



CHRIS HANI
DISTRICT MUNICIPALITY

**SUSTAINING GROWTH
THROUGH OUR PEOPLE**

2011/2012

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

GENERAL INFORMATION

EXECUTIVE MAYOR

M.C. Koyo

SPEAKER

N. Makanda

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor

Speaker

Chief Whip

N.G. Xoseni

Councillors: W.T. Bikwana
L.Gunuza - Nkwentsha
N. Matiwane

Z.R. Shweni
S.D. Plata
M.R. Xuma

GRADING OF THE LOCAL AUTHORITY

Grade 8

AUDITORS

External – Auditor General

Internal – Internal Unit

PRIMARY BANKER

First National Bank Limited

REGISTERED OFFICE

15 Bells Road
Queenstown
5319

Private Bag X7121
Queenstown
5320

Telephone: (045) 808-4600

Facsimile: (045) 838-1556

E-Mail: webmaster@chrishanidm.gov.za

Website: <http://www.chrishanidm.gov.za>

MUNICIPAL MANAGER

M. A MENE

ACTING CHIEF FINANCIAL OFFICER

J. N Ntshinga

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 123, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2012.

M A MENE
MUNICIPAL MANAGER
31 August 2012

J N NTSHINGA
ACTING CHIEF FINANCIAL FICER
31 August 2012

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

MEMBERS OF THE COUNCIL

| COUNCILLORS | | PROPORTIONAL COUNCILLORS | |
|---------------------|------|--------------------------|-----|
| M C Koyo | ANC | A V Bokuva | ANC |
| N Makanda | ANC | S R Dyantyi | ANC |
| N G Xoseni | ANC | N Goniwe | ANC |
| N T Bikwana | ANC | M Jentile | ANC |
| W Gela | ANC | L Jiyose | ANC |
| L Gunuza-Nkwentsha | ANC | D S Kalolo | ANC |
| N G Magwashu | ANC | T Ndyumbu-Kulashe | ANC |
| N Matiwane | ANC | S Liwani | ANC |
| N Radzilane | ANC | Z Madyolo | UDM |
| L E Noqha | ANC | S Mbolo | ANC |
| B O Ntoni | ANC | Z Mbotoloshi | ANC |
| S D Plata | ANC | K Mdleleni | ANC |
| Z R Shweni | ANC | S Myataza | ANC |
| M R Xuma | ANC | N S Ndlebe | ANC |
| M N Bula | COPE | M Nontsele | ANC |
| R W Venske | DA | K Nqiqhi | ANC |
| Z C Deliwe | UDM | N P Nquma | ANC |
| Chief B Malefane | | S Ntakana | ANC |
| Chief M Silo | | N Nyukwana | ANC |
| Chief X Mbali | | M Qamngwana | ANC |
| Chief J Fani | | N Roskruge | ANC |
| Chief B Xhegwana | | K Vimbayo | ANC |
| Princess N Sotyatho | | F Erasmus | DA |
| Chief L Tshangana | | P P Mandile | DA |
| Chief M Songqengqe | | H Nobongoza | UDM |

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits 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.

M.A MENE
MUNICIPAL MANAGER
31 August 2012

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

FOREWORD

During the 2011/12 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The district municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the municipality has successfully implemented the projects identified in the Service Delivery and Budget Implementation Plan for 2011/12 financial year. The municipality will continue in the 2012/13 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.

CLR M C KOYO
EXECUTIVE MAYOR
31 August 2012

CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

AUDIT REPORT

The 2011/12 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 9.2 on *Revenue from Exchange Transactions* and Accounting Policy 9.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in IAS 39 (*Financial Instruments - Recognition and Measurement*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

- ◆ Impairment of Trade Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories

Accounting Policy 5 on *Impairment of Assets* and Accounting Policy 7.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year no impairments were made to Property, Plant and Equipment, Intangible Assets or Inventory.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Accounting Policy, paragraph 7.2.2. The operations have been discontinued as at 30 June 2011 – please refer to the applicable Notes to the Annual Financial Statements.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences, when a 5% deviation exists for Operating Transactions and a 10% deviation exists for Capital Transactions. All material differences are explained in Notes to the Annual Financial Statements.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective

The following GRAP standard has been issued but is not yet effective and has been early adopted by the municipality:

- ◆ GRAP 104 Financial Instruments - issued October 2009

GRAP 104 will be effective for the period starting after 1 April 2012. The municipality elected to adopt the standard during the 2010/11 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 20 Related Party Disclosures - revised
- ◆ GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- ◆ GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- ◆ GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- ◆ GRAP 103 Heritage Assets - issued July 2008
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

Application of all of the aforementioned GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective on a date to be announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- ◆ Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- ◆ Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- ◆ Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- ◆ Financial Instruments (GRAP 104 - issued October 2009)

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

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

2. ACCUMULATED SURPLUS (continued)

2.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

3.1 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.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, 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 equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

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

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

| Asset Class | Years | Asset Class | Years |
|-------------------------|--------------|------------------------|--------------|
| Buildings | | Other | |
| Improvements | 5 - 30 | Bins and Containers | 5 - 15 |
| | | Computer Equipment | 3 - 10 |
| Infrastructure | | Emergency Equipment | 3 - 10 |
| Roads and Paving | 3 - 100 | Furniture and Fittings | 3 - 15 |
| Security Measures | 7 - 25 | Motor Vehicles | 4 - 15 |
| Sewerage | 7 - 60 | Office Equipment | 3 - 15 |
| Water | 5 - 100 | Plant and Equipment | 2 - 15 |
| | | Specialist Vehicles | 10 - 15 |
| Community | | | |
| Community Facilities | 5 - 30 | | |
| Recreational Facilities | 10 - 30 | | |

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 Derecognition of Property, Plant and Equipment

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. 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 recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

4. INTANGIBLE ASSETS (continued)

4.1 Initial Recognition (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

4. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment (continued)

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

| Asset Class | Years | Asset Class | Years |
|-------------------|-------|-------------|-------|
| Computer Software | 2 - 5 | Licences | 2 - 5 |

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets 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. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 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 proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

5.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable 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. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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.

An impairment loss is recognised for cash generating units if the recoverable 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.

The 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 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.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

5. IMPAIRMENT OF ASSETS (continued)

5.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

An impairment loss is recognised for non-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.

The 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.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions 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.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on 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 models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest 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.

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 Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

6. FINANCIAL INSTRUMENTS (continued)

6.1 *Financial Assets – Classification*

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets measured at Cost** are investments in Residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

| Type of Financial Asset | Classification in terms of GRAP 104 |
|---------------------------------------------------|--------------------------------------------|
| Long-term Receivables | Financial Assets at Amortised Cost |
| Receivables from Exchange Transactions | Financial Assets at Amortised Cost |
| Receivables from Non-exchange Transactions | Financial Assets at Amortised Cost |
| Bank, Cash and Cash Equivalents – Notice Deposits | Financial Assets at Amortised Cost |
| Bank, Cash and Cash Equivalents – Call Deposits | Financial Assets at Fair Value |
| Bank, Cash and Cash Equivalents | Financial Assets at Fair Value |

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

6. FINANCIAL INSTRUMENTS (continued)

6.1 Financial Assets (continued)

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, which 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 and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

6.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

| Type of Financial Asset | Classification in terms of GRAP 104 |
|-------------------------------------------------|--------------------------------------------|
| Long-term Liabilities, including Finance Leases | Financial Liabilities at Amortised Cost |
| Payables | Financial Liabilities at Amortised Cost |
| Current portion of Long-term Liabilities | Financial Liabilities at Amortised Cost |
| Bank Overdraft | Financial Liabilities at Fair Value |

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.3 *Initial and Subsequent Measurement*

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

6.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

6.4.1 Financial Assets at Amortised Cost:

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. FINANCIAL INSTRUMENTS (continued)

6.4 Impairment of Financial Assets (continued)

6.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

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.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for 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.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

7.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

7.2.2 Water Inventory:

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end. The services have been discontinued as at 30 June 2011.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

7. INVENTORIES (continued)

7.2 *Subsequent Measurement (continued)*

7.2.3 Unsold Properties:

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

7.2.4 Other Arrangements:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. 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.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 *Initial Recognition*

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

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

8. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

8.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous 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.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. REVENUE RECOGNITION

9.1 General

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. REVENUE RECOGNITION (continued)

9.1 General (continued)

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.

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

The services have been discontinued as at 30 June 2011.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.2 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- ◆ Interest earned on Unspent Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

9.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

9.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

9.2.5 Sale of Goods

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

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

The services have been discontinued as at 30 June 2011.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.6 Revenue from Agency Services

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

The services have been discontinued as at 30 June 2011.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

9.3.1 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

9.3.2 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

9. REVENUE RECOGNITION (continued)

9.3 Revenue from Non-exchange Transactions (continued)

9.3.2 Public Contributions (continued)

Revenue from public contributions 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 are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

9.3.3 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue 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 are brought into use.

9.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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. Such revenue is based on legislated procedures.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

10. 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 or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. EMPLOYEE BENEFITS

11.1 Short-term Employee Benefits

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

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

11. EMPLOYEE BENEFITS (continued)

11.2 Post-employment Benefits (continued)

11.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. EMPLOYEE BENEFITS (continued)

11.2 Post-employment Benefits (continued)

11.2.2 Defined Benefit Plans (continued)

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

12. LEASES

12.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

12.2 The Municipality as Lessee

12.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

13. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

14. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

15. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, 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). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

16. 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 or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

17. 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. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

19. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

CHRIS HANI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Current Year Comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

24.2 Prior Year Comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

24.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

CHRIS HANI DISTRICT MUNICIPALITY
Parameters to be completed for Current Year

| | |
|-----------------------------------|----------------------------------|
| Name of Authority | CHRIS HANI DISTRICT MUNICIPALITY |
| Financial Year-end | 30 JUNE 2012 |
| End of Next Year | 30 June 2013 |
| End of Current Year | 30 June 2012 |
| End of Previous Year | 30 June 2011 |
| End of Base Year | 30 June 2010 |
| Current Year | 2012 |
| Previous Year | 2011 |
| Base Year | 2010 |
| Next Financial Year | 2012/2013 |
| Current Financial Year | 2011/2012 |
| Previous Financial Year | 2010/2011 |
| Comparative Financial Year | 2011/12 / 2010/11 |
| Start of Current Year | 01 July 2011 |
| Start of Previous Year | 01 July 2010 |



CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Chris Hani District Municipality at 30 June 2012 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2012 indicates an increase in Net Assets and in Non-current Liabilities, and an decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of identifying, componentising and measuring immovable assets. The decrease in Non-current Liabilities is primarily as a result of the repayment of Long-term Loans. The increase in Current Liabilities is ascribed primarily to an increase in Unspent Conditional Grants

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

| INDICATOR | 2012 | 2011 |
|-----------------------------------------------------------|---------------|---------------|
| Surplus / (Deficit) before Appropriations | 248 823 463 | 196 220 479 |
| Surplus / (Deficit) at the end of the Year | 3 001 658 658 | 2 756 122 344 |
| Expenditure Categories as a percentage of Total Expenses: | | |
| Employee Related Costs | 17.60% | 22.98% |
| Remuneration of Councillors | 1.19% | 1.10% |
| Depreciation and Amortisation | 14.17% | 14.68% |
| Impairment Losses | -1.44% | 12.44% |
| Repairs and Maintenance | 0.25% | 2.12% |
| Interest Paid | 0.06% | 0.67% |
| Bulk Purchases | 1.07% | 2.34% |
| Contracted Services | 0.08% | 6.67% |
| Grants and Subsidies Paid | 62.50% | 24.57% |
| General Expenses | 4.52% | 11.71% |
| Current Ratio: | | |
| Creditors Days | 17 | 69 |

3. OPERATING RESULTS

Details of the operating results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Note 57 to the Annual Financial Statements.

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

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

| DETAILS | Actual 2011/2012 R | Actual 2010/2011 R | Percentage Variance % | Budgeted 2011/2012 R | Variance actual/ budgeted % |
|------------------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income: | | | | | |
| Opening surplus / (deficit) | 247 582 315 | 136 919 074 | 80.82% | - | - |
| Operating income for the year | 876 267 813 | 803 111 691 | 9.11% | 810 241 213 | 8.15% |
| Appropriations for the year | (184 808 241) | (149 751 414) | 23.41% | - | - |
| | 939 041 887 | 790 279 351 | 18.82% | 810 241 213 | 15.90% |
| Expenditure: | | | | | |
| Operating expenditure for the year | 627 444 350 | 606 891 211 | 3.39% | 810 241 213 | (22.56)% |
| Sundry transfers | - | (64 194 175) | (100.00)% | - | - |
| Closing surplus / (deficit) | 311 597 537 | 247 582 315 | 25.86% | - | - |
| | 939 041 887 | 790 279 351 | 18.82% | 810 241 213 | 15.90% |

3.1 General Services:

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

| DETAILS | Actual 2011/2012 R | Actual 2010/2011 R | Percentage Variance % | Budgeted 2011/2012 R | Variance actual/ budgeted % |
|------------------------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | 876 594 242 | 688 004 012 | 27.41% | 531 083 490 | 65.06% |
| Expenditure | 448 296 645 | 334 132 384 | 34.17% | 591 408 518 | (24.20)% |
| Surplus / (Deficit) | 428 297 597 | 353 871 629 | 21.03% | (60 325 028) | - |
| Surplus / (Deficit) as % of total income | 48.86% | 51.43% | | (11.36)% | |

3.2 Trading Services:

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

| DETAILS | Actual 2011/2012 R | Actual 2010/2011 R | Percentage Variance % | Budgeted 2011/2012 R | Variance actual/ budgeted % |
|------------------------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Income | - | (32 369 376) | - | 279 157 723 | - |
| Expenditure | 174 909 521 | 242 641 167 | (27.91)% | 218 832 695 | (20.07)% |
| Surplus / (Deficit) | (174 909 521) | (275 010 543) | (36.40)% | 60 325 028 | - |
| Surplus / (Deficit) as % of total income | (4 521 682) | 849.60% | | 21.61% | |

The services have been discontinued as at 30 June 2011.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R264 618 089 (2010/11: R229 433 980). Full details of Property, Plant and Equipment are disclosed in Note 9 to the Annual Financial Statements.

The capital expenditure of R264 618 089 was financed as follows:

| DETAILS | Actual 2011/2012 R | Actual 2010/2011 R | Percentage Variance % | Budgeted 2011/2012 R | Variance actual/ budgeted % |
|---------------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|-----------------------------------|
| Capital Replacement Reserve | 2 085 704 | 1 350 703 | 54.42% | 1 500 000 | 39.05% |
| Grants and Subsidies | 259 932 385 | 228 083 277 | 13.96% | 664 279 000 | (60.87)% |
| Public Contributions | 1 500 000 | - | - | - | - |
| Own Funds (Accumulated Surplus) | 1 100 000 | - | - | - | - |
| | 264 618 089 | 229 433 980 | 15.34% | 665 779 000 | (60.25)% |

Source of funding as a percentage of Total Capital Expenditure:

| DETAILS | 2012 | 2011 |
|---------------------------------|--------|--------|
| Capital Replacement Reserve | 0.79% | 0.59% |
| Grants and Subsidies | 98.23% | 99.41% |
| Public Contributions | 0.57% | - |
| Own Funds (Accumulated Surplus) | 0.42% | - |

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

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

| DETAILS | 2012 | 2011 |
|---------------------------------------------------|--------------|--------------|
| <i>Variance per Category:</i> | | |
| Budgeted surplus before appropriations | - | - |
| Revenue variances | 66 026 600 | 61 069 402 |
| Expenditure variances: | | |
| Employee Related Costs | 16 848 552 | (21 600 014) |
| Remuneration of Councillors | 2 409 635 | (117 702) |
| Collection Costs | 344 833 | 317 787 |
| Depreciation and Amortisation | (85 779 449) | (88 981 302) |
| Impairment Losses | 9 046 605 | (75 488 769) |
| Repairs and Maintenance | 1 982 893 | (10 001 827) |
| Interest Paid | 1 959 063 | (3 029 060) |
| Bulk Purchases | 680 782 | 7 864 479 |
| Contracted Services | 2 599 695 | (39 809 265) |
| Grants and Subsidies Paid | 195 486 605 | 388 692 459 |
| General Expenses | 37 961 446 | (18 302 506) |
| Loss on disposal of Property, Plant and Equipment | (743 797) | (4 393 204) |
| Actual surplus before appropriations | 248 823 463 | 196 220 479 |

| DETAILS | 2012 | 2011 |
|----------------------------------------|---------------|---------------|
| <i>Variance per Service Segment:</i> | | |
| Budgeted surplus before appropriations | - | - |
| Executive and Council | (3 712 292) | 1 838 117 |
| Finance and Administration | (424 160 158) | (26 856 146) |
| Planning and Development | (9 748 431) | 99 013 |
| Health | 111 542 | 10 057 644 |
| Community and Social Services | (10 719 468) | (1 279 686) |
| Public Safety | (2 687 005) | 2 440 314 |
| Environmental Protection | (4 941 985) | (4 569 436) |
| Roads and Transport | (7 665 482) | 13 382 591 |
| Water | (235 234 549) | (111 379 286) |
| Other | 952 145 903 | 219 240 040 |
| Actual surplus before appropriations | 253 345 145 | 196 220 479 |
| | 4 521 682 | |

Details of the operating results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Note 57 to the Annual Financial Statements.

5.2 Capital Budget:

| DETAILS | Actual 2011/2012 R | Actual 2010/2011 R | Variance actual 2011/12 / 2010/11 R | Budgeted 2011/2012 R | Variance actual/ budgeted R |
|-------------------------------|--------------------------|--------------------------|-------------------------------------------|----------------------------|-----------------------------------|
| Executive and Council | 477 135 | 534 117 | (56 982) | - | 477 135 |
| Finance and Administration | 14 386 257 | 963 457 | 13 422 800 | 16 188 000 | (1 801 743) |
| Planning and Development | 291 540 | 710 011 | (418 471) | - | 291 540 |
| Health | - | 42 534 | (42 534) | - | - |
| Community and Social Services | 3 166 127 | 47 501 | 3 118 626 | 5 987 000 | (2 820 873) |
| Housing | - | 468 | (468) | - | - |
| Public Safety | - | 794 591 | (794 591) | - | - |
| Sport and Recreation | - | 346 036 | (346 036) | - | - |
| Waste Management | 13 076 131 | 35 233 923 | (22 157 793) | 250 000 000 | (236 923 869) |
| Roads and Transport | - | 7 330 597 | (7 330 597) | - | - |
| Water | 233 220 901 | 15 567 971 | 217 652 929 | 393 604 000 | (160 383 099) |
| Electricity | - | 6 372 543 | (6 372 543) | - | - |
| Other | - | 3 596 189 | (3 596 189) | - | - |
| | 264 618 089 | 71 539 938 | 193 078 151 | 665 779 000 | (401 160 911) |

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R3 009 467 489 (30 June 2011: R2 756 122 344) and is made up as follows:

| | |
|-----------------------------|-----------------------------|
| Capital Replacement Reserve | 50 896 894 |
| Government Grants Reserve | 2 637 664 227 |
| Accumulated Surplus | <u>311 597 537</u> |
| | <u><u>3 001 658 658</u></u> |

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

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

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

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R4 424 076 (30 June 2011: R5 553 707).

Refer to Note 17 to the Annual Financial Statements for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R25 147 550 (30 June 2011: R21 070 779).

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

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R3 326 322 as at 30 June 2012 (30 June 2011: R2 866 650) and is made up as follows:

| | |
|---------------------------------|-------------------------|
| Provision for Long-term Service | <u>3 326 322</u> |
| | <u><u>3 326 322</u></u> |

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

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R132 081 679 as at 30 June 2012 (30 June 2011: R231 947 163) and is made up as follows:

| | | |
|------------------------------------------|---------|--------------------|
| Provisions | Note 13 | 2 755 901 |
| Creditors | Note 14 | 29 571 181 |
| Unspent Conditional Grants and Receipts | Note 15 | 102 799 613 |
| Operating Lease Liabilities | Note 16 | 64 458 |
| Current Portion of Long-term Liabilities | Note 17 | 1 129 631 |
| | | <u>136 320 785</u> |

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R2 749 719 695 as at 30 June 2012 (30 June 2011: R2 574 906 203).

Refer to Note 9 to the Annual Financial Statements for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R440 886 as at 30 June 2012 (30 June 2011: R704 764).

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

Refer to Note 10 to the Annual Financial Statements for more detail.

13. CURRENT ASSETS

Current Assets amounted R424 286 534 as at 30 June 2012 (30 June 2011: R441 949 677) and is made up as follows:

| | | |
|--------------------------------------------------|--------|--------------------|
| Inventory | Note 2 | 797 303 |
| Trade Receivables from Non-exchange Transactions | Note 5 | 105 529 455 |
| VAT Receivable | Note 6 | 16 436 009 |
| Bank Balances and Cash | Note 7 | 297 954 043 |
| | | <u>420 716 809</u> |

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 21 to the Annual Financial Statements for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 54.

16. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

17. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

| Budget | | | Actual | |
|--------------------|--------------------|--------------------------------------------------|----------------------|----------------------|
| 2011 R | 2012 R | | 2012 R | 2011 R |
| ASSETS | | | | |
| 101 388 217 | 287 012 500 | Current Assets | 420 716 809 | 441 949 677 |
| 10 232 | - | Inventory | 797 303 | 4 200 705 |
| - | - | Non-current Assets Held-for-Sale | - | 398 217 |
| 57 481 598 | - | Trade Receivables from Exchange Transactions | (0) | 2 745 296 |
| 26 487 420 | - | Trade Receivables from Non-exchange Transactions | 105 529 455 | 34 607 708 |
| - | - | VAT Receivable | 16 436 009 | 16 807 038 |
| 12 391 733 | 287 000 000 | Bank, Cash and Cash Equivalents | 297 954 043 | 383 190 713 |
| 5 017 234 | 12 500 | Current Portion of Long-term Receivables | - | - |
| 467 782 685 | 412 876 800 | Non-Current Assets | 2 750 160 581 | 2 575 610 967 |
| 376 548 000 | 412 876 800 | Property, Plant and Equipment | 2 749 719 695 | 2 574 906 203 |
| 190 | - | Intangible Assets | 440 886 | 704 764 |
| 372 586 | - | Investment Property | - | - |
| 90 861 909 | - | Non-current Investments | - | - |
| 569 170 902 | 699 889 300 | Total Assets | 3 170 877 391 | 3 017 560 643 |
| LIABILITIES | | | | |
| 220 398 592 | 458 113 677 | Current Liabilities | 136 320 785 | 231 947 163 |
| 1 840 731 | - | Provisions | 2 755 901 | 1 949 877 |
| 38 934 703 | 169 013 630 | Creditors | 29 571 181 | 115 002 934 |
| 179 118 132 | 288 581 381 | Unspent Conditional Grants and Receipts | 102 799 613 | 113 890 747 |
| - | - | Operating Lease Payables | 64 458 | 28 924 |
| 505 026 | 518 666 | Current Portion of Long-term Liabilities | 1 129 631 | 1 074 681 |
| 38 080 824 | 21 346 328 | Non-Current Liabilities | 32 897 948 | 29 491 136 |
| 7 656 431 | - | Long-term Liabilities | 4 424 076 | 5 553 707 |
| 21 599 165 | 21 346 328 | Retirement Benefit Liabilities | 25 147 550 | 21 070 779 |
| 8 825 228 | - | Non-current Provisions | 3 326 322 | 2 866 650 |
| 258 479 416 | 479 460 005 | Total Liabilities | 169 218 733 | 261 438 300 |
| 310 691 486 | 220 429 295 | Total Assets and Liabilities | 3 001 658 658 | 2 756 122 344 |
| NET ASSETS | | | | |
| 310 691 486 | 220 429 295 | NET ASSETS | 3 001 658 658 | 2 756 122 344 |
| 310 691 486 | 220 429 295 | Accumulated Surplus / (Deficit) | 3 001 658 658 | 2 756 122 344 |
| 310 691 486 | 220 429 295 | Total Net Assets | 3 001 658 658 | 2 756 122 344 |

CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

| Budget | | | Actual | |
|-----------------------------------------------|--------------------|----------------------------------------------------|--------------------|--------------------|
| 2011 R | 2012 R | | 2012 R | 2011 R |
| REVENUE | | | | |
| Revenue from Non-exchange Transactions | | | | |
| 663 706 000 | 785 506 723 | Government Grants and Subsidies Received | 799 518 311 | 630 229 307 |
| - | - | Public Contributions and Donations | 1 500 000 | - |
| Revenue from Exchange Transactions | | | | |
| 62 481 599 | - | Service Charges | - | 100 116 468 |
| 158 520 | 146 250 | Rental of Facilities and Equipment | 97 192 | 145 028 |
| 15 000 743 | 23 453 500 | Interest Earned - External Investments | 19 601 048 | 28 009 215 |
| 12 000 | 12 000 | Interest Earned - Outstanding Debtors | - | 14 566 195 |
| 683 427 | 1 122 740 | Other Income | 55 551 261 | 30 045 478 |
| - | - | Gains on Disposal of Property, Plant and Equipment | | - |
| 742 042 289 | 810 241 213 | Total Revenue | 876 267 813 | 803 111 691 |
| EXPENDITURE | | | | |
| 117 855 703 | 127 167 527 | Employee Related Costs | 110 318 975 | 139 455 717 |
| 6 537 547 | 9 846 848 | Remuneration of Councillors | 7 437 213 | 6 655 249 |
| 322 573 | 344 833 | Collection Costs | - | 4 786 |
| 84 800 | 3 008 480 | Depreciation and Amortisation | 88 787 929 | 89 066 102 |
| - | - | Impairment Losses | (9 046 605) | 75 488 769 |
| 2 838 908 | 3 522 920 | Repairs and Maintenance | 1 540 027 | 12 840 735 |
| 1 041 035 | 2 343 710 | Finance Costs | 384 647 | 4 070 095 |
| 22 092 823 | 7 359 402 | Bulk Purchases | 6 678 620 | 14 228 344 |
| 685 536 | 3 128 589 | Contracted Services | 528 894 | 40 494 801 |
| 537 802 634 | 587 226 376 | Grants and Subsidies Paid | 391 739 771 | 149 110 175 |
| 52 780 730 | 66 292 528 | General Expenses | 28 331 082 | 71 083 236 |
| - | - | Loss on Disposal of Property, Plant and Equipment | 40 217 | 4 393 204 |
| 742 042 289 | 810 241 213 | Total Expenditure | 626 740 770 | 606 891 211 |
| OTHER REVENUE / EXPENDITURE INCURRED | | | | |
| Discontinued Operations: | | | | |
| | | Surplus / (Deficit) from Discontinued Operations | (703 580) | - |
| - | - | SURPLUS / (DEFICIT) FOR THE YEAR | 248 823 463 | 196 220 479 |

CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

| Description | Revaluation Reserve | Total for Accumulated Surplus/(Deficit) Account | Total |
|--------------------------------------------------|------------------------|----------------------------------------------------------|----------------------|
| | R | R | R |
| 2011 | | | |
| Balance at 30 June 2010 | - | 549 260 762 | 549 260 762 |
| Change in Accounting Policy (Note 37) | | (467 408) | (467 408) |
| Correction of Error - Opening Balances (Note 38) | - | 2 009 915 375 | 2 009 915 375 |
| Correction of Error (Note 38) | - | 1 193 136 | 1 193 136 |
| Restated Balance | - | 2 559 901 864 | 2 559 901 864 |
| Surplus / (Deficit) for the year | | 196 220 479 | 196 220 479 |
| Transfer to CRR | | - | - |
| Property, Plant and Equipment purchased | | - | - |
| Grants utilised to obtain PPE | | (0) | (0) |
| Asset disposals | | - | - |
| Offsetting of Depreciation | | - | - |
| Balance at 30 June 2011 | - | 2 756 122 344 | 2 756 122 344 |
| 2012 | | | |
| Change in Accounting Policy (Note 37) | | - | - |
| Correction of Error (Note 38) | | - | - |
| Restated Balance | - | 2 756 122 344 | 2 756 122 344 |
| Surplus / (Deficit) for the year | | 248 823 463 | 248 823 463 |
| Transfer to CRR | | - | - |
| Property, Plant and Equipment purchased | | - | - |
| Grants utilised to obtain PPE | | - | - |
| Asset disposals | | - | - |
| Offsetting of Depreciation | | - | - |
| Balance at 30 June 2012 | - | 3 001 658 658 | 3 001 658 658 |

Details on the movement of the Funds and Reserves are set out in Note 20.

