

UTHUNGULU



uThungulu District Municipality
uThungulu Distrik Munisipaliteit
uMasipala Wesifunda Waso Thungulu

**Consolidated Annual Financial Statements
for the year ended 30 June 2013**

uThungulu District Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2013

GENERAL INFORMATION

Nature of business and principal activities	Municipality
Deputy Municipal Manager Finance	MC Reddy
Accounting Officer	MH Nkosi
Registered office	Uthungulu House Krugerrand, CBD RICHARDS BAY
Business address	Uthungulu House Krugerrand, CBD RICHARDS BAY
Postal address	Private Bag X1025 RICHARDS BAY
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Legal advisor	G Dlamini
Municipal demarcation code	DC 28

uThungulu District Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2013

INDEX

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

Index	Page
Statement of Municipal Manager's Responsibility	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting Policies	11 - 29
Notes to the Consolidated Annual Financial Statements	30-60
Appendixes:	
Appendix A: Schedule of External loans	61-62
Appendix B: Analysis of Property, Plant and Equipment	63
Appendix C: Segmental analysis of Property, Plant and Equipment	64
Appendix D: Segmental Statement of Financial Performance	65-66
Appendix E: Actual versus Budget (Acquisition of Property, Plant and Equipment)	67
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	68

Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
IFRS	International Financial Reporting Standards

uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 4 to 68, 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.

I certify that the salaries, allowances and benefits of Councillors as discussed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.



MH Nkosi
Accounting Officer

Richards Bay

27 September 2013

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Group	Municipality
	2013	2012
	R	R
	Note	Restated

Assets					
Current Assets					
Inventories	3	7 269 171	6 122 117	7 269 171	6 122 117
Accounts receivable from exchange transactions	4	37 791 179	22 969 861	37 791 179	22 969 861
Accounts receivable from non exchange transactions	5	14 501 684	25 055 524	37 921	14 501 684
Current portion of long-term receivables	6	37 921	34 821	37 921	34 821
Cash and cash equivalents	7	446 699 420	367 556 324	445 848 491	366 716 903
Non-Current Assets					
Property, plant and equipment	8	1 174 251 299	1 050 408 116	1 174 251 299	1 050 408 116
Intangible assets	9	1 077 033	1 476 684	1 077 033	1 476 684
Investments in municipal entities	10	440 148	495 901	440 148	495 901
Long-term receivables	6	-	21 000 000	-	21 000 000
Investments	11	-	-	-	-
Total Assets		1 756 768 480	1 073 380 701	1 200 441 300	1 098 587 497
Liabilities					
Current Liabilities					
Current portion of long-term liabilities	12	4 220 424	3 735 177	10 595 110	9 327 015
Payables from exchange transactions	13	136 409 603	126 957 130	136 409 601	126 957 130
Consumer deposits	14	9 113 835	8 229 262	9 113 835	8 229 262
Defined benefit obligation	15	435 000	757 672	435 000	757 672
Unspent conditional grants and receipts	16	32 460 451	26 499 674	32 460 451	26 499 674
Provisions	17	16 490 794	751 981	16 490 794	751 981
Non-Current Liabilities					
Long term liabilities	12	61 231 776	85 611 711	78 874 001	104 584 204
Defined benefit obligations	15	18 029 000	13 423 263	18 029 000	13 423 263
Provisions	17	57 605 107	69 415 033	57 605 107	69 415 033
Total Liabilities		335 995 990	335 380 903	360 012 899	359 945 234
Total Assets		1 682 067 855	1 495 119 348	1 705 889 746	1 519 486 723
Total Liabilities		136 865 883	168 450 007	154 508 108	187 422 500
Total Liabilities		(335 995 990)	(335 380 903)	(360 012 899)	(359 945 234)
Net Assets		1 346 071 865	1 159 738 445	1 345 876 847	1 159 541 489
Total Assets		1 682 067 855	1 495 119 348	1 705 889 746	1 519 486 723
Total Liabilities		1 346 071 865	1 159 738 445	1 345 876 847	1 159 541 489
Accumulated Surplus		1 345 876 845	1 159 541 489	1 345 876 847	1 159 541 489
Outside Partners Interest		195 020	196 956	196 956	196 956

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF FINANCIAL PERFORMANCE

	Note	Group 2013	Group 2012	Municipality 2012
Revenue				
Service charges	18	49 901 919	48 017 382	49 901 919
Interest received	19	27 167 976	27 087 751	27 147 411
Government grants & subsidies	20	570 231 388	553 925 519	570 231 388
Other income	21	3 488 593	2 745 730	9 578 554
Rental income		33 947	33 942	33 947
Total Revenue		650 823 823	631 810 324	656 893 219
Expenditure				
Employee related costs	22	99 492 610	88 084 985	99 492 610
Remuneration of councillors	23	8 522 649	7 869 721	8 522 649
Depreciation, amortisation & impairment	24	50 492 908	36 542 829	50 492 908
Finance costs	25	7 580 552	5 962 760	13 490 296
Debt impairment	4	4 189 974	8 023 573	4 189 974
Repairs and maintenance	26	43 985 475	34 926 111	43 985 475
Bulk purchases	27	29 466 494	29 204 363	29 466 494
Contracted services	28	65 270 434	63 004 898	65 270 434
Grants and subsidies paid	29	11 126 978	10 330 105	11 126 978
General expenses	30	144 587 185	120 190 307	144 778 796
Total expenditure		(464 715 259)	(404 139 652)	(470 816 614)
Operating surplus		186 108 565	227 670 672	186 076 606
Loss on disposal of PPE		(265 025)	(419 223)	(265 025)
Fair value adjustments in respect of PPE	8	523 775	-	523 775
Outside Partners interest		(31 958)	(30 917)	-
Surplus for the year		186 335 356	227 220 532	186 335 356
				227 220 532

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF CHANGES IN NET ASSETS

	Note	Accumulated surplus R	Outside Partners Interest R	Total R
Group				
Balance at 01 July 2011 previously reported		905 538 331	192 560	905 730 891
Changes in net assets				
Changes in accounting estimates		(275 236)	-	(275 236)
MIG VAT transferred to own revenue - refer to note 20 & 39		27 057 862	-	27 057 862
Net income/(losses) recognised directly in net assets		26 782 626	-	26 782 626
Surplus for the year - restated		227 220 532	30 917	227 251 449
Total recognised income and expenses for the year		254 003 158	30 917	254 034 075
Distribution by partnership		-	(26 521)	(26 521)
Total changes		254 003 158	4 396	254 007 554
Balance at 01 July 2012 - restated		1 159 541 489	196 956	1 159 738 445
Changes in net assets				
Surplus for the year		186 335 356	31 958	186 367 314
Distribution by partnership		-	(33 894)	(33 894)
Total changes		186 335 356	(1 936)	186 333 420
Balance as at 30 June 2013		1 345 876 845	195 020	1 346 071 865
Municipality				
Balance at 01 July 2011 previously reported		905 538 331	-	905 538 331
Changes in net assets				
Changes in accounting estimates		(275 236)	-	(275 236)
MIG VAT transferred to own revenue - refer to note 20 & 39		27 057 862	-	27 057 862
Net income/(losses) recognised directly in net assets		26 782 626	-	26 782 626
Surplus for the year restated - refer to note 39		227 220 532	-	227 220 532
Total recognised income and expenses for the year		254 003 158	-	254 003 158
Total changes		254 003 158	-	254 003 158
Balance at 01 July 2012 - restated		1 159 541 489	-	1 159 541 489
Changes in net assets				
Surplus for the year		186 335 356	-	186 335 356
Total changes		186 335 356	-	186 335 356
Balance as at 30 June 2013		1 345 876 845	-	1 345 876 845

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CASH FLOW STATEMENT

Figures in Rand	Note	Group 2013	Group 2012	Municipality 2012
			Restated	Restated
Cash flows from operating activities				
Receipts from consumers and other		49 745 038	34 373 825	55 834 999
Grants		582 042 063	511 237 598	582 042 063
Interest income		27 167 976	27 087 751	27 147 411
		<u>658 955 077</u>	<u>572 699 174</u>	<u>665 024 473</u>
Payments		(108 015 259)	(95 954 706)	(108 015 259)
Employee costs		(293 957 470)	(257 890 382)	(294 115 186)
Suppliers		(7 580 552)	(5 962 760)	(13 490 296)
Finance costs		(409 553 281)	(359 807 848)	(415 620 741)
		<u>249 401 796</u>	<u>212 891 326</u>	<u>249 403 732</u>
Net cash flows from operating activities	31	<u>249 401 796</u>	<u>212 891 326</u>	<u>212 886 930</u>
Cash flows from investing activities				
Payment of property, plant and equipment		(167 323 863)	(188 821 467)	(188 821 467)
Proceeds from sale of property, plant and equipment		-	174 600	-
Purchase of other intangible assets		(92 800)	(159 712)	(159 712)
Movement in investments in municipal entities		21 000 000	(21 000 000)	513 018
Decrease / (increase) in non-current investments		52 653	44 462	52 653
Decrease in non-current receivables		(146 364 011)	(209 762 117)	(209 249 099)
Net cash flow from investing activities	9	<u>(146 364 011)</u>	<u>(209 762 117)</u>	<u>(209 249 099)</u>
Cash flows from financing activities				
Repayment of long-term liabilities		(23 894 689)	(2 547 652)	(24 442 108)
Net cash from financing activities		<u>(23 894 689)</u>	<u>(2 547 652)</u>	<u>(24 442 108)</u>
Net increase in cash and cash equivalents		<u>79 143 096</u>	<u>581 557</u>	<u>79 131 589</u>
Cash and cash equivalents at the beginning of the year		367 556 324	366 974 767	365 358 441
Cash and cash equivalents at the end of the year	7	<u>446 699 420</u>	<u>367 556 324</u>	<u>366 716 903</u>

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF COMPARISON OF MUNICIPAL BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
	R	R	R	R	R	

Statement of Financial Performance

Revenue	41 518 829	2 250 000	43 768 829	49 901 919	6 133 090	40.1
Revenue from exchange transactions	41 518 829	2 250 000	43 768 829	49 901 919	6 133 090	40.1
Service charges	-	34 000	34 000	33 947	(53)	40
Rental income	7 550 739	406 870	7 957 609	9 578 554	1 620 945	40.2
Other income	24 206 509	2 677 932	26 884 441	27 147 411	262 970	40
Interest received	-	-	-	-	-	-
Total revenue from exchange transactions	73 276 077	5 368 802	78 644 879	86 661 831	8 016 952	40
Revenue from non-exchange transactions	577 363 000	7 112 550	584 475 550	570 231 388	(14 244 162)	40.3
Government grants & subsidies	577 363 000	7 112 550	584 475 550	570 231 388	(14 244 162)	40.3
Total revenue	650 639 077	12 481 352	663 120 429	656 893 219	(6 227 210)	40.3

Expenditure

Employee related costs	(127 085 327)	14 760 562	(112 324 765)	(99 492 610)	12 832 155	40.4
Remuneration of councillors	(8 144 664)	(447 269)	(8 591 933)	(8 522 649)	69 284	40
Depreciation, amortisation and impairment	(42 318 002)	(8 482 577)	(50 800 579)	(50 492 908)	307 671	40
Finance costs	(14 179 980)	(1 045 313)	(15 225 293)	(13 490 296)	1 734 997	40.5
Debt impairment	(3 378 909)	(1 135 718)	(4 514 627)	(4 189 974)	324 653	40
Repairs and maintenance	(45 836 378)	182 240	(45 654 138)	(43 985 475)	1 668 663	40.6
Bulk purchases	(23 774 501)	(7 126 217)	(30 900 718)	(29 466 494)	1 434 224	40.7
Contracted services	(74 920 534)	(5 059 645)	(79 980 179)	(65 270 434)	14 709 745	40.8
Grants and subsidies paid	(10 785 900)	(348 000)	(11 133 900)	(11 126 978)	6 922	40
General Expenses	(146 065 330)	(46 956 433)	(193 021 763)	(144 778 796)	48 242 967	40.9
Total expenditure	(496 489 525)	(55 658 370)	(552 147 895)	(470 816 614)	81 331 281	40.9

Operating surplus/(loss)

Loss on disposal of property, plant and equipment	-	(261 137)	(261 137)	(265 025)	(3 888)	
Fair value adjustments in respect of property, plant and equipment	-	-	-	523 775	523 775	
Surplus	154 149 552	(43 438 155)	110 711 397	186 335 355	75 623 958	

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

154 149 552	(43 438 155)	110 711 397	186 335 355	75 623 958
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Due to the fact that the two municipal entities are not, by any means, liable to budget their financial activities and thus do not make any form of budgets publicly available, GRAP 24 is therefore not applicable to the entities and thus the consolidated financial statements only reflect information for the municipality in this regard.

