

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED**

**FINANSIELE STATE
VIR DIE BOEKJAAR GEEINDIG**

**INGXELO YEZEMALI
YOKUPHELA KONYAKA**



LUKHANJI MUNICIPALITY

30 JUNE 2012

Annual Financial Statements

for

LUKHANJI MUNICIPALITY

for the year ended 30 June: 2012

Province:

AFS rounding:

Contact Information:

Name of Municipal Manager:	GIDEON JUDEEL
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Name of Chief Financial Officer:	LINDIWE NGENO
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Contact telephone number:	045-807 2000
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Contact e-mail address:	lngeno@lukhanji.co.za
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Name of contact at provincial treasury:	NOMPELO NDZAKAM
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Contact telephone number:	045-838 6353
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Contact e-mail address:	nompelo.ndzakam@treasury.ecprov.gov.za
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Name of relevant Auditor:	AUDITOR-GENERAL OF SOUTH AFRICA
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Contact telephone number:	043-709 7200
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Name of contact at National Treasury:	Keitumetse Malebye
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Contact telephone number:	012 315 5989
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Contact e-mail address:	keitumetse.malebye@treasury.gov.za
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LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

Appointment Date

Councillor-M NONTSELE	Mayor	31 May 2011
Councillor-MB SNYDERS	Speaker	31 May 2011
Councillor- MZ GWANTSHU	Member of the Executive Committee	24 February 2012
Councillor-AE HULUSHE	Member of the Executive Committee	31 May 2011
Councillor-TM JOCKI	Member of the Executive Committee	31 May 2011
Councillor-FS LUNGISA	Member of the Executive Committee	31 May 2011
Councillor-D MJO	Member of the Executive Committee	31 May 2011
Councillor-BE MNGESE	Member of the Executive Committee	31 May 2011
Councillor-NC PAMBO	Member of the Executive Committee	24 February 2012
Councillor-M PETER	Member of the Executive Committee	31 May 2011
Councillor-BG VAN HEERDEN	Member of the Executive Committee	31 May 2011

MEMBERS OF THE PART TIME COUNCIL

Councillor-MV BLEKIWE
Councillor-AV BOKUVA
Councillor-FM DAYIMANI
Councillor-JC DE WET
Councillor-FN DUDA
Councillor-ML DYAN
Councillor-SR DYANTYI
Councillor-ZA DYWILI
Councillor-SL GAJU
Councillor-TM GXABA
Councillor-MS HOKOLO
Councillor-M JASKA
Councillor-MZ KALIPA
Councillor-NE KONDLO
Councillor-NA KOPOLO
Councillor-PZ MANDILE
Councillor-K MANZANA-SOVENDLE
Councillor-NL MAQUNGO
Councillor-MM MATIWANE
Councillor-XP MBASANA
Councillor-N MFUNDISI
Councillor-M MNYAKA
Councillor-TV MPOLO
Councillor-SE MVANA
Councillor-B NDABAMBI
Councillor-MR NDALISO
Councillor-ME NDINISE
Councillor-SN NDLEBE
Councillor-M NGESI
Councillor-DD NJOZELA
Councillor-NP NQUMA
Councillor-NJ QOMOYI
Councillor-BG RANI
Councillor-LC RASIMOSI
Councillor-JM SHAW

LUKHANJI MUNICIPALITY
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for the year ended 30 June 2012

Councillor-PMX SIBEFU
Councillor-N SIMAMA
Councillor-MN SIYO
Councillor-MJ THOLE
Councillor-EN TSOTETSI
Councillor-ML TYHOLO
Councillor-M XHELISILO
Councillor-NT XULUBANA
Councillor-OB HEBE
Councillor-M HEBE
Councillor-L JACENI
Councillor-F MTINGENI F
Councillor-FX ZIMEMA
Councillor-M NGOMA
Councillor-NV ZIMEMA
Councillor-MWJ GUNGUBELE
Councillor-MS MRUBATA
Councillor-SV HEBE
Councillor-TW MGUYE

Acting Municipal Manager

G JUDEEL

Chief Financial Officer

L NGENO

Grading of Local Authority

Category 4

Auditors

Auditor-General

Bankers

ABSA BANK

Registered Office: Queenstown

Physical address: 70 Cathcart Road
QUEENSTOWN
5320

Postal address: Private Bag X7111
QUEENSTOWN
5320

Telephone number: 045-807 2773

Fax number: 045-807 2733

E-mail address: lib@lukhanji.co.za
budget&treasury@awe.co.za

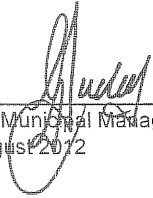
LUKHANJI MUNICIPALITY
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for the year ended 30 June 2012

Accounting Officer's Responsibility and Approval of annual financial statements

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 47, 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 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Acting Municipal Manager: G Judeel
31 August 2012

LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2012

	Note	2012 R	Restated 2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	176,729,059	124,999,536
Trade receivables from exchange transactions	2	26,633,303	20,313,984
Other receivables from exchange transactions	3	114,313,683	106,573,685
Other receivables from non-exchange transactions	3	9,458,859	5,223,900
VAT receivable	12	128,649,326	97,920,198
Other Financial Assets	5	224,908	224,908
Other Current Assets	3	3,751,311	5,043,282
Non-current assets			
Property, plant and equipment	6	723,817,100	710,711,011
Intangible assets	7	360	8,365
Investment property	8	91,283,592	91,283,592
Biological assets	9	2,493,300	-
Total assets		1,277,354,802	1,162,302,460
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	32,946,433	26,269,230
Consumer deposits	11	8,454,429	7,937,497
VAT payable	12	131,051,305	96,470,528
Unspent conditional grants and receipts	13	16,281,172	15,470,541
Other financial liabilities	14	1,792,521	1,303,479
Finance lease obligation	14	2,639,761	3,490,312
Retirement benefit obligation	44	1,391,000	1,392,768
Non-current liabilities			
Other financial liabilities	14	1,791,684	2,133,584
Finance lease obligation	14	2,133,208	4,772,145
Provisions	16	18,613,729	17,076,816
Retirement benefit obligation	44	55,918,461	59,881,693
Total liabilities		273,013,703	236,198,594
Net assets		1,004,341,098	926,103,867
NET ASSETS			
Accumulated surplus		1,004,341,099	926,103,867

LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012

	Note	2012 R	Restated 2011 R
Revenue			
Property rates	17	47,814,551	39,333,529
Property rates - Interest imposed and collection charges on rates	17	2,231,616	473,753
Service charges	18	155,803,583	130,496,954
Rental of facilities and equipment	19	2,478,194	1,468,931
Interest received (investment)	20	7,853,180	5,202,465
Interest received (trading)	21	8,570,588	8,448,319
Fines		380,285	729,473
Licences and permits		7,662,959	8,644,085
Government Grants and subsidies	22	136,916,030	155,452,475
Other income	23	11,885,359	10,069,849
Total Revenue		381,596,344	360,319,833
Expenditure			
Employee related costs	24	90,219,317	88,619,877
Remuneration of councillors	25	15,806,373	14,279,120
Administration Costs		(12,907,520)	(8,564,918)
Debt Impairment - Movement in Provision	2-3	28,806,620	57,530,576
Impairment Loss/Reversal of impairments		-	2,471,135
Depreciation and amortisation	26	15,763,169	15,309,176
Repairs and maintenance		6,288,497	6,652,474
Finance costs	27	6,605,133	7,633,763
Bulk purchases	28	117,892,863	95,041,763
Contracted services	29	2,282,171	1,943,285
Expenditure from Grants and subsidies	30	7,279,845	6,267,500
General expenses	31	41,229,621	26,846,624
Total Expenditure		319,266,091	314,030,375
Gain / (loss) on disposal of assets and liabilities	32	1,713,547	9,355,927
Gain / (loss) on actuarial adjustment	44	8,903,000	5,236,000
Prior Year adjustment unknown			(5,290,431)
Surplus / (deficit) for the year		72,946,801	55,590,953

LUKHANJI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2012

	Note	R	
		Accumulated Surplus/(Deficit)	Total: Net Assets
Balance at 30 June 2010		865,103,067	865,103,067
Prior period error	38	119,416	119,416
Restated balance		865,222,483	
Surplus / (deficit) for the year		55,590,953	55,590,953
Balance at 30 June 2011		920,813,436	920,813,436
Changes in accounting policy	38	5,290,431	5,290,431
Correction of prior period error	38	-	-
Restated balance		926,103,867	926,103,867
Prior period error	40	5,290,431	5,290,431
Restated balance		931,394,298	931,394,298
Surplus / (deficit) for the period	13	72,946,800	72,946,800
Balance at 30 June 2012		1,004,341,099	1,935,735,397

LUKHANJI MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		133,277,530	101,663,814
Interest Income		7,853,180	13,650,784
Other Receipts		285,594,129	162,008,443
		<u>426,724,839</u>	<u>277,323,041</u>
Payments			
Employee Costs		(106,025,691)	(102,898,998)
Finance Costs		(6,413,957)	(6,684,107)
Other payments		(240,874,014)	(137,230,248)
		<u>(353,312,553)</u>	<u>(246,813,353)</u>
Net cash flows from operating activities	35	<u>73,412,286</u>	<u>30,509,688</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(28,955,495)	(27,567,667)
Proceeds from sale of property, plant and equipment	33	1,713,547	9,355,927
Purchase of other intangible assets	7	(1,469)	(50,190)
Proceeds from sale of financial assets		-	508,015
Proceeds from actuarial valuation		8,903,000	5,236,000
Net cash flows from investing activities		<u>(18,340,416)</u>	<u>(12,517,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Repayment) in other financial liabilities		147,141	(68,803)
Finance lease payments		(3,489,487)	(952,936)
Other cash items			
Net cash flows from financing activities		<u>(3,342,346)</u>	<u>(1,021,739)</u>
Net increase / (decrease) in net cash and cash equivalents		51,729,523	16,970,034
Cash and cash equivalents at beginning of the year		124,999,536	108,029,502
Cash and cash equivalents at end of year	36	<u>176,729,059</u>	<u>124,999,536</u>

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

1 BASIS OF ACCOUNTING

1.1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. Disclosure in terms of GRAP 24 has been made, however the standard has not been adopted in full.

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.