CHRIS HANI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

| Budget | | | Actual | |
|----------------------|----------------------|---------------------------------------------------------------|----------------------|----------------------|
| 2011 R | 2012 R | | 2012 R | 2011 R |
| | | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 740 563 385 | 816 652 000 | Cash receipts from Ratepayers, Government and Other | 1 052 293 789 | 795 215 976 |
| (338 203 541) | (453 163 911) | Cash paid to Suppliers and Employees | (892 294 418) | (547 591 513) |
| 402 359 844 | 363 488 089 | Cash generated from / (utilised in) Operations | 159 999 371 | 247 624 463 |
| 14 512 000 | 25 465 500 | Interest received | 19 601 048 | 28 009 215 |
| (1 034 259) | (356 374) | Interest paid | (384 647) | (4 070 095) |
| 415 837 585 | 388 597 215 | NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES | 179 215 772 | 271 563 583 |
| | | CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (376 547 996) | (673 689 451) | Purchase of Property, Plant and Equipment | (264 618 089) | (229 433 980) |
| - | - | Proceeds on Disposal of Property, Plant and Equipment | 1 240 329 | - |
| (9 000 000) | - | Decrease / (Increase) in Non-current Investments | - | - |
| (385 547 996) | (673 689 451) | NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | (263 377 761) | (229 433 980) |
| | | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (1 034 259) | (1 037 332) | Loans repaid | (1 074 681) | (1 023 692) |
| (1 034 259) | (1 037 332) | NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES | (1 074 681) | (1 023 692) |
| 29 255 330 | (286 129 568) | NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | (85 236 670) | 41 105 910 |
| 230 039 619 | 305 226 000 | Cash and Cash Equivalents at the beginning of the year | 383 190 713 | 342 084 802 |
| 259 294 949 | 19 096 432 | Cash and Cash Equivalents at the end of the year | 297 954 043 | 383 190 713 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

1. GENERAL INFORMATION

Chris Hani District Municipality (the municipality) is a local government institution in Queenstown, Eastern Cape, and has 8 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

2. INVENTORY

| | | |
|---------------------------------|----------------|------------------|
| Consumable Stores - at cost | 712 479 | 362 387 |
| Maintenance Materials - at cost | 24 686 | 26 773 |
| Spare Parts - at cost | 60 139 | 3 086 552 |
| Water - at cost | - | 724 994 |
| Total Inventory | 797 303 | 4 200 705 |

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

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

3. NON-CURRENT ASSETS HELD-FOR-SALE

| | | |
|---------------------------------------------|----------|----------------|
| Property Held-for-Sale - at cost | - | 398 217 |
| Net Non-current Assets Held-for-Sale | - | 398 217 |

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Gross Balances | Provision for Impairment | Net Balances |
|-----------------------------------------------------------|--------------------|-----------------------------|------------------|
| As at 30 June 2012 | | | |
| Service Debtors: | (0) | - | (0) |
| Sewerage | - | - | - |
| Water | (0) | - | (0) |
| Total Trade Receivables from Exchange Transactions | (0) | - | (0) |
| As at 30 June 2011 | | | |
| Service Debtors: | 196 654 073 | 193 908 778 | 2 745 296 |
| Sewerage | 86 439 281 | 86 439 281 | - |
| Water | 110 214 792 | 107 469 497 | 2 745 296 |
| Total Trade Receivables from Exchange Transactions | 196 654 073 | 193 908 778 | 2 745 296 |

Trade Receivables from Exchange Transactions have been restated to correctly classify amounts held by the municipality, adjusting Consumer Debtors to the Reconciliations performed of the transactions from the Local Municipalities. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Trade Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Trade Receivables.

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

At 30 June 2012, the municipality is owed R0 (30 June 2011: R3,652) million by National and Provincial Government.

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

The services have been discontinued and taken over by the Local Municipalities with effect 1 July 2011.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R 2011
R

4.1 Ageing of Trade Receivables from Exchange Transactions

As at 30 June 2012

| | Current | Past Due | | | Total |
|--------------------------------|-------------|--------------|--------------|-----------|-------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Sewerage: | | | | | |
| Gross Balances | - | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | - | - |
| Water: | | | | | |
| Gross Balances | - | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | - | - |

As at 30 June Trade Receivables of R0 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|--------------|--------------|-----------|-------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Trade Receivables: | | | | |
| Gross Balances | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - |
| Net Balances | - | - | - | - |

As at 30 June 2011

| | Current | Past Due | | | Total |
|--------------------------------|------------------|--------------|--------------|------------|------------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Sewerage: | | | | | |
| Gross Balances | 2 341 621 | 2 010 558 | 2 121 195 | 79 965 906 | 86 439 281 |
| Less: Provision for Impairment | 2 341 621 | 2 010 558 | 2 121 195 | 79 965 906 | 86 439 281 |
| Net Balances | - | - | - | - | - |
| Water: | | | | | |
| Gross Balances | 4 162 808 | 2 998 441 | 4 013 280 | 99 040 263 | 110 214 792 |
| Less: Provision for Impairment | 1 417 512 | 2 998 441 | 4 013 280 | 99 040 263 | 107 469 497 |
| Net Balances | 2 745 296 | - | - | - | 2 745 296 |

As at 30 June Trade Receivables of R0 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|--------------|--------------|-------------|-------------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Trade Receivables: | | | | |
| Gross Balances | 5 008 999 | 6 134 475 | 179 006 170 | 190 149 644 |
| Less: Provision for Impairment | 5 008 999 | 6 134 475 | 179 006 170 | 190 149 644 |
| Net Balances | - | - | - | - |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

4.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

| | Household | Industrial/ Commercial | National and Provincial Government | Other |
|-----------------------------------------------------------|-----------|---------------------------|------------------------------------------|-------|
| | R | R | R | R |
| As at 30 June 2012 | | | | |
| <u>Current:</u> | | | | |
| 0 - 30 days | - | - | - | - |
| <u>Past Due:</u> | | | | |
| 31 - 60 Days | - | - | - | - |
| 61 - 90 Days | - | - | - | - |
| + 90 Days | - | - | - | - |
| Sub-total | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - |
| Total Trade Receivables by Customer Classification | - | - | - | - |

As at 30 June 2011

| | | | | |
|-----------------------------------------------------------|------------------|-----------|-----------|---------|
| <u>Current:</u> | | | | |
| 0 - 30 days | 5 877 136 | 456 527 | 90 169 | 80 597 |
| <u>Past Due:</u> | | | | |
| 31 - 60 Days | 4 345 476 | 440 890 | 186 742 | 35 891 |
| 61 - 90 Days | 5 642 672 | 269 653 | 190 486 | 31 664 |
| + 90 Days | 170 354 249 | 4 787 945 | 3 185 093 | 678 883 |
| Sub-total | 186 219 533 | 5 955 015 | 3 652 489 | 827 036 |
| Less: Provision for Impairment | 183 474 238 | 5 955 015 | 3 652 489 | 827 036 |
| Total Trade Receivables by Customer Classification | 2 745 296 | - | - | - |

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

4.3 Reconciliation of the Provision for Impairment

| | | |
|--------------------------------------|---------------|--------------------|
| Balance at beginning of year | 193 908 778 | 252 986 183 |
| Impairment Losses recognised | - | (15 384 936) |
| Impairment Losses reversed | (193 908 778) | (43 692 470) |
| Amounts written off as uncollectable | - | - |
| Amounts recovered | - | - |
| Balance at end of year | - | 193 908 778 |

Provision for Impairment of Consumer Debtors has been made for all consumer balances outstanding based on the fact that the municipality has no contractual right to receive cash from any of the Consumer Debtors in terms of GRAP 104, paragraph 13. Consumer Debtors have therefore been fully impaired.

4.4 Ageing of impaired Trade Receivables from Exchange Transactions

| | | |
|------------------------|----------|--------------------|
| <u>Current:</u> | | |
| 0 - 30 Days | - | 3 759 133 |
| <u>Past Due:</u> | | |
| 31 - 60 Days | - | 5 008 999 |
| 61 - 90 Days | - | 6 134 475 |
| + 90 Days | - | 179 006 170 |
| Long-term Loan Debtors | - | - |
| Total | - | 193 908 778 |

4.5 Derecognition of Financial Assets

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---------------------------------------------------------------|---------------------------|-------------------------------------|
| 5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | |
| | Gross Balances | Provision for Impairment |
| | | Net Balances |
| As at 30 June 2012 | | |
| Payments made in Advance | 23 128 146 | 3 287 149 |
| Government Subsidy Claims | - | - |
| Projects | 70 000 000 | - |
| Recoverable Works | - | - |
| Short-term Loans | - | - |
| Sundry Deposits | 1 575 700 | - |
| Sundry Debtors | 16 012 261 | 1 899 504 |
| Total Trade Receivables from Non-exchange Transactions | <u>110 716 107</u> | <u>5 186 652</u> |
| | | <u>105 529 455</u> |
| As at 30 June 2011 | | |
| Payments made in Advance | 12 493 644 | - |
| Government Subsidy Claims | 14 300 549 | 2 607 390 |
| Projects | 259 943 | 60 734 |
| Recoverable Works | 146 486 | 146 486 |
| Short-term Loans | 2 311 539 | 2 311 539 |
| Sundry Deposits | 1 218 529 | - |
| Sundry Debtors | 70 448 454 | 61 445 286 |
| Total Trade Receivables from Non-exchange Transactions | <u>101 179 144</u> | <u>66 571 435</u> |
| | | <u>34 607 708</u> |

Trade Receivables from Non-exchange Transactions have been restated to correctly disclose the debtors held by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Trade Receivables from Non-exchange Transactions* have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred on behalf of Health Services. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, *Trade Receivables from Non-exchange Transactions* have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred by DWA on behalf of the municipality. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

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

Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months.

Included in **Sundry Deposits** is an amount of R1 486 347 (2011: R1 112 121) in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in the total is an amount of R4 890 (2011: R3 764) in respect of uncleared bank reconciliation items.

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

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

5.1 Ageing of Trade Receivables from Non-exchange Transactions

As at 30 June 2012

| | Current | Past Due | | | Total |
|-----------------------------------|-------------------|--------------|--------------|-------------------|-------------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Payments made in Advance: | | | | | |
| Gross Balances | 23 128 146 | - | - | - | 23 128 146 |
| Less: Provision for Impairment | 3 287 149 | - | - | - | 3 287 149 |
| Net Balances | 19 840 998 | - | - | - | 19 840 998 |
| Government Subsidy Claims: | | | | | |
| Gross Balances | - | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | - | - |
| Projects: | | | | | |
| Gross Balances | - | - | - | 70 000 000 | 70 000 000 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | 70 000 000 | 70 000 000 |
| Recoverable Works: | | | | | |
| Gross Balances | - | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | - | - |
| Short-term Loans: | | | | | |
| Gross Balances | - | - | - | - | - |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | - | - |
| Sundry Deposits: | | | | | |
| Gross Balances | - | - | - | 1 575 700 | 1 575 700 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | 1 575 700 | 1 575 700 |
| Sundry Debtors: | | | | | |
| Gross Balances | - | - | - | 16 012 261 | 16 012 261 |
| Less: Provision for Impairment | - | - | - | 1 899 504 | 1 899 504 |
| Net Balances | - | - | - | 14 112 757 | 14 112 757 |

As at 30 June Other Trade Receivables of R18 994 491 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

| | Past Due | | | Total |
|-------------------------------------|--------------|--------------|-------------------|-------------------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Other Trade Receivables: | | | | |
| Gross Balances | - | - | 87 587 961 | 87 587 961 |
| Less: Provision for Impairment | - | - | 1 899 504 | 1 899 504 |
| Net Balances | - | - | 85 688 457 | 85 688 457 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 | | | 2011 | |
|-----------------------------------|--------------------|---------------------|---------------------|-------------------|-------------------|
| | R | | | R | |
| As at 30 June 2011 | Current | Past Due | | | Total |
| | <i>0 - 30 days</i> | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| Payments made in Advance: | | | | | |
| Gross Balances | 12 493 644 | - | - | - | 12 493 644 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | 12 493 644 | - | - | - | 12 493 644 |
| Government Subsidy Claims: | | | | | |
| Gross Balances | - | - | - | 14 300 549 | 14 300 549 |
| Less: Provision for Impairment | - | - | - | 2 607 390 | 2 607 390 |
| Net Balances | - | - | - | 11 693 159 | 11 693 159 |
| Projects: | | | | | |
| Gross Balances | - | - | - | 259 943 | 259 943 |
| Less: Provision for Impairment | - | - | - | 60 734 | 60 734 |
| Net Balances | - | - | - | 199 209 | 199 209 |
| Recoverable Works: | | | | | |
| Gross Balances | - | - | - | 146 486 | 146 486 |
| Less: Provision for Impairment | - | - | - | 146 486 | 146 486 |
| Net Balances | - | - | - | - | - |
| Short-term Loans: | | | | | |
| Gross Balances | - | - | - | 2 311 539 | 2 311 539 |
| Less: Provision for Impairment | - | - | - | 2 311 539 | 2 311 539 |
| Net Balances | - | - | - | - | - |
| Sundry Deposits: | | | | | |
| Gross Balances | - | - | - | 1 218 529 | 1 218 529 |
| Less: Provision for Impairment | - | - | - | - | - |
| Net Balances | - | - | - | 1 218 529 | 1 218 529 |
| Sundry Debtors: | | | | | |
| Gross Balances | 60 581 615 | - | - | 9 866 839 | 70 448 454 |
| Less: Provision for Impairment | 60 581 615 | - | - | 863 671 | 61 445 286 |
| Net Balances | - | - | - | 9 003 168 | 9 003 168 |

As at 30 June Other Trade Receivables of R22 114 064 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

| | Past Due | | | Total |
|-------------------------------------|---------------------|---------------------|-------------------|-------------------|
| | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| All Other Trade Receivables: | | | | |
| Gross Balances | - | - | 28 103 885 | 28 103 885 |
| Less: Provision for Impairment | - | - | 5 989 820 | 5 989 820 |
| Net Balances | - | - | 22 114 064 | 22 114 064 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-------------------------------------------------------|------------------|-------------------|
| 5.2 Reconciliation of Provision for Impairment | | |
| Balance at beginning of year | 66 571 435 | 30 200 253 |
| Impairment Losses recognised | 471 591 | 61 988 538 |
| Impairment Losses reversed | (58 868 340) | - |
| Amounts written off as uncollectable | (6 275 183) | (25 617 356) |
| Amounts recovered | - | - |
| Balance at end of year | 1 899 504 | 66 571 435 |

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

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

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

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

| | | |
|--------------------------------------------------------|------------------|-------------------|
| Government Subsidy Claims | - | 2 607 390 |
| Projects | - | 60 734 |
| Recoverable Works | - | 146 486 |
| Short-term Loans | - | 2 311 539 |
| Sundry Debtors | 1 899 504 | 61 445 286 |
| Total Provision for Impairment on Other Debtors | 1 899 504 | 66 571 435 |

6. VAT RECEIVABLE

| | | |
|----------------|-------------------|-------------------|
| Vat Receivable | 16 436 009 | 16 807 038 |
|----------------|-------------------|-------------------|

VAT Receivable has been restated to correctly disclose the debtor held by the municipality in terms of expenditure incurred on behalf of Health Services. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

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

7. BANK, CASH AND CASH EQUIVALENTS

| | | |
|----------------------------------------------|--------------------|--------------------|
| Bank, Cash and Cash Equivalents | 297 954 043 | 383 190 713 |
| Total Bank, Cash and Cash Equivalents | 297 954 043 | 383 190 713 |

Bank, Cash and Cash Equivalents has been restated to correctly disclose the cash held by the municipality for Petty Cash for services transferred to Health Services. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|------------------------------------------|-------------------|--------------------|
| 7.1 Current Investment Deposits | | |
| Call Deposits | 67 729 647 | 115 786 209 |
| Total Current Investment Deposits | 67 729 647 | 115 786 209 |

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5,50 % to 5,80 % (2011: 4,20% to 4,50%) per annum.

Deposits of R67 729 647 (2011: R115 786 209) are attributable to Unspent Conditional Grants.

7.2 Bank Accounts

| | | |
|----------------------------|--------------------|--------------------|
| Cash in Bank | 230 222 196 | 267 402 304 |
| Total Bank Accounts | 230 222 196 | 267 402 304 |

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Cathcart Road Branch, Queenstown - Account Number 620 0251 0693:

| | | |
|---------------------------------------------|-------------|-------------|
| Cash book balance at beginning of year | 267 402 304 | 230 039 619 |
| Cash book balance at end of year | 230 222 196 | 267 402 304 |
| Bank statement balance at beginning of year | 143 160 495 | 224 102 453 |
| Bank statement balance at end of year | 254 262 862 | 143 160 495 |

An amount of R35 877 711 (2011: R88 985 018) is attributable to Unspent Conditional Grants.

An amount of R46 483 405 (2011: R41 249 349) is attributable to the Capital Replacement Reserve.

Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

| | | |
|--------------------------------------------------------------------|--------------|--------------|
| Cash Floats and Advances | 2 200 | 2 200 |
| Total Cash on hand in Cash Floats, Advances and Equivalents | 2 200 | 2 200 |

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

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

8. OPERATING LEASE ASSETS / RECEIVABLES

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

| Description | Land and Buildings | Infra-structure | Community | Heritage | Other | Total |
|-----------------------------------------------|--------------------|----------------------|-----------|----------|-------------------|----------------------|
| | R | R | R | R | R | R |
| Carrying values at 01 July 2011 | 83 435 696 | 2 452 598 835 | - | - | 38 871 673 | 2 574 906 203 |
| Cost | 85 225 900 | 2 608 143 189 | - | - | 60 052 245 | 2 753 421 334 |
| - <i>Completed Assets</i> | 85 225 900 | 2 249 939 481 | - | - | 60 052 245 | 2 395 217 627 |
| - <i>Under Construction</i> | - | 358 203 707 | - | - | - | 358 203 707 |
| Correction of error (Note 38) | - | - | - | - | - | - |
| Accumulated Impairment Losses | - | - | - | - | (202 757) | (202 757) |
| Accumulated Depreciation: | (1 790 204) | (155 544 354) | - | - | (20 977 816) | (178 312 374) |
| - <i>Cost</i> | (1 790 204) | (155 544 354) | - | - | (20 977 816) | (178 312 374) |
| Acquisitions | 1 100 000 | 12 069 736 | - | - | 5 151 322 | 18 321 058 |
| Borrowing Costs Capitalised | - | - | - | - | - | - |
| Capital under Construction - Additions: | - | 246 297 031 | - | - | - | 246 297 031 |
| - <i>Cost</i> | - | 246 297 031 | - | - | - | 246 297 031 |
| - <i>Borrowing Costs Capitalised</i> | - | - | - | - | - | - |
| Reversals of Impairment Losses | - | - | - | - | - | - |
| Depreciation: | (895 102) | (80 795 492) | - | - | (6 833 457) | (88 524 051) |
| - <i>Based on Cost</i> | (895 102) | (80 795 492) | - | - | (6 833 457) | (88 524 051) |
| Carrying value of Disposals: | - | - | - | - | (1 280 546) | (1 280 546) |
| - <i>Cost</i> | - | - | - | - | (3 141 370) | (3 141 370) |
| - <i>Accumulated Impairment Losses</i> | - | - | - | - | 202 757 | 202 757 |
| - <i>Accumulated Depreciation</i> | - | - | - | - | 1 658 068 | 1 658 068 |
| - <i>Based on Cost</i> | - | - | - | - | 1 658 068 | 1 658 068 |
| Carrying value of Transfers to Held-for-Sale: | - | - | - | - | - | - |
| - <i>Cost</i> | - | - | - | - | - | - |
| - <i>Accumulated Impairment Losses</i> | - | - | - | - | - | - |
| - <i>Accumulated Depreciation</i> | - | - | - | - | - | - |
| - <i>Based on Cost</i> | - | - | - | - | - | - |
| Decreases in Revaluation | - | - | - | - | - | - |
| Impairment Losses | - | - | - | - | - | - |
| Capital under Construction - Completed | - | (19 709 765) | - | - | - | (19 709 765) |
| Other Movements | - | 19 709 765 | - | - | - | 19 709 765 |
| - <i>Cost</i> | - | 19 709 765 | - | - | - | 19 709 765 |
| - <i>Accumulated Impairment Losses</i> | - | - | - | - | - | - |
| - <i>Accumulated Depreciation</i> | - | - | - | - | - | - |
| - <i>Based on Cost</i> | - | - | - | - | - | - |
| Carrying values at 30 June 2012 | 83 640 594 | 2 630 170 110 | - | - | 35 908 992 | 2 749 719 695 |
| Cost | 86 325 900 | 2 866 509 956 | - | - | 62 062 197 | 3 014 898 053 |
| - <i>Completed Assets</i> | 86 325 900 | 2 281 718 983 | - | - | 62 062 197 | 2 430 107 080 |
| - <i>Under Construction</i> | - | 584 790 973 | - | - | - | 584 790 973 |
| Accumulated Impairment Losses | - | - | - | - | (0) | (0) |
| Accumulated Depreciation: | (2 685 306) | (236 339 846) | - | - | (26 153 206) | (265 178 358) |
| - <i>Cost</i> | (2 685 306) | (236 339 846) | - | - | (26 153 206) | (265 178 358) |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2011

Reconciliation of Carrying Value

| Description | Land and Buildings | Infra-structure | Community | Heritage | Other | Total |
|-----------------------------------------------|--------------------|----------------------|-----------|----------|-------------------|----------------------|
| | R | R | R | R | R | R |
| Carrying values at 01 July 2010 | 84 330 798 | 2 304 009 042 | - | - | 50 715 541 | 2 439 055 381 |
| Cost | 85 225 900 | 2 380 311 291 | - | - | 64 449 058 | 2 529 986 249 |
| - Completed Assets | 85 225 900 | 2 103 954 263 | - | - | 64 449 058 | 2 253 629 221 |
| - Under Construction | - | 276 357 027 | - | - | - | 276 357 027 |
| Correction of error (Note 38) | - | - | - | - | - | - |
| Accumulated Impairment Losses | - | - | - | - | - | - |
| Accumulated Depreciation: | (895 102) | (76 302 248) | - | - | (13 733 517) | (90 930 867) |
| - Cost | (895 102) | (76 302 248) | - | - | (13 733 517) | (90 930 867) |
| Acquisitions | - | 34 929 788 | - | - | 1 602 082 | 36 531 870 |
| Borrowing Costs Capitalised | - | - | - | - | - | - |
| Capital under Construction - Additions: | - | 192 902 110 | - | - | - | 192 902 110 |
| - Cost | - | 192 902 110 | - | - | - | 192 902 110 |
| - Borrowing Costs Capitalised | - | - | - | - | - | - |
| Reversals of Impairment Losses | - | - | - | - | - | - |
| Depreciation: | (895 102) | (79 242 106) | - | - | (8 451 773) | (88 588 981) |
| - Based on Cost | (895 102) | (79 242 106) | - | - | (8 451 773) | (88 588 981) |
| Carrying value of Disposals: | - | - | - | - | (4 393 204) | (4 393 204) |
| - Cost | - | - | - | - | (4 918 098) | (4 918 098) |
| - Accumulated Impairment Losses | - | - | - | - | - | - |
| - Accumulated Depreciation | - | - | - | - | 524 895 | 524 895 |
| - Based on Cost | - | - | - | - | 524 895 | 524 895 |
| Carrying value of Transfers to Held-for-Sale: | - | - | - | - | (398 217) | (398 217) |
| - Cost | - | - | - | - | (1 080 796) | (1 080 796) |
| - Accumulated Impairment Losses | - | - | - | - | - | - |
| - Accumulated Depreciation | - | - | - | - | 682 579 | 682 579 |
| - Based on Cost | - | - | - | - | 682 579 | 682 579 |
| Impairment Losses | - | - | - | - | (202 757) | (202 757) |
| Capital under Construction - Completed | - | (111 055 430) | - | - | - | (111 055 430) |
| Other Movements | - | 111 055 430 | - | - | - | 111 055 430 |
| - Cost | - | 111 055 430 | - | - | - | 111 055 430 |
| - Accumulated Impairment Losses | - | - | - | - | - | - |
| - Accumulated Depreciation | - | - | - | - | - | - |
| - Based on Cost | - | - | - | - | - | - |
| Carrying values at 30 June 2011 | 83 435 696 | 2 452 598 835 | - | - | 38 871 673 | 2 574 906 203 |
| Cost | 85 225 900 | 2 608 143 189 | - | - | 60 052 245 | 2 753 421 334 |
| - Completed Assets | 85 225 900 | 2 249 939 481 | - | - | 60 052 245 | 2 395 217 627 |
| - Under Construction | - | 358 203 707 | - | - | - | 358 203 707 |
| Accumulated Impairment Losses | - | - | - | - | (202 757) | (202 757) |
| Accumulated Depreciation: | (1 790 204) | (155 544 354) | - | - | (20 977 816) | (178 312 374) |
| - Cost | (1 790 204) | (155 544 354) | - | - | (20 977 816) | (178 312 374) |

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The prior year amounts of *Property, Plant & Equipment* have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the prior year amounts of *Property, Plant & Equipment* have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment were in respect of assets transferred from Under Construction.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 9. PROPERTY, PLANT AND EQUIPMENT (Continued) | | |
| 9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use | | |
| At Original Cost: | | |
| Infrastructure | 4 020 573 | 4 020 573 |
| Gross Carrying Amount of PPE fully depreciated and still in use | 4 020 573 | 4 020 573 |
| 9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal | | |
| Other | - | 398 217 |
| Carrying Amount of PPE retired from active use and held for disposal | - | 398 217 |

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

9.4 Impairment of Property, Plant and Equipment

Impairment of Immovable Property, Plant and Equipment was taken into consideration by the consultants, Aurecon, during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed for Immovable Assets.