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF COMPARISON OF MUNICIPAL BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note reference
	R	R	R	R	R	
Statement of Financial Position						
Current Assets						
Inventories	7 631 000		7 631 000	7 269 171	(361 829)	40
Current portion of long-term receivables	181 000		181 000	37 921	(143 079)	40
Accounts receivable from exchange transactions	20 536 000		20 536 000	14 501 684	(6 034 316)	40.10a
Accounts receivable from non exchange transactions	11 870 000		11 870 000	37 791 179	25 921 179	40.10b
Cash and cash equivalents	346 105 000		346 105 000	445 848 491	99 743 491	40.11
	386 323 000	-	386 323 000	505 448 446	119 125 446	
Non-Current Assets						
Property, plant and equipment	1 237 932 000	95 874 000	1 333 806 000	1 174 251 299	(159 554 701)	40.12
Intangible assets	-		-	1 077 033	1 077 033	40.12
Investments in municipal entities	48 911 000		48 911 000	24 672 820	(24 238 180)	40.13
Long-term receivables	453 000		453 000	440 148	(12 852)	40.10
	1 287 296 000	95 874 000	1 383 170 000	1 200 441 300	(182 728 700)	
Total Assets	1 673 619 000	95 874 000	1 769 493 000	1 705 889 746	(63 603 254)	
Liabilities						
Current Liabilities						
Current portion of long-term liabilities	8 212 000	-	8 212 000	10 595 110	2 383 110	40.14
Payables from exchange transactions	131 317 000	-	131 317 000	136 409 601	5 092 601	40.15
Consumer deposits	7 458 000	-	7 458 000	9 113 835	1 655 835	40.16
Defined benefit obligations	-	-	-	435 000	435 000	40.17
Unspent conditional grants and receipts	-	-	-	32 460 451	32 460 451	40.15
Provisions	2 222 000	-	2 222 000	16 490 794	14 268 794	40.17
	149 209 000	-	149 209 000	205 504 791	56 295 791	
Non-Current Liabilities						
Long term liabilities	102 257 000	-	102 257 000	78 874 001	(23 382 999)	40.14
Defined benefit obligations	-	-	-	18 029 000	18 029 000	40.17
Provisions	101 588 000	-	101 588 000	57 605 107	(43 982 893)	40.17
	203 845 000	-	203 845 000	154 508 108	(49 336 892)	
Total Liabilities	353 054 000	-	353 054 000	360 012 899	6 958 899	
Net Assets	1 320 565 000	95 874 000	1 416 439 000	1 345 876 847	(70 562 153)	
Reserves						
Accumulated Surplus	1 320 565 000	95 874 000	1 416 439 000	1 345 876 847	(70 562 153)	

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

STATEMENT OF COMPARISON OF MUNICIPAL BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from consumers and other debtors	50 843 000	-	50 843 000	55 834 999	4 991 999	40.18
Grants	575 363 000	7 053 000	582 416 000	582 042 063	(373 937)	40
Interest income	24 433 000	2 678 000	27 111 000	27 147 411	36 411	40
Prior year cash utilised to fund current expenditure	-	104 188 000	104 188 000	-	(104 188 000)	40.19
	650 639 000	113 919 000	764 558 000	665 024 473	(99 533 527)	
Payments						
Employee costs	(436 614 000)	(33 910 000)	(470 524 000)	(108 015 259)	362 508 741	40.20
Suppliers	-	-	-	(294 115 187)	(294 115 187)	40.20
Finance costs	(6 336 000)	(2 205 000)	(8 541 000)	(13 490 296)	(4 949 296)	40.21
	(442 950 000)	(36 115 000)	(479 065 000)	(415 620 742)	63 444 258	
Net cash flows from operating activities	207 689 000	77 804 000	285 493 000	249 403 731	(36 089 269)	
Cash flows from investing activities						
Payment of property, plant, equipment	(236 926 000)	(84 063 000)	(320 989 000)	(167 323 862)	153 665 138	40.22
Purchase of other intangible assets	-	-	-	(92 800)	(92 800)	40.22
Decrease in non current receivables	(60 000)	-	(60 000)	52 653	112 653	40
Decrease in non current investments	-	-	-	21 000 000	21 000 000	40.23
Movement in investments in municipal entities	-	-	-	533 976	533 976	40.24
	-	-	-	-	-	
Net cash flows from investing activities	(236 986 000)	(84 063 000)	(321 049 000)	(145 830 033)	175 218 967	
Net movement in other financial liabilities						
Repayment of long-term liabilities	(7 844 000)	-	(7 844 000)	(24 442 108)	(16 598 108)	40.25
Increase / (decrease) in consumer deposits	368 000	-	368 000	-	(368 000)	40
Net cash flows from financing activities	(7 476 000)	-	(7 476 000)	(24 442 108)	(16 966 108)	
Net (decrease) / increase in cash and cash equivalents						
Cash and cash equivalents at the beginning of the year	330 804 000	(6 259 000)	(43 032 000)	79 131 590	122 163 590	
Cash and cash equivalents at the end of the year	294 031 000	(6 259 000)	287 772 000	445 848 493	158 076 493	

ACCOUNTING POLICIES

1. Presentation of consolidated annual financial statements

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

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. The figures in the statements have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are set out below.

1.1 Significant judgements and sources of estimation uncertainty

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

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Non - Current and Current Provisions.

1.1.2 Useful lives of property, plant and equipment

As described in accounting policies 1.7 & 1.8 the municipality depreciates/amortises its property, plant and equipment 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 become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

1.1.3 Defined benefit plan liabilities

As described in accounting policy 1.5 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 note 15 to the financial statements.

1.1.4 Revenue recognition

Accounting policy 1.13 on Revenue from Exchange Transactions and accounting policy 1.14 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAAP 9; Revenue from Exchange Transactions and GRAAP 23 Revenue from Non Exchange Transactions and in particular, when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.5 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on management's educated judgement.

ACCOUNTING POLICIES

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the municipality and municipal entities controlled by the municipality.

On acquisition, the assets and liabilities of a municipal entity are measured at fair value at the date of acquisition. The interest of outside partners are stated at the minorities proportion of the fair values of the assets and liabilities recognised. Subsequent to acquisition the assets and liabilities and interest of outside parties are measured at amortised cost.

The results of municipal entities acquired or disposed of during the year are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the municipality and other municipal entities included in the group.

All significant transactions and balances between members of the group are eliminated on consolidation.

uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.3 New standards and interpretations

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. 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 practicable.

The following new GRAP standards have been issued but are not yet effective.

GRAP 18 - Segmental reporting

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the municipality.

GRAP 20 - Related party disclosure

This standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 - Employee benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.

GRAP 105 - Transfer of function between entities under common control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers or functions.

GRAP 106 - Transfer of functions between entities not under common control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the municipality will enter into any such transactions in the near future.

GRAP 107 - Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future.

The following GRAP standards have been issued and are effective for the period commencing 1 April 2012 and have been applied in the 2012/2013 financial year.

GRAP 21 - Impairment of non - cash generating assets

Non-cash generating assets are assets other than cash generating assets. When the carrying amount of a non-cash generating asset exceeds its recoverable service amount, it is impaired. The standard determines the requirements and provides guidance on how to impair non cash generating assets. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

ACCOUNTING POLICIES

1.3 New standards and interpretations (continued)

GRAP 23 - Revenue from non-exchange transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. This standard determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Municipality are conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met. There is no effect on the financial statements.

GRAP 24 - Presentation of budget information in the financial statements

This standard determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements. This standard has resulted in the introduction of a new statement of comparison of budget and actual amounts.

GRAP 26 - Impairment of cash generating assets

Cash generating assets are those assets held by an entity with the primary objective of generating a commercial return. This standard determines the requirements and provides guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard is not applicable to the municipality as the nature of services rendered by the municipality are not to generate a commercial return.

GRAP 103 - Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The impact of this standard has been assessed and the municipality has not applied the standard as it has no assets classified as heritage assets.

GRAP 104 - Financial Instruments

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. Notwithstanding the aforementioned classification changes, the financial impact of this standard being applied is expected to be limited.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

ACCOUNTING POLICIES

1.4 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability (or group of financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments). Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

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

ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost
Investment in municipal entity	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Short term loans	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

ACCOUNTING POLICIES

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Investment in municipal entities

In the municipality's annual financial statements, investment in municipal entity carried at amortised cost at reporting date.

1.5 Employee benefits

1.5.1 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, included under current liabilities.

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 included in payables from exchange transactions.

1.5.2 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 funds. 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.

ACCOUNTING POLICIES

1.5 Employee benefits (continued)

1.5.3 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.

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.

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 5, 10, 15, 20, 25 and 30 years of continued service. The rules of this obligation were applicable for the first six (6) months of the financial year and were amended to 10, 15, 20, 25, 30, 35, 40 and 45 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.

Defined benefit plans

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 15 of the Annual Financial Statements for details). 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 discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.6 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

ACCOUNTING POLICIES

1.7 Property, plant, equipment

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

Initial Recognition

The cost of an item of property, plant, equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant, equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the asset at acquisition date.

The cost of an item of property, plant, 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.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant, equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant, equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant, equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant, equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant, equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant, equipment are accounted for as property, plant, equipment.

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

ACCOUNTING POLICIES

1.7 Property, plant, equipment (continued)

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

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.

Depreciation

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.

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

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

ACCOUNTING POLICIES

1.7 Property, plant, equipment (continued)

The useful lives of items of property, plant, equipment have been assessed as follows:

Item	Expected useful life
Land	
• Permanent	30 years
Buildings	
• Other buildings	30 years
Plant and Equipment	
• Weed Eater	2 years
• Lawn Mower	2 years
• Other	5 years
• Skid Mounted Fire Response	15 years
Furniture	10 years
Computer Equipment	5 years
Infrastructure Electricity	
• Electrical Kiosk	15 years
• Electrical Meters	15 years
• Street Lights	15 years
• Electrical Lines and Cables	40 years
• Electrical Switchgear	40 years
• Power Transformers	40 years
Infrastructure - Plant & Equipment	
• Heavy Duty Infrastructure Pumps	15 years
• Unspecified Infrastructure Assets	15 years
• Standby Generators Sets - Water & Sewerage Camps	15 years
Infrastructure Sewerage Services	
• Sewerage Containment	50 years
• Sewerage Network	50 years
• Sewerage Purification	50 years
Infrastructure Solid Waste Cell Services	
• Solid Waste Cell	7 years
• Cemetery	15 years
Infrastructure Water Services	
• Small Schemes	20 years
• Water Abstraction	20 years
• Water Network	20 years
• Water Purification	20 years
• Water Storage	50 years
Motor Vehicles	
• Bakkie, LDV, Sedan & Tanker	7 years
• Truck	7 years
• Trailer & Caravan	5 years
• Forklift	5 years
• Tractors	15 years
Equipment	
• Office Equipment	5 years

ACCOUNTING POLICIES

1.7 Property, plant, equipment (continued)

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets and are shown at cost less accumulated depreciation and accumulated impairment.

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 is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.8 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Initial recognition

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale; and
- there is an intention to complete and use or sell it; and
- there is an ability to use or sell it; and
- it will generate probable future economic benefits or service potential; and
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement, amortisation and impairment

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

uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.8 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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 from the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Impairment of non-cash-generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

Useful life is the period of time over which an asset is expected to be used by the municipality.

Identification

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

ACCOUNTING POLICIES

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

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

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

1.10 Leases

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

1.10.1 Finance leases - The municipality as a lessee

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

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

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

1.10.2 Operating leases - The municipality as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance over the period of the lease.

1.11 Inventories

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

Subsequently inventories are measured at the lower of cost and, net realisable value or current replacement cost.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

ACCOUNTING POLICIES

1.11 Inventories (continued)

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

1.12 Tax

Tax Expense:

The municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

Value Added Tax (VAT):

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

ACCOUNTING POLICIES

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. 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.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

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 are brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

ACCOUNTING POLICIES

1.14 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when:

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

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.15 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.

1.16 Borrowing costs

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

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

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred; and
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

ACCOUNTING POLICIES

1.16 Borrowing costs (continued)

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

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

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

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

1.17 Budget Information

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

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. Due to the fact that the two municipal entities are not, by any means, liable to budget for their financial activities and thus do not make any form of budgets publicly available, GRAP 24 is therefore not applicable to the entities and thus the consolidated financial statements only reflect information for the municipality in this regard.

1.18 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 (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

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

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Irregular expenditure

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

ACCOUNTING POLICIES

1.21 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 29, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.22 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The municipality applies IPSAS 20 for related parties in the absence of an effective GRAP standard.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Events after report date

Events after the reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

1.25 Contingent assets and contingent liabilities

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

1.26 Currency of presentation

These consolidated annual financial statements are presented in South African Rands.

uThungulu District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. New standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	No significant impact as most grants received are conditional grants and revenue is recognised when the conditions are met.
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	The standard requires the municipality to present a comparison between budgeted and actual amounts in the financial statements. A new statement of comparison of budget and actuals has been included.
• GRAP 103: Heritage Assets	01 April 2012	Currently not relevant to the municipality as it has no assets classified as heritage assets.
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	No significant impact unless carrying amount of assets exceed depreciated replacement cost.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Currently not relevant to the municipality as the nature of services rendered by the municipality are not for the generation of a commercial return.
• GRAP 104: Financial Instruments	01 April 2012	No significant impact expected as notwithstanding classification changes, the financial impact of this standard being applied is expected to be limited.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	Unlikely to be significant as the effect is on presentation only.
• GRAP 25: Employee benefits	01 April 2013	This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Currently not relevant to the municipality due to the municipality rarely enters into such transactions.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Currently not relevant to the municipality as it is unlikely that the municipality will enter into any such transactions in the foreseeable future.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Uthunguvu District Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2013

2. New standards and interpretations (continued)
- GRAP 107: Mergers 01 April 2014
Currently not relevant to the municipality as this standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future
 - GRAP 20: Related parties 01 April 2013
No significant impact is expected.
Currently not relevant to the municipality.
 - GRAP 11: Consolidation – Special purpose entities 01 April 2014
Currently not relevant to the municipality.
 - IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures 01 April 2014
Currently not relevant to the municipality.
 - GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements 01 April 2014
Unlikely to have significant impact.
 - GRAP 7 (as revised 2010): Investments in Associates 01 April 2014
Currently not relevant to the municipality.
 - GRAP 8 (as revised 2010): Interests in Joint Ventures 01 April 2014
Currently not relevant to the municipality.
 - GRAP 1 (as revised 2012): Presentation of Financial Statements 01 April 2013
No material impact expected.
 - GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors 01 April 2013
No material impact expected.
 - GRAP 7 (as revised 2012): Investments in Associates 01 April 2013
Currently not applicable to the municipality.
 - GRAP 9 (as revised 2012): Revenue from Exchange Transactions 01 April 2013
No material impact expected.
 - GRAP 12 (as revised 2012): Inventories 01 April 2013
No material impact expected.
 - GRAP 13 (as revised 2012): Leases 01 April 2013
No material impact expected.
 - GRAP 16 (as revised 2012): Investment Property 01 April 2013
Currently not applicable to the municipality as the municipality does not hold nor anticipate to hold in the foreseeable future such property.
 - GRAP 17 (as revised 2012): Property, Plant and Equipment 01 April 2013
No material impact expected.
 - GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) 01 April 2013
Currently not applicable to the municipality.
 - GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102) 01 April 2013
No material impact expected.
 - IGRAP 6: Intangible assets website 01 April 2013
No material impact expected.
 - IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue costs 01 April 2013
No material impact expected.