1.5 USE OF ESTIMATES

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

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND ADOPTED IN THE CURRENT YEAR

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Year beginning on or after	Expected Impact
* GRAP 2: changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April, 2011	No Major Impact
* GRAP 3: Determining Whether an Arrangement Contains a Lease	01 April, 2011	No Major Impact
* GRAP 4: Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April, 2011	No Major Impact
* GRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April, 2011	No Major Impact
* GRAP 6: Loyalty Programmes	01 April, 2011	No Major Impact
* GRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April, 2011	No Major Impact
* GRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April, 2011	No Major Impact
* GRAP 9: Distributions of Non-cash Assets to Owners	01 April, 2011	No Major Impact
* GRAP 10: Assets Received from Customers	01 April, 2011	No Major Impact
* GRAP 13: operating Leases - Incentives	01 April, 2011	No Major Impact
* GRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April, 2011	No Major Impact
* GRAP 15: Revenue - Barter Transactions Involving Advertising Services	01 April, 2011	No Major Impact
* GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April, 2011	No Major Impact
* GRAP 2 (as revised 2010): Cash Flow Statements	01 April, 2011	No Major Impact

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

* GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April, 2011	No Major Impact
* GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April, 2011	No Major Impact
* GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April, 2011	No Major Impact
* GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April, 2011	No Major Impact
* GRAP 11 (as revised 2010): Construction Contracts	01 April, 2011	No Major Impact
* GRAP 12 (as revised 2010): Inventories	01 April, 2011	No Major Impact
* GRAP 13 (as revised 2010): Leases	01 April, 2011	No Major Impact
* GRAP 14 (as revised 2010): Events after the Reporting Date	01 April, 2011	No Major Impact
* GRAP 16 (as revised 2010): Investment Property	01 April, 2011	No Major Impact
* GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April, 2011	No Major Impact
* GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April, 2011	No Major Impact
* GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April, 2011	No Major Impact

1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND ADOPTED IN THE CURRENT YEAR

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:

* GRAP 18: Segment Reporting	01 April, 2013
* GRAP 23: Revenue from Non-exchange Transactions	01 April, 2012
* GRAP 24: Presentation of Budget Information in the Financial Statements	01 April, 2012
* GRAP 103: Heritage Assets	01 April, 2012
* GRAP 21: Impairment of non-cash-generating assets	01 April, 2012
* GRAP 26: Impairment of cash-generating assets	01 April, 2012
* GRAP 25: Employee benefits	01 April, 2013
* GRAP 104: Financial Instruments	01 April, 2012
* GRAP 105: Transfers of functions between entities under common control	01 April, 2014
* GRAP 106: Transfers of functions between entities not under common control	01 April, 2014
* GRAP 107: Mergers	01 April, 2014
* GRAP 20: Related parties	01 April, 2013
* GRAP 11: Consolidation - Special purpose entities	01 April, 2014
* GRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	01 April, 2014
* GRAP 6: (as revised 2010): Consolidated and Separate Financial Statements	01 April, 2014
* GRAP 7: (as revised 2010): Investments in Associates	01 April, 2014
* GRAP 8: (as revised 2010): Interest in Joint Ventures	01 April, 2014
* GRAP 1: (as revised 2012): Presentation of Financial Statements	01 April, 2013
* GRAP 3: (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April, 2013
* GRAP 7: (as revised 2012): Investments in Associates	01 April, 2013
* GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April, 2013
* GRAP 12 (as revised 2012): Inventories	01 April, 2013
* GRAP 13 (as revised 2012): Leases	01 April, 2013
* GRAP 16 (as revised 2012): Investment Property	01 April, 2013
* GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April, 2013
* GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April, 2013
* GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April, 2013
* GRAP 16: Intangible assets website costs	01 April, 2013

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

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 the provisional amount.

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

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

The municipality has applied the transitional provisions within GRAP17 - Property, plant and equipment and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2011.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

The municipality brought the Roads and Electricity Infrastructure assets to book during the 2009/10 financial year and depreciation have been calculated from 1 July 2008. As the municipality has applied the transitional provision within GRAP17 - property, plant and equipment as relates to measurement, depreciation has been accounted for in the annual financial statements. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	25 Years	Buildings	50 Years
Pedestrian Malls	25 Years	Specialist vehicles	15 Years
Electricity	40 Years	Other vehicles	5 - 7 Years
		Office equipment	3 - 7 Years
		Furniture and fittings	5 - 7 Years
		Watercraft	
Community		Bins and containers	5 Years
Buildings	50 Years	Specialised plant and equipment	10 Years
Recreational Facilities	20 Years	Other items of plant and equipment	3 - 5 Years
Security		Landfill sites	10 - 50 Years
Halls	50 Years	Quarries	
Libraries	50 Years	Emergency equipment	3 - 7 Years
Parks and gardens	20 Years	Computer equipment	3 Years
Other assets			
Heritage assets			
Buildings			
Paintings and artifacts			
Finance lease assets			
Office equipment	5 Years		
Other assets			

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

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

2.5 DERECOGNITION

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

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 30 June 2012

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software	1 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

3.4 DERECOGNITION

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

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

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

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

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

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4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises. The value of such will be reviewed every 4 years.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset is recognised when, and only when:

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

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value.

Biological assets
Other Assets: Game

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

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

5.2 SUBSEQUENT MEASUREMENT

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

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

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

6 INVENTORIES

6.1 INITIAL RECOGNITION

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

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

6.2 SUBSEQUENT MEASUREMENT

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

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

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

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7 FINANCIAL INSTRUMENTS

Lukhanji Municipality classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Statement of Financial Position when Lukhanji Municipality becomes party to the contractual provision of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

7.1.1 FAIR VALUE METHODS AND ASSUMPTIONS

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on the current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing modules making maximum use of the market inputs and relying as little as possible on entity-specific inputs.

7.1.2 THE EFFECTIVE INTEREST RATE METHOD

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

7.1.3 AMORTISED COST

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

7.1.4 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value plus in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Where the effect of any extended payment terms is not material no adjustments are made.

The fair value of a financial instrument is normally the transaction price, but may be affected by other factors which the municipality takes into account when measuring fair value.

Regular way purchases or sales are recognised using trade date accounting. All other financial instruments are recognised when the municipality becomes a party to the contract

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised as loans and receivables. Financial liabilities are categorised as financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

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

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7.2.2 TRADE AND OTHER RECEIVABLES

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

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

7.2.3 TRADE PAYABLES AND BORROWINGS

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

7.2.4 CASH AND CASH EQUIVALENTS

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

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

7.2.5 DERECOGNITION

The municipality derecognises a financial asset when and only when:

The rights to the cash flows from the financial asset expire; or

It transfers the financial asset and the transfer qualifies for derecognition. The municipality firstly needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfer a financial asset if, and only if, it either:

Transfers the contractual rights to receive the cash flows of the financial asset; or

Retains the contractual rights to receive the cash flows of the financial asset.

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

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

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

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

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

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

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

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

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

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

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

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13.2 MUNICIPALITY AS LESSOR

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

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

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

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14.3 GRANTS, TRANSFERS AND DONATIONS

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

15 BORROWING COSTS

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

16 RETIREMENT BENEFITS

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

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

Actuarial valuations are conducted on an annual basis by independent actuaries.

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

Actuarial gains or losses are recognised in the statement of financial performance in the period in which it occurs and applies to all defined benefit plans. The "corridor" method is not recognised.

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

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

17 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the completion of a physical proportion of contract work done.

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

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

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

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18 **IMPAIRMENT OF ASSETS**

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

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

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

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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	2012	2011
	R	R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	26,992	26,992
Cash at bank	73,666,772	27,250,235
Call deposits	103,035,295	97,722,309
	176,729,059	124,999,536
 The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 405-261-9154	85,522,179	42,523,873
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-854	22,039,720	9,802,279
 Cash book balance at beginning of year	27,250,235	1,081,152
Cash book balance at end of year	73,666,772	27,250,235
 Bank statement balance at beginning of year	52,326,152	12,375,821
Bank statement balance at end of year	107,561,899	52,326,152
 <u>Savings Account</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 909-044-9293	102,794,552	97,059,887
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1802	41,601	37,315
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1577	46,471	41,951
ABSA Bank Limited - Queenstown Branch: Account Number 204-601-2562	8,839	8,204
ABSA Bank Limited - Queenstown Branch: Account Number 206-066-7315	5,369	5,034
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-862	132,920	127,523
RSA Internal Registered Bonds - No 23242	18,500	18,500
 Cash book balance at beginning of year	97,722,309	97,580,261
Cash book balance at end of year	103,035,295	97,722,309
 Bank statement balance at beginning of year	97,298,414	43,351,117
Bank statement balance at end of year	103,048,253	97,298,414
 <u>Cash on hand</u>	26,992	26,992
 Total cash and cash equivalents	176,729,059	124,999,536

The carrying amount of Cash and cash equivalents approximates their fair value due to their short-term maturity.

LUKHANJI MUNICIPALITY
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	2012		2011
	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
Electricity	17,024,829	(8,188,862)	8,835,967
Refuse	54,960,620	(51,332,304)	3,628,315
Interest on Debtors	49,853,068	(46,854,876)	2,998,192
Sundries	78,170,566	(66,999,738)	11,170,828
Total	200,009,083	(173,375,780)	26,633,303

as at 30 June 2011

Service debtors			
Electricity	20,917,145	(12,469,266)	8,447,879
Refuse	47,261,647	(43,681,170)	3,580,477
Interest on Debtors	40,680,408	(38,079,790)	2,600,617
Sundries	64,928,712	(59,243,702)	5,685,011
Total	173,787,912	(153,473,927)	20,313,984

	2012	2011
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	5,671,948	5,005,773
31 - 60 Days	2,233,180	2,168,735
61 - 90 Days	930,839	1,273,370
91 - 120 Days	8,188,862	12,469,266
Total	17,024,829	20,917,144

<u>Refuse: Ageing</u>		
Current (0 – 30 days)	1,506,485	1,503,019
31 - 60 Days	1,151,394	1,132,771
61 - 90 Days	970,436	944,687
91 - 120 Days	51,332,304	43,681,170
Total	54,960,620	47,261,647

<u>Interest on Consumer Debtors: Ageing</u>		
Current (0 – 30 days)	1,031,825	873,075
31 - 60 Days	1,013,912	863,551
61 - 90 Days	952,456	843,991
91 - 120 Days	46,854,876	38,079,790
Total	49,853,068	40,680,407

<u>Sundries: Ageing</u>		
Current (0 – 30 days)	7,634,978	5,084,597
31 - 60 Days	2,401,081	403,835
61 - 90 Days	1,134,769	196,578
91 - 120 Days	66,999,738	59,243,702
Total	78,170,566	64,928,712

	<u>Summary of Debtors by Customer Classification</u>		
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2012			
Current (0 – 30 days)	15,845,236		
31 - 60 Days	6,799,568		
61 - 90 Days	3,988,499		
91 - 120 Days	173,375,780		
Sub-total	200,009,083	-	-
Less: Provision for doubtful debts	(173,375,780)		
Total debtors by customer classification	26,633,303	-	-

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
as at 30 June 2011		
Current (0 – 30 days)	12,466,464	
31 - 60 Days	4,588,892	
61 - 90 Days	3,258,626	
91 - 120 Days	153,473,928	
Sub-total	173,787,910	-
Less: Provision for doubtful debts	(131,397,585)	-
Total debtors by customer classification	42,390,325	-

Currently the financial system does not allow for separation of debtors by category. The municipality make use of providing for bad debt to debtors in excess of 90 days.

Reconciliation of the doubtful debt provision

Balance at beginning of the year	(153,473,928)	(126,534,180)
Contributions to provision	(52,555,400)	(26,939,748)
Balance at end of year	(206,029,328)	(153,473,928)

The carrying amount of trade receivables approximates their value due to their short-term maturity.

3 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	61,168	61,168
Chris Hani Agency account	114,039,222	106,304,057
Other debtors	213,293	208,461
Total Other Debtors	114,313,683	106,573,685

* Financial asset classified as loans and receivables. No amortisation was applied. Fair value was estimated at cost.

The carrying amount of trade receivables approximates their value due to their short-term maturity.

