance (being debtors with credit balances)	1 138 983	857 768
Sundry creditors	789 866	1 145 445
	6 265 245	5 207 932
	9 436 177	**8 686 137**

Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables is assumed to appropriate the fair values due to the short repayment terms of the instruments.

37. Risk management (continued)

Financial risk management

Objectives, policies and processes for managing risks
The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality has established Risk Committee which is composed of risk champions and members of the municipal management. This committee will report to the Audit Committee. The terms of reference for the comittee must still be finalised and approved by Council. The municipality's audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by internal audit. The municipality has also established a Municipal Public Accounts Committee (MPAC) an oversight body for the Council. This committee reports directly to the Council.

The Municipality is exposed to the following risks:

- market risk (including interest rate risk);
- credit risk; and
- liquidity risk

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The Finance Department monitors the cash flow requirements on a regular basis.

The Municipality's investment portfolio consists of short term deposits and current accounts with a notice period of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Interest rate risk

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

The exposure to interest rate risk is limited as the municipality's investment portfolio entirely cash based. The Municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists primarily of interest rate risk.
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cash flow risk exposures on long-term financing.

37. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the the municipality's operations has an obligation to provide services to all qualifying people in its area. As such the Municipality is not able to select only creditworthy counterparties.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumers, dispersed across different industries and geographical areas. Trade receivables are presented net of an allowance for impairment.

The existing trade receivable portfolio has historically been significantly impaired as a result of a number of contributing factors, including inaccurate and unreliable customer database. The municipality has started the process of cleansing its trade receivable portfolio to ensure completenes of its trade receivables. All policies affecting trade receivables have been reviewed and updated to assist the Municipality in the cleansing process. Refer notes 4 and 6 for more detailed information on the composition of the trade receivables portfolio.

Except for trade receivables which have already been impaired the following financial assets are exposed to limited credit risk at year end:

Cash and cash equivalents (including investments) are held with the following counter parties:	**2012**	**2011**
ABSA Bank	8 009 359	9 134 864
First National Bank (Primary Banker)	17 388 632	611 994
Standard Bank	1 752 350	1 752 357

38. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	4 007 680	4 007 680	4 007 680	6 972 692	(2 965 012)	174 %	174 %
Service charges	432 632	432 632	432 632	801 605	(368 973)	185 %	185 %
Investment revenue	63 192	63 192	63 192	2 086 609	(2 023 417)	3 302 %	3 302 %
Transfers recognised - operational	163 697 450	163 697 450	163 697 450	162 253 629	1 443 821	99 %	99 %
Other own revenue	15 090 592	15 090 592	15 090 592	2 577 807	12 512 785	17 %	17 %
Total revenue (excluding capital transfers and contributions)	**183 291 546**	**183 291 546**	**183 291 546**	**174 692 342**	**8 599 204**	**95 %**	**95 %**
Employee costs	(43 049 357)	(43 049 357)	(43 049 357)	(37 533 070)	(5 516 287)	87 %	87 %
Remuneration of councillors	(16 297 077)	(16 297 077)	(16 297 077)	(15 744 953)	(552 124)	97 %	97 %
Debt impairment	-	-	-	(5 757 613)	5 757 613	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-	-	(24 338 097)	24 338 097	DIV/0 %	DIV/0 %
Finance charges	-	-	-	(17 961)	17 961	DIV/0 %	DIV/0 %
Other expenditure	(66 349 318)	(66 349 318)	(66 349 318)	(54 699 487)	(11 649 831)	82 %	82 %
Total expenditure	**(125 695 752)**	**(125 695 752)**	**(125 695 752)**	**(138 091 181)**	**12 395 429**	**110 %**	**110 %**
Surplus/(Deficit) for the year	**57 595 794**	**57 595 794**	**57 595 794**	**36 601 161**	**20 994 633**	**64 %**	**64 %**