The total amount of R202 757 disclosed for impairment losses on Property, Plant and Equipment is for a vehicle damaged in an accident. The total amount of R51 375 disclosed for impairment losses on Property, Plant and Equipment for 2010 does not include individually material amounts of impairment losses. Cumulative impairment losses for the following significant account balances are included therein:

| | | |
|----------------------------------------------------------|----------|----------------|
| Other Assets: Motor Vehicles | - | 202 757 |
| Total Impairment of Property, Plant and Equipment | - | 202 757 |

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

The Remaining Useful Life of Immovable Property, Plant and Equipment was taken into consideration by the consultants, Aurecon, during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

There was no change (2011: no change) in the Estimated Useful Life of various assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R | |
|-------------------------------------------------------------------------|-----------------------|--------------------------|------------------|
| 10. INTANGIBLE ASSETS | | | |
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses | <u>440 886</u> | <u>704 764</u> | |
| The movement in Intangible Assets is reconciled as follows: | | | |
| | Licences | Computer Software | Total |
| Carrying values at 01 July 2011 | 622 419 | 82 345 | 704 764 |
| Cost | 2 340 246 | 2 448 498 | 4 788 744 |
| Accumulated Amortisation | (1 717 827) | (2 366 153) | (4 083 980) |
| Acquisitions: | - | - | - |
| Purchased | - | - | - |
| Internally Developed | - | - | - |
| Amortisation: | (209 120) | (54 758) | (263 877) |
| Purchased | (209 120) | (54 758) | (263 877) |
| Internally Developed | - | - | - |
| Carrying values at 30 June 2012 | 413 299 | 27 587 | 440 886 |
| Cost | 2 340 246 | 2 448 498 | 4 788 744 |
| Accumulated Amortisation | (1 926 947) | (2 420 911) | (4 347 858) |
| | Licences | Computer Software | Total |
| Carrying values at 01 July 2010 | 936 098 | 245 786 | 1 181 884 |
| Cost | 2 340 246 | 2 448 498 | 4 788 744 |
| Accumulated Amortisation | (1 404 148) | (2 202 712) | (3 606 860) |
| Acquisitions: | - | - | - |
| Purchased | - | - | - |
| Internally Developed | - | - | - |
| Amortisation: | (313 680) | (163 441) | (477 121) |
| Purchased | (313 680) | (163 441) | (477 121) |
| Internally Developed | - | - | - |
| Carrying values at 30 June 2011 | 622 419 | 82 345 | 704 764 |
| Cost | 2 340 246 | 2 448 498 | 4 788 744 |
| Accumulated Amortisation | (1 717 827) | (2 366 153) | (4 083 980) |

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

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

No restrictions apply to any of the Intangible Assets of the municipality.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year and are as follows:

| | |
|-------------------|---------|
| Computer Software | 5 Years |
| Licences | 3 Years |

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

10.3 Impairment of Intangible Assets

No (2010: None) impairment needed to be recognised for Intangible Assets.

11. INVESTMENT PROPERTY

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

12. LONG-TERM RECEIVABLES

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

13. PROVISIONS

| | | |
|---------------------------------------------------------------------------------------|------------------|------------------|
| Performance Bonuses | 981 598 | 701 844 |
| Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18 below) | 1 021 524 | 696 048 |
| Current Portion of Non-current Provisions (See Note 19 below): | 752 779 | 551 985 |
| Long-term Service | 752 779 | 551 985 |
| Total Provisions | 2 755 901 | 1 949 877 |

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

The movement in current provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

| | | |
|-------------------------------|----------------|----------------|
| Balance at beginning of year | 701 844 | 549 846 |
| Contributions to provision | 279 754 | 193 322 |
| Expenditure incurred | - | (41 324) |
| Balance at end of year | 981 598 | 701 844 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---------------------------------------------------|---------------------------|-------------------------|
| Current Portion of Non-Current Provisions: | | |
| | Long-term Service R | Post-retirement R |
| 30 June 2012 | | |
| Balance at beginning of year | 551 985 | 696 048 |
| Transfer from non-current | 752 779 | 1 021 524 |
| Expenditure incurred | (551 985) | (696 048) |
| Balance at end of year | <u>752 779</u> | <u>1 021 524</u> |
| 30 June 2011 | | |
| Balance at beginning of year | 616 941 | 673 944 |
| Transfer from non-current | 551 985 | 696 048 |
| Expenditure incurred | (616 941) | (673 944) |
| Balance at end of year | <u>551 985</u> | <u>696 048</u> |
| | 2012 R | 2011 R |

14. CREDITORS

| | | |
|------------------------------|--------------------------|---------------------------|
| Trade Creditors | 7 032 652 | 72 900 321 |
| Payments received in Advance | 377 337 | 141 892 |
| Retentions | 6 446 629 | 6 094 704 |
| Staff Bonuses | 2 494 635 | 2 247 439 |
| Staff Leave Accrued | 5 406 939 | 4 610 304 |
| Sundry Deposits | 8 335 | 8 335 |
| Other Creditors | 7 804 654 | 28 999 938 |
| Total Creditors | <u>29 571 181</u> | <u>115 002 934</u> |

The opening balances for *Creditors* have been restated to correctly disclose the creditors payable by the municipality for WCA. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the opening balances for *Creditors* have been restated to correctly disclose the creditors payable by the municipality for deficits by the Local Municipalities. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the opening balances for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accrued for. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

The prior year amounts for *Creditors* have been restated to correctly disclose creditors payable by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the prior year amounts for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously not accrued for. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the prior year amounts for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accruing for donations receivable. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

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

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

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

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government

National Government Grants
 Provincial Government Grants
 Other Spheres of Government

| | 102 799 613 | 113 890 747 |
|----------------------------------------------|--------------------|--------------------|
| National Government Grants | 56 688 311 | 53 631 507 |
| Provincial Government Grants | 38 948 853 | 53 096 791 |
| Other Spheres of Government | 7 162 449 | 7 162 449 |
| Total Conditional Grants and Receipts | 102 799 613 | 113 890 747 |

The opening balances for *Unspent Conditional Grants* have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

The prior year amounts for *Unspent Conditional Grants* have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the prior year amounts for *Unspent Conditional Grants* have been restated to correctly disclose the liability of the municipality, interest on invested funds previously being allocated to Unspent Conditional Grants. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

Furthermore, the prior year amounts for *Unspent Conditional Grants* have been restated to correctly disclose the revenue realised, previously not accrued for. Refer to Note 38.2 on "Correction of Error" for details of the restatement.

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

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

16. OPERATING LEASE LIABILITIES / PAYABLES

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

| | | |
|------------------------------------------|---------------|---------------|
| Balance at beginning of year | 28 924 | 4 350 |
| Operating Lease expenses recorded | 1 502 598 | 878 914 |
| Operating Lease payments effected | (1 467 064) | (854 341) |
| Total Operating Lease Liabilities | 64 458 | 28 924 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

16.1 Leasing Arrangements

The Municipality as Lessee:

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

16.2 Amounts payable under Operating Leases

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

| | | |
|-------------------------------------------|------------------|------------------|
| Buildings: | 2 269 122 | 2 783 680 |
| Up to 1 year | 1 277 273 | 1 073 464 |
| 2 to 5 years | 991 849 | 1 710 215 |
| Other Equipment: | 267 397 | 516 323 |
| Up to 1 year | 257 122 | 263 288 |
| 2 to 5 years | 10 275 | 253 035 |
| Total Operating Lease Arrangements | 2 536 519 | 3 300 002 |

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

| | | |
|---------------------------------------|--------------------|------------------|
| Minimum lease payments | (1 502 598) | (878 914) |
| Total Operating Lease Expenses | (1 502 598) | (878 914) |

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

- Buildings
- Office Equipment

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

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

17. LONG-TERM LIABILITIES

| | | |
|---------------------------------------------------------------------|------------------|------------------|
| Annuity Loans | 5 553 707 | 6 628 389 |
| Sub-total | 5 553 707 | 6 628 389 |
| Less: Current Portion transferred to Current Liabilities:- | 1 129 631 | 1 074 681 |
| Annuity Loans | 1 129 631 | 1 074 681 |
| Total Long-term Liabilities (Neither past due, nor impaired) | 4 424 076 | 5 553 707 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

17.1 Summary of Arrangements

The Annuity Loan is repaid over a period of 5 (2011: 6) years and at an interest rate of 5,00% (2011: 5,00%) per annum. The Annuity Loans is not secured.

17.2 Breach of Loan Agreement

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

18. RETIREMENT BENEFIT LIABILITIES

18.1 Post-retirement Health Care Benefits Liability

| | | |
|-------------------------------------------------------------|-------------------|-------------------|
| Balance at beginning of Year | 21 070 779 | 21 599 165 |
| Contributions to Provision | 5 098 295 | 167 663 |
| Balance at end of Year | 26 169 074 | 21 766 827 |
| Transfer to Current Provisions | (1 021 524) | (696 048) |
| Total Post-retirement Health Care Benefits Liability | 25 147 550 | 21 070 779 |

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

| | | |
|-------------------------------------------------------|------------|------------|
| In-service Members (Employees) | 252 | 249 |
| In-service Non-members (Employees) | 126 | 148 |
| Continuation Members (Retirees, widowers and orphans) | 39 | 38 |
| Total Members | 417 | 435 |

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

| | | |
|------------------------|-------------------|-------------------|
| In-service Members | 15 090 171 | 12 330 008 |
| Continuation Members | 11 078 903 | 9 436 819 |
| Total Liability | 26 169 074 | 21 766 827 |

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

- Bonitas
- Fed Health
- Keyhealth
- LA Health
- Medicovert
- Resolution
- Samwumed

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

The Current-service Cost for the year ending 30 June 2012 is estimated to be R982 529, whereas the cost for the ensuing year is estimated to be R1 191 729 (2011: R1 052 744 and R982 529 respectively).

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

| | | |
|-----------------------------------|-------|-------|
| Discount Rate | 7.82% | 8.69% |
| Health Care Cost Inflation Rate | 7.04% | 7.32% |
| Net Effective Discount Rate | 0.73% | 1.28% |
| Expected Retirement Age - Females | 63 | 63 |
| Expected Retirement Age - Males | 63 | 63 |

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

| | | |
|--------------------------------------|------------|-------------|
| Balance at the beginning of the year | 21 766 827 | 22 273 109 |
| Current service costs | 982 529 | 1 052 744 |
| Interest cost | 1 861 982 | 2 023 255 |
| Benefits paid | (696 048) | (673 944) |
| Actuarial losses / (gains) | 2 253 784 | (2 908 337) |

| | | |
|----------------------------------------------------------------|-------------------|-------------------|
| Present Value of Fund Obligation at the end of the Year | 26 169 074 | 21 766 827 |
|----------------------------------------------------------------|-------------------|-------------------|

| | | |
|-----------------------------------------|---|---|
| Actuarial losses / (gains) unrecognised | - | - |
|-----------------------------------------|---|---|

| | | |
|-------------------------------------------|-------------------|-------------------|
| Total Recognised Benefit Liability | 26 169 074 | 21 766 827 |
|-------------------------------------------|-------------------|-------------------|

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

| | | |
|-----------------------------------|------------|------------|
| Present value of fund obligations | 26 169 074 | 21 766 827 |
|-----------------------------------|------------|------------|

| | | |
|----------------------------|------------|------------|
| Unfunded Accrued Liability | 26 169 074 | 21 766 827 |
|----------------------------|------------|------------|

| | | |
|-----------------------------------------|---|---|
| Unrecognised Actuarial Gains / (Losses) | - | - |
|-----------------------------------------|---|---|

| | | |
|--------------------------------|-------------------|-------------------|
| Total Benefit Liability | 26 169 074 | 21 766 827 |
|--------------------------------|-------------------|-------------------|

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

| | | |
|----------------------------|-----------|-------------|
| Current service cost | 982 529 | 1 052 744 |
| Interest cost | 1 861 982 | 2 023 255 |
| Actuarial losses / (gains) | 2 253 784 | (2 908 337) |

| | | |
|-----------------------------------------------------------------------------------|------------------|----------------|
| Total Post-retirement Benefit included in Employee Related Costs (Note 27) | 5 098 295 | 167 663 |
|-----------------------------------------------------------------------------------|------------------|----------------|

The history of experienced adjustments is as follows:

| | 2012 R | 2011 R | 2010 R | 2009 R | 2008 R |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present Value of Defined Benefit Obligation | 26 169 074 | 21 766 827 | 22 273 109 | 18 460 067 | 15 762 816 |
| Deficit | 26 169 074 | 21 766 827 | 22 273 109 | 18 460 067 | 15 762 816 |
| Experienced adjustments on Plan Liabilities | 5 329 200 | (1 481 847) | 2 610 116 | 1 084 656 | - |

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 | 2011 |
|----------------------------------------------------------------------------------------------|-------------|-------------|
| | R | R |
| The effect of a 1% movement in the assumed rate of health care cost inflation is as follows: | | |
| Increase: | | |
| Effect on the aggregate of the current service cost and the interest cost | 536 600 | 539 100 |
| Effect on the defined benefit obligation | 3 589 926 | 3 476 627 |
| Decrease: | | |
| Effect on the aggregate of the current service cost and the interest cost | (422 900) | (431 800) |
| Effect on the defined benefit obligation | (2 945 074) | (2 771 829) |

The municipality expects to make a contribution of R3 199 million (2011: R2 845 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 48 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

19. NON-CURRENT PROVISIONS

| | | |
|-------------------------------------|------------------|------------------|
| Provision for Long Service Awards | 3 326 322 | 2 866 650 |
| Total Non-current Provisions | 3 326 322 | 2 866 650 |

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

Long-service Awards:

| | | |
|--------------------------------|------------------|------------------|
| Balance at beginning of year | 2 866 650 | 2 430 228 |
| Contributions to provision | 1 212 451 | 988 407 |
| | 4 079 101 | 3 418 635 |
| Transfer to current provisions | (752 779) | (551 985) |
| Balance at end of year | 3 326 322 | 2 866 650 |

19.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years (2011: 5 years) of continuous service, and every 5 years thereafter, to 25 years (2011: 25 years) of continuous service to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 378 (2011: 385) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R767 667, whereas the cost for the ensuing year is estimated to be R992 886 (2011: R731 117 and R767 667 respectively).

| | 2012 | 2011 |
|-----------------------------------------------------------------------------------------------------|-------------|-------------|
| | R | R |
| The principal assumptions used for the purposes of the actuarial valuations were as follows: | | |
| Discount Rate | 6.12% | 7.51% |
| Cost Inflation Rate | 5.97% | 6.20% |
| Net Effective Discount Rate | 0.15% | 1.23% |
| Expected Retirement Age - Females | 63 | 63 |
| Expected Retirement Age - Males | 63 | 63 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|------------------------------------------------------------------------------------------|-----------|-----------|
| Movements in the present value of the Defined Benefit Obligation were as follows: | | |
| Balance at the beginning of the year | 3 418 635 | 3 047 169 |
| Current service costs | 767 667 | 731 117 |
| Interest cost | 236 297 | 247 307 |
| Benefits paid | (551 985) | (616 941) |
| Actuarial losses / (gains) | 208 487 | 9 983 |
| Losses / (gains) on curtailments | - | - |

| | | |
|----------------------------------------------------------------|------------------|------------------|
| Present Value of Fund Obligation at the end of the Year | 4 079 101 | 3 418 635 |
|----------------------------------------------------------------|------------------|------------------|

| | | |
|-----------------------------------------|---|---|
| Actuarial losses / (gains) unrecognised | - | - |
|-----------------------------------------|---|---|

| | | |
|-------------------------------------------|------------------|------------------|
| Total Recognised Benefit Liability | 4 079 101 | 3 418 635 |
|-------------------------------------------|------------------|------------------|

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

| | | |
|-----------------------------------|-----------|-----------|
| Present value of fund obligations | 4 079 101 | 3 418 635 |
|-----------------------------------|-----------|-----------|

| | | |
|----------------------------|-----------|-----------|
| Unfunded Accrued Liability | 4 079 101 | 3 418 635 |
|----------------------------|-----------|-----------|

| | | |
|-------------------------------------------|---|---|
| Actuarial gains / (losses) not recognised | - | - |
|-------------------------------------------|---|---|

| | | |
|--------------------------------|------------------|------------------|
| Total Benefit Liability | 4 079 101 | 3 418 635 |
|--------------------------------|------------------|------------------|

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

| | | |
|----------------------|---------|---------|
| Current service cost | 767 667 | 731 117 |
|----------------------|---------|---------|

| | | |
|---------------|---------|---------|
| Interest cost | 236 297 | 247 307 |
|---------------|---------|---------|

| | | |
|----------------------------|---------|-------|
| Actuarial losses / (gains) | 208 487 | 9 983 |
|----------------------------|---------|-------|

| | | |
|----------------------------------------------------------|---|---|
| Losses / (Gains) arising from cutailments or settlements | - | - |
|----------------------------------------------------------|---|---|

| | | |
|-----------------------------------------------------------------------------------|------------------|----------------|
| Total Post-retirement Benefit included in Employee Related Costs (Note 27) | 1 212 451 | 988 407 |
|-----------------------------------------------------------------------------------|------------------|----------------|

The history of experienced adjustments is as follows:

| | 2012 R | 2011 R | 2010 R | 2009 R | 2008 R |
|---------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Present Value of Defined Benefit Obligation | 4 079 101 | 3 418 635 | 3 047 169 | 3 164 453 | 2 901 368 |
| Deficit | 4 079 101 | 3 418 635 | 3 047 169 | 3 164 453 | 2 901 368 |

| | | | | | |
|---------------------------------------------|----------|-----------|-----------|---|---|
| Experienced adjustments on Plan Liabilities | (46 677) | (319 096) | (124 535) | - | - |
|---------------------------------------------|----------|-----------|-----------|---|---|

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

| | 2012 R | 2011 R |
|------------------------------------------------------------------------------------------------------|-----------|-----------|
| The effect of a 1% movement in the assumed rate of long service cost inflation is as follows: | | |
| Increase: | | |
| Effect on the aggregate of the current service cost and the interest cost | 57 175 | 44 471 |
| Effect on the defined benefit obligation | 223 899 | 171 203 |
| Decrease: | | |
| Effect on the aggregate of the current service cost and the interest cost | (51 834) | (40 654) |
| Effect on the defined benefit obligation | (205 101) | (157 288) |

The municipality expects to make a contribution of R1 219 827 (2011: R1 003 964) to the defined benefit plans during the next financial year.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 20. ACCUMULATED SURPLUS | | |
| Total Accumulated Surplus | <u>3 001 658 658</u> | <u>2 756 122 344</u> |
| <i>Accumulated Surplus</i> has been restated for various reasons indicated in Note 38. Refer to Notes 38.1 to 38.6 on "Correction of Error" for details of the restatements. | | |
| Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus. | | |
| 21. GOVERNMENT GRANTS AND SUBSIDIES | | |
| National Equitable Share | 325 908 000 | 281 529 848 |
| Provincial Health Subsidies | - | 6 759 080 |
| Provincial Road Subsidies | 25 411 152 | 22 568 007 |
| Other Subsidies | 24 441 097 | 21 284 620 |
| Operational Grants | 375 760 250 | 332 141 555 |
| Conditional Grants | 423 758 061 | 298 087 753 |
| National: FMG | 1 510 820 | 1 778 118 |
| National: MIG | 283 418 342 | 200 310 108 |
| National: MSIG | 1 338 434 | 1 354 825 |
| National: DWAF | 104 330 093 | 65 110 538 |
| National: Public Works Grant | 13 229 045 | 65 992 |
| National: Sport and Development | 2 853 564 | 8 455 298 |
| Provincial: Treasury Grant | 80 351 | 79 545 |
| Provincial: Agriculture Grant | 12 745 967 | 11 336 782 |
| Provincial: DHLGTA Grant | 3 388 797 | 4 522 831 |
| Provincial: Transport Grant | 862 647 | 4 582 153 |
| Other Spheres of Government: Various Grants | - | 491 563 |
| Total Government Grants and Subsidies | <u>799 518 311</u> | <u>630 229 307</u> |
| Attributable to: | | |
| Continuing Operations | 799 518 311 | 623 470 227 |
| Discontinued Operations | - | 6 759 080 |
| | <u>799 518 311</u> | <u>630 229 307</u> |

Government Grants and Subsidies have been restated to correctly disclose the revenue realised, previously not accrued for. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 | 2011 |
|---------------------------------------|--------------------|--------------------|
| | R | R |
| Operational Grants: | | |
| 21.1 National: Equitable Share | <u>325 908 000</u> | <u>281 529 848</u> |

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised for municipal health services, institutional reform and to enable the municipality to execute its functions as the district authority.

21.2 Provincial: Health Subsidies

| | | |
|-------------------------------------------------------------------------|----------|-------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts - included in Public Health vote | - | 6 759 080 |
| Conditions met - transferred to Revenue | - | (6 759 080) |
| Conditions still to be met - transferred to Current Assets (see Note 5) | <u>-</u> | <u>-</u> |

This grant has been used to fund primary and environmental health care services. Primary health care services are in a process of being transferred to Provincial Government. This grant will then fall away. No funds have been withheld.

Conditional Grants:

21.3 National: FMG Grant

| | | |
|-----------------------------------------------------------------------|---------------|----------------|
| Balance unspent at beginning of year | 301 991 | 7 058 624 |
| Current year receipts | 1 250 000 | 1 250 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (1 510 820) | (467 408) |
| Conditions met - transferred to Revenue: Capital Expenses | - | (1 310 710) |
| Other Transfers | - | (6 228 515) |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>41 171</u> | <u>301 991</u> |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

21.4 National: MIG Funds

| | | |
|-----------------------------------------------------------------------|------------------|---------------|
| Balance unspent at beginning of year | 0 | 26 228 093 |
| Current year receipts | 284 604 000 | 205 702 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (3 000 000) | - |
| Conditions met - transferred to Revenue: Capital Expenses | (280 418 342) | (200 310 108) |
| Other Transfers | - | (31 619 984) |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>1 185 658</u> | <u>0</u> |

The Municipal Infrastructure Grant (MIG) was allocated for the construction of basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure; and eradicate bucket sanitation systems. No funds have been withheld.

21.5 National: MSIG Funds

| | | |
|-----------------------------------------------------------------------|--------------|----------------|
| Balance unspent at beginning of year | 551 569 | 1 156 395 |
| Current year receipts | 790 000 | 750 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (1 338 434) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (1 354 825) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>3 135</u> | <u>551 569</u> |

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-----------------------------------------------------------------------|-------------------|-------------------|
| 21.6 National - Department Water Affairs and Forestry (DWAF) | | |
| Balance unspent at beginning of year | 31 907 970 | 19 195 692 |
| Current year receipts | 107 057 103 | 77 822 816 |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | (104 330 093) | (65 110 538) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>34 634 979</u> | <u>31 907 970</u> |

This grant is a Schedule 7 Grant transferred to the municipality to address the backlog on Bulk Water Supply and it was accordingly appropriated. No funds have been withheld.

21.7 National - Department Rural Development and Land Reform

| | | |
|-----------------------------------------------------------------------|----------------|----------------|
| Balance unspent at beginning of year | 402 614 | 402 614 |
| Current year receipts | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>402 614</u> | <u>402 614</u> |

This grant was used to promote rural development and land reform. No funds have been transferred to the municipality.

21.8 National - Department Public Works

| | | |
|-----------------------------------------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 7 066 971 | 6 032 964 |
| Current year receipts | 10 049 000 | 1 100 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (13 229 045) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (65 992) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>3 886 927</u> | <u>7 066 971</u> |

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

21.9 National: Sport and Development

| | | |
|-----------------------------------------------------------------------|-------------------|-------------------|
| Balance unspent at beginning of year | 13 400 392 | 15 850 781 |
| Current year receipts | 5 987 000 | 6 004 909 |
| Conditions met - transferred to Revenue: Operating Expenses | (2 853 564) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (8 455 298) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>16 533 827</u> | <u>13 400 392</u> |

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

21.10 Provincial: Office of the Premier

| | | |
|-----------------------------------------------------------------------|---------------|---------------|
| Balance unspent at beginning of year | 21 569 | 21 569 |
| Current year receipts | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>21 569</u> | <u>21 569</u> |

This grant was allocated to assist the municipality on staging national events e.g. Woman's Day, Heritage Day, etc. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-----------------------------------------------------------------------|------------------|------------------|
| 21.11 Provincial: Treasury | | |
| Balance unspent at beginning of year | 1 687 316 | 158 962 |
| Current year receipts | - | 1 607 898 |
| Conditions met - transferred to Revenue: Operating Expenses | (80 351) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (79 545) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | 1 606 965 | 1 687 316 |

This grant was received to support the municipality in the improvement of its financial administration. No funds have been withheld.