The municipality has raised a debtor for Chris Hani District Municipality for the amount of R114 039 222 which comprises R91 227 744 reflected above and R22 805 709 reflected in other debtors. This debtor relates to the agency agreement between Lukhanji Municipality and Chris Hani District Municipality. This amount has not been confirmed by Chris Hani District Municipality at year end. Lukhanji Municipality closed off the Water & Sanitation expenses and revenues to the agency account

3 Suspense Accounts	3,751,311	5,043,282
Total Other Debtors		
The above relates to suspense accounts created and in the process of clearing.		

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
as at 30 June 2012			
Property Rates	37,722,910	(28,338,119)	9,384,792
Consumer Deposits	249,628	(175,561)	74,067
	37,972,538	(28,513,679)	9,458,859
as at 30 June 2011			
Property Rates	27,223,014	(22,076,342)	5,146,672
Consumer Deposits	228,560	(151,332)	77,228
	27,451,574	(22,227,674)	5,223,900

	2012	2011
<u>Rates: Ageing</u>		
Current (0 – 30 days)	7,261,793	2,299,994
31 - 60 Days	1,198,913	1,487,831
61 - 90 Days	924,086	1,358,846
91 - 120 Days	28,338,119	22,076,342
Total	37,722,910	27,223,013

4 CURRENT INVESTMENTS

Deposits	103,035,295	97,722,309
	103,035,295	97,722,309
Provisions	-	-
Unspent conditional grants and receipts	16,281,172	15,470,541
Retirement benefit obligation	55,918,461	1,392,768
Leave Pay	11,921,852	10,176,680
Creditors Provision	8,513,650	2,352,767
Surplus	10,400,161	68,329,553
Refer to Note 1	103,035,295	97,722,309

5 Other Financial Assets

<u>Financial Instruments</u>		
Fixed Deposits - Housing Collateral	206,408	206,408
Listed Investments - Government Bonds	18,500	18,500
	224,908	224,908

Pledged Investments - NONE

These investments are classified as Loans and Receivables and the fair value approximates their carrying amounts.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2011	339,111,760	149,016,754	203,308,172	664,777	8,631,138	9,978,409	710,711,011
Cost/Revaluation	339,111,760	159,293,772	221,087,558	738,641	14,531,429	14,823,618	749,586,779
Correction of error (note 41)	-	-	-	-	-	-	-
Change in accounting policy (note 40)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(10,277,018)	(17,779,386)	(73,864)	(5,900,291)	(4,845,210)	(38,875,768)
Acquisitions	100,202	1,337,281	25,891,711	724,022	902,279	-	28,955,495
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	(5,138,509)	(6,818,057)	-	(3,797,129)	-	(15,753,695)
Carrying value of disposals / Adjustments	-	-	-	-	(95,711)	-	(95,711)
Cost/Revaluation	-	-	-	-	(95,711)	-	(95,711)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
as at 30 June 2012	339,211,962	145,215,526	222,381,826	1,388,799	5,640,577	9,978,409	723,817,100
Cost/Revaluation	339,211,962	160,631,053	246,979,269	1,462,663	15,337,997	14,823,618	778,446,563
Accumulated depreciation and impairment losses	-	(15,415,526)	(24,597,443)	(73,864)	(9,697,420)	(4,845,210)	(54,629,464)

Refer to Appendix B for more detail on property, plant and equipment

Motor vehicles with a carrying amount of R 9,978,409 of PPE were pledged as security under finance lease agreements.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

6.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2010	339,111,760	154,155,263	186,061,900	701,709	10,197,047	8,183,015	698,410,695
Cost/Revaluation	339,111,760	159,293,772	197,293,692	738,641	14,229,987	11,351,259	722,019,112
Correction of error (note 41)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(5,138,509)	(11,231,792)	(36,932)	(4,032,940)	(3,168,245)	(23,608,417)
Acquisitions	-	-	23,793,866	-	301,442	3,472,359	27,567,667
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	(5,138,509)	(6,547,594)	(36,932)	(1,867,351)	(1,676,965)	(15,267,351)
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
*Other movements / Take on's	-	-	-	-	-	-	-
as at 30 June 2011	339,111,760	149,016,754	203,308,172	664,777	8,631,138	9,978,409	710,711,011
Cost/Revaluation	339,111,760	159,293,772	221,087,558	738,641	14,531,429	14,823,618	749,586,779
Accumulated depreciation and impairment losses	-	(10,277,018)	(17,779,386)	(73,864)	(5,900,291)	(4,845,210)	(38,875,768)

Refer to Appendix B for more detail on property, plant and equipment

6.3 Property, plant and equipment pledged as security

Motor vehicles with a carrying amount of R 9,978,409 of PPE were pledged as security under finance lease agreements.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value	Computer Software R	Other* R	Total R
as at 1 July 2011	8,365	-	8,365
Cost	50,190		50,190
Correction of error (note 48)			-
Change in accounting policy (note 47)			-
Accumulated amortisation and impairment losses	(41,825)		(41,825)
Acquisitions	1,469	-	1,469
Amortisation	(9,474)	-	(9,474)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2012	360	-	360
Cost	51,659	-	51,659
Accumulated amortisation and impairment losses	(51,299)	-	(51,299)

7.2 Reconciliation of carrying value	Computer Software R	Other* R	Total R
as at 1 July 2010	8,365	-	8,365
Cost	50,190		50,190
Correction of error (note 48)			-
Change in accounting policy (note 47)			-
Accumulated amortisation and impairment losses	(41,825)		(41,825)
Acquisitions	-	-	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	8,365	-	8,365
Cost	50,190	-	50,190
Accumulated amortisation and impairment losses	(41,825)	-	(41,825)

8 INVESTMENT PROPERTY

8.1 Reconciliation of carrying value	Investment property R	Investment property R	Total R
as at 1 July 2011	91,283,592	-	-
Fair Value	91,283,592		-
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2012	91,283,592	-	91,283,592
Fair Value	91,283,592	-	91,283,592
Accumulated depreciation and impairment losses	-	-	-

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

8.2 Reconciliation of carrying value

	Investment property R	Investment property R	Total R
as at 1 July 2010	91,283,592	-	91,283,592
Fair Value	91,283,592	-	91,283,592
Correction of error (note 41)	-	-	-
Change in accounting policy (note 40)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	91,283,592	-	91,283,592
Fair Value	91,283,592	-	91,283,592
Accumulated depreciation and impairment losses	-	-	-

9 BIOLOGICAL ASSETS

9.1 Reconciliation of Carrying Value

	Trees in plantation R	Maize R	Wheat R	Sheep R	Dairy Cattle R	Other Assets: Game R	Total R
as at 1 July 2011	-	-	-	-	-	2,493,300	2,493,300
Cost/Valuation	-	-	-	-	-	2,493,300	2,493,300
Correction of error (note 41)	-	-	-	-	-	-	-
Change in accounting policy (note 40)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-
Decrease due to harvest/sales	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Gains/losses from changes in fair value	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
as at 30 June 2012	-	-	-	-	-	2,493,300	2,493,300
Cost/Valuation	-	-	-	-	-	2,493,300	2,493,300
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

*Movements consist of identified assets that were taken on the Fixed asset register at cost/valuation.

9.2 Reconciliation of Carrying Value

	Trees in plantation R	Maize R	Wheat R	Sheep R	Dairy Cattle R	Other Assets R	Total R
as at 1 July 2010	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-
Correction of error (note 41)	-	-	-	-	-	-	-
Change in accounting policy (note 40)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-
Decrease due to harvest/sales	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Gains/losses from changes in fair value	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
as at 30 June 2011	-	-	-	-	-	-	-
Cost/Valuation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

It was not practical to determine the value of the biological assets in the prior period.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	8,513,650	2,352,767
Advance Payments : Debtors	8,930,202	4,760,780
Advance Payments : Pre Paid Electricity	1,459,653	1,621,370
Leave Pay	11,921,852	10,176,680
Cape Joint Pension Fund Accrual	1,735,003	1,735,003
Other creditors	386,074	5,622,631
Total creditors	<u><u>32,946,433</u></u>	<u><u>26,269,230</u></u>

* Financial instruments classified as financial liabilities at amortised cost.

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

11 CONSUMER DEPOSITS

Electricity	8,454,429	7,937,497
Total consumer deposits	<u><u>8,454,429</u></u>	<u><u>7,937,497</u></u>

Deposits do not accrue interest.

12 VAT PAYABLE

VAT payable	<u><u>131,051,305</u></u>	<u><u>96,470,528</u></u>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 VAT RECEIVABLE

VAT receivable	<u><u>128,649,326</u></u>	<u><u>97,920,196</u></u>
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VAT is claimable on the receipts basis. VAT is claimed from SARS only once payment is made on a tax invoice.

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Unspent Conditional Grants from other spheres of Government

Municipal Infrastructure Grant	6,547,558	4,579,242
Financial Management Grant	-	727,460
Municipal System Improvement Grant	-	968,033
Other	9,733,613	9,195,807

Total Unspent Conditional Grants and Receipts	<u><u>16,281,172</u></u>	<u><u>15,470,541</u></u>
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Current portion of unspent conditional grants and receipts	16,281,172	15,470,541
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See Note 23 and Appendix D for reconciliation of grants and receipts. These amounts are invested until utilised.

14 OTHER FINANCIAL LIABILITIES

Annuity Loans	3,564,205	2,133,584
Finance Leases	4,772,969	4,772,145
	<u><u>8,337,174</u></u>	<u><u>6,905,729</u></u>
Less : Current portion transferred to current liabilities	(4,432,282)	(4,793,791)
Local Registered Stock Loans	-	-
Annuity Loans	(1,792,521)	(1,303,479)
Finance Leases	(2,639,761)	(3,490,312)
Non current portion: Annuity Loans	1,791,684	830,105
Non current portion: Finance Leases	2,133,208	1,281,833
Total Other Financial Liabilities	<u><u>3,924,892</u></u>	<u><u>2,111,938</u></u>

Annuity loans are classified as financial liabilities at amortised cost.

Refer to Appendix A for more detail on borrowings.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
15 FINANCE LEASE LIABILITY		
2012		
	Minimum lease payment R	Discounted payments R
Amounts payable under finance leases		Future finance charges R
Within one year	3,735,362	3,060,444
Within two to five years	3,721,782	3,206,510
	<u>7,457,144</u>	<u>(1,190,190)</u>
2011		
	Minimum lease payment R	Discounted payments R
Amounts payable under finance leases		Future finance charges R
Within one year	4,260,028	3,490,312
Within two to five years	4,955,689	4,269,585
	<u>9,215,717</u>	<u>(1,455,820)</u>

The average lease term is 5 years and the average effective borrowing rate is between 9.0% and 12.84%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

16 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	18,613,729	17,076,816
Total Non-Current Provisions	<u>18,613,729</u>	<u>17,076,816</u>

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoiling, vegetation, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the Rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

-Interest rate used is linked to prime 9% (2011: 9%)

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	17,076,816	14,631,438
Contributions to provision	1,536,913	2,245,377
Balance at the end of year	<u>18,613,729</u>	<u>17,076,816</u>

17 PROPERTY RATES

<u>Actual</u>		
Residential	-	-
Commercial	47,814,551	39,333,529
Light Industries	-	-
State	-	-
Agricultural	-	-
Educational	-	-
Municipality	-	-
Total property rates	<u>47,814,551</u>	<u>39,333,529</u>
Property rates - Interest imposed and collection charges on rates	2,231,616	473,753
Total	<u>50,046,167</u>	<u>39,807,282</u>

Valuations

Residential	2,721,124,251	485,551,040
Commercial	951,512,873	303,543,908
State	166,347,389	95,159,631
Education	292,097,625	91,182,672
Agricultural	120,113,248	246,940
Municipal	732,689,636	1,774,740
Total Property Valuations	<u>4,983,885,022</u>	<u>977,458,931</u>

Valuations on land and buildings are performed every 4 years. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and revaluations. The municipality made use of Kula Valuations through the tender process to perform this function. Rebates of the first R15 000 on the value of residential properties are granted.