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013
	R	R	R
	Group	Group	Municipality

3. Inventories

Consumables and maintenance materials	6 973 930	5 861 438	6 973 930
Water	295 241	260 679	260 679
	<u>7 269 171</u>	<u>6 122 117</u>	<u>7 269 171</u>
Inventories recognised as an expense during the year	2 814 282	4 063 182	4 063 182

Inventories pledged as security

No inventory was pledged as security.

4. Accounts receivable from exchange transactions

Consumer debtors - Gross balances

Water	39 659 143	32 556 067	39 659 143
Sanitation	4 539 919	3 568 413	4 539 919
Solid waste	2 290 398	2 010 600	2 010 600
	<u>46 489 460</u>	<u>38 135 080</u>	<u>46 489 460</u>

Less: Allowance for Impairment

Water	(25 743 019)	(21 595 886)	(25 743 019)
Sanitation	(3 291 324)	(2 674 973)	(3 291 324)
Solid waste	(403 467)	(1 005 961)	(403 467)
	<u>(29 437 810)</u>	<u>(25 276 820)</u>	<u>(29 437 810)</u>

Net balance

Water	13 916 124	10 960 181	13 916 124
Sanitation	1 248 595	893 440	1 248 595
Solid waste	1 886 931	1 004 639	1 886 931
	<u>17 051 650</u>	<u>12 858 260</u>	<u>17 051 650</u>

Summary of debtors by service type

Water

Current (0 - 30 days)	6 598 266	5 592 734	6 598 266
31 - 60 days	2 943 760	3 304 459	2 943 760
61 - 90 days	1 210 218	788 897	1 210 218
> 121 days	27 955 021	21 464 140	27 955 021
Less: Allowance for impairment	(25 743 019)	(21 595 885)	(25 743 019)
	<u>13 916 124</u>	<u>10 960 181</u>	<u>13 916 124</u>

Sanitation

Current (0 - 30 days)	425 332	318 586	425 332
31 - 60 days	265 915	200 751	265 915
61 - 90 days	154 537	139 190	154 537
> 121 days	3 549 337	2 764 170	3 549 337
Less: Allowance for impairment	(3 291 326)	(2 674 973)	(3 291 326)
	<u>1 248 595</u>	<u>893 440</u>	<u>1 248 595</u>

Solid waste

Current (0 - 30 days)	1 417 629	935 732	1 417 629
31 - 60 days	557 798	429 504	557 798
61 - 90 days	9 658	117 059	9 658
> 120 days	247 556	374 165	247 556
Less: Allowance for impairment	(403 467)	(1 005 961)	(403 467)
	<u>1 886 931</u>	<u>1 004 639</u>	<u>1 886 931</u>

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2012
	R	R	R
	2013	2012	2012
	R	R	R
	2013	2012	2012
	R	R	R
	2013	2012	2012
	R	R	R

4. Accounts receivable from exchange transactions (continued)

Summary of debtors by customer classification

Domestic Consumers	4 385 114	3 515 744	4 385 114
Current (0 - 30 days)	2 030 530	1 936 377	2 030 530
31 - 60 days	1 045 722	718 936	1 045 722
61 - 90 days	682 429	1 130 351	682 429
91 - 120 days	27 354 489	21 381 944	27 354 489
> 121 days	35 498 284	28 683 352	35 498 284
Less: Allowance for impairment	(29 034 344)	(23 974 016)	(29 034 344)
	6 463 940	4 709 336	6 463 940
Industrial/Commercial	2 183 773	1 680 617	2 183 773
Current (0 - 30 days)	1 211 699	984 159	1 211 699
31 - 60 days	90 560	231 881	90 560
61 - 90 days	157 309	308 707	157 309
91 - 120 days	2 542 758	1 747 954	2 542 758
> 121 days	6 186 099	4 953 318	6 186 099
Less: Allowance for impairment	(403 467)	(1 302 804)	(403 467)
	5 782 632	3 650 514	5 782 632
National and Provincial government	1 872 340	1 650 691	1 872 340
Current (0 - 30 days)	525 243	1 014 179	525 243
31 - 60 days	238 131	94 330	238 131
61 - 90 days	186 187	266 635	186 187
91 - 120 days	1 983 178	1 472 576	1 983 178
> 121 days	4 805 079	4 498 411	4 805 079
Less: Allowance for impairment	(29 437 810)	(25 276 820)	(29 437 810)
	8 441 226	6 847 051	8 441 226
Total	8 441 226	6 847 051	8 441 226
Current (0 - 30 days)	3 767 472	3 934 715	3 767 472
31 - 60 days	1 374 413	1 045 147	1 374 413
61 - 90 days	1 025 924	1 705 692	1 025 924
91 - 120 days	31 880 425	24 602 475	31 880 425
> 121 days	46 489 460	38 135 080	46 489 460
Less: Allowance for impairment	(29 437 810)	(25 276 820)	(29 437 810)
	17 051 650	12 858 260	17 051 650
Reconciliation of allowance for impairment	(25 276 820)	(21 107 842)	(25 276 820)
Balance at beginning of the year	(4 189 974)	(8 023 573)	(4 189 974)
Contributions to allowance for impairment	28 984	3 854 595	28 984
Debit impairment written off against allowance	(29 437 810)	(25 276 820)	(29 437 810)

In the determination of the amounts deemed to be impaired at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

Category A Regular payers, government accounts, consumers with amounts owing not older than 60 days.

Category B Regular payers

Category C Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

Category A 0% of consumers' total debt
 Category B 50% of consumers' debt less or equal to 180 days
 Category C 100% of consumers' debt > than 180 days
 100% of consumers' total debt

Accounts receivable from exchange transactions

Consumer debtors	17 051 650	12 858 260	17 051 650
VAT receivable	20 739 529	10 111 601	20 739 529
	37 791 179	22 969 861	37 791 179
	10 111 601	12 858 260	10 111 601
	22 969 861	22 969 861	22 969 861

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
5. Accounts receivable from non exchange transactions				
Deposits	3 490 212	3 396 102	3 490 212	3 396 102
Employee, councillor account transactions	836 514	1 165 440	836 514	1 165 440
Grant & other debtors	692 036	6 996 343	692 036	6 996 343
Investment interest accrual	3 954 455	4 617 712	3 954 455	4 617 712
Payments received in advance	659 108	703 695	659 108	703 695
uMhlatuze municipality - soccer stadium	4 869 359	8 176 232	4 869 359	8 176 232
	<u>14 501 684</u>	<u>25 055 524</u>	<u>14 501 684</u>	<u>25 055 524</u>
6. Long term receivables				
Staff recoverable bursaries	4 483	20 314	4 483	20 314
Staff home loans	435 665	475 587	435 665	475 587
Non - current assets	<u>440 148</u>	<u>495 901</u>	<u>440 148</u>	<u>495 901</u>
Non-current assets	440 148	495 901	440 148	495 901
Current portion of long-term receivables	37 921	34 821	37 921	34 821
	<u>478 069</u>	<u>530 722</u>	<u>478 069</u>	<u>530 722</u>

Staff home loans

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 800	3 800	3 800	3 800
Cash book balances	76 695 620	87 552 524	75 844 691	86 713 103
Call investments deposits	370 000 000	280 000 000	370 000 000	280 000 000
	<u>446 699 420</u>	<u>367 556 324</u>	<u>445 848 491</u>	<u>366 716 903</u>

Call investment deposits portfolio is detailed below:

Financial Institution	Maturity Date	Investment R
ABSA	2013/07/10	20 000 000
ABSA	2013/07/26	20 000 000
ABSA	2013/09/09	30 000 000
NEDBANK	CALL	10 000 000
NEDBANK	2013/07/04	20 000 000
NEDBANK	2013/07/11	40 000 000
NEDBANK	2013/07/23	20 000 000
NEDBANK	2013/08/12	20 000 000
STANDARD	2013/08/02	40 000 000
INVESTEC	2013/07/24	50 000 000
INVESTEC	2013/08/08	40 000 000
INVESTEC	2013/08/12	20 000 000
INVESTEC	2013/08/22	20 000 000
INVESTEC	2013/09/11	20 000 000
		<u>370 000 000</u>

An average interest rate of 5.32 % (2012 - 5.646 %) was received on investments placed for the financial year.

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Cash and cash equivalents (continued)
 The group had the following bank accounts:

Account description	Account Number	Bank statement balances			Cash book balances		
		30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
		R	R	R	R	R	R
NEDBANK - Primary Account	145 408 8885	111 534 826	112 039 895	54 994 082	111 525 267	111 891 301	54 844 503
NEDBANK	145 408 8893	4 369 966	1 911 924	1 545 346	4 334 015	1 183 288	1 230 428
NEDBANK - Expense Account	145 408 9016	-	-	-	(40 288 110)	(26 725 522)	(11 076 727)
NEDBANK	145 408 8907	14 760	103 302	95 905	14 760	102 905	95 905
NEDBANK	145 409 4141	258 759	343 939	331 355	258 759	261 131	261 131
NEDBANK - The uThungulu Financing Partnership	197 937 3671	317 072	309 259	351 646	317 072	309 259	351 646
NEDBANK - uThungulu House Development Trust	197 937 3663	533 857	530 162	1 233 444	533 857	530 162	1 233 444
Total		117 029 240	115 238 481	58 551 778	76 695 620	87 552 524	46 940 330

The municipality had the following bank accounts:

Account description	Account Number	Bank statement balances			Cash book balances		
		30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
		R	R	R	R	R	R
NEDBANK - Primary Account	145 408 8885	111 534 826	112 039 895	54 994 082	111 525 267	111 891 301	54 844 503
NEDBANK	145 408 8893	4 369 966	1 911 924	1 545 346	4 334 015	1 183 288	1 230 428
NEDBANK - Expense Account	145 408 9016	-	-	-	(40 288 110)	(26 725 522)	(11 076 727)
NEDBANK	145 408 8907	14 760	103 302	95 905	14 760	102 905	95 905
NEDBANK	145 409 4141	258 759	343 939	331 355	258 759	261 131	261 131
Total		116 178 311	114 399 060	56 966 688	75 844 691	86 713 103	45 355 240

Detailed bank reconciliation's in support of cash book balance is available for inspection at the registered office of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment

Group	2013		2012	
	Cost	Accumulated depreciation and impairment	Cost	Accumulated depreciation and impairment
Builings	45 732 850	(1 727 555)	44 005 295	53 149 498
Land	12 474 983	-	12 474 983	12 474 983
Infrastructure under construction	505 647 853	-	505 647 853	426 385 397
Infrastructure	800 189 965	(209 742 269)	590 447 696	713 086 975
Other assets - assets under construction	5 411 503	-	5 411 503	2 350 774
Other assets	39 622 823	(23 358 854)	16 263 969	30 063 347
Total	1 409 079 977	(234 828 678)	1 174 251 299	1 237 510 974
Municipality				
Builings	45 732 850	(1 727 555)	44 005 295	53 149 498
Land	12 474 983	-	12 474 983	12 474 983
Infrastructure under construction	505 647 853	-	505 647 853	426 385 397
Infrastructure	800 189 965	(209 742 269)	590 447 696	713 086 975
Other assets - assets under construction	5 411 503	-	5 411 503	2 350 774
Other assets	39 622 823	(23 358 854)	16 263 969	30 063 347
Total	1 409 079 977	(234 828 678)	1 174 251 299	1 237 510 974
Group				
Builings	45 608 175	-	44 005 295	-
Land	12 474 983	-	12 474 983	-
Infrastructure - Under construction	426 385 397	(88 048 215)	505 647 853	-
Infrastructure	546 722 000	(78 809)	590 447 696	600 908
Other assets - assets under construction	2 350 774	-	2 350 774	-
Other assets	16 866 787	(186 216)	16 263 969	(33 770)
Total	1 050 408 116	(265 025)	523 775	(12 866 445)
Group				
Opening balance	124 675	-	(1 727 555)	-
Additions	167 310 671	(88 048 215)	505 647 853	-
Disposals	-	-	-	-
Transfers	-	-	-	-
Newly identified assets at fair value	-	-	-	-
Depreciation	-	-	-	-
Impairment loss	-	-	-	-
Impairment reversal	-	-	-	-
Total	44 005 295	12 474 983	1 174 251 299	1 174 251 299