21.12 Provincial: Department Agriculture

| | | |
|-----------------------------------------------------------------------|-------------------|-------------------|
| Balance unspent at beginning of year | 24 440 824 | 11 336 894 |
| Current year receipts | - | 24 440 711 |
| Conditions met - transferred to Revenue: Operating Expenses | (12 745 967) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (11 336 782) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | 11 694 857 | 24 440 824 |

This grant was allocated for the soil conservation in different areas within the district. No funds have been withheld.

21.13 Provincial: Department Economic Affairs and Trade (DEAT)

| | | |
|-----------------------------------------------------------------------|----------------|----------------|
| Balance unspent at beginning of year | 500 000 | - |
| Current year receipts | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Other Transfers | - | 500 000 |
| Conditions still to be met - transferred to Liabilities (see Note 15) | 500 000 | 500 000 |

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

21.14 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)

| | | |
|-----------------------------------------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 9 895 907 | 12 992 457 |
| Current year receipts | 1 241 825 | 1 426 280 |
| Conditions met - transferred to Revenue: Operating Expenses | (3 388 797) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (4 522 831) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | 7 748 935 | 9 895 907 |

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PIMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

21.15 Provincial - Department Economic Affairs

| | | |
|-----------------------------------------------------------------------|-------------------|-------------------|
| Balance unspent at beginning of year | 10 924 136 | 9 110 136 |
| Current year receipts | - | 1 814 000 |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | 10 924 136 | 10 924 136 |

This grant was received to assist in local economic development. No funds have been withheld.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-----------------------------------------------------------------------|------------------|------------------|
| 21.16 Provincial - Department Transport | | |
| Balance unspent at beginning of year | 5 627 040 | 10 209 192 |
| Current year receipts | 1 688 000 | - |
| Conditions met - transferred to Revenue: Operating Expenses | (862 647) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (4 582 153) |
| Other Transfers | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>6 452 392</u> | <u>5 627 040</u> |

The Transport Grant was allocated for the maintenance of proclaimed roads in the jurisdiction area of the municipality. No funds have been withheld.

21.17 Other Spheres of Government

| | | |
|-----------------------------------------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 7 162 449 | 1 925 497 |
| Current year receipts | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | (491 563) |
| Other Transfers | - | 5 728 515 |
| Conditions still to be met - transferred to Liabilities (see Note 15) | <u>7 162 449</u> | <u>7 162 449</u> |

The municipality receives grants from other spheres of government for various projects for social upliftment of the communities in the district. The grant was utilised for this purpose. No funds have been withheld.

21.18 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 6 of 2012), government grant funding is expected to increase over the forthcoming three financial years.

22. PUBLIC CONTRIBUTIONS AND DONATIONS

| | | |
|-------------------------------------------------|------------------|----------|
| Other Donations | 1 500 000 | - |
| Total Public Contributions and Donations | <u>1 500 000</u> | <u>-</u> |

Public Contributions and Donations have been restated to correctly disclose the revenue received, previously erroneously accrued for. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

The amount disclosed above for revenue from Public Contributions and Donations is in respect of a Water Tanker donated to the municipality by the Department of Water Affairs (DWA).

23. SERVICE CHARGES

| | | |
|------------------------------|----------|--------------------|
| Availability Charges | - | 5 409 000 |
| Sewerage and Water Charges | - | 41 912 536 |
| Water Charges | - | 52 794 932 |
| Total Service Charges | <u>-</u> | <u>100 116 468</u> |
| Attributable to: | | |
| Continuing Operations | - | - |
| Discontinued Operations | - | 100 116 468 |
| | <u>-</u> | <u>100 116 468</u> |

Service Charges have been restated to correctly disclose the revenue received in terms of Reconciliations performed of the transactions from Local Municipalities. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-------------------------------------------------|---------------|----------------|
| 24. RENTAL OF FACILITIES AND EQUIPMENT | | |
| Rental Revenue from Buildings | 35 228 | 145 028 |
| Rental Revenue from Equipment | 61 964 | - |
| Total Rental of Facilities and Equipment | 97 192 | 145 028 |

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

25. INTEREST EARNED

External Investments:

| | | |
|----------------|-------------------|-------------------|
| Bank Account | 15 528 146 | 18 808 272 |
| Investments | 4 021 896 | 9 134 133 |
| Other Interest | 51 007 | 66 810 |
| | 19 601 048 | 28 009 215 |

Outstanding Debtors:

| | | |
|-----------------------------|---|-------------------|
| Outstanding Billing Debtors | - | 14 566 195 |
| | - | 14 566 195 |

Total Interest Earned

| | | |
|--|-------------------|-------------------|
| | 19 601 048 | 42 575 409 |
|--|-------------------|-------------------|

Attributable to:

| | | |
|-------------------------|-------------------|-------------------|
| Continuing Operations | 19 601 048 | 28 009 215 |
| Discontinued Operations | - | 14 566 195 |
| | 19 601 048 | 42 575 409 |

Interest Earned has been restated to correctly disclose the revenue received, previously allocated to Unspent Conditional Grants. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

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

| | | |
|-------------------------------------|-------------------|-------------------|
| Available-for-Sale Financial Assets | 15 579 153 | 18 875 082 |
| Held-to-Maturity Investments | 4 021 896 | 9 134 133 |
| Loans and Receivables | - | 14 566 195 |
| | 19 601 048 | 42 575 409 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---------------------------|-------------------|-------------------|
| 26. OTHER REVENUE | | |
| Commission on Collections | 87 232 | - |
| Private Telephone Calls | 20 506 | - |
| Tender Documents | 352 000 | 595 946 |
| Other Income | 55 091 523 | 29 449 532 |
| Total Other Income | 55 551 261 | 30 045 478 |
| Attributable to: | | |
| Continuing Operations | 55 551 261 | 29 620 462 |
| Discontinued Operations | - | 425 016 |
| | 55 551 261 | 30 045 478 |

Other Revenue has been restated to correctly disclose the revenue received for VAT on Project Expenditure, previously allocated to Unspent Conditional Grants. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Other Income includes an amount of R54 980 209 (2011: R28 791 433) in respect of VAT claimed on Grant Expenditure incurred, regarded as "own revenue".

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

27. EMPLOYEE RELATED COSTS

| | | |
|---------------------------------------------------------------------------|--------------------|--------------------|
| Employee Related Costs - Salaries and Wages | 75 336 302 | 106 465 516 |
| Employee Related Costs - Contributions for UIF, Pensions and Medical Aids | 14 899 813 | 17 099 727 |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances | 11 781 477 | 10 765 826 |
| Housing Benefits and Allowances | 992 570 | 1 028 825 |
| Overtime Payments | 998 068 | 2 898 430 |
| Performance Bonuses | - | 41 324 |
| Defined Benefit Plan Expense: | 6 310 746 | 1 156 070 |
| Current Service Cost | 1 750 196 | 1 783 861 |
| Interest Cost | 2 098 279 | 2 270 562 |
| Net Actuarial (gains)/losses recognised | 2 462 271 | (2 898 354) |
| Vested Past Service Cost | - | - |
| Total Employee Related Costs | 110 318 975 | 139 455 717 |
| Attributable to: | | |
| Continuing Operations | 110 318 975 | 67 334 105 |
| Discontinued Operations | - | 72 121 612 |
| | 110 318 975 | 139 455 717 |

Employee Related Costs have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, *Employee Related Costs* have been restated to correctly disclose the expenditure for the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

No advances were made to employees. Loans to employees are set out in Note 12.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-----------------------------------------------------|-----------------------|-----------------------|
| Remuneration of Section 57 Employees: | | |
| <i>Remuneration of the Municipal Manager</i> | | |
| Annual Remuneration | 362 988 | 530 599 |
| Acting Allowance | 47 956 | - |
| Performance Bonus | - | - |
| Car and Other Allowances | 149 669 | 204 201 |
| Contributions to UIF, Medical and Pension Funds | 73 383 | 153 209 |
| Total | <u>633 996</u> | <u>888 008</u> |

The Municipal Manager resigned on 29 January 2012. An Acting Allowance was paid for the period 30 January 2012 to 30 June 2012.

| | | |
|-----------------------------------------------------|-------------------------|-----------------------|
| <i>Remuneration of the Director: Finance</i> | | |
| Annual Remuneration | 573 156 | 493 541 |
| Acting Allowance | 47 577 | 71 256 |
| Performance Bonus | - | - |
| Car and Other Allowances | 260 473 | 202 817 |
| Contributions to UIF, Medical and Pension Funds | 120 954 | 130 129 |
| Total | <u>1 002 161</u> | <u>897 744</u> |

The Director was suspended as from 25 April 2012. An Acting Allowance was paid for the period 26 April 2012 to 30 June 2012.

| | | |
|----------------------------------------------------------------|-----------------------|-----------------------|
| <i>Remuneration of the Director: Corporate Services</i> | | |
| Annual Remuneration | 577 534 | 493 541 |
| Acting Allowance | 12 070 | 8 873 |
| Performance Bonus | - | - |
| Car and Other Allowances | 265 744 | 202 817 |
| Contributions to UIF, Medical and Pension Funds | 123 992 | 130 129 |
| Total | <u>979 339</u> | <u>835 360</u> |

The Acting Allowance was paid for the period that the Director was on annual leave.

| | | |
|-------------------------------------------------------------|-----------------------|-----------------------|
| <i>Remuneration of the Director: Health Services</i> | | |
| Annual Remuneration | 327 185 | 407 700 |
| Acting Allowance | 67 160 | 138 514 |
| Performance Bonus | - | - |
| Car and Other Allowances | 166 631 | 163 162 |
| Contributions to UIF, Medical and Pension Funds | 67 957 | 102 541 |
| Total | <u>628 932</u> | <u>811 917</u> |

The Director resigned with effect 7 January 2011. The position was filled as from 1 December 2011. An Acting Allowance was paid for the period 1 July 2011 to 30 November 2011.

| | | |
|---------------------------------------------------------------------------------|-------------------------|-----------------------|
| <i>Remuneration of the Director: Integrated Planning and Development</i> | | |
| Annual Remuneration | 570 394 | 493 541 |
| Acting Allowance | 137 167 | - |
| Performance Bonus | - | - |
| Car and Other Allowances | 286 601 | 202 817 |
| Contributions to UIF, Medical and Pension Funds | 96 802 | 130 129 |
| Total | <u>1 090 963</u> | <u>826 487</u> |

The Director assumed the acting position for Municipal Manager for the period 30 January 2012 to 30 June 2012. An Acting Allowance was paid for the same period to the person acting for the Director.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--------------------------------------------------------|----------------|-----------|
| Remuneration of the Manager: Strategic Services | | |
| Annual Remuneration | 370 814 | - |
| Acting Allowance | - | - |
| Performance Bonus | - | - |
| Car and Other Allowances | 198 239 | - |
| Contributions to UIF, Medical and Pension Funds | 66 017 | - |
| Total | 635 071 | - |

The post was vacant as from 01 February 2008 to 31 October 2011. No official was acting in the position for the period of vacancy.

| | | |
|---------------------------------------------------------|----------------|----------------|
| Remuneration of the Director: Technical Services | | |
| Annual Remuneration | 577 809 | 493 541 |
| Acting Allowance | - | - |
| Performance Bonus | - | 41 324 |
| Car and Other Allowances | 251 963 | 202 817 |
| Contributions to UIF, Medical and Pension Funds | 128 122 | 130 129 |
| Total | 957 894 | 867 811 |

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

| | | |
|-----------------------------------------------|----------------|---------------|
| Staff Leave Benefits:- | | |
| Chief Financial Officer | 40 064 | 14 578 |
| Director: Corporate Services | 148 550 | - |
| Director: Health Services | 17 981 | 34 405 |
| Director: Integrated Planning and Development | 77 955 | - |
| Director: Strategic Services | 22 349 | - |
| Director: Technical Services | 69 951 | 14 578 |
| Total | 376 851 | 63 562 |

28. REMUNERATION OF COUNCILLORS

| | | |
|---------------------------------------------------------|------------------|------------------|
| Executive Mayor | 416 507 | 442 109 |
| Speaker | 306 172 | 353 687 |
| Chief Whip | 302 431 | 28 364 |
| Mayoral Committee Members | 1 813 038 | 2 011 866 |
| Councillors | 1 762 182 | 1 391 574 |
| Company Contributions to UIF, Medical and Pension Funds | 1 054 510 | 887 946 |
| Sundry Allowances (Cellular Phones, etc) | 1 782 373 | 1 539 704 |
| Total Councillors' Remuneration | 7 437 213 | 6 655 249 |

In-kind Benefits

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

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

The Executive Mayor has use of Council owned vehicles for official duties.

29. DEPRECIATION AND AMORTISATION

| | | |
|---------------------------------------------|-------------------|-------------------|
| Depreciation: Property, Plant and Equipment | 88 524 051 | 88 588 981 |
| Amortisation: Intangible Assets | 263 877 | 477 121 |
| Depreciation: Investment Property | - | - |
| Total Depreciation and Amortisation | 88 787 929 | 89 066 102 |

Depreciation and Amortisation have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred.. Refer to Note 38.5 on "Correction of error" for details of the restatement.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---------------------------------------------------|--------------------|-------------------|
| 30. IMPAIRMENT LOSSES | | |
| 30.1 Impairment Losses on Fixed Assets | | |
| Impairment Losses Recognised: | - | 202 757 |
| Property, Plant and Equipment | - | 202 757 |
| Intangible Assets | - | - |
| Investment Property | - | - |
| Impairment Losses Reversed: | - | - |
| Property, Plant and Equipment | - | - |
| Intangible Assets | - | - |
| Investment Property | - | - |
| | - | 202 757 |
| 30.2 Impairment Losses on Financial Assets | | |
| Impairment Losses Recognised: | 471 591 | 75 286 012 |
| Consumer Debtors | - | - |
| Other Debtors | 471 591 | 75 286 012 |
| Impairment Losses Reversed: | (9 518 196) | - |
| Consumer Debtors | - | - |
| Other Debtors | (9 518 196) | - |
| | (9 046 605) | 75 286 012 |
| Total Impairment Losses | (9 046 605) | 75 488 769 |
| Attributable to: | | |
| Continuing Operations | (9 046 605) | 3 322 954 |
| Discontinued Operations | - | 72 165 814 |
| | (9 046 605) | 75 488 769 |

Impairment Losses have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Debtors, previously over-provided for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

31. FINANCE COSTS

| | | |
|---------------------------------------------------|----------------|------------------|
| Loans and Payables at amortised cost | 305 818 | 359 079 |
| Bank Overdrafts | 6 266 | - |
| Other Interest Paid | 72 563 | 134 374 |
| Time Value for Money | | 3 576 641 |
| Total Interest Paid on External Borrowings | 384 647 | 4 070 095 |
| | 0.27 | |
| Attributable to: | | |
| Continuing Operations | 384 647 | 395 158 |
| Discontinued Operations | - | 3 674 937 |
| | 384 647 | 4 070 095 |

Finance Costs have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

The weighted average capitalisation rate on funds borrowed generally is 5,51% per annum (2011: 5,42% per annum).

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|-----------------------------|------------------|-------------------|
| 32. BULK PURCHASES | | |
| Water | 6 678 620 | 14 515 087 |
| Time Value for Money | - | (290 928) |
| Total Bulk Purchases | 6 678 620 | 14 228 344 |
| Attributable to: | | |
| Continuing Operations | 6 678 620 | - |
| Discontinued Operations | - | 14 228 344 |
| | 6 678 620 | 14 228 344 |

Bulk Purchases have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, *Bulk Purchases* have been restated to correctly correctly disclose the expenditure incurred by DWA on behalf of the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is mainly purchased from DWAF.

33. CONTRACTED SERVICES

| | | |
|----------------------------------|----------------|-------------------|
| Consultants' Fees | - | 591 205 |
| Professional Fees | - | 1 589 721 |
| Security Services | 528 894 | 652 571 |
| Other Contracted Services | - | 38 631 971 |
| Time Value for Money | - | (970 667) |
| Total Contracted Services | 528 894 | 40 494 801 |
| Attributable to: | | |
| Continuing Operations | 528 894 | 620 024 |
| Discontinued Operations | - | 39 874 777 |
| | 528 894 | 40 494 801 |

Contracted Services have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

34. GRANTS AND SUBSIDIES PAID

| | | |
|----------------------------------------------|--------------------|--------------------|
| Community Projects | 254 538 330 | 144 846 390 |
| Local Municipalities - Providing of Services | 137 181 083 | 975 927 |
| Problem Animal Control | - | 12 000 |
| Other | 20 358 | 3 275 858 |
| Total Grants and Subsidies | 391 739 771 | 149 110 175 |
| Attributable to: | | |
| Continuing Operations | 391 739 771 | 144 920 560 |
| Discontinued Operations | - | 4 189 615 |
| | 391 739 771 | 149 110 175 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Grants and Subsidies Paid have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Community Projects are in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

Free Basic Services are in respect of providing basic service levels to indigent/residential households.

Problem Animal Control is paid to enable farmers to control animals that are dangerous to livestock. The grant is increased on an annual basis.

The **Tourism Grant** is paid annually in the municipality's aim to further local economic development of all communities.

The **Executive Mayor** makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

35. GENERAL EXPENSES

Included in General Expenses are the following:

| | | |
|----------------------------------|-------------------|-------------------|
| Advertising | 1 485 074 | - |
| Approved Courses | 497 052 | - |
| Assessment Rates | 402 735 | - |
| Audit Fees | 5 451 817 | 6 730 817 |
| Cleaning and Cleansing Materials | 399 385 | - |
| Communication (Radio) | 1 389 208 | 2 055 384 |
| Computer Services | 648 961 | - |
| Conferences and Visits | 603 233 | - |
| Electricity | 6 844 231 | 6 175 460 |
| Entertainment | 766 347 | - |
| Fuel and Oil | 769 857 | 6 645 485 |
| Insurance | 657 332 | 932 134 |
| Job Evaluation | 697 314 | - |
| Legal Expenses | 440 308 | - |
| Operating Leases | 1 018 742 | 1 036 729 |
| Printing and Stationery | 992 245 | 1 275 349 |
| Public Events / Imbizos | 788 121 | 1 275 603 |
| Purchase of Samples | 622 506 | - |
| Refurbishment of Water Schemes | - | 9 848 308 |
| Relocation of Staff | 494 892 | - |
| Rental: External | 1 312 984 | 7 323 002 |
| Stores and Materials | - | 1 897 444 |
| Strategic Sessions | 712 845 | - |
| Subscriptions | 885 036 | 872 169 |
| Subsistence and Travelling | 6 710 787 | 5 914 004 |
| Telephones | 2 014 268 | 2 189 539 |
| Training Fund | 746 511 | 1 181 326 |
| Water | - | 2 671 968 |
| Other General Expenses | 1 844 578 | 26 104 284 |
| Inter-departmental Charges | (10 865 286) | (11 375 356) |
| Time Value for Money | - | (1 670 413) |
| Total General Expenses | 28 331 082 | 71 083 236 |
| Attributable to: | | |
| Continuing Operations | 28 331 082 | 16 011 260 |
| Discontinued Operations | - | 55 071 976 |
| | 28 331 082 | 71 083 236 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

General Expenses have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to disclose the expenditure by the municipality for Petty Cash for services transferred to Health Services. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

35.1 Material Losses

Theft
 Vehicle Damages

| | 287 725 | 268 190 |
|---------|----------------|----------------|
| - | - | 8 915 |
| 287 725 | 287 725 | 259 275 |

36. DISCONTINUED OPERATIONS

36.1 Primary Health Services discontinued

The operations of the municipality relating to Primary Health Services, that includes functions such as Clinics and Prime Health Care, were discontinued during the year and transferred to the Provincial Administration Eastern Cape on 31 May 2011 as per agreement. All moveable assets related to the services have been transferred to the Provincial Health Administration during the current financial year. The discontinuation of the function of Primary Health Services by the municipality is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority. The transfer of Health Services was completed on 31 May 2011 on which date control of the liabilities and services passed to the Provincial Administration Eastern Cape.

36.2 Sanitation and Water Services discontinued

The operations of the municipality relating to Sanitation and Water Services were discontinued during the year and transferred to the Local Municipalities under the jurisdiction of the Chris Hani District Municipality on 30 June 2011 as per agreement. The discontinuation of the functions of Sanitation and Water Services by the municipality is consistent with the Service Level Agreements entered into with the Local Municipalities, which classifies the services as the responsibility of the Local Municipalities. The transfer of Sanitation and Water Services was completed on 30 June 2011.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

36.3 Analysis of Surplus / (Deficit) for the year from Discontinued Primary Health Services Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/(Deficit) and Cash Flows from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

| | Health Services R | Sanitation Services R | Water Services R | Total R |
|-------------------------------------------------------------|----------------------|-----------------------------|----------------------|----------------------|
| 30 June 2012 | | | | |
| REVENUE | | | | |
| Total Income | - | - | - | - |
| LESS: EXPENDITURE | - | - | - | - |
| Net Surplus/(Deficit) from Discontinued Operations | - | - | - | - |
| Cash Flows from Discontinued Operations | - | - | - | - |
| 30 June 2011 | | | | |
| REVENUE | | | | |
| Government Grants and Subsidies Received | 6 759 080 | 98 520 999 | (98 520 999) | 6 759 080 |
| Service Charges | - | 42 086 647 | 58 029 821 | 100 116 468 |
| Interest Earned - Outstanding Debtors | - | 6 768 152 | 7 798 043 | 14 566 195 |
| Other Income | - | 101 257 | 323 759 | 425 016 |
| Total Income | 6 759 080 | 147 477 055 | (32 369 376) | 121 866 758 |
| LESS: EXPENDITURE | 238 723 | 30 117 661 | 242 641 167 | 272 997 550 |
| Employee Related Costs | - | 7 161 662 | 64 959 950 | 72 121 612 |
| Impairment Losses | - | 5 758 404 | 66 407 410 | 72 165 814 |
| Repairs and Maintenance | - | 1 855 429 | 9 815 046 | 11 670 475 |
| Finance Costs | - | 55 823 | 3 619 114 | 3 674 937 |
| Bulk Purchases | - | - | 14 228 344 | 14 228 344 |
| Contracted Services | - | 8 603 268 | 31 271 509 | 39 874 777 |
| Grants and Subsidies Paid | - | - | 4 189 615 | 4 189 615 |
| General Expenses | 238 723 | 6 683 075 | 48 150 178 | 55 071 976 |
| | 6 520 357 | 117 359 394 | (275 010 543) | (151 130 792) |
| Gain / (Loss) on remeasurement to Fair Value, less Costs to | - | - | - | - |
| Gain / (Loss) on disposal of Operation | - | - | - | - |
| Net Surplus/(Deficit) from Discontinued Operations | 6 520 357 | 117 359 394 | (275 010 543) | (151 130 792) |
| Cash Flows from Discontinued Operations | | | | |
| Net Cash Flows from Operating Activities | 6 520 357 | 111 600 990 | (341 417 954) | (223 296 606) |
| Impairment | - | 5 758 404 | 66 407 410 | 72 165 814 |
| | 6 520 357 | 117 359 394 | (275 010 543) | (151 130 792) |

37. CHANGE IN ACCOUNTING POLICY

The municipality adopted no Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R 2011
R

38. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

38.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the Changes and Corrections are as follows:

| | | Accumulated Surplus |
|--------------------------------------------------------------------------|--------------|--------------------------------|
| Balances published as at 30 June 2010 | | 2 501 223 953 |
| Correction of Error:- | | |
| Reclassification of Creditors for Accruals - Note 38.2 | 46 514 | |
| Reclassification of Unspent Grants for VAT - Note 38.2 | 55 423 572 | |
| Reclassification of Unspent Grants for Interest - Note 38.2 | 2 014 690 | 57 484 776 |
| Restated Balances as at 30 June 2010 | | 2 558 708 729 |
| Transactions incurred for the Year 2010/2011 | | 177 516 421 |
| Correction of Error: | | |
| Reclassification of Transactions on Services - Notes 38.2 & .3 | (13 329 742) | |
| Reclassification of Accruals - Note 38.2 & .3 | (259 250) | |
| Reclassification of Donations - Note 38.2 & .3 | (50 000) | |
| Reclassification of Interest to Unspent Grants - Note 38.2 & .3 | 2 828 551 | |
| Reclassification of Interns' Salaries to Unspent Grants - Note 38.2 & .3 | 467 408 | |
| Reclassification of VAT to Unspent Grants - Note 38.2 & .3 | 28 791 433 | |
| Reclassification of Project Expenditure - Note 38.2 & .3 | (1 025 506) | |
| Reclassification of Depreciation - Note 38.2 & .3 | (95 590) | |
| Reclassification of Health Expenditure - Note 38.2 & .3 | 4 237 792 | |
| Reclassification of DWA Expenditure - Note 38.2 & .3 | (2 148 027) | |
| Reclassification of DWA Refund - Note 38.2 & .3 | (710 671) | |
| Reclassification of Petty Cash - Note 38.2 & .3 | (2 340) | |
| Reclassification of Transactions - Note 38.5 | 1 193 136 | 19 897 194 |
| Restated Balances as at 30 June 2011 | | 2 756 122 344 |

38.2 Reclassification of Current Liabilities and Property, Plant & Equipment

Creditors:

The **opening balances** for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accrued for.

The **prior year amounts** for *Creditors* have been restated to correctly disclose the creditors payable by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities.

Furthermore, the **prior year amounts** for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously not accrued for.

Furthermore, the **prior year amounts** for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accruing for donations receivable.