The municipality implemented the new property rates valuations from 1 July 2009 in terms of the new property rates act. The following tariffs were charged to the various categories in terms of the policy of the council.

Residential	R 0.00624
Businesses, Commercial, Industrial	R 0.00780
Educational	R 0.00624
Public Service Infrastructure	R 0.00157
Vacant Land	R 0.02741

Rates are levied on an annual basis with the final date of payment being 30 September for annual payers. The rates levied for monthly payers are payable over a period of twelve equal instalments. Interest at 1% above prime per annum is levied on outstanding rates as soon as accounts are overdue.

18 SERVICE CHARGES

Sale of electricity	134,789,448	112,211,547
Refuse removal	20,959,571	18,194,511
Septic Tanks	54,564	90,895
Total Service Charges	<u>155,803,583</u>	<u>130,496,954</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
19 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of Premises	1,818,145	929,201
Rental of Grounds	99,454	41,269
Rental of facilities	522,528	490,262
Rental of equipment	38,067	8,200
Total rentals	<u>2,478,194</u>	<u>1,468,931</u>
20 INTEREST EARNED - INVESTMENTS		
Bank	2,745,715	1,131,950
Deposits	5,107,464	4,070,515
Total interest	<u>7,853,180</u>	<u>5,202,465</u>
21 INTEREST EARNED - TRADING		
Service debtors	8,570,588	8,448,319
Total interest	<u>8,570,588</u>	<u>8,448,319</u>
22 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	100,703,509	93,646,824
Municipal Infrastructure Grant	24,511,684	-
Other Grants and Subsidies	8,062,338	31,684,538
Chris Hani District Municipality	3,638,500	50,121,113
Total Grant and Subsidies	<u>136,916,030</u>	<u>155,452,475</u>
22.1 Equitable Share		
in terms of the Constitution, this grant is used mainly to subsidise the provision of basic services to indigent community members. All registered indigents are to pay only a monthly account of R50(2011: R50), which is funded from the grant. A total of 50kwh is also supplied to indigents on a monthly basis.		
22.2 MIG Grant		
Balance unspent at beginning of year	(4,579,242)	(4,579,242)
Current year receipts	(26,480,000)	
Conditions met - transferred to revenue	24,511,684	
Conditions still to be met - remain liabilities (see note 14)	<u>(6,547,558)</u>	<u>(4,579,242)</u>
22.3 Other Government Grants and Subsidies		
Balance unspent at beginning of year	(10,891,299)	(10,891,299)
Current year receipts	(6,904,482)	
Conditions met - transferred to revenue	8,062,168	
Conditions still to be met - remain liabilities (see note 14)	<u>(9,733,613)</u>	<u>(10,891,299)</u>
22.4 Changes in levels 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 financial years.		
23 OTHER INCOME		
23.1 Other income		
Burial Fees	466,121	711,254
Pound Fees	510,107	1,063,758
Pound Sales	434,419	1,219,298
Project Fees	1,073,459	1,292,524
Sundry Revenue	5,066,974	2,277,116
Miscellaneous	4,334,279	3,505,900
Total Other Income	<u>11,885,359</u>	<u>10,069,849</u>
24 EMPLOYEE RELATED COSTS		
Salaries	47,059,449	51,829,648
Leave Bonus	4,096,696	4,152,413
Service Bonus	889,231	444,400
Overtime	4,491,404	3,728,087
Housing Subsidies	244,678	236,242
Telephone Allowance	6,777	17,333
Transport Allowance	2,596,960	2,790,968
Uniforms/Protective Clothing Allowance	421,649	406,130
Night Shift Services	788,763	660,551
Other Allowances	45,054	27,037
Contract Workers	8,638,185	7,657,674
Pension Contribution Salaries	9,891,674	10,223,976
Medical Aid Contributions	4,936,978	5,452,960
Group Life Insurance	481,755	477,333
UIF Contributions	508,318	515,126
Total Employee Related Costs	<u>90,219,317</u>	<u>88,619,877</u>
Remuneration of the Municipal Manager		
Annual Remuneration	897,394	608,131
Performance- and other bonuses	90,235	-
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	216,438	88,161
Total	<u>1,204,067</u>	<u>696,292</u>
Remuneration of the Chief Finance Officer		
Annual Remuneration	763,349	363,064
Performance- and other bonuses	58,752	-
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	68,508	151,468
Total	<u>890,609</u>	<u>514,532</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012		2011	
	R		R	
Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R	Community Services R	Human Settlements R
2012				
Annual Remuneration	648,236	512,560	568,760	478,547
Performance- and other bonuses	72,113	45,370	81,899	59,149
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	67,687	83,501	160,976	248,273
Total	788,037	641,431	811,634	785,969
	Technical Services R	Corporate Services R	Community Services R	Human Settlements R
2011				
Annual Remuneration	663,314	518,153	525,183	501,142
Performance- and other bonuses	-	26,764	-	-
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	60,000	162,632	84,503	95,059
Total	723,314	707,549	609,686	596,201
25 REMUNERATION OF COUNCILLORS				
Executive Mayor		-	13,874	
Speaker		-	555	
Councillors' allowances		15,806,373	14,264,691	
Total Councillors' Remuneration		15,806,373	14,279,120	
In-kind Benefits				
The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.				
The Executive Mayor has use of a Council owned vehicle for official duties.				
26 DEPRECIATION AND AMORTISATION				
Property, plant and equipment		15,763,169	15,309,174	
Total Depreciation and Amortisation		15,763,169	15,309,174	
27 FINANCE COSTS				
Finance Leases		1,369,167	949,656	
Bank overdrafts		53	-	
Interest on landfill site provision for rehabilitation		1,536,913	2,536,107	
Other interest paid - Retirement Benefit Costs		3,699,000	4,148,000	
Total Finance Costs		6,605,133	7,633,763	
28 BULK PURCHASES				
Electricity		117,892,863	95,041,763	
Total Bulk Purchases		117,892,863	95,041,763	
29 CONTRACTED SERVICES				
Contracted services for:				
Security services		2,125,461	1,892,158	
Maintenance		156,709	51,127	
		2,282,171	1,943,285	
30 EXPENDITURE FORM GRANTS AND SUBSIDIES				
Operational expenses from grants		7,279,845	6,267,500	
		7,279,845	6,267,500	
Refer Appendix D for detail.				
31 GENERAL EXPENSES				
Included in general expenses are the following:-				
Advertising		194,365	229,372	
Agency Fees		1,070,123	917,118	
Ammunition		368	-	
Audit fees		2,447,923	1,857,005	
Bank charges		971,397	812,286	
Chemicals & Laboratory Services		150,843	121,302	
Clean-up Projects		-	94,959	
Compost & Fertilizer		4,952	6,330	
Conferences and delegations		1,445,106	719,087	
Consulting fees		319,431	29,521	
Contract Disbursement		-	10,818	
Departmental consumption - Electricity		1,233,203	888,996	

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	2012	2011
	R	R
Departmental consumption - Rates	80,268	20,034
Departmental consumption - Refuse	3,494	2,270
Departmental consumption - Sewerage	94,405	81,672
Departmental consumption - Water	383,617	328,138
Digging of Graves	16,644	352,930
Drivers: Licences	665,835	378,632
Entertainment	778,184	208,808
Feeding	408,180	485,640
Firebreaks	6,295	8,250
Fuel and oil	4,947,052	4,342,534
Furniture & Equipment	124,728	143,397
Herdling Fees	54,498	185,596
Horticulture	4,099	-
Insurance	676,449	791,788
Laundry	305	1,054
Lease Rentals	1,655,712	1,373,349
Lease Gratuity Fund	3,467,917	-
Legal expenses	1,188,237	649,193
Levies paid	1,612,104	1,539,165
Licence fees - vehicles	338,179	251,972
Medical Examination	3,131	19,429
Misc Fees: Roadworthy Certificates	9,701	26,987
Motor Vehicle Expenses	145,350	392,021
Musical Rights	12,986	2,193
Pauper Burials	41,274	16,292
PDP Licences	-	11,697
Post retirement medical aid - Service Charge	2,630,000	3,311,000
Postage	1,080,477	834,713
Pound Fees	17,860	43,673
Printing and stationery	815,376	772,444
Projects	5,423,479	-
Promotions	8,062	12,350
Removal Expenses Reserve	20,845	-
Road Signs	116,511	47,217
Safety: Nosa	3,677	-
Software	5,175	6,835
SPCA Contribution	137,500	150,000
Stocks and material	535,324	507,884
Streets	353,413	354,853
Subscription & publication	68,031	5,039
Tampering-Electricity	1,600	36,100
Telephone cost	2,783,789	1,940,868
Tools & Equipment	47,562	29,028
Town Planning	16,360	3,104
Training	766,055	606,989
Transfer Fees	42,393	41,312
Travel and subsistence	799,804	571,478
Valuation costs	612,037	-
Women / Youth / Disabled	332,135	281,123
World Aids Day	10,629	800
Other	45,153	-
	<u>41,229,621</u>	<u>26,846,624</u>
32 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	1,713,547	9,355,927
Total Gain / (Loss) on Sale of Assets	<u>1,713,547</u>	<u>9,355,927</u>
33 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment	-	-
Total Impairment loss / (Reversal of Impairment Loss)	<u>-</u>	<u>-</u>
34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
No fair value adjustment was done.		
35 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	72,946,801	55,580,953
Adjustment for:-		
Depreciation and amortisation	15,763,169	15,309,176
(Gain) / loss on sale of assets and liabilities	(10,616,547)	(14,591,927)
Finance costs - Finance leases	3,342,346	949,656
Impairment deficit	-	2,471,135
Debt impairment	28,806,520	57,530,576
Movements in retirement benefit assets and liabilities	(3,965,000)	963,000
Movements in provisions	1,536,913	2,245,378
Other non-cash item	-	-
Prior year transactions	(450,613)	(119,416)
Changes in working capital:		
Trade and other receivables from exchange transactions	(6,448,028)	(24,482,330)
Trade and other receivables from non-exchange transactions	(4,234,959)	627,407
Other receivables from non-exchange transactions	(35,125,939)	(46,190,290)
Consumer debtors	6,677,204	(6,562,192)
Trade and other payables from exchange transactions	3,851,649	2,303,751
VAT	810,630	(21,160,404)
Unspent conditional grants and receipts	516,932	334,785
Consumer deposits	-	-
	<u>73,411,178</u>	<u>25,219,258</u>

LUKHANJI MUNICIPALITY
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for the year ended 30 June 2012