Reconciliation of property, plant and equipment - 2013

Group	2013		2012	
	Cost	Accumulated depreciation and impairment	Cost	Accumulated depreciation and impairment
Builings	45 732 850	(1 727 555)	44 005 295	53 149 498
Land	12 474 983	-	12 474 983	12 474 983
Infrastructure under construction	505 647 853	-	505 647 853	426 385 397
Infrastructure	800 189 965	(209 742 269)	590 447 696	713 086 975
Other assets - assets under construction	5 411 503	-	5 411 503	2 350 774
Other assets	39 622 823	(23 358 854)	16 263 969	30 063 347
Total	1 409 079 977	(234 828 678)	1 174 251 299	1 237 510 974
Municipality				
Builings	45 732 850	(1 727 555)	44 005 295	53 149 498
Land	12 474 983	-	12 474 983	12 474 983
Infrastructure under construction	505 647 853	-	505 647 853	426 385 397
Infrastructure	800 189 965	(209 742 269)	590 447 696	713 086 975
Other assets - assets under construction	5 411 503	-	5 411 503	2 350 774
Other assets	39 622 823	(23 358 854)	16 263 969	30 063 347
Total	1 409 079 977	(234 828 678)	1 174 251 299	1 237 510 974
Group				
Builings	45 608 175	(7 541 323)	44 005 295	-
Land	12 474 983	-	12 474 983	-
Infrastructure - assets under construction	426 385 397	-	505 647 853	-
Infrastructure	546 722 000	(166 364 975)	590 447 696	600 908
Other assets - assets under construction	2 350 774	-	2 350 774	-
Other assets	16 866 787	(13 196 560)	16 263 969	(33 770)
Total	1 050 408 116	(187 102 858)	1 174 251 299	1 174 251 299

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Transfers	Newly identified assets at fair value	Depreciation	Impairment loss	Impairment reversal	Total
Municipality									
Buildings	45 608 175	124 675	-	-	-	(1 727 555)	-	-	44 005 295
Land	12 474 983	-	-	-	-	-	-	-	12 474 983
Infrastructure under construction	426 385 397	167 310 671	-	(88 048 215)	-	-	-	-	505 647 853
Infrastructure	546 722 000	-	(78 809)	88 263 869	-	(32 227 597)	(12 832 675)	600 908	590 447 696
Other assets - assets under construction	2 350 774	3 276 383	-	(215 654)	-	-	-	-	5 411 503
Other assets	16 866 787	2 873 163	(186 216)	-	523 775	(3 779 770)	(33 770)	-	16 263 969
Total	1 050 408 116	173 584 892	(265 025)	-	523 775	(37 734 922)	(12 866 445)	600 908	1 174 251 299

Reconciliation of property, plant and equipment - 2012

Group	Opening Balance	Additions	Disposals	Transfers	Reclassification	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	46 349 123	975 882	-	-	-	(1 716 830)	-	-	45 608 175
Land	12 474 983	-	-	-	-	-	-	-	12 474 983
Infrastructure under construction	302 466 888	196 954 815	-	(76 847 495)	3 811 189	-	-	-	426 385 397
Infrastructure	499 773 485	221 189	-	76 847 495	-	(30 683 861)	-	563 692	546 722 000
Other assets - assets under construction	5 002 007	1 159 956	-	-	(3 811 189)	-	-	-	2 350 774
Other assets	19 049 892	2 457 671	(593 823)	-	-	(3 889 776)	(157 177)	-	16 866 787
Total	885 116 378	201 769 513	(593 823)	-	-	(36 290 467)	(157 177)	563 692	1 050 408 116

Reconciliation of property, plant and equipment - 2012

Municipality	Opening Balance	Additions	Disposals	Transfers	Reclassification	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	46 349 123	975 882	-	-	-	(1 716 830)	-	-	45 608 175
Land	12 474 983	-	-	-	-	-	-	-	12 474 983
Infrastructure under construction	302 466 888	196 954 815	-	(76 847 495)	3 811 189	-	-	-	426 385 397
Infrastructure	499 773 485	221 189	-	76 847 495	-	(30 683 861)	-	563 692	546 722 000
Other assets - assets under construction	5 002 007	1 159 956	-	-	(3 811 189)	-	-	-	2 350 774
Other assets	19 049 892	2 457 671	(593 823)	-	-	(3 889 776)	(157 177)	-	16 866 787
Total	885 116 378	201 769 513	(593 823)	-	-	(36 290 467)	(157 177)	563 692	1 050 408 116

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Intangible Assets

	2013				2012				
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Group	2 842 062	(1 765 029)	1 077 033	2 749 263	(1 272 579)	1 476 684	2 842 062	(1 765 029)	1 077 033
Computer software and other									
Total	2 842 062	(1 765 029)	1 077 033	2 749 263	(1 272 579)	1 476 684	2 842 062	(1 765 029)	1 077 033
Municipality	2 842 062	(1 765 029)	1 077 033	2 749 263	(1 272 579)	1 476 684	2 842 062	(1 765 029)	1 077 033
Computer software and other									
Total	2 842 062	(1 765 029)	1 077 033	2 749 263	(1 272 579)	1 476 684	2 842 062	(1 765 029)	1 077 033

Reconciliation of Intangible assets - 2013

Group
 Computer software and other

Opening Balance	1 476 684	Additions	92 800	Amortisation	(492 451)	Total	1 077 033
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Reconciliation of Intangible assets - 2013

Municipality
 Computer software and other

Opening Balance	1 476 684	Additions	92 800	Amortisation	(492 451)	Total	1 077 033
-----------------	-----------	-----------	--------	--------------	-----------	-------	-----------

Reconciliation of Intangible assets - 2012

Group
 Computer software and other

Opening Balance	1 975 850	Additions	159 712	Amortisation	(658 878)	Total	1 476 684
-----------------	-----------	-----------	---------	--------------	-----------	-------	-----------

Reconciliation of Intangible assets - 2012

Municipality
 Computer software and other

Opening Balance	1 975 850	Additions	159 712	Amortisation	(658 878)	Total	1 476 684
-----------------	-----------	-----------	---------	--------------	-----------	-------	-----------

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality.
 No intangible assets have been pledged as security nor have any restrictions been placed on any assets under the control of the municipality.

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
10. Investment in municipal entities				
% Holding				
uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
Carrying amount				
uThungulu Financing Partnership			19 307 087	19 498 698
uThungulu House Development Trust			5 365 733	5 708 098
			<u>24 672 820</u>	<u>25 206 796</u>

The carrying amounts of municipal entities are shown net of impairment losses.

11. Investments

Non-current assets

At amortised cost	-	<u>21 000 000</u>	-	<u>21 000 000</u>
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An investment was placed with ABSA on 15 July 2011 at an interest rate of 8.70%. The investment was recalled on 2 January 2013 to settle the Zero coupon held by INCA. Refer to note 12.

12. Long-term liabilities

Held at amortised cost

ABSA Bank 12.6%	40 391 568	42 032 370	40 391 568	42 032 370
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The loan was raised originally for the development of uThungulu House building and greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed therefrom. The original loan is repayable after a 15 year period (remaining period 11 years). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.

INCA 13.95%	-	21 000 000	-	21 000 000
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The loan was raised to finance the purchase and development of the Regional Solid Waste site. The loan was settled on 3 January 2013.

INCA 11.95%	25 060 631	26 314 518	25 060 631	26 314 518
-------------	------------	------------	------------	------------

The loan was raised to finance extensions to uThungulu House and the development of the Regional Solid Waste site cell 2. The original loan is repayable after a 15 year period (remaining period 10 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.

Obligation under Finance Headlease			24 016 912	24 564 331
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The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23.81% and is paid 6 monthly in advance on the last day of the month.

	<u>65 452 199</u>	<u>89 346 888</u>	<u>89 469 111</u>	<u>113 911 219</u>
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Refer to Appendix A for more information.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012	2013	2012
	Group		Municipality	
Non-current liabilities	61 231 776	85 611 711	78 874 001	104 584 204
At amortised cost				
Current liabilities	4 220 423	3 735 177	10 595 110	9 327 015
At amortised cost				
13. Payables from exchange transactions				
Trade payables	103 653 393	103 113 405	103 653 393	103 113 405
Amounts received in advance	2 635 016	2 555 164	2 635 016	2 555 164
Retention payables	24 247 760	15 888 281	24 247 760	15 888 281
Accrued leave pay	5 847 669	5 375 012	5 847 669	5 375 012
Employee payable transactions	25 763	25 268	25 763	25 268
136 409 603	126 957 130	126 957 130	136 409 601	126 957 130
The comparative figure for payables from exchange transactions has been re-stated by an amount of R1 475 436. Refer to note 39				
14. Consumer deposits	9 113 835	8 229 262	9 113 835	8 229 262
Water				
In terms of Council's by-laws no interest is raised or paid on consumer deposits.				
15. Defined benefit obligation				
Post-Employment Health Care Benefit Liability	15 666 000	10 584 545	15 666 000	10 584 545
Long Service Awards	2 798 000	3 596 390	2 798 000	3 596 390
Total amount for post retirement benefit provisions	18 464 000	14 180 935	18 464 000	14 180 935
Less: Current portion of post-employment health care benefit liability	(90 000)	(62 340)	(90 000)	(62 340)
Less: Current portion of long service awards	(345 000)	(695 332)	(345 000)	(695 332)
Net provision for post retirement benefit liability	18 029 000	13 423 263	18 029 000	13 423 263
15.1 Post-employment Health Care Benefit Liability				
Post-Employment Health Care Benefit Liability	15 666 000	10 584 545	15 666 000	10 584 545
Total: Post Retirement Medical Aid Benefit Liability	15 666 000	10 584 545	15 666 000	10 584 545
Less: Transfer to current provisions	(90 000)	(62 340)	(90 000)	(62 340)
Net Post-Employment Health Care Benefit Liability	15 576 000	10 522 205	15 576 000	10 522 205

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as of 30 June 2013 by ZAG Consultants and Actuaries, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and post service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2013	2012	2013	2012
In-service members (Employees)	143	149	40	149
In-service non-members	-	40	-	40
Continuation members (Retirees, widowers and orphans)	2	2	2	2
	145	191	145	191

The liability in respect of post services has been estimated to be as follows:

	2013	2012	2013	2012
In-service members	14 889 000	9 594 496	14 889 000	9 594 496
Continuation members	777 000	990 049	777 000	990 049
	15 666 000	10 584 545	15 666 000	10 584 545

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2011
Group	R	R	R
Municipality	2013	2012	2011
	R	R	R

15. Defined benefit obligations (continued)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Key Health
- LA Health
- Hosmed
- Samumed

The future service cost for the ensuing year is established to be R 1 564 000, whereas the interest-cost for the next year is estimated to be R 1 294 000 (2012: R 1 063 967 and R 887 391 respectively).

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

Rate of interest	2013	2012	2011
Discount rate	7.89%	8.41%	8.41%
Health care cost inflation rate	7.14%	7.08%	7.08%
Net effective discount rate	0.70%	1.24%	1.24%
Benchmark inflation (=75% of salary inflation)	6.14%	4.75%	4.75%
Expected retirement age - females	58	58	58
Expected retirement age - males	63	63	63

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

	2013	2012	2011
Present value of fund obligations	15 666 000	10 584 545	10 584 545
Present value of unfunded obligations	15 666 000	10 584 545	10 584 545
Benefit liability	15 666 000	10 584 545	10 584 545

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

	2013	2012	2011
Current service cost	1 064 000	1 111 284	1 111 284
Interest cost	887 400	870 570	870 570
Actuarial (gain)/loss	3 185 055	(1 205 392)	(1 205 392)
Total included in employee related cost	5 136 455	776 462	776 462

The movement in the defined benefit obligation over the year is as follows:

	2013	2012	2011
Balance at the beginning of the year	10 584 545	9 863 739	10 584 545
- Current service cost	1 064 000	1 111 284	1 111 284
- Interest cost	887 400	870 570	870 570
- Benefits paid	(55 000)	(55 656)	(55 656)
- Actuarial (gain)/losses	3 185 055	(1 205 392)	(1 205 392)
Balance at the end of the year	15 666 000	10 584 545	10 584 545

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	2013	2012	2011
Increase	305 000	439 000	305 000
Effect on the aggregate current service and interest cost	1 687 000	1 552 000	1 687 000
Decrease	(374 000)	(344 500)	(344 500)
Effect on the defined benefit obligation	(2 006 000)	(1 352 000)	(2 006 000)
Defined benefit obligation	15 666 000	10 584 545	10 584 545

The municipality expects to make a contribution of R 90 000, (2013: R 62 340) to the defined benefit plans during the next financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013
	R	R	R
Group			
Municipality			

15. Defined benefit obligations (continued)

15.2 Long Service Awards

Provision for Long Service Awards	2 798 000	3 596 390	2 798 000
Total provision for Long Service Awards	2 798 000	3 596 390	2 798 000
Less: Transfer to current provisions	(345 000)	(695 332)	(695 332)
Net Long Service Awards Liability	2 453 000	2 901 058	2 102 668

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality which includes their uninterrupted service with the former local authorities amalgamated in December 2000. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2013 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2013 by ZAQ Consultants and Actuaries, a member 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. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 332 000, whereas the interest-cost for the next year is estimated to be R 206 000 (2012: R 772 680 and R 202 053 respectively).