Furthermore, the **prior year amounts** for *Creditors* have been restated to correctly disclose the creditors payable by the municipality, previously not accruing for moneys to be refunded to DWA and allocated to income.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R 2011
R

Unspent Conditional Grants:

The **opening balances** for *Unspent Conditional Grants* have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants.

Furthermore, the **opening balances** for *Unspent Conditional Grants* have been restated to correctly disclose Interest calculated on Unspent Balances, previously allocated to Unspent Conditional Grants.

The **prior year amounts** for *Unspent Conditional Grants* have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants.

Furthermore, the **prior year amounts** for *Unspent Conditional Grants* have been restated to correctly disclose the liability of the municipality, interest on invested funds previously being allocated to Unspent Conditional Grants.

Furthermore, the **prior year amounts** for *Unspent Conditional Grants* have been restated to correctly disclose the salaries paid to Interns, previously being allocated to Unspent Conditional Grants.

Property, Plant and Equipment:

The **prior year amounts** for *Property, Plant and Equipment* have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets.

Furthermore, the **prior year amounts** for *Property, Plant and Equipment* have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred.

The effect of the Correction of Error is as follows:

| | Creditors | Unspent Grants | PPE |
|------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Balances published as at 30 June 2010 | (97 379 267) | (179 118 131) | 2 439 055 381 |
| Reclassification of Accruals | 46 514 | - | - |
| Reclassification of VAT allocated to Unspent Grants | - | 55 423 572 | - |
| Reclassification of Interest allocated to Unspent Grants | - | 2 014 690 | - |
| Restated Balances as at 30 June 2010 | (97 332 753) | (121 679 870) | 2 439 055 381 |
| Transactions incurred for the Year 2010/2011 | 1 258 853 | (24 298 270) | 136 971 918 |
| Reclassification of Transactions on Services from Local Municipalities | (17 909 113) | - | - |
| Reclassification of Accruals | (259 250) | - | - |
| Reclassification of Donations | (50 000) | - | - |
| Reclassification of DWA Refund | (710 671) | - | - |
| Reclassification of VAT allocated to Unspent Grants | - | 28 791 433 | - |
| Reclassification of Interest allocated to Unspent Grants | - | 2 828 551 | - |
| Reclassification of Interns' Salaries allocated to Unspent Grants | - | 467 408 | - |
| Reclassification of Project Expenditure | - | - | (1 025 506) |
| Reclassification of Depreciation | - | - | (95 590) |
| Restated Balances as at 30 June 2011 | (115 002 934) | (113 890 747) | 2 574 906 203 |

38.3 Reclassification of Current Assets

Consumer Debtors:

The **prior year amounts** for *Consumer Debtors* have been restated to correctly disclose the debtors held by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities.

Other Debtors:

The **prior year amounts** for *Other Debtors* have been restated to correctly disclose the debtors held by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities.

Furthermore, the **prior year amounts** for *Other Debtors* have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred on behalf of Health Services.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Furthermore, the **prior year amounts** for *Other Debtors* have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred by DWA on behalf of the municipality.

VAT Debtor:

The **prior year amount** for *VAT Debtor* has been restated to correctly disclose the debtor held by the municipality in terms of expenditure incurred on behalf of Health Services.

Bank and Cash Equivalents:

The **prior year amounts** for *Bank and Cash Equivalents* have been restated to correctly disclose the cash held by the municipality for Petty Cash for services transferred to Health Services.

The effect of the Correction of Error is as follows:

| | Consumer Debtors | Other Debtors | VAT Debtor | Bank and Cash |
|----------------------------------------------------------------|-------------------------|--------------------------|--------------------------|---------------------------|
| Balances published as at 30 June 2010 | - | 14 540 188 | 14 375 418 | 342 084 802 |
| Transactions incurred for the Year 2010/2011 | - | 15 550 389 | 3 024 910 | 41 108 251 |
| Restated Balances as at 30 June 2010 | - | 30 090 577 | 17 400 329 | 383 193 053 |
| Correction of Transactions on Services from Local Municipality | 2 745 296 | 1 834 075 | - | - |
| Correction of Transactions on Health Services | - | 4 831 083 | (593 291) | - |
| Correction of Accruals | - | (2 148 027) | - | - |
| Adjustment to Petty Cash by Health Departments | - | - | - | (2 340) |
| Restated Balances as at 30 June 2011 | <u>2 745 296</u> | <u>34 607 708</u> | <u>16 807 038</u> | <u>383 190 713</u> |

38.4 Reclassification of Revenue

Government Grants and Subsidies Received:

The **prior year amounts** for *Government Grants and Subsidies Received* have been restated to correctly disclose the salaries paid to Interns, previously being allocated to Unspent Conditional Grants.

Furthermore, the **prior year amounts** for *Government Grants and Subsidies Received* have been restated to correctly accrue for creditors payable by the municipality, previously not accruing for moneys to be refunded to DWA and allocated to income.

Public Donations Received:

The **prior year amounts** for *Public Donations Received* have been restated to correctly disclose the revenue received, previously erroneously accrued for.

Service Charges:

The **prior year amounts** for *Service Charges* have been restated to correctly disclose the revenue received in terms of Reconciliations performed of the transactions from Local Municipalities.

Interest on Investments:

The **prior year amounts** for *Interest on Investments* have been restated to correctly disclose the revenue received, previously allocated to Unspent Conditional Grants.

Other Income:

The **prior year amounts** for *Other Income* have been restated to correctly disclose the revenue received for VAT on Project Expenditure, previously allocated to Unspent Conditional Grants.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|------------------------------------------------------------------------|--------------------------|------------------------------|
| The effect of the Correction of Error is as follows: | | |
| | Government Grants | Public Donations |
| Balances as per AFS previously published for 30 June 2011 | 630 472 570 | 50 000 |
| Reclassification of Income | 467 408 | - |
| Reclassification of DWA Refund | (710 671) | - |
| Reclassification of Donations | - | (50 000) |
| Balances as at 30 June 2010 per AFS published for 30 June 2012 | 630 229 307 | - |
| | Service Charges | Interest: Investments |
| | | Other Income |
| Balances as per AFS previously published for 2011/2012 | 112 756 108 | 25 180 664 |
| Reclassification of Transactions on Services from Local Municipalities | (12 639 640) | - |
| Reclassification of Interest allocated to Unspent Grants | - | 2 828 551 |
| Reclassification of VAT allocated to Unspent Grants | - | - |
| | | 28 791 433 |
| Balances as at 30 June 2010 per AFS published for 2012/2013 | 100 116 468 | 28 009 215 |
| | | 30 045 478 |

38.5 Reclassification of Expenditure

Employee Related Costs:

The **prior year amounts** for *Employee Related Costs* have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Furthermore, the **prior year amounts** for *Employee Related Costs* have been restated to correctly disclose the expenditure for the municipality, previously not accrued for.

Depreciation and Amortisation:

The **prior year amounts** for *Depreciation and Amortisation* have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred.

Provision for Bad Debts:

The **prior year amounts** for *Provision for Bad Debts* have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Debtors, previously over-provided for.

Repairs and Maintenance:

The **prior year amounts** for *Repairs and Maintenance* have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised.

Furthermore, the **prior year amounts** for *Repairs and Maintenance* have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Interest Paid:

The **prior year amounts** for *Interest Paid* have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Bulk Purchases:

The **prior year amounts** for *Bulk Purchases* have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for.

Furthermore, the **prior year amounts** for *Bulk Purchases* have been restated to correctly disclose the expenditure incurred by DWA on behalf of the municipality, previously not accrued for.

Contracted Services:

The **prior year amounts** for *Contracted Services* have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Grants and Subsidies Paid:

The **prior year amounts** for *Grants and Subsidies Paid* have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for.

Furthermore, the **prior year amounts** for *Grants and Subsidies Paid* have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets.

General Expenses:

The **prior year amounts** for *General Expenses* have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised.

Furthermore, the **prior year amounts** for *General Expenses* have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Furthermore, the **prior year amounts** for *General Expenses* have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for.

Furthermore, the **prior year amounts** for *General Expenses* have been restated to correctly disclose the expenditure by the municipality for Petty Cash for services transferred to Health Services.

The effect of the Correction of Error is as follows:

| | Employee Costs | Depreciation & Amortisation | Provision for Bad Debts |
|------------------------------------------------------------------------|--------------------------------------|--------------------------------------------|------------------------------------|
| Balances as per AFS previously published for 30 June 2011 | 142 940 773 | 88 970 512 | 78 234 064 |
| Reclassification of Transactions on Services from Local Municipalities | - | - | (2 745 296) |
| Reclassification of Transactions on Health Services | (3 484 765) | - | - |
| Reclassification of Accruals | (290) | - | - |
| Reclassification of Depreciation | - | 95 590 | - |
| Balances as at 30 June 2010 per AFS published for 30 June 2012 | <u>139 455 717</u> | <u>89 066 102</u> | <u>75 488 769</u> |
| | Repairs & Maintenance | Interest Paid | Bulk Purchases |
| Balances as per AFS previously published for 30 June 2011 | 11 836 579 | 4 083 864 | 12 076 133 |
| Reclassification of Transactions on Services from Local Municipalities | 1 049 361 | - | - |
| Reclassification of Transactions on Health Services | (45 206) | (13 769) | - |
| Reclassification of Accruals | - | - | 4 184 |
| Reclassification of DWA Expenditure | - | - | 2 148 027 |
| Balances as at 30 June 2010 per AFS published for 30 June 2012 | <u>12 840 735</u> | <u>4 070 095</u> | <u>14 228 344</u> |
| | Contracted Services | Grants Paid | General Expenses |
| Balances as per AFS previously published for 30 June 2011 | 40 291 480 | 148 084 275 | 69 337 270 |
| Reclassification of Transactions on Services from Local Municipalities | 203 321 | - | 2 182 715 |
| Reclassification of Transactions on Health Services | - | - | (694 052) |
| Reclassification of Accruals | - | 394 | 254 962 |
| Reclassification of Project Expenditure | - | 1 025 506 | - |
| Reclassification of Petty Cash | - | - | 2 340 |
| Balances as at 30 June 2010 per AFS published for 30 June 2012 | <u>40 494 801</u> | <u>149 110 175</u> | <u>71 083 236</u> |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

38.6 Reclassification of Accumulated Surplus:

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

| | | |
|-------------------------------------------------------------|----------|------------------|
| Corrections to Creditors | - | (4 581) |
| Corrections to Debtors | - | 404 991 |
| Corrections to VAT Receivable | - | 754 955 |
| Corrections to Expenditure | - | 37 771 |
| Increase / (Decrease) in Accumulated Surplus Account | - | 1 193 136 |

The Assets, Liabilities, Revenue and Expenditure of the municipality have been adjusted as indicated above to correct transactions that occurred in previous financial years. Due to the nature of the transactions and the volumes thereof, opening balances have not been restated and the transactions were posted prospectively.

39. CHANGE IN ACCOUNTING ESTIMATES

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| 40. CASH GENERATED BY OPERATIONS | | |
| Surplus / (Deficit) for the Year | 248 823 463 | 196 220 479 |
| Adjustment for: | | |
| Correction of prior year Error | - | 1 193 136 |
| Depreciation and Amortisation | 88 787 929 | 89 066 102 |
| Impairment Losses on Property, Plant and Equipment | - | 202 757 |
| Loss on Disposal of Property, Plant and Equipment | 40 217 | 4 393 204 |
| Property, Plant and Equipment transferred to Non-current Assets Held-for-Sale | - | 398 217 |
| Contribution to Retirement Benefit Liabilities | 5 098 295 | 167 663 |
| Expenditure incurred from Retirement Benefit Liabilities | (696 048) | (673 944) |
| Contribution to Provisions - Current | 279 754 | 193 322 |
| Contribution to Provisions - Non-current | 1 212 451 | 988 407 |
| Expenditure incurred from Provisions - Current | (551 985) | (658 265) |
| Contribution to Impairment Provision | (252 305 526) | 2 911 132 |
| Bad Debts Written-off | (6 275 183) | (25 617 356) |
| Investment Income | (19 601 048) | (28 009 215) |
| Finance Costs | 384 647 | 4 070 095 |
| Operating surplus before working capital changes | 65 196 965 | 244 845 733 |
| Decrease/(Increase) in Inventories | 3 403 402 | (4 190 474) |
| Decrease/(Increase) in Non-Current Assets Held-for-Sale | 398 217 | (398 217) |
| Decrease/(Increase) in Trade Receivables from Exchange Transactions | 196 654 073 | 56 332 110 |
| Decrease/(Increase) in Trade Receivables from Non-exchange Transactions | (9 536 963) | (56 438 702) |
| Decrease/(Increase) in VAT Receivable | 371 029 | (2 431 620) |
| Increase/(Decrease) in Creditors | (85 431 753) | 17 670 181 |
| Increase/(Decrease) in Conditional Grants and Receipts | (11 091 134) | (7 789 122) |
| Increase/(Decrease) in Operating Lease Liabilities | 35 534 | 24 573 |
| Cash generated by / (utilised in) Operations | 159 999 371 | 247 624 463 |
| 41. NON-CASH INVESTING AND FINANCING TRANSACTIONS | | |
| The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year. | | |
| 42. FINANCING FACILITIES | | |
| Unsecured Fleet Card Facility, reviewed annually and payable monthly: | | |
| - Amount used | 804 490 | 281 036 |
| - Amount unused | 395 510 | 918 964 |
| | 1 200 000 | 1 200 000 |
| 43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | |
| Long-term Liabilities (See Note 17) | 5 553 707 | 6 628 389 |
| Used to finance Community Projects (Bucket eradication) | (5 553 707) | (6 628 389) |
| Sub-total | - | - |
| Cash set aside for the Repayment of Long-term Liabilities (See Notes 13 and 17) | - | - |
| Cash invested for Repayment of Long-term Liabilities | - | - |

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

| | | |
|---------------------------------------------------|--------------------|--------------------|
| Opening balance | 152 538 079 | 123 645 198 |
| Unauthorised Expenditure current year | 56 396 625 | 152 538 079 |
| Approved by Council or condoned | - | (123 645 198) |
| To be recovered – contingent asset (see Note 51) | - | - |
| Transfer to receivables for recovery (see Note 5) | - | - |
| Unauthorised Expenditure awaiting authorisation | <u>208 934 704</u> | <u>152 538 079</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|----------------------------------------------------------------|-----------------------------------------------------------|
| <i>Expenditure incurred without order/appointment letter:-</i> | <i>Report to be submitted to Council for condonation.</i> |
| - Facilitate Mayoral Cup - R0 (2011: R663 719) | |
| <i>Budgeted amounts exceeded:-</i> | <i>Report to be submitted to Council for condonation.</i> |
| - Municipal Manager - R1 839 305 (2011: R0) | |
| - Technical Services - R54 557 320 (2011: R151 874 361) | |

44.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

| | | |
|---------------------------------------------------------|----------------|----------------|
| Opening balance | 409 265 | 161 504 |
| Fruitless and Wasteful Expenditure current year | 257 998 | 247 761 |
| Condoned or written off by Council | - | - |
| To be recovered – contingent asset (see Note 51) | - | - |
| Transfer to receivables for recovery (see Note 5) | - | - |
| Fruitless and Wasteful Expenditure awaiting condonement | <u>667 263</u> | <u>409 265</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|-------------------------------------------------------------|-----------------------------------------------------------|
| <i>Accommodation costs - R3 353 (2011: R0)</i> | <i>Report to be submitted to Council for condonation.</i> |
| <i>Advertising costs - R182 082 (2011: R79 517)</i> | <i>Report to be submitted to Council for condonation.</i> |
| <i>Catering expenses - R0 (2011: R4 200)</i> | <i>Report to be submitted to Council for condonation.</i> |
| <i>Hiring of venue - R0 (2011: R15 900)</i> | <i>Report to be submitted to Council for condonation.</i> |
| <i>Interest on late payments - R72 563 (2011: R148 144)</i> | <i>Report to be submitted to Council for condonation.</i> |

44.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

| | | |
|---------------------------------------------------|--------------------|--------------------|
| Opening balance | 147 316 696 | 1 771 329 |
| Irregular Expenditure current year | 1 208 483 | 145 545 367 |
| Condoned or written off by Council | (322 060) | - |
| To be recovered – contingent asset (see Note 51) | - | - |
| Transfer to receivables for recovery (see Note 5) | - | - |
| Irregular Expenditure awaiting condonement | <u>148 203 119</u> | <u>147 316 696</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <i>Expenditure incurred without order/appointment letter:-</i> | <i>Report to be submitted to Council for condonation.</i> |
| - Training for PMS - R0 (2011: R114 912) | |
| - Farewell Function - R0 (2011: R4 872) | |
| <i>Expenditure incurred:-</i> | <i>Report to be submitted to Council for condonation.</i> |
| - Purchases of Furniture - R0 (2011: R34 999) | |
| - Non-council business - R0 (2011: R41 027) | |
| - Refurbishing non-council property - R0 (2011: R247 753) | |
| <i>Expenditure contrary to SCM Processes as described in Note 45.7 - R1 208 483 (2011: R0)</i> | <i>Report to be submitted to Council for condonation.</i> |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| 45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 45.1 Contributions to organised local government - SALGA | | |
| Opening Balance | - | - |
| Council Subscriptions | 824 355 | 775 824 |
| Amount Paid - current year | (824 355) | (675 516) |
| Amount Paid - previous years | - | (100 308) |
| Balance Unpaid (included in Creditors) | - | - |
| 45.2 Audit Fees | | |
| Opening Balance | - | - |
| Current year Audit Fee | 5 451 817 | 6 730 817 |
| Amount Paid - current year | (5 451 817) | (6 730 817) |
| Amount Paid - previous years | - | - |
| Balance Unpaid (included in Creditors) | - | - |
| 45.3 VAT | | |
| VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year. | | |
| 45.4 PAYE, Skills Development and UIF | | |
| Opening Balance | - | - |
| Current year Payroll Deductions | 15 434 113 | 14 388 381 |
| Amount Paid - current year | (15 434 113) | (14 388 381) |
| Amount Paid - previous years | - | - |
| Balance Unpaid (included in Creditors) | - | - |
| 45.5 Pension and Medical Aid Deductions | | |
| Opening Balance | - | 5 475 |
| Current year Payroll Deductions and Council Contributions | 15 143 554 | 14 900 854 |
| Amount Paid - current year | (15 143 554) | (14 900 854) |
| Amount Paid - previous years | - | (5 475) |
| Balance Unpaid (included in Creditors) | - | - |
| The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2011 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2011. | | |
| 45.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act | | |
| No known matters existed at reporting date. | | |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

45.7 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

| Department | Date | Successful Tenderer | Reason | Amount |
|------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------|
| Municipal Manager | July 2011 | Queens Casino | Hire venue for business people breakfast function | 7 700.50 Excluding VAT |
| <i>Venue ideal for meeting of this nature and councillors accommodated in the hotel</i> | | | | |
| Disaster Management | July 2011 | Allenby Housing | Transportation of prefab structure | 26 790.00 Excluding VAT |
| <i>Only two quotations received from accredited service providers</i> | | | | |
| Integrated Planning & Economic Development | July 2011 | Queens Casino Aloe Office & Business Equipment | Hire venue for conference // Laptop and Printer/Facsimile | 16 975.00 27 529.02 Excluding VAT |
| <i>Venue ideal for conference of this nature // Only one responsive quotation received</i> | | | | |
| Municipal Health Services | July 2011 | Classy Trade Investment (3) | Recycling facility // Rain water harvesting // Waste treatment | 866 923.00 Excluding VAT |
| <i>No SCM Process followed</i> | | | | |
| Municipal Manager | August 2011 | Kamva Architects | Three Crowns architectural model to be presented in Kenya | 9 690.00 Excluding VAT |
| <i>Due to the short notice, a local company was requested to design and build the model</i> | | | | |
| Corporate Services | August 2011 | Various occasions (6) | Various reasons, e.g. Conference, Job Descriptions, etc | 453 427.00 Excluding VAT |
| <i>6 Occasions during August 2011 for various reasons amounting to R453 427,00</i> | | | | |
| Disaster Management | August 2011 | Bathandwa Trading & Project | Hiring of Gas Heaters | 26 400.00 Excluding VAT |
| <i>Evacuation of victims during sudden snow falls</i> | | | | |
| Systems Administration | August 2011 | CCS IT Solutions | Maintenance & upgrading of Security System Server | 29 600.00 Excluding VAT |
| <i>Supplier and owner of the Security System installed</i> | | | | |
| Municipal Manager | September 2011 | Indebe Yam lyaphalala | Catering for Youth Day in Matyantya | 6 000.00 Excluding VAT |
| <i>No SCM Process followed</i> | | | | |
| Budget & Treasury Office | September 2011 | University of Pretoria | MFMP Course | 49 350.00 Excluding VAT |
| <i>Only institution that offers the course</i> | | | | |
| Communication Services | September 2011 | Uhuru Communications Vukani Community Radio | Full colour page advertorial // Advertise Fashion Show Event | 26 220.00 6 037.00 Excluding VAT |
| <i>Media utilised to market the municipality // The only community radio station located within the boundaries of the district</i> | | | | |
| Corporate Services | September 2011 | Pemberly Trading Stanford Computer & Business College | A2 Posters & A4 Pamphlets for EAP // Microsoft Skills | 20 950.00 80 410.00 Excluding VAT |
| <i>Only two quotations received from accredited service providers //</i> | | | | |
| Disaster Management | September 2011 | Queenstown Spar | Supper for evacuated victims of snow falls | 5 740.70 Excluding VAT |
| <i>Evacuation of victims during sudden snow falls</i> | | | | |
| Environmental Health | September 2011 | Notaka Trading Services | A4 White paper | 8 724.00 Excluding VAT |
| <i>Only two quotations received from accredited service providers</i> | | | | |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R
2011
R

| Department | Date | Successful Tenderer | Reason | Amount |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------|
| Municipal Manager | October 2011 | Various occasions (4) | Cleaning services // Dinner // Lunch packs // Catering | 30 700.00 Excluding VAT |
| <i>Due to pressure of preparing for the event, sourcing of quotations could not be done in good time // No SCM Process followed</i> | | | | |
| Budget & Treasury Office | October 2011 | Thuliyema Trading Enterprise | Office desks | 5 600.00 Excluding VAT |
| <i>Only two quotations received from accredited service providers</i> | | | | |
| Communication Services | October 2011 | Intsika Projects and Promotion | Vehicle PA System Kit | 12 793.08 Excluding VAT |
| <i>Only one service provider responding on request for quotations</i> | | | | |
| Corporate Services | October 2011 | Brian Singh Consulting | Organisational Structure, Job Evaluation, etc | 451 695.00 Excluding VAT |
| <i>Only two quotations received from accredited service providers</i> | | | | |
| Engineering Services | October 2011 | Thuliyema Trading Enterprise Thuliyema Trading Enterprise | Hewlett Packard CLR22 // Stationery | 24 030.00 16 043.00 Excluding VAT |
| <i>Only one service provider responding on request for quotations // Only two quotations received from accredited service providers</i> | | | | |
| Integrated Planning & Economic Development | October 2011 | Milani Furnitures | Executive Boardroom Table | 50 500.00 Excluding VAT |
| <i>Extension of original quotation awarded to service provider</i> | | | | |
| Municipal Manager | November 2011 | Alive 2 Green Irhinirhono Trading | Object Display Networking // Decoration of Hall | 114 000.00 8 600.00 Excluding VAT |
| <i>Appointed as the sole vendor of all services // Due to pressure of preparing for the event sourcing quotations could not be done in good time</i> | | | | |
| Budget & Treasury Office | November 2011 | Laya Construction MS Computers | HP Pavillion Notebook // HP 8460P Laptop | 14 499.95 13 695.00 Excluding VAT |
| <i>Only one service provider responding on request for quotations // Only one service provider responding on request for quotations</i> | | | | |
| Communication Services | November 2011 | Malnor (Pty) Ltd Vukani Community Radio | Full colour cover page // Live broadcast of event | 34 500.00 22 653.00 Excluding VAT |
| <i>Media utilised to market the municipality // The only community radio station located within the boundaries of the district</i> | | | | |
| Corporate Services | November 2011 | Mmalethabo Consulting MNPNYU Construction | Full colour cover page // Live broadcast of event | 395 600.00 7 511.00 Excluding VAT |
| <i>Only one service provider responding on request for quotations // Only two quotations received from accredited service providers</i> | | | | |
| Engineering Services | November 2011 | SAFCE Quality Services Improchem (Pty) Ltd t/a Oduku | Facilitation of workshop // Prime chemicals | 80 500.00 101 700.00 Excluding VAT |
| <i>Only one service provider responding on request for quotations // Water crisis at Tsolwana Municipality</i> | | | | |
| Integrated Planning & Economic Development | November 2011 | MNPNYU Construction Witch & Wizard Creative (Pty) Ltd | Stationery // Flooring prime exhibition deck | 5 339.77 78 222.24 Excluding VAT |
| <i>Only one service provider responding on request for quotations // Contracted by South African Tourism for the 2012 Tourism Indaba</i> | | | | |
| Municipal Manager | December 2011 | Various occasions (4) | Various reasons, e.g. Rugby Kit, Toilets, Containers, etc | 16 065.76 12 400.00 Excluding VAT |
| <i>4 Occasions during December 2011 for various reasons amounting to R28 465,76</i> | | | | |
| Corporate Services | December 2011 | Resilient Servers Networks | Attend to e-mail not working | 19 547.47 Excluding VAT |
| <i>The Service Provider of the network was procured to render the service</i> | | | | |
| Municipal Manager | January 2012 | Lukharaji Community Radio | Advertisement | 18 000.00 Excluding VAT |
| <i>The only local Radio Station in the district for the targeted audience</i> | | | | |
| Corporate Services | January 2012 | 2Kg Training | Training for operation and maintenance of control valves | 123 895.20 Excluding VAT |
| <i>Only one service provider responding on request for quotations</i> | | | | |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