	2012 R	2011 R
36 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	176,729,059	124,999,536
Net cash and cash equivalents (net of bank overdrafts)	<u>176,729,059</u>	<u>124,999,536</u>
37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 15)	8,357,174	6,905,729
Used to finance property, plant and equipment – at cost	<u>(8,357,174)</u>	<u>(6,905,729)</u>
Sub-total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.		
38 CORRECTION OF ERROR		
10/11		119,416
Unknown payments written back to reflect only one year.		
11/12	5,290,431	
Unknown payments written back to reflect only one year.		
Net effect on surplus/(deficit) for the year	<u>5,290,431</u>	<u>119,416</u>
39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
40.1 Unauthorised expenditure		
Loan taken up, not budgeted for	1,664,000	
Less: Amounts Condoned	<u>(1,664,000)</u>	
Reconciliation of irregular expenditure	-	-
40.2 Fruitless and wasteful expenditure		
Airticket - Director: Technical Services		4,123
SARS - Penalties and interest on late submissions	788,062	4,817
Total fruitless and wasteful expenditure	<u>788,062</u>	<u>8,940</u>
40.3 Irregular expenditure		
Section of Supply Chain Management Policy	3,521,411	37,659,797
Less: Amounts Condoned	<u>(3,521,411)</u>	<u>(1,121,571)</u>
Reconciliation of irregular expenditure	-	<u>36,538,226</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
41.1 Contributions to organised local government		
Council subscriptions	627,590	399,437
Amount paid - current	<u>(627,590)</u>	<u>(399,437)</u>
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
41.2 Audit fees		
Current year audit fee	2,447,923	1,857,005
Amount paid - current year	<u>(2,447,923)</u>	<u>(1,857,005)</u>
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
41.3 VAT		
VAT input receivables and VAT output payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.		
41.4 PAYE and UIF		
Current year payroll deductions	12,909,738	8,935,919
Amount paid - current year	<u>(12,909,738)</u>	<u>(8,935,919)</u>
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
41.5 Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	26,651,852	26,474,206
Amount paid - current year	<u>(26,651,852)</u>	<u>(26,474,206)</u>
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
41.6 Councillor's arrear consumer accounts		

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2012			
Councillor Van Heerden BD/I	94	94	-
Councillor Jocki TM/S	3,220	770	2,450
Councillor Njozela DD	8	8	-
Councillor Mandile JT/NE	565	565	-
Councillor Snyders MB	134	134	-
Councillor Hokolo MS	2,749	144	2,605
Councillor Rani BG	216	216	-
Councillor Ndabambi B	1,183	104	1,079
Councillor Dyan M	198	198	-
Councillor Xulubana NT	230	230	-
Councillor Pambo NC	4,220	1,686	2,535
Councillor Mtwane MM	253	253	-
Councillor Xhefiso M	14,923	214	14,709
Councillor Sokupe LC	3,872	106	3,767
Councillor Nquma NP	10,422	253	10,169
Councillor Mngese BE	536	401	135
Councillor Siyo MN	29,287	1,057	28,231
Councillor Ndinise ME	3,256	136	3,120
Councillor Blekiwe M	28,104	908	27,195
Councillor Mnyaka M	10,679	245	10,434
Councillor Bokube AV	4,435	355	4,080
Total Councillor Arrear Consumer Accounts	<u>118,585</u>	<u>8,077</u>	<u>110,507</u>
as at 30 June 2011			
Councillor Blekiwe M	22,652	841	21,811
Councillor Bokube AV	2,851	293	2,558
Councillor De Wet JC	19,828	19,828	-
Councillor Dyan ML	1,323	232	1,091
Councillor Dyantyi SR	151	151	-
Councillor Dywili ZA/H	308	308	-
Councillor Gaju SL	321	321	-
Councillor Gwantshu MZ	501	501	-
Councillor Heyman RL	220	220	-
Councillor Hokolo MS	2,083	243	1,840
Councillor Jikele LE	21,206	1,003	20,203
Councillor Jocki TM/S	8,292	8,292	-
Councillor Mamdile JT/NE	2,123	2,123	-
Councillor Mantashe TP	656	341	315
Councillor Maqungo NL	692	170	522
Councillor Mnyaka M	24,129	994	23,135
Councillor Ndaliso MR	1,872	585	1,277
Councillor Nontsele MH	155	155	-
Councillor Shaw JM	470	470	-
Councillor Snyders A	293	293	-
Councillor Tsotetsi EN	139	139	-
Total Councillor Arrear Consumer Accounts	<u>110,265</u>	<u>37,513</u>	<u>72,752</u>

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

	Highest Amount Outstanding R
as at 30 June 2012	
Councillor Van Heerden BD/I	94
Councillor Jocki TM/S	3,220
Councillor Njozela DD	8
Councillor Mandile JT/NE	565
Councillor Snyders MB	134

LUKHANJI MUNICIPALITY
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for the year ended 30 June 2012

	2012 R	2011 R
Councillor Hokolo MS	2,749	
Councillor Rani BG	216	
Councillor Ndebambi B	1,183	
Councillor Dyan M	198	
Councillor Xulubana NT	230	
Councillor Pambo NC	4,220	
Councillor Matiwane MM	253	
Councillor Xhelsiso M	14,923	
Councillor Sokupe LC	3,872	
Councillor Nquma NP	10,422	
Councillor Mngese BE	536	
Councillor Siyo MN	29,287	
Councillor Ndinise ME	3,256	
Councillor Blekiwe M	28,104	
Councillor Mnyaka M	10,679	
Councillor Bokuva AV	4,435	
	118,585	

as at 30 June 2011	22,652	
Councillor Blekiwe M	2,851	
Councillor Bokuva MH	19,028	
Councillor De Wet JC	1,323	
Councillor Dyan ML	151	
Councillor Dyantyi SR	308	
Councillor Dywili ZA/H	321	
Councillor Gaju SL	501	
Councillor Gwantshu MZ	220	
Councillor Heyman RL	2,083	
Councillor Hokolo MS	21,206	
Councillor Jikele LE	8,292	
Councillor Jocki TM/S	2,123	
Councillor Mamdile JT/NE	656	
Councillor Mantashe TP	692	
Councillor Maqungo NL	24,129	
Councillor Mnyaka M	1,872	
Councillor Ndaliso MR	155	
Councillor Nontsele MH	470	
Councillor Shaw JM	293	
Councillor Snyders A	139	
Councillor Tsoletsis EN	110,265	

42 CAPITAL COMMITMENTS

42.1 Commitments in respect of capital expenditure

	16,047,558	10,648,991
- Approved and contracted for		
Infrastructure	6,547,558	4,634,523
Community		6,014,468
Other - Plant for Roads Unit	9,500,000	-
Total	16,047,558	10,648,991

This expenditure will be financed from:

- External Loans	6,547,558	10,648,991
- Government Grants	9,500,000	
- Own resources	16,047,558	10,648,991

43 Operating leases

At the reporting date the entity has no outstanding commitments under operating leases.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
44 RETIREMENT BENEFIT INFORMATION		
Defined benefit plan		
The following are defined benefit plan: Post retirement medical aid contributions.		
The movement in the post employment medical benefit is reconciled as follows:-		
Balance at beginning of year	(61,274,461)	(60,311,461)
Benefit Payments/Membership Movements	6,539,000	(3,186,000)
Reflected on the statement of financial performance:		
Service and Interest Cost	6,329,000	7,459,000
Actuarial (Gain)/loss recognised in the year	<u>(8,903,000)</u>	<u>(5,236,000)</u>
Balance at end of year	<u>(57,309,461)</u>	<u>(61,274,461)</u>
Non-current liabilities	(55,918,461)	(59,681,693)
Current Liabilities	<u>(1,391,000)</u>	<u>(1,392,768)</u>
Balance at end of year	<u>(57,309,461)</u>	<u>(61,274,461)</u>
Net expenses recognised in the statement of financial performance		
Current Service cost	2,630,000	3,311,000
Interest Cost	3,699,000	4,148,000
Actuarial (gains) losses	<u>(8,903,000)</u>	<u>(5,236,000)</u>
	<u>(2,574,000)</u>	<u>2,223,000</u>

The actuarial gain/loss at the end of 30 June 2012 amounted to R8,903,000.

The amount of the liability shown in the balance sheet is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

Sensitivity Analysis
Changes in medical inflation

Sensitivity to medical inflation		
-1	Base	1
R 49,103,000	R 57,309,461	57,543,000
-16.71%		17.86%

Changes in the difference between the medical inflation and discount rates have a significant impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the medical inflation rate by 1% throughout, whilst keeping all other assumptions constant. The valuation was conducted by a professional actuary.

Assumptions used.

Descriptions	Assumptions
Pre retirement mortality	SA(85/90) normal
Post retirement mortality	PA(90)M, PA(90)F
AIDS	Not allowed for
Normal retirement age	60 years before 1 April 2000 and 65 years after 1 April 2000
Age difference	Actual information applicable to each Lukhanji Municipality employee
Take up rate	100% of active employees at retirement
Discount rate	Zero-coupon South African Bond yield curve
Medical inflation	1.50% p.a. lower than the discount rate and 3.00% p.a. higher than CPI
Salary inflation	2.00% p.a. higher than CPI
CPI - "a curve assumed"	A curved assumed to be 3.0% lower than the discount rate

45 CONTINGENT LIABILITY

1. Matter: Lukhanji Municipality vs. Achuma Construction: This claim against the Municipality for construction work, which should be successfully defended. The Municipality has paid this amount claimed to a Cessionary in full and final (including costs and disbursements) : R120 000.00 (Status of case: Current)
2. Matter: Lukhanji Municipality vs. Director General, Dept of Labour: This is a suspended fine in respect of an Employment Equity related matter, which we have been advised has been taken care of. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R500 000.00 (Status of case: Unknown)
3. Matter: Lukhanji Municipality vs. Guidos: No summons has been issued in this matter and only a Letter of Demand has been submitted to the Municipality. This is a damages claim and the prospects of successfully defending the matter is good. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R1 500 000.00 (Status of case: Letter of Demand received)
4. Matter: Lukhanji Municipality vs. Hlulani, S P : This matter is part-heard and should be finalised in the next year. Client's prospects of successfully defending this action are good. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R55 000.00 (Status of case: Pending)
5. Matter: Lukhanji Municipality vs. Magqabi, A V : This is an Application for the transfer of immovable property, which is being opposed by client. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R250 000.00 (Status of case: Pending)
6. Matter: Lukhanji Municipality vs. Mekile & 7 Others: This is a Summons which was issued against the Municipality for a damages claim relating to the impounding of stock. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R45 000.00 (Status of case: Pending)
7. Matter: Lukhanji Municipality vs. Meliziswe International Property: The matter was defended by the Municipality and the Plaintiff has not proceeded with the matter. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R1 700 000.00 (Status of case: Pending)
8. Matter: Lukhanji Municipality vs. Mtdodana, B M : The Legal Resources Centre has brought an Application to the High Court for an Order declaring the Pound Legislation unconstitutional. The Municipality was cited as a Respondent in this matter, but has decided not to oppose the matter and we currently await an outcome from the Court. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R50 000.00 (Status of case: Pending)