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

Rates of Interest	7.40%	6.21%	7.40%
Discount rate	0.69%	0.23%	0.69%
Net effective discount rate	6.66%	5.97%	6.66%
Expected rate of salary increase	58	58	58
Expected retirement age - females	63	63	63
Expected retirement age - males			

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

Present value of fund obligations	2 798 000	3 596 390	2 798 000
Present value of unfunded obligations	2 798 000	3 596 390	2 798 000
Benefit liability	2 798 000	3 596 390	2 798 000

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

Current service cost	772 680	859 937	772 680
Interest cost	202 053	246 604	202 053
Actuarial (gain)/losses	(1 421 123)	(452 550)	(1 421 123)
Total included in employee related cost	(446 390)	653 991	(446 390)

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	3 596 390	3 561 001	3 596 390
- Current service cost	772 680	859 937	772 680
- Interest cost	202 053	246 604	202 053
- Benefits paid	(352 000)	(618 602)	(352 000)
- Actuarial (gain)/losses on the obligation	(1 421 123)	(452 550)	(1 421 123)
Balance at the end of the year	2 798 000	3 596 390	2 798 000
Defined benefit obligation	2 798 000	3 596 390	2 798 000
Experience adjustment on plan liabilities	-	(684 082)	-
	3 596 390	3 596 390	3 596 390

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013	2012
	R	R	R	R
	Municipality	Municipality	Group	Group

15. Defined benefit obligations (continued)

Other assumptions

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	2013	2012	2013	2012
	R	R	R	R
Increase				
Effect on the aggregate of the service cost and interest cost	56 000	47 613	238 000	238 000
Effect on the defined benefit obligation	195 000	195 000	195 000	195 000
Decrease				
Effect on the aggregate of the service cost and interest cost	(50 000)	(42 948)	(175 000)	(175 000)
Effect on the defined benefit obligation	(212 000)	(175 000)	(212 000)	(212 000)
Defined benefit obligation	2 798 000	3 596 390	2 798 000	3 596 390

The municipality expects to make a contribution of R 345 000 (2013: R 695 332) to the defined benefit plan during the next financial year.

Defined benefit obligations

	Last Actual Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain or (Loss)
Government Employees Pension Fund	March 2010	801 004 000	801 004 000	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2012	1 288 291	1 255 238	33 053
Natal Joint Municipal Pension Fund (Superannuation)	March 2012	6 538 900	6 808 900	(270 000)
Natal Joint Municipal Pension Fund (Retirement)	March 2012	2 415 500	2 667 000	(251 500)
Zululand Joint Provident Fund (uthungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

An amount of R 9 925 892 (2012: R 8 018 765) was contributed by Council towards employee retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013	2012	2013	2012
	R	R	R	R
Conditional Grants from spheres of Government and other Affairs (Previously DITGA)	9 080 327	10 980 879	1 826 455	10 980 879
Department of Water Affairs	917 526	1 826 455	917 526	1 826 455
Department of Co-operative Governance and Traditional Affairs	14 723 666	7 861 281	14 723 666	7 861 281
Department of Public Works	5 147 158	3 025 661	5 147 158	3 025 661
National Treasury	-	500 942	-	500 942
Public donors	180 186	186	180 186	186
Provincial Treasury	280 196	280 196	280 196	280 196
Department of Sport and Recreation	277 613	3 813	277 613	3 813
Department of Transport	1 427 737	1 591 846	1 427 737	1 591 846
Department of Economic Affairs and Tourism	11 842	11 842	11 842	11 842
Department of Agriculture	177 708	177 708	177 708	177 708
Other - EU	236 493	238 865	236 493	238 865
Total	32 460 451	26 499 674	32 460 451	26 499 674

The comparative figure for unspent conditional grants and receipts (municipal infrastructure grant) has been re-stated by an amount of R 47 749 291 being VAT transferred to own revenue per National Treasury circular 58. Refer to note 20 and 39.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013	2012
	Group		Municipality	
	R	R	R	R

17. Provisions (continued)

Non-current liabilities	57 605 107	69 415 033	57 605 107	69 415 033
Current liabilities	16 490 794	751 981	16 490 794	751 981
	<u>74 095 901</u>	<u>70 167 014</u>	<u>74 095 901</u>	<u>70 167 014</u>

Performance bonuses are paid after the financial year end in areas as the assessment of eligible employees had not taken place at reporting date. During the 2011/2012 financial year the assessment of the previous Municipal Manager and Executive Director Corporate Services had been concluded and provided for, however the bonuses amounting to R293 879 were paid in the 2012/2013 financial year.

In terms of licensing of the landfill refuse site, Council will incur rehabilitation costs of R 73.5 million to restore the old Empongeni and Cell 1 refuse sites at the end of their useful lives. Planning has commenced in 2013. Provision has been made at best estimate determined by the resident professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empongeni Site.

18. Service charges

Sale of water	33 304 979	35 615 614	33 304 979	35 615 614
Solid waste revenue	11 722 007	8 444 902	11 722 007	8 444 902
Sanitation revenue	4 604 903	3 740 115	4 604 903	3 740 115
Cemetery revenue	270 030	216 751	270 030	216 751
	<u>49 901 919</u>	<u>48 017 382</u>	<u>49 901 919</u>	<u>48 017 382</u>

19. Interest received

Interest revenue	34 243	39 573	34 243	39 573
Outstanding debtors	27 133 733	27 048 178	27 133 733	26 998 106
External investments	<u>27 167 976</u>	<u>27 087 751</u>	<u>27 167 976</u>	<u>27 037 679</u>

20. Government grants and subsidies

Levy Replacement Grant	152 214 492	152 214 492	152 214 492	152 214 492
Municipal Infrastructure Grant	189 155 078	212 768 744	189 155 078	212 768 744
Equitable share	162 849 000	146 963 509	162 849 000	146 963 509
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	1 900 553	1 900 892	1 900 553	1 900 892
Department of Water Affairs	42 071 839	34 553 187	42 071 839	34 553 187
Department of Co-operative Governance and Traditional Affairs	3 037 614	1 967 109	3 037 614	1 967 109
Department of Public Works	1 833 503	1 145 732	1 833 503	1 145 732
National Treasury	1 470 942	1 029 277	1 470 942	1 029 277
Public donors	59 750	-	59 750	-
Provincial Treasury	1 940 109	940 638	1 940 109	940 638
Department of Transport	409 924	409 924	409 924	409 924
Department of Economic Affairs & Tourism	-	32 015	-	32 015
	<u>570 231 388</u>	<u>553 925 519</u>	<u>570 231 388</u>	<u>553 925 519</u>

Summary of grants per funder

Levy Replacement Grant
 Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while National government is currently defining the overall fiscus streams to local government.

Municipal Infrastructure Grant

Balance unpaid at beginning of year	-	45 496 307	-	45 496 307
Current-year receipts	195 223 000	160 933 000	195 223 000	160 933 000
Conditions met - transferred to revenue	(173 002 414)	(185 737 878)	(173 002 414)	(185 737 878)
M/G debtor receipt	(6 339 439)	-	(6 339 439)	-
VAT transferred to own revenue	(15 881 147)	(20 691 429)	(15 881 147)	(20 691 429)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas, in line with National Treasury's circular 58. VAT transferred to own revenue amounted to R 15 881 147 in the current year, R 20 691 429 for 2011/2012 and R 27 057 862 for the previous financial years.
 No funds have been withheld.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2012
	R	R	R
Group			
Municipality			
	2013	2012	2012
	R	R	R

20. Government grants and subsidies (continued)

Equitable share

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies include 6 kilolitre free basic water to the entire district with the exception of KZ 282.

Department of Co-operative Governance and Traditional Affairs (Previously DTGA)

Balance unspent at beginning of year	10 980 879	12 881 771	10 980 879
Current-year receipts	(1 900 552)	(1 900 892)	(1 900 892)
Conditions met - transferred to revenue	9 080 327	10 980 879	10 980 879
Conditions still to be met - remain liabilities (see note 16)			
These grants are used:			
- to build capacity within the district in order to perform functions as per legislature:			
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.			

Department of Water Affairs

Balance unspent at beginning of year	1 826 455	942 042	1 826 455
Current-year receipts	40 944 885	35 437 600	40 944 885
Conditions met - transferred to revenue	(41 853 814)	(34 553 187)	(41 853 814)
Conditions still to be met - remain liabilities (see note 16)			

These grants are used for:
 - water infrastructure and sanitation projects;
 - drought relief and disaster relief programmes

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	7 861 281	8 661 523	7 861 281
Current-year receipts	9 900 000	8 966 523	9 900 000
Conditions met - transferred to revenue	(3 037 615)	(1 967 109)	(1 967 109)
Conditions still to be met - remain liabilities (see note 16)			

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

Department of Public Works Grants

Balance unspent at beginning of year	3 025 661	1 595 272	3 025 661
Current-year receipts	3 955 000	2 444 000	3 955 000
Conditions met - transferred to revenue	(1 833 503)	(1 145 732)	(1 833 503)
Other - CPWP	-	132 121	132 121
Conditions still to be met - remain liabilities (see note 16)			

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

National Treasury

Balance unspent at beginning of year	500 942	280 219	500 942
Current-year receipts	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 470 942)	(1 029 277)	(1 470 942)
Transferred to EGS & LRG	(280 000)	-	(280 000)
Conditions still to be met - remain liabilities (see note 16)			

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
20. Government grants and subsidies (continued)				
National treasury other grants are used for:				
- the promotion and support of reforms to municipal financial management; and				
- the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).				
The allocation from funder was reduced by an amount of R280 000 through a set off against the levy replacement and Equitable share tranche in 2012/2013. This pertained to the unspent allocation from 2010/2011 financial year.				
Public donors				
Balance unspent at beginning of year	186	186	186	186
Current-year receipts	239 750	-	239 750	-
Conditions met - transferred to revenue	(59 750)	-	(59 750)	-
	<u>180 186</u>	<u>186</u>	<u>180 186</u>	<u>186</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received of R 160 000 from Foskor is to partner with the district municipality in the fight against HIV and Aids, the grant received of R 50 000 from BHP Billiton and R 20 000 from Bell equipment was for corporate social investment programmes, while the grant received of R 9 750 from Eyethu engineering was for assistance of bursary applications.				
Provincial Treasury				
Balance unspent at beginning of year	280 196	1 220 833	280 196	1 220 833
Conditions met - transferred to revenue	-	(940 637)	-	(940 637)
	<u>280 196</u>	<u>280 196</u>	<u>280 196</u>	<u>280 196</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from Provincial Treasury is used for the upliftment of the district's communities through various programmes.				
Department of Sport & Recreation				
Balance unspent at beginning of year	3 813	3 813	3 813	3 813
Current-year receipts	273 800	-	273 800	-
	<u>277 613</u>	<u>3 813</u>	<u>277 613</u>	<u>3 813</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Sport and Recreation is used to develop sporting codes within the district. The grant is spent in accordance with the approved business plan. No funds have been withheld.				
Department of Transport				
Balance unspent at beginning of year	1 591 846	313 770	1 591 846	313 770
Current-year receipts	1 776 000	1 688 000	1 776 000	1 688 000
Conditions met - transferred to revenue	(1 940 109)	(409 924)	(1 940 109)	(409 924)
	<u>1 427 737</u>	<u>1 591 846</u>	<u>1 427 737</u>	<u>1 591 846</u>
Conditions still to be met - remain liabilities (see note 16)				
The Department of Transport grant is used for the development of the public transport plan.				
Department of Economic Affairs and Tourism				
Balance unspent at beginning of year	11 842	43 857	11 842	43 857
Conditions met - transferred to revenue	-	(32 015)	-	(32 015)
	<u>11 842</u>	<u>11 842</u>	<u>11 842</u>	<u>11 842</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the district's local economy and tourism.				
Department of Agriculture				
Balance unspent at beginning of year	<u>177 708</u>	<u>177 708</u>	<u>177 708</u>	<u>177 708</u>
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Agriculture is for the development of a district agricultural projects.				

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013	2012
	R	R	R	R
	2013	2012	Municipality	2012

21. Other income

Sundry income	1 674 892	1 697 259	1 674 892	1 697 259
Income from the Uthungulu House Development Trust	-	-	-	-
Income from the Uthungulu Financing Partnership	231 486	265 966	231 486	265 966
Tender deposits	1 167 616	454 212	1 167 616	454 212
SETA refund	283 235	228 408	283 235	228 408
Insurance claim proceeds	131 364	99 885	131 364	99 885
3 488 593			2 745 730	
99 492 610			88 084 985	
99 492 610			99 492 610	

22. Employee related costs

Employee related costs - salaries and wages	64 026 865	55 131 305	64 026 865	55 131 305
Employee related costs - contributions for Uf, pensions & medical aid	14 323 090	11 672 551	14 323 090	11 672 551
Travel and other allowances	7 400 181	6 235 526	7 400 181	6 235 526
Overtime and relief payments	7 040 423	11 602 892	7 040 423	11 602 892
Housing benefits and allowances	2 418 986	2 686 516	2 418 986	2 686 516
Defined benefits obligations: post-employment health care	-	-	-	-
Benefit & long service awards	4 283 065	756 195	4 283 065	756 195
99 492 610			88 084 985	
99 492 610			99 492 610	

Included in employee related costs above are the following salaries, allowances and benefits:

Remuneration of Municipal Manager

Annual Remuneration	981 689	216 613	981 689	216 613
Cor Allowance	333 728	84 197	333 728	84 197
Performance Bonuses	154 673	-	154 673	-
Contributions to Uf,SDL and other	13 524	16 495	13 524	16 495
Dispute settlement	-	1 210 867	-	1 210 867
Leave pay	-	149 456	-	149 456
1 483 614			1 677 628	
1 483 614			1 483 614	

The remuneration for the 2012/2013 financial year pertains to the Municipal Manager who was appointed in the year under review and the performance bonus amount reflected in 2012/2013 pertains to the previous Municipal Manager - refer to note 17.