| Department | Date | Successful Tenderer | Reason | Amount |
|------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------|
| Environmental Health | January 2012 | Toshiba Laserfax | Nametags for delegates at conference | 9 074.41 <i>Excluding VAT</i> |
| <i>Environmental Health</i> | | | | |
| Municipal Manager | February 2012 | Jojo Zikhali General Trading | Design, print and install signage points across the district | 70 000.00 <i>Excluding VAT</i> |
| <i>Municipal Manager</i> | | | | |
| Budget & Treasury Office | February 2012 | Lithotech Sales East London | 3-Part Order Forms | 12 825.00 <i>Excluding VAT</i> |
| <i>Budget & Treasury Office</i> | | | | |
| <i>The only company with the specimen for these forms</i> | | | | |
| Corporate Services | February 2012 | C and K Events Fire and General CC | HP Pavillion Laptop // Service fire extinguishers & hoses | 19 999.98 5 194.00 <i>Excluding VAT</i> |
| <i>Corporate Services</i> | | | | |
| <i>Only two service providers in the database</i> | | | | |
| Engineering Services | February 2012 | Golden Rewards 946 | Toner | 8 463.00 <i>Excluding VAT</i> |
| <i>Engineering Services</i> | | | | |
| <i>Only two quotations received from accredited service providers</i> | | | | |
| Environmental Health | February 2012 | Agama Biogas Danto Garden & Tours Creation Dehteq | Quanti-tray // Tree starter-pack // Digester generator | 37 050.00 98 775.10 <i>Excluding VAT</i> |
| <i>Environmental Health</i> | | | | |
| <i>Only two service providers in the database</i> | | | | |
| Mayor's Office | March 2012 | Roydon Private Nature Reserve | Hiring of venue and meals for Mr Mbambisa's farewell | 62 400.00 <i>Excluding VAT</i> |
| <i>Mayor's Office</i> | | | | |
| <i>Only venue that could accommodate 150 people</i> | | | | |
| Corporate Services | March 2012 | Various occasions (5) | Various reasons, e.g. Training, Wellness event, etc | 501 630.00 <i>Excluding VAT</i> |
| <i>Corporate Services</i> | | | | |
| <i>5 Occasions during March 2012 for various reasons amounting to R501 090,00</i> | | | | |
| Environmental Health | March 2012 | Ezona Trading Services | Renovations | 35 000.00 <i>Excluding VAT</i> |
| <i>Environmental Health</i> | | | | |
| Integrated Planning & Economic Development | March 2012 | Executive Insights | Development of socio-economic profile | 178 200.00 <i>Excluding VAT</i> |
| <i>Integrated Planning & Economic Development</i> | | | | |
| Workshop | March 2012 | Le Doux Lubricants CC | Tection | 5 939.57 <i>Excluding VAT</i> |
| <i>Workshop</i> | | | | |
| <i>Only service provider for oil in Cradock</i> | | | | |
| Municipal Manager | April 2012 | Vukani Community Radio | Talkshow | 11 390.00 <i>Excluding VAT</i> |
| <i>Municipal Manager</i> | | | | |
| <i>The only community radio station located within the boundaries of the district</i> | | | | |
| Municipal Health Services | April 2012 | University of Pretoria Container Leasing Africa | Training // Heavy duty steel storage container | 8 800.00 56 715.00 <i>Excluding VAT</i> |
| <i>Municipal Health Services</i> | | | | |
| <i>Only service provider that provides such training</i> | | | | |
| Municipal Manager | May 2012 | SA Business Pages Vukani Community Radio (3) | Advertisement // Outside broadcast | 9 507.60 69 275.00 <i>Excluding VAT</i> |
| <i>Municipal Manager</i> | | | | |
| <i>Media utilised to market the municipality // The only community radio station located within the boundaries of the district</i> | | | | |
| Budget & Treasury Office | May 2012 | Barkly East Reporter | Stationery | 8 764.32 <i>Excluding VAT</i> |
| <i>Budget & Treasury Office</i> | | | | |
| <i>The only service provider the municipality has an account with</i> | | | | |
| Communication Services | May 2012 | Vukani Community Radio | Outside broadcast | 22 947.00 <i>Excluding VAT</i> |
| <i>Communication Services</i> | | | | |
| <i>The only community radio station located within the boundaries of the district</i> | | | | |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

| Department | Date | Successful Tenderer | Reason | Amount |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------|
| Corporate Services | May 2012 | Di Valdi's Restaurant Hansen Land Surveyors | Venue & catering for team building // Civil engineering services | 9 700.00 18 000.00 Excluding VAT |
| <i>The only venue having facilities needed for the event and can accommodate the number of people // Only one responsive quotation received</i> | | | | |
| Engineering Services | May 2012 | Khanyakhwezi Trading Enterprise | Water supply backlog | 10 715 320.14 Excluding VAT |
| Municipal Manager | June 2012 | GRM Consulting | Audit Performance Information for Intsika Yethu LM | 89 000.00 Excluding VAT |
| <i>Only one service provider responding on TOR</i> | | | | |
| Budget & Treasury Office | June 2012 | Aurecon SA Ducharme Consulting (Pty) Ltd Alexander Forbes Risk Services | Infrastructure // Movable Assets // Risk services | 1 807 365.00 Excluding VAT |
| <i>Extension of scope for Infrastructure Assets // Extension of scope for Movable Assets // Renewal of Financial Risk Services contract</i> | | | | |
| Corporate Services | June 2012 | SITA obo Microsoft Enterprise | Microsoft licences | 573 295.56 Excluding VAT |
| <i>SITA appointed at 5% of total costs of licences to facilitate the process for licences from Microsoft, sole provider of Microsoft products</i> | | | | |
| Engineering Services | June 2012 | Lwazcon Earthworks & Plant Hire | Indwe Storm Water Drainage | 3 218 093.18 Excluding VAT |
| <i>The highest points scorer poses high risk</i> | | | | |

46. COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community

| | |
|--------------------|--------------------|
| 604 719 415 | 742 871 605 |
| 589 140 596 | 732 978 341 |
| 15 578 819 | 9 893 265 |

- Approved but Not Yet Contracted for:-

Infrastructure
Community

| | |
|--------------------|-------------------|
| 165 447 164 | 68 873 183 |
| 162 633 319 | 54 199 454 |
| 2 813 845 | 14 673 729 |

Total Capital Commitments

| | |
|--------------------|--------------------|
| 770 166 579 | 811 744 789 |
|--------------------|--------------------|

This expenditure will be financed from:

External Loans
Government Grants

| | |
|--------------------|--------------------|
| - | - |
| 770 166 579 | 811 744 789 |
| 770 166 579 | 811 744 789 |

46.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 16.

46.3 Other Commitments

The municipality has entered into a contract with Amanz'Abantu Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 3, which will give rise to a total charge of R2 106 083 (2011: R2 532 555).

The municipality has entered into a contract with Arch Actuaries during 2010/11 for the valuation of Staff Benefits for 2 years, which will give rise to a total charge of R28 543 (2011: - - - - -).

The municipality has entered into a contract with Aurecon SA during 2010/11 for facilitating the Molteno Sports Complex Project, which will give rise to a total charge of R257 964 (2011: R257 964).

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

The municipality has entered into a contract with Classy Career Developers during 2010/11 for facilitating the Hewu R60 Regional Bulk Water Supply Project, which will give rise to a total charge of R18 108 (2011: R266 123).

The municipality has entered into a contract with CQS Technology Holdings during 2011/12 for assistance with the preparation of Monthly, Quarterly and Annual Financial Statements, which will give rise to a total charge of R119 097 (2011: R0).

The municipality has entered into a contract with Ducharme Consulting Services during 2010/11 for the compilation of Annual Financial Statements for 2 years, which will give rise to a total charge of R536 183 (2011: R1 145 609).

The municipality has entered into a contract with ECC (Pty) Ltd during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 10, which will give rise to a total charge of R1 251 893 (2011: R2 045 556).

The municipality has entered into a contract with Ernest & Young during 2011/12 for Internal Audit Shared Services at Engcobo Local Municipality, which will give rise to a total charge of R11 983 (2011: R0).

The municipality has entered into a contract with Ernest & Young during 2011/12 for Compliance Audit, which will give rise to a total charge of R140 665 (2011: R0).

The municipality has entered into a contract with Grant Thornton during 2011/12 for Internal Audit Shared Services at Inxuba Yethemba Local Municipality, which will give rise to a total charge of R96 220 (2011: R0).

The municipality has entered into a contract with Inggayi Rural Development Consultants during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 5, which will give rise to a total charge of R920 613 (2011: R1 083 643).

The municipality has entered into a contract with KPPDMA during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 2, which will give rise to a total charge of R2 185 791 (2011: R2 525 301).

The municipality has entered into a contract with Lumigenix (trading as Soulfood) during 2011/12 for co-ordination/management of the Chris Hani Jazz & Arts Festival 2012, which will give rise to a total charge of R781 649 (2011: R0).

The municipality has entered into a contract with Philiwe Development Facilitators during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 8, which will give rise to a total charge of R1 135 350 (2011: R1 376 207).

The municipality has entered into a contract with Price Waterhouse Coopers during 2011/12 for the development of Procedure Manuals for the Budget & Treasury Department, which will give rise to a total charge of R175 512 (2011: R0).

The municipality has entered into a contract with Resource Development Adhocracy during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 9, which will give rise to a total charge of R1 205 004 (2011: R1 850 648).

The municipality has entered into a contract with Rural Support Services during 2009/10 for facilitating the Rosmead and Midros Water Upgrading Project, which will give rise to a total charge of R97 030 (2011: R225 746).

The municipality has entered into a contract with Senzakahle Development & Training Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 6, which will give rise to a total charge of R2 715 503 (2011: R2 826 861).

The municipality has entered into a contract with Simo Consulting Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 1, which will give rise to a total charge of R2 303 430 (2011: R2 966 173).

The municipality has entered into a contract with Simo Consulting Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 11, which will give rise to a total charge of R2 440 209 (2011: R3 102 952).

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|----------------------------------------------------------------------------------------------------|------------------------------|---------------------------|
| 47. FINANCIAL INSTRUMENTS | | |
| 47.1 Classification | | |
| FINANCIAL ASSETS: | | |
| In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows: | | |
| <u>Financial Assets</u> | <u>Classification</u> | |
| Trade Receivables from Exchange Transactions | | |
| Sewerage | Amortised cost | - |
| Water | Amortised cost | (0) |
| | | 2 745 296 |
| Trade Receivables from Non-exchange Transactions | | |
| Payments made in Advance | Amortised cost | 19 840 998 |
| Government Subsidy Claims | Amortised cost | - |
| Short-term Loans | Amortised cost | - |
| Sundry Deposits | Amortised cost | 1 575 700 |
| Sundry Debtors | Amortised cost | 14 112 757 |
| | | 9 003 168 |
| Bank, Cash and Cash Equivalents | | |
| Call Deposits | Fair value | 67 729 647 |
| Bank Balances | Fair value | 230 222 196 |
| Cash Floats and Advances | Fair value | 2 200 |
| | | 2 200 |
| SUMMARY OF FINANCIAL ASSETS | | |
| Financial Assets at Amortised Cost: | | |
| Trade Receivables from Exchange Transactions | Sewerage | - |
| Trade Receivables from Exchange Transactions | Water | (0) |
| | | 2 745 296 |
| Trade Receivables from Non-exchange Transactions | Payments made in Advance | 19 840 998 |
| Trade Receivables from Non-exchange Transactions | Government Subsidy Claims | - |
| Trade Receivables from Non-exchange Transactions | Sundry Deposits | 1 575 700 |
| Trade Receivables from Non-exchange Transactions | Sundry Debtors | 14 112 757 |
| | | 9 003 168 |
| | | <u>105 529 455</u> |
| | | <u>37 353 004</u> |
| Financial Assets at Fair Value: | | |
| Bank, Cash and Cash Equivalents | Call Deposits | 67 729 647 |
| Bank, Cash and Cash Equivalents | Bank Balances | 230 222 196 |
| Bank, Cash and Cash Equivalents | Cash Floats and Advances | 2 200 |
| | | 2 200 |
| | | <u>297 954 043</u> |
| | | <u>383 190 713</u> |
| Total Financial Assets | | <u>403 483 497</u> |
| | | <u>420 543 717</u> |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 R | 2011 R |
|---------------------------------------------------------------------------------------------------------|------------------------------|-------------------|--------------------|
| FINANCIAL LIABILITIES: | | | |
| In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows: | | | |
| <u>Financial Liabilities</u> | <u>Classification</u> | | |
| Long-term Liabilities | | | |
| Annuity Loans | Amortised cost | 4 424 076 | 5 553 707 |
| Creditors | | | |
| Trade Creditors | Amortised cost | 7 032 652 | 72 900 321 |
| Payments received in Advance | Fair value | 377 337 | 141 892 |
| Retentions | Amortised cost | 6 446 629 | 6 094 704 |
| Staff Bonuses | Amortised cost | 2 494 635 | 2 247 439 |
| Staff Leave | Amortised cost | 5 406 939 | 4 610 304 |
| Sundry Deposits | Amortised cost | 8 335 | 8 335 |
| Other Creditors | Amortised cost | 7 804 654 | 28 999 938 |
| Current Portion of Long-term Liabilities | | | |
| Annuity Loans | Amortised cost | 1 129 631 | 1 074 681 |
| SUMMARY OF FINANCIAL LIABILITIES | | | |
| Financial Liabilities at Amortised Cost: | | | |
| Long-term Liabilities | Annuity Loans | 4 424 076 | 5 553 707 |
| Creditors | Trade Creditors | 7 032 652 | 72 900 321 |
| Creditors | Retentions | 6 446 629 | 6 094 704 |
| Creditors | Staff Bonuses | 2 494 635 | 2 247 439 |
| Creditors | Staff Leave | 5 406 939 | 4 610 304 |
| Creditors | Sundry Deposits | 8 335 | 8 335 |
| Creditors | Other Creditors | 7 804 654 | 28 999 938 |
| Current Portion of Long-term Liabilities | Annuity Loans | 1 129 631 | 1 074 681 |
| | | 34 747 552 | 121 489 430 |
| Financial Liabilities at Fair Value: | | | |
| Creditors | Payments received in Advance | 377 337 | 141 892 |
| | | 377 337 | 141 892 |
| Total Financial Liabilities | | 35 124 888 | 121 631 323 |

47.2 Fair Value

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

Cash and Short-term Investments

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

Long-term Investments

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

Loan Receivables/Payables

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R 2011
R

Trade and Other Receivables/Payables

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

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

Other Financial Assets and Liabilities

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

Long-term Liabilities

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

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

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

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

Level 1:-

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

Level 2:-

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

Level 3:-

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

30 June 2012

| | Level 1 R | Level 2 R | Level 3 R | Total R |
|---------------------------------------------|--------------|--------------------|--------------|--------------------|
| FINANCIAL ASSETS | | | | |
| Financial Instruments at Fair Value: | | | | |
| Call Deposits | - | 67 729 647 | - | 67 729 647 |
| Bank Balances and Cash | - | 230 224 396 | - | 230 224 396 |
| Total Financial Assets | <u>-</u> | <u>297 954 043</u> | <u>-</u> | <u>297 954 043</u> |
| FINANCIAL LIABILITIES | | | | |
| Financial Instruments at Fair Value: | | | | |
| Annuity Loans | - | 4 424 076 | - | 4 424 076 |
| Total Financial Liabilities | <u>-</u> | <u>4 424 076</u> | <u>-</u> | <u>4 424 076</u> |
| Total Financial Instruments | <u>-</u> | <u>293 529 967</u> | <u>-</u> | <u>293 529 967</u> |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---------------------------------------------|----------------|----------------|
| 30 June 2011 | | |
| | Level 1 | Level 2 |
| | R | R |
| | Level 3 | Total |
| | R | R |
| FINANCIAL ASSETS | | |
| Financial Instruments at Fair Value: | | |
| Call Deposits | - | 115 786 209 |
| Bank Balances and Cash | - | 267 404 504 |
| Total Financial Assets | - | 383 190 713 |
| FINANCIAL LIABILITIES | | |
| Financial Instruments at Fair Value: | | |
| Annuity Loans | - | 5 553 707 |
| Total Financial Liabilities | - | 5 553 707 |
| Total Financial Instruments | - | 377 637 005 |

47.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

| | 2012 R | 2011 R |
|---------------------------------------------------|---------------|----------------|
| The gearing ratio at the year-end was as follows: | | |
| Debt | 5 553 707 | 6 628 389 |
| Bank, Cash and Cash Equivalents | (230 224 396) | (267 404 504) |
| Net Debt | (224 670 689) | (260 776 115) |
| Total Capital | 2 776 987 969 | 2 495 346 229 |
| Net debt to total capital ratio | -8.09% | -10.45% |

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 17.

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

47.4 Financial Risk Management Objectives

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

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

47.5 Significant Accounting Policies

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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 47.8 and 47.9 to the Annual Financial Statements.

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.9 below). No formal policy exists to hedge volatilities in the interest rate market.

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

47.6.1 Foreign Currency Risk Management

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

47.6.2 Interest Rate Risk Management

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

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the investment committee.

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

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

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

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

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

Interest Rate Sensitivity Analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 47.9 below:

Cash and Cash Equivalents:

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

- Surplus for the year ended 30 June 2012 would have decreased / increased by R3 405 145 (2011: decreased / increased by R3 626 344). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

47.7 Credit Risk Management

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

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R 2011
R

Trade and Other Receivables

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

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

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

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

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

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

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

2012
R 2011
R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

| | | |
|--------------------------------------------------|-------------|-------------|
| Trade Receivables from Exchange Transactions | (0) | 196 654 073 |
| Trade Receivables from Non-exchange Transactions | 110 716 107 | 101 179 144 |
| Bank, Cash and Cash Equivalents | 297 954 043 | 383 190 713 |

Maximum Credit and Interest Risk Exposure

408 670 150 681 023 930

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

| | % | % |
|---------------------------------------------------|--------------------|--------------------|
| Trade Receivables from Exchange Transactions: | | |
| - Household | 0% | 63% |
| - Industrial / Commercial | 0% | 2% |
| - National and Provincial Government | 0% | 1% |
| - Other Classes | 0% | 0% |
| Trade Receivables from Non-exchange Transactions: | | |
| - Other not Classified | 100% | 34% |
| Total Credit Risk | <u>100%</u> | <u>100%</u> |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Bank and Cash Balances | | |
| First National Bank | 298 149 643 | 383 188 513 |
| Cash Equivalents | 2 200 | 2 200 |
| Total Bank and Cash Balances | 298 151 843 | 383 190 713 |
| | 197 800.16 | |
| Credit quality of Financial Assets: | | |
| The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: | | |
| Trade Receivables from Exchange Transactions | | |
| Counterparties without external credit rating:- | | |
| Group 1 | - | - |
| Group 2 | - | 6 504 429 |
| Group 3 | - | 190 149 644 |
| | - | 196 654 073 |
| Total Trade Receivables from Exchange Transactions | - | 196 654 073 |
| Trade Receivables from Non-exchange Transactions | | |
| Group 1 | 24 703 846 | 13 712 173 |
| Group 2 | - | - |
| Group 3 | 86 012 261 | 87 466 971 |
| Total Trade Receivables from Non-exchange Transactions | 110 716 107 | 101 179 144 |

Credit quality Groupings:

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

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

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

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47. FINANCIAL INSTRUMENTS (Continued)

47.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

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

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|---------------------------------|-----------------------|---------------------------------------|--------------------|---------------------|------------------|------------------|------------------|----------------------|
| | # | % | R | R | R | R | | R |
| 30 June 2012 | | | | | | | | |
| Non-interest Bearing | | 0.00% | 29 571 181 | 29 571 181 | - | - | - | - |
| Fixed Interest Rate Instruments | | 5.00% | 7 665 379 | 696 853 | 696 853 | 1 393 705 | 4 181 116 | 696 853 |
| | | | 37 236 560 | 30 268 034 | 696 853 | 1 393 705 | 4 181 116 | 696 853 |
| 30 June 2011 | | | | | | | | |
| Non-interest Bearing | | 0.00% | 115 002 934 | 115 002 934 | - | - | - | - |
| Fixed Interest Rate Instruments | | 5.00% | 9 059 085 | 696 853 | 696 853 | 1 393 705 | 4 181 116 | 2 090 558 |
| | | | 124 062 019 | 115 699 787 | 696 853 | 1 393 705 | 4 181 116 | 2 090 558 |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|------------------------------------|-----------------------|---------------------------------------|--------------------|---------------------|------------------|----------------|----------------|----------------------|
| | # | % | R | R | R | R | | R |
| 30 June 2012 | | | | | | | | |
| Non-interest Bearing | | 0.00% | 105 531 655 | 105 531 655 | - | - | - | - |
| Variable Interest Rate Instruments | | 5.74% | 297 951 843 | 297 951 843 | - | - | - | - |
| | | | 403 483 497 | 403 483 497 | - | - | - | - |
| 30 June 2011 | | | | | | | | |
| Non-interest Bearing | | 0.00% | 37 355 204 | 37 355 204 | - | - | - | - |
| Variable Interest Rate Instruments | | 9.11% | 383 188 513 | 383 188 513 | - | - | - | - |
| | | | 420 543 717 | 420 543 717 | - | - | - | - |
| | | | | | | | | |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47.9 Effective Interest Rates and Repricing Analysis

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

30 June 2012

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|-------------------------------------|-----------------|---------------------------------|--------------------|--------------------|---------------|-------------|-------------|--------------------|
| | # | % | R | R | R | R | | R |
| FIXED RATE INSTRUMENTS | | | | | | | | |
| Unsecured Bank Facilities | 17 | | (5 553 707) | - | - | - | - | (5 553 707) |
| DBSA | | 5.00% | (5 553 707) | - | - | - | - | (5 553 707) |
| Total Fixed Rate Instruments | | | (5 553 707) | - | - | - | - | (5 553 707) |
| VARIABLE RATE INSTRUMENTS | | 5.74% | | | | | | |
| Short-term Investment Deposits | 7 | | 67 729 647 | 67 729 647 | - | - | - | - |
| Bank Balances and Cash | 7 | | 230 224 396 | 230 224 396 | - | - | - | - |
| Total Fixed Rate Instruments | | | 297 954 043 | 297 954 043 | - | - | - | - |

30 June 2011

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|-------------------------------------|-----------------|---------------------------------|--------------------|--------------------|---------------|-------------|-------------|--------------------|
| | # | % | R | R | R | R | | R |
| FIXED RATE INSTRUMENTS | | | | | | | | |
| Unsecured Bank Facilities | 17 | | (6 628 389) | - | - | - | - | (6 628 389) |
| DBSA | | 5.00% | (6 628 389) | - | - | - | - | (6 628 389) |
| Total Fixed Rate Instruments | | | (6 628 389) | - | - | - | - | (6 628 389) |
| VARIABLE RATE INSTRUMENTS | | 9.11% | | | | | | |
| Short-term Investment Deposits | 7 | | 115 786 209 | 115 786 209 | - | - | - | - |
| Bank Balances and Cash | 7 | | 267 404 504 | 267 404 504 | - | - | - | - |
| Total Fixed Rate Instruments | | | 383 190 713 | 383 190 713 | - | - | - | - |

47.10 Other Price Risks

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

48. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Chris Hani District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

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

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

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R9 695 556 million (2011: R11,219 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the fund had a deficit of R58,9 (30 June 2010: surplus of R0,0) million, with a funding level of 98,1% (30 June 2010: 100,0%). The balance of the Solvency Reserve was R4,9 (30 June 2010: R4,9) million. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,4%.

Government Employees Pension Fund (GEPF):

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

The statutory valuation performed as at 31 March 2010 revealed that the fund had a surplus of R0,0 (31 March 2008: R0,0) million, with a funding level of 100,0% (31 March 2008: 100,0%). The contribution rate paid by the members (7,50%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Local Authorities Pension Fund (SALA):

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 1 July 2010.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of 307,6 (1 July 2009: Deficit of R264,2) million, with a funding level of 96% (1 July 2009: 96%). The contribution rate paid by the members (7,50% to 9,00%) and the municipalities (15,00% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

Although the fund is less than 100% funded at the valuation date, no additional action is required at this stage to rectify the situation. If the current employer contribution rate is maintained, the fund is expected to be close to 100% funded at the next tri-annual valuation, provided the assumptions are borne out in practice.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R15 285 (30 June 2010: R7 311) million, with a funding level of 104,1% (30 June 2010: 102,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 869 (30 June 2010: R8 220) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

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

The statutory valuation performed as at 30 June 2010 revealed that the the assets of the fund amounted to R1 483,8 (30 June 2006: R1 483,8) million, with a funding ratio of 94,0% (30 June 2006: 106,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Liberty Life Pension Fund:

No details could be provided for the fund and of any valuation performed. However, the municipality does not contribute to the Fund anymore.

SAMWU (South African Municipal Workers Union) National Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be obtained for the fund and of any subsequent valuations performed.

SANLAM Annuity Fund:

No details could be provided for the fund and of any valuation performed. However, the municipality does not contribute to the Fund anymore.

SANLAM Retirement Fund:

No details could be provided for the fund and of any valuation performed. However, the municipality does not contribute to the Fund anymore.