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R
9. Matter: Lukhanji Municipality vs. Motile A : This is an action which the Municipality is defending and which the Plaintiff has failed to set down for trial. The Plaintiff appears to have lost interest in the claim and the matter is currently being monitored only. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R150 000.00 (Status of case: Pending)		
10. Matter: Lukhanji Municipality vs. Mpande, Z : In this particular matter the Municipality is litigating against the entity in terms of certain building regulation contraventions. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R15 000.00 (Status of case: Pending)		
11. Matter: Lukhanji Municipality vs. Mpemba, S D : This is an application to re-instate the Applicant as a Councillor and to back pay allowances due to the Councillor after his removal from office. The Applicant has been unable to progress the matter and the Municipality has a Cost Order which it is trying to recover from the Applicant. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R50 000.00 (Status of case: Pending)		
12. Matter: Lukhanji Municipality vs. Nofemele, B S & Others: An Application by Nofemele & others regarding certain immovable property, which matter has become settled. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R25 000.00 (Status of case: Pending)		
13. Matter: Lukhanji Municipality vs. Nondumo, S : This is a claim for salary due to the entity and which we have recently been instructed with. We have no further information and cannot pronounce on the prospects of success at this stage. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R50 000.00 (Status of case: Letter of Demand received)		
14. Matter: Lukhanji Municipality vs. SALA Pension Fund : This matter was heard in the High Court in Grahamstown during September 2011. We are currently awaiting Judgement. The Application goes to the increase of Employer contributions to the SALA Pension Fund and the dispute related to the backdating of the implementation dates. Counsel was satisfied that we had reasonable prospects of success relating to a large portion of the claim. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R1 600 000.00 (Status of case: Pending)		
15. Matter: Lukhanji Municipality vs. SAMWU obo Cata and 45 Others : In this matter Cata and 45 others are claiming salaries backdated to a decision by the Whittlesea Transitional Local Council to upgrade the Municipality and accordingly upgrade their own salaries. This matter has been opposed in the Labour Court, Port Elizabeth and we are reasonably satisfied that the Municipality have good prospects of succeeding in opposing this Application. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R75 000.00 (Status of case: Pending)		
16. Matter: Lukhanji Municipality vs. SAMWU obo Mayekiso, S : In this matter Mayekiso was dismissed and on Arbitration was re-instated. We were instructed to have the decision of the Arbitrator taken on review and this matter is awaiting the set down of a trial date. Counsel is reasonably satisfied of our prospects of success and we are currently instructed regarding possible settlement negotiations. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R75 000.00 (Status of case: Pending)		
17. Matter: Lukhanji Municipality vs. SAMWU obo Mjobo, V W : In this matter in the entity Mjobo was dismissed and on Arbitration was re-instated. We were instructed to launch an Application to have the decision of the Arbitrator reviewed and set aside and this matter is currently awaiting a date for hearing in the Labour Court, Port Elizabeth. We are lead by Counsel and are reasonably satisfied of our prospects of success. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R75 000.00 (Status of case: Pending)		
18. Matter: Lukhanji Municipality vs. Siyahlutha Developers : This is a High Court Summons issued against the Municipality and the Department of Public Works for payment of monies due to an alleged bridge of contract. This matter is pending and a trial date is awaited. We are satisfied that there are reasonable prospects of successfully defending this action. Legal Counsel's estimate of the financial exposure (including costs and disbursements) : R2 500 000.00 (Status of case: Pending)		
19. Matter: Lukhanji Municipality vs. Skweyiya, B : In this matter the Plaintiff has sued a Councillor of the Municipality for damages. This matter is being defended and we are currently awaiting a trial date. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R150 000.00 (Status of case: Pending)		
20. Matter: Lukhanji Municipality vs. Tyalithi Family Trust : This is an Application in terms of the Building Regulations and will be heard in the High Court in due course. We are reasonably satisfied of our prospects of success. Legal Counsel's estimate of the financial exposure (including cost and disbursements) : R50 000.00 (Status of case: Pending)		
21. Matter: Lukhanji Municipality vs. M. Peltenberg : This is an claim against the Municipality for Collision. : R707 373.24 (Status of case: Pending)		
22. Matter: Lukhanji Municipality vs. Mpemba & another : This is an claim against the Municipality for dismissal of a Councillor. : Amount: Unknown (Status of case: Pending)		
23. Matter: Lukhanji Municipality vs. Richard & Lingano : Summon with case number 2242/10 . claim against the municipality for damages, Impounding of live stock that caused death : R62 000.00 (Status of case: Pending)		
24. Matter: Lukhanji Municipality vs. Bulelwa Gidzana : Summon with case number 1078/2011. Claim for damage of child who was injured in Ezibeleni playing with Concrete pipes. : R50 000.00 (Status of case: Pending)		
25. Matter: Lukhanji Municipality vs. J A Smuts : Matter still awaiting for issue of Summon. : R44 750.00 (Status of case: Pending)		
26. Matter: Sum of claims from Smith Tabata : Matter still not finalised. : R220 000.00 (Status of case: Pending)		
27. Guarantees: Collateral invested by the Municipality of behalf of employees. (Disclosed under investments) Value: R79 639.15		
The municipality is awaiting an updated listing from their attorneys.		

46 CONTINGENT ASSET
None

47 IN-KIND DONATIONS AND ASSISTANCE
None

48 EVENTS AFTER THE REPORTING DATE
There are no events to report upon.

49 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012	2011
	R	R

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. 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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in notes 13.

Useful lives of infrastructure assets

The municipality's management determines the estimated useful lives and related depreciation charges for infrastructure assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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.

Effective interest rate

The municipality used the prime interest rate x 85% (± equal to borrowing rate from DBSA) to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

50 RISK MANAGEMENT

50.1 Market Risk

The municipal activities expose it primarily to the risk of fluctuations in the interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis showing how the Statement of Financial Position would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	2012 R	2011 R
--	-----------	-----------

50.2 Credit risk exposure

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and so constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but is all dependant on the political will for execution to control the credit risk. Large consumers may have to produce large guarantees and/or deposits to minimise the credit risk.

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

ABSA Bank	73,666,772	27,250,235
Short term investments	103,035,295	97,722,309
Trade and other receivables	140,946,986	126,887,659

These balances represent the maximum exposure to credit risk.

50.3 Liquidity risk

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

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

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

Maturity Analysis

	0 - 1 Year	2 Years	3 Years+	Total
2012				
Trade Payables	8,513,650			8,513,650
Finance Lease liability	3,124,990	1,037,497	2,887,395	7,049,882
Bank borrowings	1,268,875	0	0	0
2011				
Trade Payables	2,620,505			2,620,505
Finance Lease liability	3,270,023	4,995,714		8,265,737
Bank borrowings	1,005,833	2,500,033		3,505,866

50.4 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

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

- Call deposits	103,035,295	97,722,309
- Finance Lease Liabilities	7,049,882	9,199,420
- Development Bank of South Africa loan	1,307,292	2,500,100

50.5 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting dates. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

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

- Call deposits	103,035,295	97,722,309
- Finance Lease Liabilities	7,049,882	9,199,420
- Development Bank of South Africa loan	1,307,292	2,500,100

Sensitivity Analysis
Changes in interest rates

Changes in the difference between the interest rates have an impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the interest rate by 1% throughout, whilst keeping all other assumptions constant:

Development Bank of South Africa Loan
Finance Lease Liabilities

Sensitivity to interest rate risk		
-1%	Base	+1%
3,548,363	3,584,205	3,620,047
4,725,239	4,772,969	4,820,699

51 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2012
R

2011
R

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: Loans and receivables

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

2012

	Loans and receivables R	Non financial assets R	Total R
Assets			
Property, Plant and Equipment	-	815,101,052	815,101,052
Long-term investments	224,908	-	224,908
Trade and other receivables from exchange transactions	26,633,303	-	26,633,303
Other receivables from non-exchange transactions	114,313,683	-	114,313,683
Vat	128,649,326	-	128,649,326
Cash and Cash Equivalents	176,729,059	-	176,729,059
	<u>446,550,280</u>	<u>815,101,052</u>	<u>1,261,651,332</u>
	Measured at amortised cost R	Non financial liabilities R	Total R
Liabilities			
Long-term Liabilities	1,791,684	2,133,208	3,924,892
Post employment medical benefit	-	55,918,461	55,918,461
Consumer deposits	-	8,454,429	8,454,429
Short-term Portion of Deferred Income	16,281,172	-	16,281,172
Short-term Portion of Long Term Liabilities	1,792,521	2,639,761	4,432,282
Short-term Portion of Post employment medical aid	-	1,391,000	1,391,000
Trade and other payables from exchange transactions	8,899,724	24,046,710	32,946,433
Provisions	-	18,613,729	18,613,729
Vat payable	131,051,305	-	131,051,305
	<u>159,816,405</u>	<u>113,197,298</u>	<u>273,013,703</u>
Net assets		1,004,341,099	1,004,341,099
	<u>286,733,874</u>	<u>(302,437,345)</u>	<u>(15,703,471)</u>

2011

	Loans and receivables R	Non financial assets R	Total R
Assets			
Property, Plant and Equipment	-	802,002,968	802,002,968
Long-term investments	224,908	-	224,908
Trade and other receivables from exchange transactions	20,313,984	-	20,313,984
Other receivables from non-exchange transactions	106,573,685	-	106,573,685
Vat	97,920,198	-	97,920,198
Cash and Cash Equivalents	124,999,536	-	124,999,536
	<u>350,032,311</u>	<u>802,002,968</u>	<u>1,152,035,279</u>
	Measured at amortised cost R	Non financial liabilities R	Total R
Liabilities			
Long-term Liabilities	2,133,584	4,772,145	6,905,729
Post employment medical benefit	-	59,881,693	59,881,693
Consumer deposits	-	7,937,497	7,937,497
Short-term Portion of Deferred Income	15,470,541	-	15,470,541
Short-term Portion of Long Term Liabilities	1,303,479	3,490,312	4,793,791
Short-term Portion of Post employment medical aid	-	1,392,768	1,392,768
Trade and other payables from exchange transactions	7,975,398	18,293,832	26,269,230
Provisions	-	17,076,816	17,076,816
Vat payable	96,470,528	-	96,470,528
	<u>123,353,531</u>	<u>112,845,062</u>	<u>236,198,594</u>
Net assets		926,103,867	926,103,867
	<u>226,678,780</u>	<u>(236,945,962)</u>	<u>(10,267,182)</u>

Loans and receivables at amortised cost

Opening balance	350,032,311	286,733,874
Net other movements	96,517,968	63,298,437
Closing balance	<u>446,550,280</u>	<u>350,032,311</u>

Financial liabilities at amortised cost

Opening balance	123,353,531	66,459,353
Net other movements	36,462,874	56,894,178
Closing balance	<u>159,816,405</u>	<u>123,353,531</u>

LUKHANJI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
for the year ended 30 June 2012