Remuneration of Deputy Municipal Manager - Planning & Economic Development

Annual Remuneration	896 040	797 369	896 040	797 369
Cor Allowance	364 075	352 503	364 075	352 503
Performance Bonuses	155 873	146 939	155 873	146 939
Contributions to Uf,SDL and other	15 239	14 164	15 239	14 164
Acting allowance	-	19 276	-	19 276
Leave pay	18 007	29 708	18 007	29 708
1 449 234			1 359 959	
1 449 234			1 449 234	

Remuneration of Deputy Municipal Manager - Technical Services

Annual Remuneration	1 035 447	683 880	1 035 447	683 880
Cor Allowance	220 876	166 099	220 876	166 099
Performance Bonuses	115 574	-	115 574	-
Contributions to Uf,SDL,pension & medical aid	12 859	201 759	12 859	201 759
Annual Bonus	37 272	33 231	37 272	33 231
Leave pay	27 345	-	27 345	-
1 449 373			1 084 969	
1 449 373			1 449 373	

Remuneration of Deputy Municipal Manager - Corporate Services

Annual Remuneration	825 237	226 926	825 237	226 926
Cor Allowance	244 740	54 911	244 740	54 911
Performance Bonuses	139 206	-	139 206	-
Contributions to Uf,SDL and other	11 834	17 839	11 834	17 839
Dispute settlement	-	1 362 226	-	1 362 226
Leave pay	-	120 951	-	120 951
1 221 017			1 782 853	
1 221 017			1 221 017	

The remuneration for the 2012/2013 financial year pertains to the Deputy Municipal Manager Corporate Executive Director who was appointed in the year under review and the performance bonus amount reflected in 2012/2013 pertains to the previous Executive Director - Corporate Services - refer to note 17.

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013	2012
	R	R	R	R
	2013	2012	Group	Municipality

22. Employee related costs (continued)

Remuneration of Deputy Municipal Manager - Financial Services

Annual Remuneration	881 216	727 064	727 064	881 216
Car Allowance	377 430	219 645	219 645	377 430
Performance Bonuses	140 287	33 062	33 062	140 287
Contributions to UIF,SDL and other	16 952	11 682	11 682	16 952
Acting allowance	-	115 272	115 272	-
Leave pay	97 087	-	97 087	97 087
Long service leave pay	145 630	-	145 630	145 630
Total	1 658 602	1 106 725	1 106 725	1 658 602

23. Remuneration of councillors

Mayor	728 196	690 437	690 437	728 196
Deputy Mayor	586 532	555 958	555 958	586 532
Speaker	586 532	559 271	559 271	586 532
Chief Whip	367 600	276 049	276 049	367 600
Executive Committee	2 581 614	1 928 176	1 928 176	2 581 614
Councillors	2 930 547	3 220 164	3 220 164	2 930 547
Councillors' pension contribution	741 628	639 666	639 666	741 628
Total	8 522 649	7 869 721	7 869 721	8 522 649

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. The Mayor has the use of a Council owned vehicle together with a driver for official duties and security furthermore is provided for some Exco members based on security assessments.

24. Depreciation, amortisation & impairment

Property, plant and equipment	50 000 458	35 883 951	35 883 951	50 000 458
Intangible assets	492 450	658 878	658 878	492 450
Total	50 492 908	36 542 829	36 542 829	50 492 908

25. Finance costs

Interest paid - long term liabilities

	7 580 552	5 962 760	5 962 760	7 580 552
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26. Repairs and maintenance

Vehicles, buildings and other
Water and sanitation infrastructure

	43 985 475	34 926 111	34 926 111	43 985 475
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27. Bulk purchases

Electricity for operations
Water

	29 466 494	29 204 363	29 204 363	29 466 494
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28. Contracted services

Service support agent, information technology services,
environmental health and administration services,
Internal audit
Specialist services

	63 537 996	61 526 743	61 526 743	63 537 996
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29. Grants and subsidies paid

KZ 282 Umhlatuze Municipality
KZ 283 Ntambona Municipality
KZ 284 Umloz Municipality

	4 603 259	4 342 698	4 342 698	4 603 259
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The comparative figure for grants and subsidies paid has been restated by an amount of R 1 085 671. Refer to note 39.

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013	2012
	R	R	R	R
	2013	2012	Group	Municipality

30. General expenses

Advertisements	666 394	297 127	666 394	666 394
Assessment rates & municipal charges	81 286	112 476	81 286	81 286
Audit committee fees	168 058	222 890	168 058	168 058
Bank charges	24 499	71 249	24 499	71 249
Bursaries	2 374 185	2 802 197	2 374 185	2 802 197
Chemicals & cleaning materials	2 295 406	377 605	2 295 406	377 605
Delegations	2 863 159	2 246 605	2 863 159	2 246 605
External audit fees	2 790 077	2 295 406	2 790 077	2 246 605
Fuel and oil	64 260 792	45 781 146	64 260 792	45 781 146
IDP operational externally funded projects	52 375 910	44 890 691	52 375 910	44 890 691
IDP operational internally funded projects	854 345	104 640	854 345	104 640
Insurance	3 819 945	4 297 741	3 819 945	4 297 741
Landfill site reclamation	242 076	2 565 412	242 076	2 565 412
Legal fees	1 018 989	723 075	1 018 989	723 075
Leaves & membership fees	201 981	1 227 207	201 981	1 227 207
Licenses	1 101 421	191 611	1 101 421	191 611
Painting & postage	752 808	201 981	752 808	201 981
Publicity	283 453	1 101 421	283 453	1 101 421
Refreshments	3 218 566	297 818	3 218 566	297 818
Rent - Plant and vehicles	62 733	297 818	62 733	297 818
Rent office	72 137	72 137	72 137	72 137
Skills development levy	700 841	822 339	700 841	822 339
Small tools	34 167	34 167	34 167	34 167
Staff medical examinations	165 189	55 508	165 189	55 508
Stores and material	57 002	165 189	57 002	165 189
Subsistence & travelling	1 062 242	57 002	1 062 242	57 002
Telephone	1 480 471	895 744	1 480 471	895 744
Training cost	1 076 517	1 353 235	1 076 517	1 353 235
Workers' compensation	526 743	1 179 101	526 743	1 179 101
144 587 185	120 190 307	144 587 185	120 190 307	
Adjustments for:	186 367 314	227 251 449	186 367 314	227 251 449
Surplus before outside partners interest adjustment	50 492 908	36 542 829	50 492 908	36 542 829
Depreciation and amortisation	265 025	419 223	265 025	419 223
(Surplus)/Loss on sale of property, plant and equipment	(523 775)	-	(523 775)	-
Fair value adjustment	4 189 974	8 023 573	4 189 974	8 023 573
Debt impairment	4 283 065	756 194	4 283 065	756 194
Movement in retirement benefits assets and liabilities	3 928 887	4 281 219	3 928 887	4 281 219
Other non-cash items	-	(275 239)	-	(275 239)
Distribution by partnership	(33 894)	(26 521)	(33 894)	(26 521)
Changes in working capital:	(1 147 054)	946 807	(1 147 054)	946 807
Inventories	10 553 840	(10 493 976)	10 553 840	(10 493 976)
Accounts receivable from non exchange transactions	(8 383 364)	(10 652 978)	(8 383 364)	(10 652 978)
Accounts receivable from exchange transactions	9 452 472	9 131 657	9 452 472	9 131 657
Payables from exchange transactions	(10 627 928)	(4 836 240)	(10 627 928)	(4 836 240)
VAT	5 960 777	(16 997 530)	5 960 777	(16 997 530)
Unspent conditional grants and receipts	884 573	984 899	884 573	984 899
Consumer deposits	-	-	-	-
MIG VAT transferred to revenue	-	-	-	-
Accruals for environmental health and workers' compensation	-	-	-	-
Other non-cash items: Accruals	(6 261 023)	(12 948 047)	(6 261 023)	(12 948 047)
249 401 797	212 891 326	249 401 797	212 891 326	
Adjustments for:	186 367 314	227 251 449	186 367 314	227 251 449
Surplus before outside partners interest adjustment	50 492 908	36 542 829	50 492 908	36 542 829
Depreciation and amortisation	265 025	419 223	265 025	419 223
(Surplus)/Loss on sale of property, plant and equipment	(523 775)	-	(523 775)	-
Fair value adjustment	4 189 974	8 023 573	4 189 974	8 023 573
Debt impairment	4 283 065	756 194	4 283 065	756 194
Movement in provisions	3 928 887	4 281 219	3 928 887	4 281 219
Other non-cash items	-	(275 239)	-	(275 239)
Distribution by partnership	(33 894)	(26 521)	(33 894)	(26 521)
Changes in working capital:	(1 147 054)	946 807	(1 147 054)	946 807
Inventories	10 553 840	(10 493 976)	10 553 840	(10 493 976)
Accounts receivable from non exchange transactions	(8 383 364)	(10 652 978)	(8 383 364)	(10 652 978)
Accounts receivable from exchange transactions	9 452 472	9 131 657	9 452 472	9 131 657
Payables from exchange transactions	(10 627 928)	(4 836 240)	(10 627 928)	(4 836 240)
VAT	5 960 777	(16 997 530)	5 960 777	(16 997 530)
Unspent conditional grants and receipts	884 573	984 899	884 573	984 899
Consumer deposits	-	-	-	-
MIG VAT transferred to revenue	-	-	-	-
Accruals for environmental health and workers' compensation	-	-	-	-
Other non-cash items: Accruals	(6 261 023)	(12 948 047)	(6 261 023)	(12 948 047)
249 403 732	212 886 930	249 403 732	212 886 930	

The comparative figure for general expenses has been re-stated by an amount of R 389 765. Refer to note 39.

31. Cash generated from operations

Surplus before outside partners interest adjustment	186 367 314	227 251 449	186 367 314	227 251 449
Adjustments for:	50 492 908	36 542 829	50 492 908	36 542 829
Depreciation and amortisation	265 025	419 223	265 025	419 223
(Surplus)/Loss on sale of property, plant and equipment	(523 775)	-	(523 775)	-
Fair value adjustment	4 189 974	8 023 573	4 189 974	8 023 573
Debt impairment	4 283 065	756 194	4 283 065	756 194
Movement in retirement benefits assets and liabilities	3 928 887	4 281 219	3 928 887	4 281 219
Other non-cash items	-	(275 239)	-	(275 239)
Distribution by partnership	(33 894)	(26 521)	(33 894)	(26 521)
Changes in working capital:	(1 147 054)	946 807	(1 147 054)	946 807
Inventories	10 553 840	(10 493 976)	10 553 840	(10 493 976)
Accounts receivable from non exchange transactions	(8 383 364)	(10 652 978)	(8 383 364)	(10 652 978)
Accounts receivable from exchange transactions	9 452 472	9 131 657	9 452 472	9 131 657
Payables from exchange transactions	(10 627 928)	(4 836 240)	(10 627 928)	(4 836 240)
VAT	5 960 777	(16 997 530)	5 960 777	(16 997 530)
Unspent conditional grants and receipts	884 573	984 899	884 573	984 899
Consumer deposits	-	-	-	-
MIG VAT transferred to revenue	-	-	-	-
Accruals for environmental health and workers' compensation	-	-	-	-
Other non-cash items: Accruals	(6 261 023)	(12 948 047)	(6 261 023)	(12 948 047)
249 401 797	212 891 326	249 401 797	212 891 326	
Adjustments for:	186 367 314	227 251 449	186 367 314	227 251 449
Surplus before outside partners interest adjustment	50 492 908	36 542 829	50 492 908	36 542 829
Depreciation and amortisation	265 025	419 223	265 025	419 223
(Surplus)/Loss on sale of property, plant and equipment	(523 775)	-	(523 775)	-
Fair value adjustment	4 189 974	8 023 573	4 189 974	8 023 573
Debt impairment	4 283 065	756 194	4 283 065	756 194
Movement in provisions	3 928 887	4 281 219	3 928 887	4 281 219
Other non-cash items	-	(275 239)	-	(275 239)
Distribution by partnership	(33 894)	(26 521)	(33 894)	(26 521)
Changes in working capital:	(1 147 054)	946 807	(1 147 054)	946 807
Inventories	10 553 840	(10 493 976)	10 553 840	(10 493 976)
Accounts receivable from non exchange transactions	(8 383 364)	(10 652 978)	(8 383 364)	(10 652 978)
Accounts receivable from exchange transactions	9 452 472	9 131 657	9 452 472	9 131 657
Payables from exchange transactions	(10 627 928)	(4 836 240)	(10 627 928)	(4 836 240)
VAT	5 960 777	(16 997 530)	5 960 777	(16 997 530)
Unspent conditional grants and receipts	884 573	984 899	884 573	984 899
Consumer deposits	-	-	-	-
MIG VAT transferred to revenue	-	-	-	-
Accruals for environmental health and workers' compensation	-	-	-	-
Other non-cash items: Accruals	(6 261 023)	(12 948 047)	(6 261 023)	(12 948 047)
249 403 732	212 886 930	249 403 732	212 886 930	

The comparative surplus and changes in working capital have been re-stated. Refer to note 39.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group	2013	2012	Municipality
		R	R	R

32. Commitments

Authorised capital expenditure
 Approved and contracted for
 - Infrastructure

	125 303 155	176 330 686	125 303 155	176 330 686
This expenditure will be financed from:	117 047 996	174 570 924	117 047 996	174 570 924
- Government grants	8 255 159	1 759 762	8 255 159	1 759 762
- Own Resources	125 303 155	176 330 686	125 303 155	176 330 686

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2013. The majority of the capital projects include water infrastructure.

33. Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	863 403	2 879 744	863 403	2 879 744
- in second to fifth year inclusive	184 409	485 596	184 409	485 596
	1 047 812	3 365 340	1 047 812	3 365 340

Operating lease payments represent payments for the leasing of vehicles by the group and municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. Lease agreements were entered into by the group and municipality in the 2010/2011 financial year and a further new lease agreement was entered into in 2012/2013. An amount of R3 002 994 has been recognised in the Statement of Financial Performance.

34. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the consolidated annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

The deviations greater than R 200 000,00 are listed individually below for the year ending 30 June 2013.

Project Description

Catering for athletes attending camp for Salga Games	292 561	223 668	292 561	223 668
Hire of marquees and accessories for the Woman's day event	208 300	253 500	208 300	253 500
Woman's day celebrations - street parade	231 500	1 209 529	231 500	1 209 529
Provision of transport for athletes attending the Salga Games	11 133 760	11 133 760	11 133 760	11 133 760
Hire of marquees and accessories for SMMME fair	12 343 289	12 343 289	12 343 289	12 343 289

Various deviations less than R200 000

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R

35. Awards to close family members of persons in the services of the state

Paragraph 45 of the Municipal Finance Management Act, 2003(Act no. 56 of 2003); Municipal Supply Chain Management Regulations states that the particulars of any award more than R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements.

The details are listed below for the year ending 30 June 2013:

Name of person	T. Jordan
Capacity	Deputy Manager: Development Administration (uMhlatuze Municipality)
Service Provider	Audio computer world
Number of transactions	26
Total amount	R587 579
Name of person	R.Pillay
Capacity	Educator - Department of Education
Service Provider	KDM Sports CC
Number of transactions	7
Total amount	R190 363
Name of person	P.V. Dube & E.N. Dube
Capacity	Educators - Department of Education
Service Provider	Ziphozovela Multiservices CC
Number of transactions	20
Total amount	R231 085
Name of person	T.B. Khoza
Capacity	Superintendent - uMhlatuze Municipality
Service Provider	Phenomenics holdings
Number of transactions	1
Total amount	R117 997
Name of person	N. Reddy
Capacity	Prosecutor - NPA Verulam Court
Service Provider	Fana Manufacturing CC
Number of transactions	2
Total amount	R165 300

36. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	(674 157)	-	(674 157)
Current year membership fee	969 928	674 157	969 928	674 157
Amount paid - current year	<u>(969 928)</u>	<u>-</u>	<u>(969 928)</u>	<u>-</u>
	-	-	-	-

Audit fees

Current year fee	2 295 406	2 246 605	2 295 406	2 246 605
Amount paid - current year	(185 793)	(291 362)	(185 793)	(291 362)
Amount paid - previous year	<u>(2 109 613)</u>	<u>(1 955 243)</u>	<u>(2 109 613)</u>	<u>(1 955 243)</u>
	-	-	-	-

PAYE and UIF

Current year subscription / fee	15 850 813	14 242 854	15 850 813	14 242 854
Amount paid - current year	<u>(15 850 813)</u>	<u>(14 242 854)</u>	<u>(15 850 813)</u>	<u>(14 242 854)</u>
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	14 556 216	10 452 681	14 556 216	10 452 681
Amount paid - current year	<u>(14 556 216)</u>	<u>(10 452 681)</u>	<u>(14 556 216)</u>	<u>(10 452 681)</u>
	-	-	-	-

VAT

VAT receivable	<u>20 739 529</u>	<u>10 111 601</u>	<u>20 739 529</u>	<u>10 111 601</u>
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All VAT returns have been submitted by the due date throughout the year. The municipality has submitted a Voluntary Disclosure programme application to SARS amounting to R 3 723 130 and the process has not been finalised.

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2013	2012
	R	R	R	R
	Group		Municipality	
37. Contingencies				
Future legal fees and other				
1. Ex-employee 1 - legal action pending	600 000	600 000	600 000	600 000
2. Contractor 1 - legal matter pending	1 400 000	1 400 000	1 400 000	1 400 000
3. Consulting Engineers 2 - legal matter pending	1 400 000	1 400 000	1 400 000	1 400 000
4. Contractor 2 - legal matter pending	1 000 000	1 000 000	1 000 000	1 000 000
5. Service provider - legal action pending	40 000	40 000	40 000	40 000
6. Employee 3 - a case of theft of money	27 429	42 561	27 429	42 561
7. Labour Court Judgement - Task pay scales	2 500 000	2 500 000	2 500 000	2 500 000
8. Employee 4 - a case of alleged theft of money	8 170	8 170	8 170	8 170
9. Employee 5 - legal matter pending	60 000	60 000	60 000	60 000
10. Employee 6 & 7 - legal matter pending	90 000	90 000	90 000	90 000
	3 705 599	3 570 731	3 705 599	3 570 731

1. The municipality has taken legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. New trial dates are pending.

2. This is a contractor's liability claim by the municipality against a contractor for non performance and is a high court claim. The legal team appointed on the matter are awaiting trial dates to be set down on the roll.

3. This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim and the matter is ready for trial and on the trial waiting list.

4. The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 3 above. The matter is with the high court.

5. This is a high court claim in which an order of re-payment was obtained against the service provider.
 6. This matter refers to a case of theft of money by an employee. A criminal case has been opened at the SAPS and attempts are being made to recover the monies, furthermore disciplinary action was taken and the said employee was subsequently found guilty and dismissed.

7. This matter refers to a judgement handed down by the Labour court of South Africa (Case no. J1255/2010) wherein municipalities have been ordered to effect a 8.48% salary adjustment in the job evaluation wage curve. The matter has been taken on appeal by SALGA and is considered sub-judice.

8. This matter refers to a case of theft of money by an employee. A criminal case has been opened at SAPS and the employee has been dismissed through the disciplinary processes.

9. This matter refers to an application that has been brought by an employee against the municipality regarding employee matters. The matter has been opposed by the municipality and the relevant papers have been lodged with the court.

10. This matter refers to an application for a review of an arbitration award made in favour of the municipality. The municipality is in the process of opposing the application for review.

The latter contingent liabilities is generally costs associated with the litigation process and any resultant claims cannot be quantified.

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Municipality	
	2013 R	2012 R	2013 R	2012 R
38. Related parties				
Relationships				
Municipal entities		The uThungulu Financing Partnership uThungulu House Development Trust		
Related Party Balances				
Investment in municipal entities				
The uThungulu Financing Partnership			19 307 088	19 498 698
uThungulu House Development Trust			5 365 733	5 708 098
Income received from related parties				
The uThungulu Financing Partnership			3 355 457	3 060 734
uThungulu House Development Trust			2 734 504	2 896 275
Expenses paid to related parties				
The uThungulu Financing Partnership			191 611	-
Balances outstanding from related parties				
The uThungulu Financing Partnership			24 016 912	24 564 331
% Interest in municipal entities				
The uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
Related parties transactions				
Sub-lease payments				
The uThungulu Financing Partnership			5 884 907	5 642 391

The uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development Trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on the 31 October 2017.

Both of the above mentioned entities are incorporated in South Africa.

Key Management Compensation

Key management includes Section 56 managers, Section 57 managers and councillors. The compensation paid or payable to key management for employee services and councillor allowances is shown in notes 22 and 23.

UTHUNGULU DISTRICT MUNICIPALITY
 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2013	2012	2012
	R	R	R
Group			
Municipality			

39. Prior year adjustments

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate effect of the prior year adjustments in the annual financial statements for the period ended 30 June 2013 is as follows:

	2013	2012
	R	R
1) MIG vat transferred to own revenue		
Effect on current liabilities - Unspent conditional grants & receipts - Refer to note 16:		
Movement in unspent conditional grants & receipts	74 248 965	74 248 965
Previously reported balance	(27 057 862)	(27 057 862)
Adjustment MIG vat transferred to own revenue prior years	(20 691 429)	(20 691 429)
Adjustment MIG vat transferred to own revenue for 2011/2012	26 499 674	26 499 674
Re-stated		
Movement in MIG unspent conditional grants & receipt - Refer to note 20:		
Previously reported balance	47 749 291	47 749 291
Adjustment	(47 749 291)	(47 749 291)
Re-stated		
Effect on revenue		
Movement in government grants and subsidies - Refer to note 20	533 234 090	533 234 090
Previously reported balance	20 691 429	20 691 429
Adjustment for MIG vat transferred to revenue for 2011/2012	553 925 519	553 925 519
Re-stated		
2) Accrual - Environmental Health Services & Workmen's compensation		
Effect on Current liabilities - Payables from exchange transactions - Refer to note 13		
Movement in payables from exchange transactions	125 481 694	125 481 694
Previously reported balance	1 085 671	1 085 671
Adjustment accrual workmen's compensation	389 765	389 765
Re-stated		
Effect on expenditure		
Movement in grants and subsidies paid - refer to note 29	9 244 434	9 244 434
Previously reported balance	1 085 671	1 085 671
Adjustment accrual for environmental health services	10 330 105	10 330 105
Re-stated		
Movement in general expenses - Refer to note 30		
Previously reported balance	119 800 542	119 800 542
Adjustment accrual for workmen's compensation	120 190 307	120 190 307
Re-stated		
3) Adjustment to 2011/2012 surplus and accumulated surplus		
Movement in surplus for 2011/2012	208 004 539	208 004 539
Previously reported balance	20 691 429	20 691 429
Adjustment for MIG vat transferred to revenue	(1 085 671)	(1 085 671)
Adjustment accrual for environmental health services	389 765	389 765
Re-stated		
Adjustment to 2011/2012 surplus and accumulated surplus		
Movement in accumulated surplus	905 538 331	905 538 331
Adjustment	(27 057 862)	(27 057 862)
Accumulated Surplus as at the 1st of July 2011 as previously reported	227 220 532	227 220 532
Change in accounting estimates	(275 236)	(275 236)
Prior year adjustment - VAT transferred to own revenue in accordance with National Treasury budget directive	27 057 862	27 057 862
Surplus 2011/2012 restated	1 159 541 489	1 159 541 489
Re-stated		

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Budget and Actual amount variances

Variances greater than 10 % with a value not less than R500 000 as referenced on The Statement of Comparison of Budget and Actual amounts, as reflected on page 8 to page 10 are set out below:

Statement of financial performance

40.1 Service charges:

The three dominant factors which contributed to the increase in service charges is the higher than expected reliance on portable water usage by consumers, the above inflationary increases in property values wherein our sanitation tariffs are based and the increased usage

40.2 Other income:

The variance between the final budget and actual amounts are attributable to the unexpectedly higher Seta refund and the related inflationary increases on other income.

40.3 Government grants and subsidies:

The variance pertains to certain multi-year grant funded projects which were still in progress as at close of the financial year and expenditure relating to the said projects would be recognised on completion thereof.

40.4 Employee related costs:

The final budget is based on the approved organogram and related salary scales, however positions were vacant during the year under review with recruitment for certain senior management positions being finalised in the latter part of the year, thus contributing to a savings. Furthermore the budget includes allocations for the full package of benefits, which were not fully utilised by staff.

40.5 Finance costs:

The final budget amount of R 15 225 293 includes both capital redemption and interest costs, while the actual amount of R 13 490 296 is exclusive of capital redemption which is accounted for in long term liabilities per the Statement of Financial Position.

40.6 Repairs and maintenance:

The final budget is based on the premise that certain water schemes would have become operational during the financial year, however due to unforeseen circumstances in project implementation this could not be attained, resulting in the savings.

40.7 Bulk purchases:

The final budget is based on the premise that certain water schemes would become operational during the financial year, however due to unforeseen circumstances in project implementation this could not be attained, resulting in the savings, furthermore agreements with the Department of Water Affairs and uMhlathuze Water Board have not been finalised regarding water extraction levies.

40.8 Contracted services:

The major component of the final budget is for the support service agent fees for operations of water schemes. The budget is based on the premise that certain water schemes would become operational during the financial year, however due to unforeseen circumstances in project implementation this could not be attained as well as the impending new support service agent tender, resulting in the savings.

40.9 General expenses:

The variance is mainly attributable to certain multi-year projects that were in the planning stage, in progress and or held in abeyance pending regulatory outcomes and furthermore operational efficiencies on the various subvotes.

Statement of financial position

40.10a Account receivable from non exchange transactions:

The final budget of R 20 536 000 is inclusive of vat , while the actual amount of R 14 501 684 is exclusive of VAT. The VAT receivable as per the Statement of Financial Position amounts to R 20 739 529 (refer to note 4) and is included in accounts receivable from exchange transactions; therefore the comparison of final budget and actual's indicates a variance of R 14 705 213 (R 20 739 529 - R 6 034 316) which is mainly due to the input VAT on the capital projects spending.

40.10b Accounts receivable from exchange transactions:

The final budget of R 11 870 000 is exclusive of vat, while the actual amount of R 37 791 179 is inclusive of VAT. The VAT receivable as per the Statement of Financial Position amounts to R 20 739 529 (refer to note 4); therefore the comparison of final budget and actual's indicates a variance of R 5 181 650 (R 25 921 179 - R 20 739 529) which is mainly due to revenue generated from service charges increasing , as a result of increased consumption's. Furthermore the current harsh economic climate is negatively impacting indigent and poor consumers which is contributing to outstanding debtors.

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Budget and Actual amount variances (continued)

40.11 Cash and cash equivalents:

The budgeted investment portfolio holding as at 30 June 2013 was anticipated to be R325 000 000, however due to cash flow requirements and surplus cash available from spending trends, the portfolio as at the 30 June 2013 increased to R 370 000 000. Therefore, the budget against actual variance amounting to R 99 743 491 is due to investment holdings increasing by R45 000 000 and cash book

40.12 Property, plant and equipment; and intangible assets:

The final budget of R 1 333 806 000 is inclusive of intangible assets, while the actual amount of R 1 174 251 299 is exclusive of intangible assets. The intangible assets as per the Statement of Financial Position amounts to R 1 077 033 (refer to note 9); therefore the comparison of budget and actual's indicates a variance of R 158 477 668 (R 159 554 701 - R 1 077 033). The variance is mainly attributable to budgeted certain multi-year capital projects not yet completed due to unforeseen circumstances.