None of the above mentioned plans are State Plans.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

49. RELATED PARTY TRANSACTIONS

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

49.1 Interest of Related Parties

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

| Name of Related Person | Designation | Description of Related Party Relationship |
|------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bula MN | Councillor | 20% Membership in Polonius Investments; 25% Membership in Bendis Investments; 100% Membership in Gobashe Trading Enterprise; 100% Membership in Zinkamba Trading 1002 |
| Dyantyi SR | Councillor | Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre |
| Gela W | Councillor | Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuselu'luntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading |
| Goniwe N | Councillor | 33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions |
| Koyo MC | Councillor | Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services; Spouse has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service |
| Kulashe-Ndyumby T | Councillor | Director and Founding Member of DDX General Trading; Director and Founding Member of Mayidede General Trading |
| Magwashu NG | Councillor | 50% Membership in Magwashu Development Projects |
| Mandile PP | Councillor | 50% Membership in Mfe-Gebe Trading |
| Matiwane-Bashe N | Councillor | 33,50% Membership in Noxxa Construction; 100% Membership in Shine the Way 708; Brother is a Member of Inyameko Trading 689 |
| Mbolo S | Councillor | 25% Membership in Amabandla Construction; 50% Membership in Monde Skosana Building Construction |
| Mvontshi M | Councillor | 100% Membership in Mgando Trading Enterprise |
| Myataza S | Councillor | Founding Member of Hluthamlhlati Multi-purpose Trading |
| Nkwentsha-Gunuza L | Councillor | Director of Lembede Investment Holdings (Pty) Ltd; Director of Lembede Strategic Investments (Pty) Ltd |
| Nobongoza H | Councillor | Director of Madcomsol Holdings (company has been deregistered); 25% Membership in Sangolekhaya Funeral Services; 100% Membership in Sunrise Coach Services; 100% Membership in Tando-Luzuko Trading & Projects |
| Nobongoza TP | Councillor | Director of Sakhisizwe Multi-purpose Resource Centre (Section 21 Company) |
| Nontsele M | Councillor | 33,30% Membership in Izibele Management Services |
| Nquma NP | Councillor | 33,40% Membership in Fenas and Nquma Civils and Property Developers |
| Ntakana S | Councillor | 100% Membership in Ntakana Brothers Transport and Construction |
| Ntoni BO | Councillor | 12,50% Membership in Ntoni and Zikhali Contractors |
| Plata SD | Councillor | 100% Membership in Daves Energy Distribution CC |
| Radzilani NR | Councillor | Director of Forecast Traders |
| Roskruge N | Councillor | 30% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise |
| Venske RW | Councillor | Director of Romeldi Prospektering (company deregistered) |
| Vimbayo K | Councillor | Director of Border Rural Committee (Section 21 Company); 50% Membership in Sikhho Social Development Facilitators |

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 | 2011 |
|------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| | | R | R |
| Name of Related Person | Designation | Description of Related Party Relationship | |
| Mbambisa MS | Mun Manager | 16.66% Membership in Mulepele Trading Enterprise CC; 100% Membership in Booi Mbambisa & Associates CC; Spouse is the Owner of K & M Guest House, trading as Tree House Guest House | |
| Nqwazi N | Acting Mun Manager // Director | Director of Bartoplex; Director of Copper Sunset Trading 407; Director of Tuscan Mood 183; Director of Westside Trading 253; 20% Membership in Aphuhile Business Consultants; 30% Membership in Great Oak Trading 29; 30% Membership in Kwalago Trading; 50% Membership in Osstincox Promotions; 50% Membership in Round About Multi Projects; 50% Membership in The Galz Property Investment & Development | |
| Dyasi-De Lange MP | Director | 50,02% Membership in Siyaphuhlisa Consulting Services CC; Spouse is owner of Classy Trade Investments 1094 CC | |
| Lynch JEDeV | Director | 100% Membership in Ke-Rometsi Transport Services CC | |
| Gobeni N | Ass Director | Director of Hi-Lite Development Agency | |
| Fumbeza N | Manager | 33,33% Membership in Thembalobom Manufacturing & Enterprise CC | |
| Jaxa-Dusubana V | Manager | 33,33% Membership in Seven Mile Trading 132 CC; Spouse has 33% membership in Galindo Trading 121 CC | |
| Makonza A | Manager | 100% Membership in Seasons Find 1260 CC | |
| Ngqoyiyana M | Manager | 100% Membership in Jazzmataz Construction | |
| Ntlabezo LN | Manager | Director of TLT Furniture and Cabinet Makers; 30% Membership in Nokwindla Trading; 32% Membership in Lupuno Engineering Contractors; 50% Membership in TLN Trading; Brother is a Partner in Nokwindla Trading CC | |
| Gcali AM | Area Manager | 50% Membership in Sebutha Transports Catering and Cleaners | |
| Makwabe T | Area Manager | 50% Membership in Mokoti Construction | |
| Shasha MM | Area Manager | 25% Membership in Safika Rural Development Consultants CC | |
| Ndlebe NS | Councillor | Relative is involved in the Taxi Industry | |
| Noqha LE | Councillor | Daughter is a member of Ariano 222 | |
| Shweni ZR | Councillor | Spouse has interest/membership in Bomi Investment Holdings, Eand So Civil Engineering and Construction, Ezomso Training and Conference Centre, Hlumisa Travelling Agency, Lilitha Vehicle Hire, Manzana Mancoba and Shweni Heavy Duty Transportation, Ngxongounathi Security, Olona Trading and Project and Shweni Trading | |
| Myataza-Ntshinga NJ | Acting CFO // Deputy Director | Spouse has membership in Agnul Investments, Amathole Economic Development Agency, Hlumisa Consulting Services and Ikhwezi Lakusasa Transportation & Multi-purpose | |
| Memani TH | Manager | Child is a Member of Vunoleo Building & Civil Youth Construction | |
| Silangwe M | Manager | Spouse is a member of Thakwemi Consulting | |

49.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

49.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

49.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

49.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

| Company Name | Related Person | Company Capacity | Municipal Capacity | Purchases for the Year | Purchases for the Year |
|----------------------------------|----------------|------------------|--------------------|-------------------------|-------------------------|
| Agnul Investments | Ntshinga L (1) | Member | Acting CFO | 89 120 | - |
| Ariano 222 CC | Flatela K (2) | Member | Councillor | 16 100 | 32 571 |
| Classy Trade Investments 1094 CC | Dyasi B (3) | Member | Official | 1 818 865 | 3 400 347 |
| DDX General Trading | Kulashe-N T | Director | Councillor | 709 303 | - |
| Thakwemi Consulting | Silangwe N (4) | Member | Official | 2 700 | 23 027 |
| Treehouse Guest House | Mbambisa K (5) | Member | Mun Manager | 19 280 | - |
| Galindo Trading 121 CC | Spouse (6) | Member | Official | - | 1 140 |
| Hlumisa Consulting Services | Spouse (7) | Member | Official | - | 52 440 |
| Total Purchases | | | | <u>2 655 367</u> | <u>3 509 525</u> |

- (1) Mr L Ntshinga is the spouse of an official, NJ Myataza-Ntshinga
(2) Ms L Flatela is the daughter of Councillor LE Noqha
(3) Mr B Dyasi is the spouse of an official, MP Dyasi-De Lange
(4) Ms N Silangwe is the spouse of an official, M Silangwe
(5) Ms K Mbambisa is the spouse of the Municipal Manager, MS Mbambisa
(6) Spouse of an official, V Jaxa-Dusubana
(7) Spouse of an official, N Myataza-Ntsinga

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

50. CONTINGENT LIABILITIES

50.1 Guarantees:

20 000 **20 000**

- (i) Telkom:
The municipality issued a bank guarantee in favour of the South African Post Office Limited to cover the municipality's postal account.

20 000 20 000

50.2 Court Proceedings:

3 362 662 **3 312 662**

- (i) Arrear Pension Contributions:
The Municipal Employees Pension Fund brought an action against the municipality for outstanding payment of contributions to the Fund in respect of councillors. The particulars of the claim are still in process of being amended. A trial date is yet to be obtained and the outcome of the action is still uncertain. The municipality's attorneys advised that the municipality settles for economic reasons. Subsequently, an offer of R20 000 was made towards full and final settlement. The Fund declined and claims the whole outstanding amount with interest and costs.

322 950 322 950

- (ii) Outstanding Payments:
Reticulation Design Project Services was appointed by the municipality for the upgrading of streets and storm water drainage, and the building of VIP toilets. RDP Services has instituted action against the municipality for the recovery of payments allegedly not made. A trial date has been set for 29 August 2011, but the matter was again postponed. The claimant served notice of intention to amend the trial particulars, but has failed to date to do so. The outcome of the case is still uncertain.

2 501 111 2 501 111

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 R | 2011 R |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| (iii) Services Rendered: Frikton CC is claiming from the municipality in respect of a cession in their favour for services rendered as sub-contractor to Ikamva Civils. A trial date has been set for 30 November 2010, but the matter was removed by agreement due to unavailability of counsel. A new trial date is awaited and the outcome of the case is still uncertain. | 488 601 | 488 601 |
| (iv) Dispute regarding Fire Trucks: A dispute has arisen over Fire Trucks supplied to the municipality by Masakhe Die Cast. Masakhe Die Cast did not fulfil all its obligations. A letter of demand was received and the municipality's attorneys were instructed to defend the matter. The summons is awaited and the outcome of the matter is still uncertain. | 50 000 | - |
| (v) Demand for Medical Benefits: The spouse of the Late HS Greissler, a former employee of the municipality, is demanding the payment of medical benefits for her deceased husband from the municipality. The amount claimed has not been disclosed and the outcome of the matter is still uncertain. | - | - |

51. CONTINGENT ASSETS

51.1 Court Proceedings:

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------|
| | 510 953 | - |
| (i) Guarantee: The municipality is claiming against Fernfin for the guaranteed amount issued to a contractor. On termination the contractor's appointment, payment of the guaranteed amount was requested from Fernfin who has not paid this amount. A letter of demand was sent to Fernfin on 24 January 2011. Fernfin has denied liability and summons was issued. Fernfin filed a plea and a counter claim. A replication to the counter claim is being prepared. A trial date has been applied for with the Registrar and the outcome of the case is still uncertain. | 318 293 | - |
| (ii) Services not Rendered: Untingo Lukhosi Trading Enterprise was appointed to provide two charcoal kilns. Despite payment of the amount, the service provider failed to deliver the charcoal kilns. Summons was issued in Queenstown Regional Court on 2 February 2011 and was served on the Defendant. Discovery Affidavit was filed and a trial date is awaited. The outcome of the matter is still uncertain. | 192 660 | - |

52. IN-KIND DONATIONS AND ASSISTANCE

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

- (i) Secondment of International DED Junior Expert by the German Development Service for one year until August 2011.

53. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2011/12.

54. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

54.1 Chris Hani Development Agency:

The Chris Hani Development Agency Entity, which was registered on 21 February 2012, commenced operations on 01 July 2012. No commitments were made by the entity prior to the commencement of operations. The municipality Chris Hani District Municipality holds all shares (100%) in the entity.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

55. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 37) and Prior Period Errors (Note 38).

56. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures - revised
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

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

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

57. COMPARISON WITH THE BUDGET

Budgeted amounts for expenditure have been exceeded as indicated below:

| Category of Expenditure | 30 June 2012 | | 30 June 2011 | |
|---------------------------------------------------|--------------|------------|--------------|-------------|
| | Budgeted | Actual | Budgeted | Actual |
| | Amount | Amount | Amount | Amount |
| | R | R | R | R |
| Employee Related Costs | - | - | 117 855 703 | 139 455 717 |
| Remuneration of Councillors | - | - | 6 537 547 | 6 655 249 |
| Depreciation and Amortisation | 3 008 480 | 88 787 929 | 84 800 | 89 066 102 |
| Impairment Losses | - | - | - | 75 488 769 |
| Repairs and Maintenance | - | - | 2 838 908 | 12 840 735 |
| Finance Costs | - | - | 1 041 035 | 4 070 095 |
| Contracted Services | - | - | 685 536 | 40 494 801 |
| General Expenses | - | - | 52 780 730 | 71 083 236 |
| Loss on Disposal of Property, Plant and Equipment | - | 40 217 | - | 4 393 204 |

The excess expenditure has not been authorised and is disclosed as such in Note 44.1.

The excess expenditure is to a large extent caused by the integration of the transactions incurred by the Local Municipalities for Sanitation and Water Services into the municipality's records, which transactions have not been budgeted for.

Details of the operating results per category of expenditure for the current year, together with an explanation of significant variances of more than 10% from budget, are listed below.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

57. COMPARISON WITH THE BUDGET (Continued)

30 June 2012

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--------------------------------------------|-----------------------------|-----------------------|----------|--------------------|----------------------|-----------------------------|----------------------|-------------------------------------------|----------------------------------------------|
| | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Inventory | - | - | - | - | 797 303 | - | 797 303 | 0.00 | 0.00 |
| Receivables from Exchange Transactions | - | - | - | - | (0) | - | (0) | 0.00 | 0.00 |
| Receivables from Non-exchange Transactions | - | - | - | - | 105 529 455 | - | 105 529 455 | 0.00 | 0.00 |
| VAT Receivable | - | - | - | - | 16 436 009 | - | 16 436 009 | 0.00 | 0.00 |
| Bank, Cash and Cash Equivalents | 287 000 000 | - | - | 287 000 000 | 297 954 043 | - | 10 954 043 | 103.82 | 103.82 |
| Operating Lease Assets | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Current Portion of Long-term Receivables | 12 500 | - | - | 12 500 | - | - | (12 500) | 0.00 | 0.00 |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | 412 876 800 | - | - | 412 876 800 | 2 749 719 695 | - | 2 336 842 895 | 665.99 | 665.99 |
| Intangible Assets | - | - | - | - | 440 886 | - | 440 886 | 0.00 | 0.00 |
| Investment Property | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Non-current Investments | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Total Assets | 699 889 300 | - | - | 699 889 300 | 3 170 877 391 | - | 2 470 988 091 | 453.05 | 453.05 |
| Current Liabilities | | | | | | | | | |
| Provisions | - | - | - | - | 2 755 901 | - | 2 755 901 | 0.00 | 0.00 |
| Payables | 169 013 630 | - | - | 169 013 630 | 29 571 181 | - | (139 442 449) | 17.50 | 17.50 |
| Unspent Conditional Grants and Receipts | 288 581 381 | - | - | 288 581 381 | 102 799 613 | - | (185 781 768) | 35.62 | 35.62 |
| Operating Lease Liabilities/Payables | - | - | - | - | 64 458 | - | 64 458 | 0.00 | 0.00 |
| Current Portion of Long-term Liabilities | 518 666 | - | - | 518 666 | 1 129 631 | - | 610 965 | 217.80 | 217.80 |
| Non-Current Liabilities | | | | | | | | | |
| Long-term Liabilities | - | - | - | - | 4 424 076 | - | 4 424 076 | 0.00 | 0.00 |
| Retirement Benefit Liabilities | 21 346 328 | - | - | 21 346 328 | 25 147 550 | - | 3 801 222 | 117.81 | 117.81 |
| Non-current Provisions | - | - | - | - | 3 326 322 | - | 3 326 322 | 0.00 | 0.00 |
| Total Liabilities | 479 460 005 | - | - | 479 460 005 | 169 218 733 | - | (310 241 272) | 35.29 | 35.29 |
| Total Assets and Liabilities | 220 429 295 | - | - | 220 429 295 | 3 001 658 658 | - | 2 781 229 363 | 1 361.73 | 1 361.73 |
| Net Assets (Equity) | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 220 429 295 | - | - | 220 429 295 | 3 001 658 658 | - | 2 781 229 363 | 1 361.73 | 1 361.73 |
| Total Net Assets | 220 429 295 | - | - | 220 429 295 | 3 001 658 658 | - | 2 781 229 363 | 1 361.73 | 1 361.73 |

| FINANCIAL PERFORMANCE | | | | | | | | | |
|------------------------------------------------------|--------------------|--------------------|----------|--------------------|--------------------|---------------------|----------------------|---------------|---------------|
| Revenue from Non-exchange Transactions | | | | | | | | | |
| Government Grants and Subsidies Received | 785 506 723 | - | - | 785 506 723 | 799 518 311 | - | 14 011 588 | 101.78 | 101.78 |
| Public Contributions and Donations | - | - | - | - | 1 500 000 | - | 1 500 000 | 0.00 | 0.00 |
| Revenue from Exchange Transactions | | | | | | | | | |
| Service Charges | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Rental of Facilities and Equipment | 146 250 | - | - | 146 250 | 97 192 | - | (49 058) | 66.46 | 66.46 |
| Interest Earned - External Investments | 23 453 500 | - | - | 23 453 500 | 19 601 048 | - | (3 852 452) | 83.57 | 83.57 |
| Interest Earned - Outstanding Debtors | 12 000 | - | - | 12 000 | - | - | (12 000) | 0.00 | 0.00 |
| Other Income | 1 122 740 | - | - | 1 122 740 | 55 551 261 | - | 54 428 521 | 4 947.83 | 4 947.83 |
| Gains on Disposal of Property, Plant and Equipment | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Total Revenue | 810 241 213 | - | - | 810 241 213 | 876 267 813 | - | 66 026 600 | 108.15 | 108.15 |
| Expenditure | | | | | | | | | |
| Employee Related Costs | 127 167 527 | - | - | 127 167 527 | 110 318 975 | - | (16 848 552) | 86.75 | 86.75 |
| Remuneration of Councillors | 7 008 701 | 2 838 147 | - | 9 846 848 | 7 437 213 | - | (2 409 635) | 75.53 | 106.11 |
| Collection Costs | 344 833 | - | - | 344 833 | - | - | (344 833) | 0.00 | 0.00 |
| Depreciation and Amortisation | 3 008 480 | - | - | 3 008 480 | 88 787 929 | 85 779 449 | 85 779 449 | 2 951.26 | 2 951.26 |
| Impairment Losses | - | - | - | - | (9 046 605) | - | (9 046 605) | 0.00 | 0.00 |
| Repairs and Maintenance | 3 522 920 | - | - | 3 522 920 | 1 540 027 | - | (1 982 893) | 43.71 | 43.71 |
| Finance Costs | 2 343 710 | - | - | 2 343 710 | 384 647 | - | (1 959 063) | 16.41 | 16.41 |
| Bulk Purchases | 7 359 402 | - | - | 7 359 402 | 6 678 620 | - | (680 782) | 90.75 | 90.75 |
| Contracted Services | 3 128 589 | - | - | 3 128 589 | 528 894 | - | (2 599 695) | 16.91 | 16.91 |
| Grants and Subsidies Paid | 591 379 723 | (4 153 347) | - | 587 226 376 | 391 739 771 | - | (195 486 605) | 66.71 | 66.24 |
| General Expenses | 66 292 528 | - | - | 66 292 528 | 28 331 082 | - | (37 961 446) | 42.74 | 42.74 |
| Loss on Disposal of Property, Plant and Equipment | - | - | - | - | 40 217 | 40 217 | 40 217 | 0.00 | 0.00 |
| Total Expenditure | 811 556 413 | (1 315 200) | - | 810 241 213 | 626 740 770 | 85 819 666 | (183 500 443) | 77.35 | 77.23 |
| Surplus/(Deficit) | | | | | | | | | |
| Transfers Recognised - Capital | (1 315 200) | 1 315 200 | - | - | 249 527 043 | (85 819 666) | 249 527 043 | 0.00 | 0.00 |
| | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Surplus/(Deficit) after Capital Transfers and | | | | | | | | | |
| Surplus / (Deficit) from Discontinued Operations | (1 315 200) | 1 315 200 | - | - | 249 527 043 | (85 819 666) | 249 527 043 | 0.00 | 0.00 |
| | - | - | - | - | (703 580) | - | (703 580) | 0.00 | 0.00 |
| Surplus/(Deficit for the Year) | (1 315 200) | 1 315 200 | - | - | 248 823 463 | (85 819 666) | 248 823 463 | - | - |

| | | | | | | | | | |
|-------------------------------------------------------|----------------------|----------|----------|----------------------|---------------------|--------------------|----------------------|--------------|--------------|
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | |
| Executive and Council | - | - | - | - | 477 135 | 477 135 | 477 135 | 0.00 | 0.00 |
| Finance and Administration | 16 188 000 | - | - | 16 188 000 | 14 386 257 | - | (1 801 743) | 88.87 | 88.87 |
| Planning and Development | - | - | - | - | 291 540 | 291 540 | 291 540 | 0.00 | 0.00 |
| Community and Social Services | 5 987 000 | - | - | 5 987 000 | 3 166 127 | - | (2 820 873) | 52.88 | 52.88 |
| Waste Management | 250 000 000 | - | - | 250 000 000 | 13 076 131 | - | (236 923 869) | 5.23 | 5.23 |
| Water | 393 604 000 | - | - | 393 604 000 | 233 220 901 | - | (160 383 099) | 59.25 | 59.25 |
| Total Sources of Capital Funds | 665 779 000 | - | - | 665 779 000 | 264 618 089 | 768 674 | (401 160 911) | 39.75 | 39.75 |
| CASH FLOW | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | |
| Cash receipts from Ratepayers, Government and Other | 816 652 000 | - | - | 816 652 000 | 1 052 293 789 | 235 641 789 | 235 641 789 | 128.85 | 128.85 |
| Cash paid to Suppliers and Employees | (453 163 911) | - | - | (453 163 911) | (892 294 418) | - | (439 130 507) | 0.00 | 0.00 |
| Interest Received | 25 465 500 | - | - | 25 465 500 | 19 601 048 | - | (5 864 452) | 76.97 | 76.97 |
| Interest Paid | (356 374) | - | - | (356 374) | (384 647) | - | (28 273) | 0.00 | 0.00 |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (673 689 451) | - | - | (673 689 451) | (264 618 089) | 409 071 362 | 409 071 362 | 0.00 | 0.00 |
| Proceeds on Disposal of Property, Plant and Equipment | - | - | - | - | 1 240 329 | 1 240 329 | 1 240 329 | 0.00 | 0.00 |
| Decrease / (Increase) in Non-current Investments | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | |
| Loans repaid | (1 037 332) | - | - | (1 037 332) | (1 074 681) | - | (37 349) | 0.00 | 0.00 |
| Cash and Cash Equivalents at End of the Year | (286 129 568) | - | - | (286 129 568) | (85 236 670) | 645 953 479 | 200 892 898 | 0.00 | 0.00 |

30 June 2011

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--------------------------------------------|-----------------------------|-----------------------|----------|--------------------|----------------------|-----------------------------|----------------------|-------------------------------------------|----------------------------------------------|
| | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Inventory | 10 232 | - | - | 10 232 | 4 200 705 | - | 4 190 473 | 41 054.59 | 41 054.59 |
| Non-current Assets Held-for-Sale | - | - | - | - | 398 217 | - | 398 217 | 0.00 | 0.00 |
| Receivables from Exchange Transactions | 57 481 598 | - | - | 57 481 598 | 2 745 296 | - | (54 736 302) | 4.78 | 4.78 |
| Receivables from Non-exchange Transactions | 26 487 420 | - | - | 26 487 420 | 34 607 708 | - | 8 120 288 | 130.66 | 130.66 |
| VAT Receivable | - | - | - | - | 16 807 038 | - | 16 807 038 | 0.00 | 0.00 |
| Bank, Cash and Cash Equivalents | 12 391 733 | - | - | 12 391 733 | 383 190 713 | - | 370 798 980 | 3 092.31 | 3 092.31 |
| Current Portion of Long-term Receivables | 5 017 234 | - | - | 5 017 234 | - | - | (5 017 234) | 0.00 | 0.00 |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | 376 548 000 | - | - | 376 548 000 | 2 574 906 203 | - | 2 198 358 203 | 683.82 | 683.82 |
| Intangible Assets | 190 | - | - | 190 | 704 764 | - | 704 574 | 370 928.16 | 370 928.16 |
| Investment Property | 372 586 | - | - | 372 586 | - | - | (372 586) | 0.00 | 0.00 |
| Non-current Investments | 90 861 909 | - | - | 90 861 909 | - | - | (90 861 909) | 0.00 | 0.00 |
| Total Assets | 569 170 902 | - | - | 569 170 902 | 3 017 560 643 | - | 2 448 389 741 | 530.17 | 530.17 |
| Current Liabilities | | | | | | | | | |
| Provisions | 1 840 731 | - | - | 1 840 731 | 1 949 877 | - | 109 146 | 105.93 | 105.93 |
| Payables | 38 934 703 | - | - | 38 934 703 | 115 002 934 | - | 76 068 231 | 295.37 | 295.37 |
| Unspent Conditional Grants and Receipts | 179 118 132 | - | - | 179 118 132 | 113 890 747 | - | (65 227 385) | 63.58 | 63.58 |
| Operating Lease Liabilities/Payables | - | - | - | - | 28 924 | - | 28 924 | 0.00 | 0.00 |
| Current Portion of Long-term Liabilities | 505 026 | - | - | 505 026 | 1 074 681 | - | 569 655 | 212.80 | 212.80 |
| Non-Current Liabilities | | | | | | | | | |
| Long-term Liabilities | 7 656 431 | - | - | 7 656 431 | 5 553 707 | - | (2 102 724) | 72.54 | 72.54 |
| Retirement Benefit Liabilities | 21 599 165 | - | - | 21 599 165 | 21 070 779 | - | (528 386) | 97.55 | 97.55 |
| Non-current Provisions | 8 825 228 | - | - | 8 825 228 | 2 866 650 | - | (5 958 578) | 32.48 | 32.48 |
| Total Liabilities | 258 479 416 | - | - | 258 479 416 | 261 438 300 | - | 2 958 884 | 101.14 | 101.14 |
| Total Assets and Liabilities | 310 691 486 | - | - | 310 691 486 | 2 756 122 344 | - | 2 445 430 858 | 887.09 | 887.09 |
| Net Assets (Equity) | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 310 691 486 | - | - | 310 691 486 | 2 756 122 344 | - | 2 445 430 858 | 887.09 | 887.09 |
| Total Net Assets | 310 691 486 | - | - | 310 691 486 | 2 756 122 344 | - | 2 445 430 858 | 887.09 | 887.09 |

| FINANCIAL PERFORMANCE | | | | | | | | | |
|------------------------------------------------------|--------------------|----------|----------|--------------------|--------------------|----------------------|----------------------|---------------|---------------|
| Revenue from Non-exchange Transactions | | | | | | | | | |
| Government Grants and Subsidies Received | 663 706 000 | - | - | 663 706 000 | 630 229 307 | - | (33 476 693) | 94.96 | 94.96 |
| Public Contributions and Donations | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Revenue from Exchange Transactions | | | | | | | | | |
| Service Charges | 62 481 599 | - | - | 62 481 599 | 100 116 468 | - | 37 634 869 | 160.23 | 160.23 |
| Rental of Facilities and Equipment | 158 520 | - | - | 158 520 | 145 028 | - | (13 492) | 91.49 | 91.49 |
| Interest Earned - External Investments | 15 000 743 | - | - | 15 000 743 | 28 009 215 | - | 13 008 472 | 186.72 | 186.72 |
| Interest Earned - Outstanding Debtors | 12 000 | - | - | 12 000 | 14 566 195 | - | 14 554 195 | 121 384.95 | 121 384.95 |
| Other Revenue | 683 427 | - | - | 683 427 | 30 045 478 | - | 29 362 051 | 4 396.30 | 4 396.30 |
| Gains on Disposal of Property, Plant and Equipment | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Total Revenue | 742 042 289 | - | - | 742 042 289 | 803 111 691 | - | 61 069 402 | 108.23 | 108.23 |
| Expenditure | | | | | | | | | |
| Employee Related Costs | 117 855 703 | - | - | 117 855 703 | 139 455 717 | 21 600 014 | 21 600 014 | 118.33 | 118.33 |
| Remuneration of Councillors | 6 537 547 | - | - | 6 537 547 | 6 655 249 | 117 702 | 117 702 | 101.80 | 101.80 |
| Collection Costs | 322 573 | - | - | 322 573 | 4 786 | - | (317 787) | 1.48 | 1.48 |
| Depreciation and Amortisation | 84 800 | - | - | 84 800 | 89 066 102 | 88 981 302 | 88 981 302 | 105 030.78 | 105 030.78 |
| Impairment Losses | - | - | - | - | 75 488 769 | 75 488 769 | 75 488 769 | 0.00 | 0.00 |
| Repairs and Maintenance | 2 838 908 | - | - | 2 838 908 | 12 840 735 | 10 001 827 | 10 001 827 | 452.31 | 452.31 |
| Finance Costs | 1 041 035 | - | - | 1 041 035 | 4 070 095 | 3 029 060 | 3 029 060 | 390.97 | 390.97 |
| Bulk Purchases | 22 092 823 | - | - | 22 092 823 | 14 228 344 | - | (7 864 479) | 64.40 | 64.40 |
| Contracted Services | 685 536 | - | - | 685 536 | 40 494 801 | 39 809 265 | 39 809 265 | 5 907.03 | 5 907.03 |
| Grants and Subsidies Paid | 537 802 634 | - | - | 537 802 634 | 149 110 175 | - | (388 692 459) | 27.73 | 27.73 |
| General Expenses | 52 780 730 | - | - | 52 780 730 | 71 083 236 | 18 302 506 | 18 302 506 | 134.68 | 134.68 |
| Loss on Disposal of Property, Plant and Equipment | - | - | - | - | 4 393 204 | 4 393 204 | 4 393 204 | 0.00 | 0.00 |
| Total Expenditure | 742 042 289 | - | - | 742 042 289 | 606 891 211 | 261 723 648 | (135 151 078) | 81.79 | 81.79 |
| Surplus/(Deficit) | | | | | | | | | |
| Transfers Recognised - Capital | - | - | - | - | 196 220 479 | (261 723 648) | 196 220 479 | 0.00 | 0.00 |
| | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Surplus/(Deficit) after Capital Transfers and | | | | | | | | | |
| Surplus / (Deficit) from Discontinued Operations | - | - | - | - | 196 220 479 | (261 723 648) | 196 220 479 | 0.00 | 0.00 |
| | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Surplus/(Deficit for the Year) | - | - | - | - | 196 220 479 | (261 723 648) | 196 220 479 | - | - |