EXTERNAL LOANS	Interest Rate %	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012
				R	R	R	R
FINANCE LEASES							
POB00039K : TRACTOR 4X4 AGRIC	Variable		2012-05-01	294,710		(294,710)	-
POB00040B : GRID ROLLER	Variable		2012-05-01	79,371		(79,371)	-
POB00021J : ISUZU FVZ 1400 TURBO	Variable		2012-02-26	156,805		(156,805)	-
POB00022H : ISUZU FTR 800 TIP	Variable		2012-02-26	99,066		(99,066)	-
POB00023E : ISUZU FTR 800 TIP	Variable		2012-02-26	99,066		(99,066)	-
POB00026X : BEEL 770 D MOTOR GRADER	Variable		2012-03-01	330,143		(330,143)	-
48519940001 : ISUZU KB200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940002 : ISUZU KB200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940003 : ISUZU KB200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940004 : LPT 709 TON TATA DROPSIDE	12.84		2013-04-01	126,819		(65,472)	61,346
48519940005 : CHEVROLET AVEO 1.5 HATCH BASI	12.84		2013-04-01	51,050		(26,355)	24,695
48519940006 : ISUZU KB 200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940007 : ISUZU KB 200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940008 : CHEVROLET AVEO 1.5 HATCH BASI	12.84		2013-04-01	51,050		(26,355)	24,695
48519940009 : ISUZU KB 200	12.84		2013-04-01	65,648		(33,892)	31,756
48519940010 : MASSEY FERGUSON 275	12.84		2013-04-01	97,621		(50,399)	47,222
48519940011 : ISUZU KB 200	12.84		2013-04-01	69,156		(35,703)	33,453
48519940012 : ISUZU KB 200	12.84		2013-04-01	72,592		(37,477)	35,115
48519940013 : ISUZU KB 200	12.84		2013-04-01	72,592		(37,477)	35,115
48519940014 : NISSAN CABSTAR UD 40	12.84		2013-04-01	223,888		(115,586)	108,302
48519940015 : ISUZU FVZ 1400 TIPPER TRUCK	13.34		2013-06-01	396,110		(184,888)	211,222
48519940016 : JCB JS200 EXCAVATOR	12.84		2013-06-01	627,857		(293,834)	334,022
48519940017 : TATA TIPPER TRUCK	12.84		2013-07-01	215,486		(96,273)	119,213
48519940018 : TATA TIPPER TRUCK	12.84		2013-07-01	215,486		(96,273)	119,213
48519940019 : LANDFILL COMPACTOR	14.90		2013-07-01	992,453		(438,170)	554,283
48519940021 : TOYOTA HILUX 3.00	12.84		2013-08-01	123,475		(52,748)	70,727
48519940022 : 15 TON FOUR WHEEL TRACTOR TR	12.84		2013-09-01	99,907		(40,870)	59,038
48519940023 : 20-25 TON FOUR AXLE LOW BED	12.84		2013-09-01	103,894		(42,500)	61,393
4052819154 : 10 ISUZU FVZ 1600 COMPACTOR C/C				1,796,805		(321,781)	1,475,023
4052819154 : 10 ISUZU FSR 750 CREW CAB F/C C/C				1,092,701		(195,687)	897,014
4052819154 : 11 TOYOTA FORTUNER 3.0 D-D4 R/B 4X4				360,465		(69,128)	311,337
4052819154 : TERM LOAN				936,963		(173,724)	763,240
4052819154 : ELECTRICITY SPARES					1,664,000	(150,326)	1,513,674
Total Finance lease liabilities				9,199,420	1,664,000	(3,813,538)	7,049,882
ANNUITY LOAN							
Development Bank of South Africa	12.00		2013-03-01	2,500,100	38,390	(1,231,199)	1,307,292
TOTAL EXTERNAL LOANS				11,699,520	1,702,390	(5,044,736)	8,357,174

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation				Accumulated Depreciation						Carrying Value R		
	Opening Balance R	Additions R	Disposals/Write offs R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals/Write offs R	Impairment loss/Reversal of Impairment loss R	Closing Balance R		Transfers R	Other movements/ Take on R
Land	331,573,305	-	-	-	331,573,305	-	-	-	-	-	-	-	331,573,305
Land	7,538,455	100,202	-	-	7,638,657	-	-	-	-	-	-	-	7,638,657
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	339,111,760	100,202	-	-	339,211,962	-	-	-	-	-	-	-	339,211,962
Buildings	159,293,772	1,337,281	-	-	160,631,053	(10,277,018)	(5,138,509)	-	-	(15,415,526)	-	-	145,215,526
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	130,420,601	14,066,787	-	-	144,487,388	(11,324,504)	(4,527,738)	-	-	(15,852,242)	-	-	128,635,146
Electricity	90,666,957	11,824,924	-	-	102,491,881	(6,454,882)	(2,290,319)	-	-	(8,745,201)	-	-	93,746,680
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-	-	-	-	-	-
	221,087,558	25,891,711	-	-	246,979,269	(17,779,386)	(6,818,057)	-	-	(24,597,443)	-	-	222,381,826
Community Assets	738,641	724,022	-	-	1,462,663	(73,864)	-	-	-	(73,864)	-	-	1,388,799
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	738,641	724,022	-	-	1,462,663	(73,864)	-	-	-	(73,864)	-	-	1,388,799
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	720,231,731	28,053,216	-	-	748,284,947	(28,130,268)	(11,956,566)	-	-	(40,086,834)	-	-	708,198,114
Total carried forward													

LUKHANJI MUNICIPALITY

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2012

	Cost / Revaluation				Accumulated Depreciation						Carrying Value R		
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R		Transfers R	Other movements R
Total brought forward	720,231,731	28,053,216	-	-	748,284,947	(28,130,268)	(11,956,566)	-	-	(40,086,834)	-	-	708,198,114
Other Assets													
Office Equipment	1,986,240	170,118	-	-	2,156,358	(1,401,942)	-	-	-	(1,401,942)	-	-	754,416
Furniture & Fittings	2,496,841	75,780	-	-	2,574,621	(1,472,766)	-	-	-	(1,472,766)	-	-	1,101,855
Bins and Containers	911,548	-	-	-	911,548	(91,155)	-	-	-	(91,155)	-	-	820,393
Other Equipment	29,932	-	-	-	29,932	(15,981)	-	-	-	(15,981)	-	-	13,950
Animals	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	89,604	-	-	-	89,604	(69,242)	-	-	-	(69,242)	-	-	20,362
	14,531,429	902,279	(95,711)	-	15,337,997	(5,900,291)	(3,797,129)	-	-	(9,697,420)	-	-	5,640,577
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	14,823,618	-	-	-	14,823,618	(4,845,210)	-	-	-	(4,845,210)	-	-	9,978,409
	14,823,618	-	-	-	14,823,618	(4,845,210)	-	-	-	(4,845,210)	-	-	9,978,409
Total	749,586,779	28,955,495	(95,711)	-	778,446,563	(38,875,768)	(15,753,695)	-	-	(54,629,464)	-	-	723,817,100

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation				Accumulated Depreciation							Carrying Value R	
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R	Transfers R		Other movements R
Land													
Land	331,573,305	-	-	-	331,573,305	-	-	-	-	-	-	-	331,573,305
Landfill Sites	7,538,455	-	-	-	7,538,455	-	-	-	-	-	-	-	7,538,455
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	339,111,760	-	-	-	339,111,760	-	-	-	-	-	-	-	339,111,760
Buildings													
	159,293,772	-	-	-	159,293,772	(5,138,509)	(5,138,509)	-	-	(10,277,018)	-	-	149,016,754
Infrastructure													
Planning	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	109,231,127	21,189,474	-	-	130,420,601	(7,016,230)	(4,306,274)	-	-	(11,324,504)	-	-	119,096,097
Electricity	88,062,565	2,604,392	-	-	90,666,957	(4,213,562)	(2,241,320)	-	-	(6,454,882)	-	-	84,212,075
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-	-	-	-	-	-
	197,293,692	23,793,866	-	-	221,087,558	(11,231,792)	(6,547,594)	-	-	(17,779,386)	-	-	203,308,172
Community Assets													
Recreation	738,641	-	-	-	738,641	(36,932)	(36,932)	-	-	(73,864)	-	-	664,777
	738,641	-	-	-	738,641	(36,932)	(36,932)	-	-	(73,864)	-	-	664,777
	696,437,865	23,793,866	-	-	720,231,731	(16,407,233)	(11,723,035)	-	-	(28,130,268)	-	-	692,101,464
Total carried forward													

LUKHANJI MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2011

	Cost / Revaluation				Accumulated Depreciation						Carrying Value R		
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R		Transfers R	Other movements R
Total brought forward	696,437,865	23,793,866	-	-	720,231,731	(16,407,233)	(11,723,035)	-	-	(28,130,268)	-	-	692,101,464
Other Assets													
Office Equipment	1,986,240	-	-	-	1,986,240	(855,756)	(546,186)	-	-	(1,401,942)	-	-	584,298
Furniture & Fittings	2,481,006	17,835	-	-	2,498,841	(988,473)	(504,293)	-	-	(1,472,766)	-	-	1,026,075
Bins and Containers	911,548	-	-	-	911,548	(45,577)	(45,578)	-	-	(91,155)	-	-	820,393
Other Equipment	29,932	-	-	-	29,932	(11,003)	(4,978)	-	-	(15,981)	-	-	13,950
Motor vehicles	211,691	-	-	-	211,691	(71,681)	(29,069)	-	-	(100,750)	-	-	110,941
Animals	-	-	-	-	-	-	-	-	-	-	-	-	-
	14,229,987	301,442	-	-	14,531,429	(4,032,940)	(1,867,351)	-	-	(5,900,291)	-	-	8,631,138
Finance Lease Assets													
Office Equipment	11,351,259	3,472,359	-	-	14,823,618	(3,168,245)	(1,676,965)	-	-	(4,845,210)	-	-	9,978,409
Motor vehicles	11,351,259	3,472,359	-	-	14,823,618	(3,168,245)	(1,676,965)	-	-	(4,845,210)	-	-	9,978,409
Total	722,019,112	27,567,667	-	-	749,586,779	(23,608,417)	(15,287,351)	-	-	(38,875,768)	-	-	710,711,011

LUKHANJI MUNICIPALITY
APPENDIX C
BUDGET vs ACTUAL ANNUAL FINANCIAL PERFORMANCE
for the year ended 30 June 2012

	2,011 Budget R	2,011 Actual R	2,012 Budget R	2,012 Actual R
Revenue by Source				
Property rates	37,448,001	39,333,529	40,443,841	47,814,551
Service Charges - Electricity revenue	115,606,136	112,211,547	143,898,365	136,593,011
Service Charges - Water revenue	23,758,156	0	19,862,477	0
Service Charges - Sanitation revenue	14,159,079	0	14,874,570	0
Service Charges - Refuse revenue	18,351,427	18,194,511	19,823,960	20,959,571
Rental of facilities and equipment	1,350,323	1,468,931	2,349,969	2,478,194
Interest earned - external investment	2,010,000	5,202,465	2,110,500	7,853,180
Interest earned - outstanding debtors	16,282,882	8,448,319	20,608,878	8,570,588
Fines	503,830	729,473	300,992	380,285
Licences and permits	4,764,516	8,644,085	7,862,242	7,662,959
Agency services	43,436,199	0	38,179,361	2,348,496
Property rates - Interest Imposed	0	473,753	2,109,456	2,231,616
Other service charges	0	90,895	83,188	92,658
Transfers recognised - Operational	108,944,978	125,331,362	111,953,405	108,154,221
Other revenue	12,282,000	40,154,862	16,777,123	11,162,840
Gain on disposal of PPE	0			1,713,547
Total Revenue (excluding capital transfers and contributions)	398,897,527	360,283,733	441,238,327	358,015,715

Expenditure by Type

Employee related costs	104,136,917	88,619,877	109,112,345	90,219,318
Remuneration of councillors	14,404,187	14,279,120	16,412,913	15,806,373
Administration Costs	0	-8,564,918	0	-12,907,520
Debt Impairment	67,326,709	57,530,576	69,002,070	28,806,620
Depreciation and amortisation	0	15,309,174	0	15,763,169
Impairment	0	2,471,135		
Repairs and maintenance	12,208,141	6,652,474	14,642,732	6,288,497
Finance costs	7,590,258	7,633,763	6,523,124	6,605,133
Bulk purchases	96,637,615	95,041,763	132,410,969	117,892,863
Contracted services	2,533,800	1,943,285	2,765,680	2,282,171
Grants and subsidies paid	8,714,313	6,267,500	9,617,512	7,279,845
Delegated management	52,092,814	0	32,260,735	0
Other expenditure	32,844,005	35,228,584	48,490,247	32,326,621
Total Expenditure (excluding Capital expenditure)	398,488,759	322,412,333	441,238,327	310,363,091

LUKHANJI MUNICIPALITY
APPENDIX D
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2012

	Balance 2011/06/30	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance 2012/06/30	Conditions met
IEC	-303,545.66		-835.56		814.54	14,700.01		-288,031.11	Yes
Storm Relief Fund	-24,493.33		-66,011.97					-25,328.89	Yes
Bulk Services Levy	-925,264.61			-203,602.04				-1,194,878.62	Yes
BCIG projects: Mlungisi bulkwater	-67,804.51		-614.85		11,919.20			-	Yes
Ekuphumleni Transfer Fees	-11,304.35		-78.68		1,525.45			0.00	Yes
Enkululekweni Establishment Grant	-1,446.77		827.56		-16,042.62			-0.00	Yes
Enkululekweni Top structure	15,215.06		-1,876.55		36,377.46			0.00	Yes
Enkululekweni Establishment Grant	-34,500.91		-246.10		4,769.39			-	Yes
Ekuphumleni Top Structure	-4,523.29		423.53		-8,210.40			-0.00	Yes
Ekuphumleni Top Structure	7,786.87		-8.85		171.36			-	Yes
Ezibeleni Phase 2 Establishment Grant	-162.51		320.44		-6,211.90			-17,155.83	Yes
Ezibeleni Phase 2 Top Structure	5,891.46							-52,016.36	Yes
Tambo Village Top Services	-17,155.83							0.00	Yes
CMIP: Sabata Dalindyebo Services	-52,016.36		-526.22		10,201.11			0.00	Yes
BCIG Projects: Ezibeleni Sewer	-9,674.89		0.05		-1.02			0.00	Yes
Botha's Hoek Design Fees	0.97		-1,322.86		25,644.25			-	Yes
Botha's Hoek Establishment Grant	-24,321.39		-2,058.20		39,899.16			-14,745.09	Yes
Ensam Design Fees	-37,840.96							0.00	Yes
Botha's Hoek Top Structure	-14,745.09		1,248.55		-24,203.71			-89,635.37	Yes
CMIP Project: Ezibeleni Bulkwater & Roads	22,955.16		24.98		-484.27			-0.00	Yes
Merino Walk Top Structure	-89,635.37		15,427.99		-299,107.25			-38,658.78	Yes
Merino Walk Design Fees	459.29							-	Yes
Shiloh Greenfields - Survey Project	283,679.26		-89.58		1,736.60			-0.00	Yes
Merino Walk Establishment Grant	-38,658.78		0.02		-0.45			0.00	Yes
Formulation Ezibeleni Sites	-1,647.02		-15.04		291.48			-	Yes
McBride Establishment Grant	0.43		-115.19		2,233.01			-	Yes
Who Can Tell Establishment Grant	-276.44		-3,183.94		61,721.90			-0.00	Yes
Ensam Establishment Grant	-2,117.82		-300.75		5,830.07			-0.00	Yes
Ensam Top Structure	-58,537.96		23.86		-462.69			0.00	Yes
Ilunge Establishment Housing Project	-5,529.32		-11,727.36		227,361.47			-	Yes
Ilunge Top Structure	438.83		-0.81		15.74			-0.00	Yes
Imvani Establishment Grant	-215,634.11		-0.52		10.04			-	Yes
Imvani Top Structure	-14.93		417.22		8,088.59			-0.00	Yes
Sabata Dalindyebo Establishment Grant	-9.52		-773.62		14,996.23			-	Yes
Sabata Dalindyebo Top Structure	-7,671.37		11,530.40		-223,520.18			0.00	Yes
Tambo Village Establishment Grant	-14,222.61		61.62		-1,194.58			-0.00	Yes
Tambo Village Top Structure	211,989.78		505.92		9,807.46			-	Yes
McBride Design Fees	1,132.96		-14,608.99		282,832.70			-	Yes
McBride Top Structure	9,301.54		-432.22		8,378.71			-	Yes
Who-Can-Tell Design Fees	-268,223.71								
Who-Can-Tell Top Structure	-7,946.49								
Poplar Grove Establishment Grant									

LUKHANJI MUNICIPALITY
APPENDIX D
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2012

	Balance 2011/06/30	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance 2012/06/30	Conditions met
Poplar Grove Top Structure	-908,842.24		-49,432.42		958,274.66			-	Yes
Poplar Grove Design Fees	-66.47		-3.62		70.09			-0.00	Yes
Interest on Housing Projects	-46,247.73		-2,515.48		48,763.21			0.00	Yes
Interest on Projects Infrastructure	-2,777.67		258.72		2,518.95			-6,447,555.71	Yes
MIG Funds	-4,479,239.50			-26,480,000.00	1,155,845.29	23,355,838.50		-33,821.70	Yes
MIG retention fund	-33,821.70				63,197.27			-	Yes
ilinge registration fee	-59,937.24		-3,260.03		523,353.87			-66,180.96	Yes
Sabata : Project Link	-496,220.33		-27,133.54					-6,861.87	Yes
MIG - Interest	-66,180.96				1,376.00			0.00	Yes
Sinthemba Organization	-8,237.87				-10,891.68			0.00	Yes
Nomzamo Project Linked Housing	10,329.93		561.75		18,773.49			0.00	Yes
Nomzamo Top Structure	-17,805.01		-968.48		7,285.23			0.00	Yes
Sabata Top Structure	-6,904.32		-380.91	-2,444,677.49		813,289.03		-2,609,323.78	Yes
Dept of National Health (Attic)	-164,646.29		-29,994.90					-4,348.00	Yes
UPGRADE ELECTRICITY NETWORK 1.5c/kw	-783,294.13							-313,280.71	Yes
Hydraulic Analysis Sewerage	-4,348.00				-27,879.02			-813,370.23	Yes
Fire Services	-285,471.69			-284,648.49				-13,609.75	Yes
LED PROJECT - RESOURCE GROUP	-528,721.74							-36,270.27	Yes
Mendi Educare Centre	-12,907.69		-702.06					-51,109.60	Yes
CMIP Project: Enkululekweni Housing	-36,270.27							-12,390.36	Yes
CMIP Project: Shiloh Bede Free Basic Water	-51,109.60							-4,085.28	Yes
Rural Water Scheme	-12,390.36							82,521.42	Yes
Planting of Grass - BRFU	-4,085.28							-139,262.87	Yes
Ner: Ezibeleni Infra Upgrade Phase 2	82,521.42							-	Yes
Eskom (Sabata Dalindyebo)	-139,262.87			-1,000,000.00		1,000,000.00		-410,062.25	Yes
Electricity Grant	-410,062.25							-63,512.18	Yes
VARIOUS PROJECTS - CHDM WATER	-63,512.18							-6,264.35	Yes
Free Basic Services	-6,264.35							0.00	Yes
Completion of Zoning Scheme	-727,459.61			-1,500,000.00	2,182,939.47	44,520.14		-66,174.80	Yes
Financial Management Grant	-66,174.80							-22,551.75	Yes
SMALL MICRO STRATEGY & HAWKER	-22,551.75							-90,900.19	Yes
Laurie Dashwood Park Settlement Planning	-90,900.19							-	Yes
Preparation of Structure Plan	6,372.37				-6,372.37	26,785.48		-181,955.31	Yes
Integrated Development Plan	-208,740.79							0.00	Yes
MSP Funds	-29,791.92		-1,620.41		31,412.33			-612,309.09	Yes
Nomzamo Planning	-621,301.09				8,992.00			-82,487.22	Yes
MIG Counterfunding	-82,487.22							-44,147.89	Yes
Service: Informal Settlements	-44,147.89							-226,534.55	Yes
Survey & Planning: Ext 2 Whittiesea	-226,534.55							-2,394.37	Yes
Unknown Allocation	-2,394.37								
Survey of Laurie Dashwood Park									

LUKHANJI MUNICIPALITY
APPENDIX D
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2012

	Balance 2011/06/30	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance 2012/06/30	Conditions met
Township Register 1	-40,332.46		-1,268.53					-41,600.99	Yes
Tylden Irrigation Scheme	-6,167.09							-6,167.09	Yes
LGW Seta - Training	-2,429.88			-471,816.23	275,210.58			-199,035.53	Yes
Rags to Riches	-32,171.05							-32,171.05	Yes
Township Register 2	-45,133.36		-1,338.08					-46,471.44	Yes
DBSA : Hand Held Terminals	-15,000.00							-15,000.00	Yes
Valuation Fund	-27,475.43		-913.31					-27,475.43	Yes
George Hartley Bequest	-66,357.37		-430.26					-4,449.90	Yes
Oliver Barnes Bequest	-4,019.64		-1,291.29					-12,959.67	Yes
P B Arnold Bequest	-11,668.38		-508.84					-5,780.24	Yes
W Tregarten Bequest	-5,271.40		-1,463.86					-15,507.06	Yes
Mendi Memorial Creche	-14,043.20		-237.29					-2,433.83	Yes
Rowell Old Age Home	-2,196.54		-1,702.06					-18,161.27	Yes
Cemetery Maintenance Perpuity	-16,459.21							-1,351.24	Yes
Estate Late Macrae	-1,351.24							-203,038.23	Yes
Queenstown Rhino Funds	-193,895.11		-10,543.12		1,400.00			-2,683.70	Yes
Planning of Shiloh Greenfields	-119,796.20				117,112.50			-1,317.86	Yes
Brakkloof Settlement Planning	-40,355.36				39,037.50			-383,407.58	Yes
Whittlesea Ext 4 Roads & Stormwater	-383,407.58					14,625.00		-174,700.03	Yes
Computerized Library System	-189,325.03							-821,688.68	Yes
Development of Integrated Spatial Info System	-821,688.68							-	Yes
Municipal Systems Improvement Program	-968,032.75			-790,000.00	1,733,783.75	24,249.00		-132,002.03	Yes
Rathwick Electrification	-132,002.03		-209,738.18	-33,174,744.25	7,279,845.05	25,294,007.16		-16,281,171.71	
Total	-15,470,541.49	-	-209,738.18	-33,174,744.25	7,279,845.05	25,294,007.16	-	-16,281,171.71	