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

| Description | 2012 | 2011 |
|---------------------------------------------------------------------------------|--------------------|--------------------|
| | R | R |
| Net surplus/(deficit) per the statement of financial performance | 248 823 463 | 196 220 479 |
| Revenue from Non-exchange Transactions | | |
| Government Grants and Subsidies Received | (14 011 588) | 33 476 693 |
| Public Contributions and Donations | (1 500 000) | - |
| Revenue from Exchange Transactions | | |
| Service Charges | - | (37 634 869) |
| Rental of Facilities and Equipment | 49 058 | 13 492 |
| Interest Earned - External Investments | 3 852 452 | (13 008 472) |
| Interest Earned - Outstanding Debtors | 12 000 | (14 554 195) |
| Other Revenue | (54 428 521) | (29 362 051) |
| Gains on Disposal of Property, Plant and Equipment | - | - |
| Expenditure | | |
| Employee Related Costs | (16 848 552) | 21 600 014 |
| Remuneration of Councillors | (2 409 635) | 117 702 |
| Collection Costs | (344 833) | (317 787) |
| Depreciation and Amortisation | 85 779 449 | 88 981 302 |
| Impairment Losses | (9 046 605) | 75 488 769 |
| Repairs and Maintenance | (1 982 893) | 10 001 827 |
| Finance Costs | (1 959 063) | 3 029 060 |
| Bulk Purchases | (680 782) | (7 864 479) |
| Contracted Services | (2 599 695) | 39 809 265 |
| Grants and Subsidies Paid | (195 486 605) | (388 692 459) |
| General Expenses | (37 961 446) | 18 302 506 |
| Loss on Disposal of Property, Plant and Equipment | 40 217 | 4 393 204 |
| Surplus / (Deficit) from Discontinued Operations | 703 580 | - |
| Share of Surplus / (Deficit) of Associate accounted for under the Equity Method | - | - |
| Net surplus/deficit per approved budget | 0 | (0) |

APPENDIX A
CHRIS HANI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

| Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance at 30 June 2011 | Received during the Period | Redeemed/ Written Off during Period | Balance at 30 June 2012 |
|-----------------------------|----------------------|---------------|-------------|------------|-------------------------|----------------------------|-------------------------------------|-------------------------|
| ANNUITY LOANS | R | | | | R | R | R | R |
| DBSA | 10 000 000 | 5.00% | 101215/1 | 30/09/2016 | 6 628 389 | - | 1 074 681 | 5 553 707 |
| Total Annuity Loans | 10 000 000 | | | | 6 628 389 | - | 1 074 681 | 5 553 707 |
| | | | | | | | | |
| TOTAL EXTERNAL LOANS | 10 000 000 | | | | 6 628 389 | - | 1 074 681 | 5 553 707 |

ANNUITY LOANS:

DBSA:
 Structured unsecured 10 year loan for eradication of bucket system. Original loan capital of R10 000 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
CHRIS HANI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value | Budget Additions 2012 |
|--------------------------------|----------------------|-------------------|--------------------|-------------------|-----------|----------------------|---------------------------------------|-------------------|-----------|-----------|--------------------|----------------------|-----------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and Buildings | | | | | | | | | | | | | |
| Land | 38 984 400 | 1 100 000 | - | - | - | 40 084 400 | - | - | - | - | - | 40 084 400 | - |
| Office Buildings | 46 241 500 | - | - | - | - | 46 241 500 | 1 790 204 | 895 102 | - | - | 2 685 306 | 43 556 194 | 250 000 000 |
| | 85 225 900 | 1 100 000 | - | - | - | 86 325 900 | 1 790 204 | 895 102 | - | - | 2 685 306 | 83 640 594 | 250 000 000 |
| Infrastructure | | | | | | | | | | | | | |
| <i>Security Measures:</i> | | | | | | | | | | | | | |
| Access Control | 26 500 | - | - | - | - | 26 500 | 15 679 | 1 353 | - | - | 17 032 | 9 468 | - |
| Security Systems | 59 623 | - | - | - | - | 59 623 | 37 691 | 3 608 | - | - | 41 299 | 18 324 | - |
| <i>Sewerage:</i> | | | | | | | | | | | | | |
| Pipelines: Bulk | 7 649 580 | - | 1 174 081 | - | - | 8 823 661 | 388 426 | 195 962 | - | - | 584 388 | 8 239 273 | - |
| Pipelines: Reticulation | 176 619 220 | - | 37 927 734 | - | - | 214 546 954 | 11 844 421 | 5 956 341 | - | - | 17 800 762 | 196 746 192 | - |
| Pumping Stations | 12 318 728 | - | 5 275 330 | - | - | 17 594 058 | 1 178 627 | 642 212 | - | - | 1 820 839 | 15 773 219 | - |
| Treatment Works | 147 178 971 | - | 15 675 510 | - | - | 162 854 481 | 10 084 855 | 5 801 531 | - | - | 15 886 386 | 146 968 095 | - |
| <i>Water:</i> | | | | | | | | | | | | | |
| Meters: Domestic | 54 404 286 | - | - | - | - | 54 404 286 | 12 089 841 | 6 044 921 | - | - | 18 134 762 | 36 269 524 | - |
| Pumping Stations | 23 154 692 | - | 5 848 268 | - | - | 29 002 960 | 1 561 477 | 1 332 982 | - | - | 2 894 459 | 26 108 500 | - |
| Reservoirs and Tanks | 403 177 004 | - | 9 250 729 | - | - | 412 427 733 | 23 966 415 | 12 438 949 | - | - | 36 405 364 | 376 022 369 | 112 000 000 |
| Supply and Reticulation | 1 309 670 911 | 12 069 736 | 290 790 091 | 19 709 765 | - | 1 632 240 503 | 82 208 891 | 42 474 696 | - | - | 124 683 587 | 1 507 556 916 | 281 604 000 |
| Treatment Works | 115 679 966 | - | 218 849 230 | - | - | 334 529 196 | 12 168 031 | 5 902 936 | - | - | 18 070 967 | 316 458 230 | 1 688 000 |
| | 2 249 939 481 | 12 069 736 | 584 790 973 | 19 709 765 | - | 2 866 509 956 | 155 544 354 | 80 795 492 | - | - | 236 339 846 | 2 630 170 110 | 395 292 000 |
| Other Assets | | | | | | | | | | | | | |
| <i>Bins and Containers:</i> | | | | | | | | | | | | | |
| Household Refuse Bins | 539 475 | - | - | - | - | 539 475 | 94 551 | 74 154 | - | - | 168 705 | 370 770 | - |
| <i>Computer Equipment:</i> | | | | | | | | | | | | | |
| Computer Hardware | 5 695 552 | 1 406 880 | - | - | (230 212) | 6 872 220 | 3 346 035 | 920 300 | - | (215 060) | 4 051 276 | 2 820 944 | - |
| <i>Emergency Equipment:</i> | | | | | | | | | | | | | |
| Fire Equipment | 33 523 | - | - | - | (1 297) | 32 226 | 20 557 | 4 869 | - | (1 131) | 24 294 | 7 931 | - |
| Medical and Allied Equipment | 4 | - | - | - | - | 4 | - | 1 | - | - | 1 | 3 | - |
| <i>Furniture and Fittings:</i> | | | | | | | | | | | | | |
| Cabinets and Cupboards | 1 400 100 | 60 938 | - | - | (7 791) | 1 453 247 | 737 165 | 161 991 | - | (5 527) | 893 628 | 559 620 | - |
| Chairs and Couches | 972 635 | 122 194 | - | - | (33 336) | 1 061 492 | 518 411 | 119 108 | - | (27 960) | 609 560 | 451 933 | - |
| Desks and Tables | 1 261 960 | 172 318 | - | - | (9 927) | 1 424 350 | 635 851 | 159 602 | - | (6 437) | 789 016 | 635 335 | - |
| Other Furniture and Fittings | 436 243 | 90 231 | - | - | (2 157) | 524 318 | 213 058 | 56 539 | - | (1 588) | 268 009 | 256 309 | - |

APPENDIX B
CHRIS HANI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value | Budget Additions 2012 |
|------------------------------------|----------------------|-------------------|--------------------|-------------------|--------------------|----------------------|---------------------------------------|-------------------|-----------|--------------------|--------------------|----------------------|-----------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| <i>Motor Vehicles:</i> | | | | | | | | | | | | | |
| Passenger Vehicles | 2 939 050 | - | - | - | (619 736) | 2 319 314 | 1 226 546 | 237 028 | - | (344 000) | 1 119 574 | 1 199 740 | - |
| Tractors | 1 389 317 | - | - | - | - | 1 389 317 | 743 508 | 87 576 | - | - | 831 083 | 558 233 | - |
| Trailers and Accessories | 178 703 | - | - | - | - | 178 703 | 129 650 | 10 085 | - | - | 139 735 | 38 968 | - |
| Trucks and LDV's | 32 293 838 | 3 061 583 | - | - | (1 123 248) | 34 232 174 | 8 257 439 | 3 945 320 | - | (692 411) | 11 510 349 | 22 721 825 | - |
| <i>Office Equipment:</i> | | | | | | | | | | | | | |
| Air Conditioners | 855 277 | 24 933 | - | - | - | 880 209 | 583 286 | 95 394 | - | - | 678 680 | 201 529 | - |
| Audiovisual Equipment | 762 289 | 67 071 | - | - | (7 245) | 822 116 | 380 397 | 77 983 | - | (5 390) | 452 990 | 369 126 | - |
| Kitchen Appliances | 139 246 | 17 630 | - | - | (7 244) | 149 631 | 71 617 | 13 596 | - | (5 568) | 79 645 | 69 986 | - |
| Office Machines | 1 460 124 | 5 835 | - | - | (530) | 1 465 429 | 607 497 | 180 038 | - | (505) | 787 031 | 678 399 | - |
| Other Office Equipment | 324 401 | 34 468 | - | - | (13 334) | 345 534 | 132 750 | 41 642 | - | (9 996) | 164 396 | 181 138 | - |
| <i>Plant and Equipment:</i> | | | | | | | | | | | | | |
| Compressors, Generators and Allied | 17 887 | - | - | - | - | 17 887 | 7 640 | 2 422 | - | - | 10 062 | 7 825 | - |
| Earthmoving Equipment | 1 565 200 | - | - | - | - | 1 565 200 | 893 535 | 88 095 | - | - | 981 630 | 583 570 | - |
| Farm Equipment | 66 782 | - | - | - | - | 66 782 | 31 967 | 3 852 | - | - | 35 819 | 30 963 | - |
| Laboratory Equipment | 726 768 | 81 410 | - | - | (2) | 808 176 | 308 079 | 99 599 | - | (1) | 407 678 | 400 498 | - |
| Lawnmowers / Gardening Equipment | 5 394 | 3 640 | - | - | (2 544) | 6 490 | 5 063 | 490 | - | (2 473) | 3 080 | 3 411 | - |
| Other Plant and Equipment | 143 824 | 2 191 | - | - | (35 027) | 110 988 | 88 349 | 12 333 | - | (33 950) | 66 732 | 44 257 | 20 487 000 |
| Radio Equipment | 28 884 | - | - | - | (28 884) | - | 28 196 | 458 | - | (28 655) | - | - | - |
| Vehicle Tracking Devices | 25 080 | - | - | - | - | 25 080 | 24 244 | 557 | - | - | 24 801 | 279 | - |
| <i>Specialised Vehicles:</i> | | | | | | | | | | | | | |
| Fire Engines | 5 771 836 | - | - | - | - | 5 771 836 | 1 624 212 | 431 221 | - | - | 2 055 433 | 3 716 403 | - |
| Mobile Clinics | 1 018 857 | - | - | - | (1 018 857) | - | 470 968 | 9 205 | - | (480 174) | - | - | - |
| Tipper | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 60 052 245 | 5 151 322 | | | (3 141 370) | 62 062 197 | 21 180 573 | 6 833 457 | | (1 860 824) | 26 153 206 | 35 908 992 | 20 487 000 |
| Total | 2 395 217 627 | 18 321 058 | 584 790 973 | 19 709 765 | (3 141 370) | 3 014 898 053 | 178 515 131 | 88 524 051 | | (1 860 824) | 265 178 358 | 2 749 719 695 | 665 779 000 |

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value | Budget Additions 2012 |
|-----------------------------|----------------------|-------------------|--------------------|-------------------|--------------------|----------------------|---------------------------------------|-------------------|-----------|--------------------|--------------------|----------------------|-----------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Intangible Assets | | | | | | | | | | | | | |
| Computer Software | 2 448 498 | - | - | - | - | 2 448 498 | 2 366 153 | 54 758 | - | - | 2 420 911 | 27 587 | - |
| Licences | 2 340 246 | - | - | - | - | 2 340 246 | 1 717 827 | 209 120 | - | - | 1 926 947 | 413 299 | - |
| | 4 788 744 | | | | | 4 788 744 | 4 083 980 | 263 877 | | | 4 347 858 | 440 886 | |
| Total Asset Register | 2 400 006 371 | 18 321 058 | 584 790 973 | 19 709 765 | (3 141 370) | 3 019 686 797 | 182 599 111 | 88 787 929 | | (1 860 824) | 269 526 216 | 2 750 160 581 | 665 779 000 |

APPENDIX C
CHRIS HANI DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|-------------------------------|----------------------|-------------------|--------------------|-------------------|--------------------|----------------------|---------------------------------------|-------------------|-----------|--------------------|--------------------|----------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Executive and Council | 324 701 | 477 135 | - | - | (20 132) | 781 703 | 208 651 | 67 871 | - | (18 355) | 258 168 | 523 536 |
| Finance and Administration | 2 388 854 157 | 14 386 257 | 584 790 973 | 19 709 765 | (2 968 990) | 3 004 772 162 | 177 994 429 | 87 320 875 | - | (1 701 966) | 263 613 338 | 2 741 158 824 |
| Planning and Development | 1 153 555 | 291 540 | - | - | (26 447) | 1 418 648 | 591 160 | 144 466 | - | (25 529) | 710 097 | 708 551 |
| Community and Social Services | 9 495 878 | 3 166 127 | - | - | (122 301) | 12 539 705 | 3 700 431 | 1 232 265 | - | (111 941) | 4 820 754 | 7 718 950 |
| Roads and Transport | 178 079 | - | - | - | (3 500) | 174 579 | 104 440 | 22 452 | - | (3 033) | 123 859 | 50 720 |
| Total | 2 400 006 371 | 18 321 058 | 584 790 973 | 19 709 765 | (3 141 370) | 3 019 686 797 | 182 599 111 | 88 787 929 | - | (1 860 824) | 269 526 216 | 2 750 160 581 |

APPENDIX D
CHRIS HANI DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

| 2011 Actual Income | 2011 Actual Expenditure | 2011 Surplus/ (Deficit) | Description | 2012 Actual Income | 2012 Actual Expenditure | 2012 Surplus/ (Deficit) |
|--------------------------|-------------------------------|-------------------------------|----------------------------------|--------------------------|-------------------------------|-------------------------------|
| R | R | R | | R | R | R |
| - | 9 842 038 | (9 842 038) | Executive and Council | 1 500 000 | 11 755 467 | (10 255 467) |
| 49 434 801 | 151 899 275 | (102 464 474) | Finance and Administration | 71 503 028 | 162 314 662 | (90 811 634) |
| - | 7 063 614 | (7 063 614) | Planning and Development | - | 7 370 494 | (7 370 494) |
| - | 5 633 886 | (5 633 886) | Health | - | 59 058 | (59 058) |
| - | 3 804 657 | (3 804 657) | Community and Social Services | - | 2 860 596 | (2 860 596) |
| - | 4 669 314 | (4 669 314) | Public Safety | - | 4 552 017 | (4 552 017) |
| - | 5 515 108 | (5 515 108) | Environmental Protection | - | 6 860 762 | (6 860 762) |
| 147 477 055 | 30 117 661 | 117 359 394 | Waste Management | - | 42 930 | (42 930) |
| - | 846 101 | (846 101) | Roads and Transport | - | 452 213 | (452 213) |
| (32 369 376) | 242 641 167 | (275 010 543) | Water | - | 174 909 521 | (174 909 521) |
| 638 569 211 | 144 858 390 | 493 710 822 | Other | 803 591 214 | 252 071 377 | 551 519 837 |
| 803 111 691 | 606 891 211 | 196 220 479 | Sub-Total | 876 594 242 | 623 249 096 | 253 345 145 |
| - | - | - | Less: Inter-departmental Charges | - | - | - |
| 803 111 691 | 606 891 211 | 196 220 479 | Total | 876 594 242 | 623 249 096 | 253 345 145 |
| | | | | | | |

APPENDIX E(1)
CHRIS HANI DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

| Description | 2011/2012 Actual | 2011/2012 Budget | 2011/2012 Variance | 2011/2012 Variance | Explanation of Significant Variances greater than 10% versus Budget |
|---------------------------------------------------|---------------------|---------------------|-----------------------|-----------------------|------------------------------------------------------------------------------|
| | R | R | R | % | |
| REVENUE | | | | | |
| Rental of Facilities and Equipment | 97 192 | 146 250 | (49 058) | (50.48) | Amount not material |
| Interest Earned - External investments | 19 601 048 | 23 453 500 | (3 852 452) | (19.65) | Dependent on the changes in interest rate and the investment period allowed |
| Interest Earned - Outstanding debtors | - | 12 000 | (12 000) | 0.00 | |
| Government Grants and Subsidies | 799 518 311 | 785 506 723 | 14 011 588 | 1.75 | |
| Other Income | 55 551 261 | 1 122 740 | 54 428 521 | 97.98 | Due to accounting for VAT on Grants as required by Treasury |
| Total Revenue | 876 267 813 | 810 241 213 | 66 026 600 | 8.15 | |
| EXPENDITURE | | | | | |
| Employee Related Costs | 110 318 975 | 127 167 527 | (16 848 552) | (15.27) | The decrease is due to vacant positions during the financial year |
| Remuneration of Councillors | 7 437 213 | 9 846 848 | (2 409 635) | (32.40) | |
| Collection Costs | - | 344 833 | (344 833) | 0.00 | |
| Depreciation | 88 787 929 | 3 008 480 | 85 779 449 | 96.61 | Due to depreciation on infrastructure assets |
| Impairment Losses | (9 046 605) | - | (9 046 605) | 100.00 | Due to impairment of debtors for LM's that are clasified as discontinued |
| Repairs and Maintenance | 1 540 027 | 3 522 920 | (1 982 893) | (128.76) | Due to the repairs on council buildings that still need to be done |
| Interest Paid | 384 647 | 2 343 710 | (1 959 063) | (509.31) | |
| Bulk Purchases | 6 678 620 | 7 359 402 | (680 782) | (10.19) | The actual is determined by need |
| Contracted Services | 528 894 | 3 128 589 | (2 599 695) | (491.53) | VAT Reveiw services were contributing to this, and were not done in 2012 |
| Grants and Subsidies Paid | 391 739 771 | 587 226 376 | (195 486 605) | (49.90) | Monitoring of reports and assistance given to LM to improve their collection |
| General Expenses | 28 331 082 | 66 292 528 | (37 961 446) | (133.99) | In most areas the spending trend is determined by need, e.g S&T |
| Loss on disposal of Property, Plant and Equipment | 40 217 | - | 40 217 | 100.00 | Amount not material |
| Total Expenditure | 626 740 770 | 810 241 213 | (183 500 443) | (22.65) | |
| Surplus / (Deficit) from Discontinued Operations | (703 580) | - | (703 580) | 100.00 | |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | 248 823 463 | - | 248 823 463 | 0.00 | |

APPENDIX E(2)

CHRIS HANI DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

| Description | 2011/2012 | 2011/2012 | 2011/2012 | 2011/2012 | 2011/2012 | 2011/2012 | Explanation of Significant Variances greater than 5% versus Budget |
|-------------------------------|-------------------|--------------------|--------------------|--------------------|----------------------|----------------|---------------------------------------------------------------------------|
| | Actual | Under Construction | Total Additions | Budget | Variance | Variance | |
| | R | R | R | R | R | % | |
| Executive and Council | 477 135 | - | 477 135 | - | 477 135 | 0.00 | |
| Finance and Administration | 14 386 257 | - | 14 386 257 | 16 188 000 | (1 801 743) | (11.13) | Assets were budgeted for based on the approved position |
| Planning and Development | 291 540 | - | 291 540 | - | 291 540 | 0.00 | |
| Community and Social Services | 3 166 127 | - | 3 166 127 | 5 987 000 | (2 820 873) | (47.12) | Not all assets were purchased |
| Waste Management | - | 13 076 131 | 13 076 131 | 250 000 000 | (236 923 869) | (94.77) | The budget include sanitation and other projects executed for communities |
| Water | - | 233 220 901 | 233 220 901 | 393 604 000 | (160 383 099) | (40.75) | The budget include water and other projects executed for communities |
| Total | 18 321 058 | 246 297 031 | 264 618 089 | 665 779 000 | (401 160 911) | (60.25) | |

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

Grants and Subsidies Received

| Name of Grant | Name of Organ of State or Municipal Entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies Delayed / Withheld | | | | | Reason for Delay / Withholding of Funds | Compliance to Revenue Act (*) See below | Reason for Non-compliance |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------------|----------|----------|----------|----------|-----------------------------------------|--------------------------------------------|---------------------------|
| | | June | Sept | Dec | March | June | June | Sept | Dec | March | June | June | Sept | Dec | March | June | | | |
| Financial Management Grant | Nat Treasury | 0 | 1 250 000 | 0 | 0 | 0 | 322 325 | 791 873 | 110 229 | 205 175 | 749 794 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Municipal Infrastructure Grant | MIG | 0 | 81 950 000 | 95 450 000 | 107 204 000 | 0 | 0 | 75 577 340 | 111 171 709 | 92 176 203 | 5 678 748 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Equitable Share Grant | Nat Treasury | 0 | 121 912 000 | 39 702 000 | 164 294 000 | 0 | 0 | 81 477 000 | 81 477 000 | 81 477 000 | 81 477 000 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Regional Bulk Infrastructure Grant | DWAF | 13 516 125 | 7 920 214 | 24 006 062 | 69 150 393 | 5 980 434 | 16 705 276 | 14 222 481 | 23 597 520 | 63 085 977 | 15 513 914 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Water Services Operating Subsidy Grant | DWAF | 0 | 4 075 000 | 1 719 000 | 1 877 000 | 0 | 3 096 000 | 2 550 000 | 2 025 000 | 0 | 2 511 000 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Rural Transport Services & Infrastructure | Dept Transport | 0 | 0 | 0 | 1 688 000 | 0 | 0 | 0 | 0 | 373 393 | 451 960 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Municipal Systems Improvement Grant | DPLG | 0 | 790 000 | 0 | 0 | 0 | 832 339 | 65 250 | 714 696 | 102 983 | 455 505 | N/A | N/A | N/A | N/A | N/A | N/A | Yes | N/A |
| Total Grants and Subsidies Received | | 13 516 125 | 217 897 214 | 160 877 062 | 344 213 393 | 5 980 434 | 20 955 940 | 174 683 944 | 219 096 154 | 237 420 731 | 106 837 921 | 0 | 0 | 0 | 0 | 0 | | | |
| (*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act? | | | | | | | | | | | | | | | | | | | |