40.13 Investments in municipal entities:

The final budget includes long term investments. A long term investment was placed with ABSA on 15 July 2011 with a maturity date of 30 December 2015. The investment was recalled on 2 January 2013 to settle the Zero coupon held by INCA. The early settlement of the Inca zero coupon loan of R 21 000 000 was originally anticipated to be settled in the 2014/2015 financial year, however favourable market conditions on the zero coupon coupled with an attractive early settlement term, contributed to the decision to settle the loan in the current financial year.

40.14 Long term liabilities:

The variance of R 20 999 889 (R 23 382 999 - R 2 383 110) is directly attributable to the early settlement of the Inca zero coupon of R 21 000 000, as explained in 40.13 above.

40.15 Payables from exchange transactions:

The final budget of R 131 317 000 is inclusive of unspent conditional grants and receipts, while the actual amount of R 136 409 601 is exclusive of unspent conditional grants and receipts. The unspent conditional grants and receipts as per the Statement of Financial Position amounts to R 32 460 451 (refer to note 16); therefore the comparison of budget and actual's indicates a variance of R 37 553 052 (R 32 460 451 + R 5 092 601). The variance is attributable to an increase in accounts payables from exchange transactions as a result of

40.16 Consumer deposits:

Deposits are based on the average consumption of consumers. The increased consumption trends has inadvertently contributed to the higher than anticipated deposit holding.

40.17 Provisions and Defined benefit obligations:

The final budget of R 103 810 000 (R 101 588 000 + R 2 222 000) is inclusive of defined benefit obligations, while the actual amount of R 74 095 901 (R 57 605 107 + R 16 490 794) is exclusive of defined benefit obligations. Defined benefit obligations as per the Statement of Financial Position amounts to R 18 464 000 (R 18 029 000 + R 435 000) (refer to note 15); therefore the comparison of budget and actual's indicates a variance of R 11 250 099 (R-43 982 893 + R 14 268 794 + R 18 464 000). The variance is attributable to assumed variables and demographic profiles of membership which actuarial valuations are based on and the inflationary related costs when determining

Cash flow statement:

40.18 Receipts from consumers and other debtors:

The variance is mainly attributable to the decrease in outstanding debts raised in the previous year.

40.19 Prior year cash utilised to fund current expenditure:

The variance is attributable to previous years surpluses which were invested and used to fund current year expenditure, which was not

40.20 Employee costs and suppliers:

The final budget of R 470 524 000 is inclusive of supplier costs, while the actual amount of R 108 015 259 is exclusive of supplier costs. The suppliers costs as per the Cash flow statement amounts to R 294 115 187; therefore the comparison of budget and actual's indicates a variance of R 68 393 554 (R 362 508 741 - R 294 115 187) . Refer to 40.4 to 40.9 above for further explanation to the variance.

40.21 Finance costs:

The variance is attributable to the early settlement of the Inca zero coupon of R 21 000 000.

40.22 Purchase of property, plant and equipment and intangibles:

The final budget for property, plant and equipment included the purchase of intangible assets. The variance is mainly due to unspent capital budgets. Refer to 40.12 above for further explanation to the variance.

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

40. Budget and Actual amount variances (continued)

40.23 Movement in non current investments:

The variance is attributable to the early settlement of the Inca zero coupon and the subsequent withdrawal of the related investment. Refer to 40.13 and 40.14 above for further explanation to the variance.

40.24 Movement in investment in municipal entities:

The movement in municipal entity investment is determined at year end and therefore could not be determined at budget stage.

40.25 Repayment of long term liabilities:

The variance is attributable to the early settlement of the Inca zero coupon of R 21 000 000. Refer to 40.14 above for further explanation to the variance.

41. Unauthorised, Fruitless & Wasteful and Irregular expenditure

There is expenditure resulting from leave payments made to the former Municipal Manager, Executive Director Corporate Services and Deputy Municipal Managers, as they were not able to take leave due to work commitments; as well as long service awards were paid to Deputy Municipal Manager Finance. Council will deliberate and resolve on these payments once an item has served before them. Refer to note 22 which outlines remuneration paid to section 56 and 57 managers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group	2013	2012	Municipality	2013	2012
		R	R		R	R

42. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 12, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Gearing ratios

The gearing ratio as at 2013 and 2012 respectively were as follow:

	2013	2012	2011	2010
Total borrowings	65 452 199	89 346 888	445 848 491	89 469 111
Long-term liabilities - refer to note 12				
Less: Cash and cash equivalents - refer to note 7	446 699 420	367 556 324	445 848 491	366 716 903
Net debt	(381 247 221)	(278 209 436)	(356 379 380)	(252 805 684)
Total equity	1 346 071 865	1 159 738 445	1 345 876 847	1 159 541 489
Total capital	<u>964 824 644</u>	<u>881 529 009</u>	<u>989 497 467</u>	<u>906 735 805</u>
	6,78%	10,14%	9,04%	12,56%

The comparative figure for total equity has been re-stated by an amount of R 46 273 555.

Financial risk management

Financial Risk Management Objectives

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.

The municipality's financial services function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate borrowing facilities are monitored. The liquidity ratio is outlined below:

	2013	2012	2011	2010
Current Assets	506 299 375	421 738 647	505 448 446	420 899 226
Current Liabilities	199 130 107	166 930 896	205 504 791	172 522 734
Liquidity ratio	2,54 : 1	2,53 : 1	2,46 : 1	2,44 : 1

The comparative figures for current liabilities has been re-stated by an amount of R 46 273 555. Refer to note 39

Interest rate risk

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established financial institutions and opting for fixed interest rates rather than variable rates.

Credit risk

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

Debtors comprise mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements 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", "restiction 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.

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

Financial Instrument	2013	2012	2011	2010
Investments	370 000 000	280 000 000	370 000 000	280 000 000
Cash and cash equivalents	76 699 420	87 556 324	75 848 491	86 716 903
Accounts receivable from exchange and non exchange transactions	52 292 863	48 025 385	52 292 863	48 025 385

UTHUNGULU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Municipality	
	2013	2012	2013	2012
	R	R	R	R

43. Going concern

We draw attention to the fact that at 30 June 2013, the group and municipality had accumulated surplus of R 1 346 071 865 and R 1 345 876 847 respectively and that the group and municipality's total assets exceed its total liabilities by R 1 346 071 865 and R 1 345 876 847. The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

44. Events after reporting date

At the date of submission of the consolidated annual financial statements there were no known events.

**APPENDIX A
GROUP
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

	Redeemable Date	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2013 Rand
LONG-TERM LOANS					
INCA @ 13.95%	2014/12/31	21 000 000	-	21 000 000	-
		<u>21 000 000</u>	<u>-</u>	<u>-</u>	<u>-</u>
ANNUITY LOAN					
INCA @ 11.95%	2023/06/30	26 314 519		1 253 887	25 060 631
ABSA @ 12.6%	2024/06/30	42 032 371		1 640 802	40 391 568
		<u>68 346 890</u>	<u>-</u>	<u>2 894 689</u>	<u>65 452 199</u>
TOTAL EXTERNAL LOANS					
LONG -TERM LOANS		21 000 000		21 000 000	-
ANNUITY LOAN		68 346 890	-	2 894 689	65 452 199
		<u>89 346 890</u>	<u>-</u>	<u>23 894 689</u>	<u>65 452 199</u>

**APPENDIX A
MUNICIPALITY
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

	Redeemable Date	Balance at 30 June 2012		Received during the period		Redeemed written off during the period		Balance at 30 June 2013	
		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
LONG-TERM LOANS									
INCA @ 13.95%	2014/12/31	21 000 000	-	-	21 000 000	-	-	-	-
		21 000 000							
ANNUITY LOAN									
INCA @ 11.95%	2023/06/30	26 314 519			1 253 887			25 060 631	
ABSA @ 12.6%	2024/06/30	42 032 371			1 640 802			40 391 568	
		68 346 890			2 894 689			65 452 199	
LEASE LIABILITY									
Leased Property @ 23.81%	2017/03/31	24 564 331			547 419			24 016 912	
		24 564 331			547 419			24 016 912	
TOTAL EXTERNAL LOANS									
LONG -TERM LOANS		21 000 000			21 000 000			-	
ANNUITY LOAN		68 346 890			2 894 689			65 452 199	
LEASE LIABILITY		24 564 331			547 419			24 016 912	
		113 911 221			24 442 108			89 469 111	

**APPENDIX B
GROUP AND MUNICIPALITY
UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

	Cost/Revaluation					Accumulated Depreciation & Impairment					Carrying Value
	Opening Balance	Transfer- Capital projects released	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Net Impairment adjustments	Closing Balance	
Land	12 474 983	-	-	-	12 474 983	-	-	-	-	-	12 474 983
Developed Land	12 474 983	-	-	-	12 474 983	-	-	-	-	-	12 474 983
Buildings	53 149 498	-	124 675	-	53 274 173	-7 541 323	-1 727 555	-	-	-9 268 878	44 005 295
Buildings	53 149 498	-	124 675	-	53 274 173	-7 541 323	-1 727 555	-	-	-9 268 878	44 005 295
Infrastructure - In Construction	426 385 399	-88 048 215	167 310 675	-	505 647 859	-	-	-	-	-	505 647 859
Water Mains and purification	426 385 399	-88 048 215	167 310 675	-	505 647 859	-	-	-	-	-	505 647 859
Infrastructure	32 333 001	12 969 866	-	-	45 302 867	-6 973 697	-935 396	-	143 726	-7 765 368	37 537 500
Infrastructure land servitudes	27 033 789	1 193 552	-	-	28 227 342	-11 880 796	-1 693 218	-	-205 849	-13 779 863	14 447 479
Infrastructure plant & equipment	32 827 071	67 244	-	-	32 894 315	-6 012 443	-632 062	-	-3 507 507	-10 152 011	22 742 303
Infrastructure sewage services	60 495 831	-	-	-	60 495 831	-21 796 668	-5 945 652	-	-	-27 742 320	32 753 511
Infrastructure solid waste services	560 397 282	74 033 207	-	-1 724 571	632 705 918	-119 701 373	-23 021 269	1 645 762	-8 662 137	-149 739 017	482 966 901
Infrastructure water services	713 086 975	88 263 869	-	-1 724 571	799 626 274	-166 364 977	-32 227 596	1 645 762	-12 231 767	-209 178 579	590 447 695
Other assets in construction	2 350 772	-215 654	3 276 383	-	5 411 502	-	-	-	-	-	5 411 502
Other assets in construction	2 350 772	-215 654	3 276 383	-	5 411 502	-	-	-	-	-	5 411 502

Other assets	7 916 205	-	872 376	-356 354	8 432 227	-3 104 412	-1 208 352	233 830	-22 034	-4 100 968	4 331 259
Computer Equipment	3 614 652	-	369 832	-4 692	3 999 792	-1 474 852	-352 748	3 591	-1 333	-1 825 342	2 174 450
Furniture	9 385 098	-	1 264 100	-	10 649 198	-4 974 791	-967 269	-	-	-5 942 060	4 707 137
Motor Vehicles	5 078 600	-	408 835	-413 129	5 074 306	-2 349 655	-746 373	369 300	-10 403	-2 737 131	2 337 175
Office Equipment	4 068 792	-	461 796	-40 919	4 489 669	-1 292 049	-505 028	22 155	-	-1 775 722	2 713 947
Plant and Equipment	30 063 347	-	3 396 939	-815 093	32 645 192	-13 196 560	-3 779 770	628 877	-33 770	-16 381 223	16 263 969
Total carried forward	1 237 510 974	-0	174 108 671	-2 539 664	1 409 079 982	-187 102 860	-37 734 922	2 274 639	-12 265 537	-234 828 680	1 174 251 302

INTANGIBLE ASSETS	2 749 263	-	92 800	-	2 842 063	-1 272 580	-492 450	-	-	-1 765 030	1 077 032
TOTAL	1 240 260 236	-0	174 201 471	-2 539 664	1 411 922 044	-188 375 440	-38 227 372	2 274 639	-12 265 537	-236 593 710	1 175 328 334

APPENDIX C
GROUP AND MUNICIPALITY
UTRUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation					Accumulated Depreciation				Carrying Value	
	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing balance	Opening Balance	Current	Disposals	Net Impairment adjustments		Closing Balance
Executive & Council	12 134 486	-	193 240	-17 308	12 310 417	-1 843 490	-791 735	10 815	-	-2 624 410	9 686 007
Finance & Admin	108 143 735	-	6 121 550	-621 883	113 643 401	-15 784 927	-4 721 665	496 885	-3 599 722	-23 609 430	90 033 971
Planning & Development	11 109 451	-	-	-3 745	11 105 706	-1 387 147	-480 648	3 148	-2 784	-1 867 431	9 238 275
Community & Social Services	6 655 091	-215 654	387 996	-7 318	6 820 115	-777 747	-198 200	3 510	-3 595	-976 033	5 844 083
Public Safety	5 400 065	-	16 405	-38 420	5 378 051	-2 393 285	-678 343	33 652	-	-3 037 976	2 340 074
Waste Management	151 119 683	-	159 844 257	-4 313	151 115 371	-28 942 518	-9 110 786	2 287	-181 138	-38 232 156	112 883 215
Water	886 885 204	126 242	7 545 223	-1 846 675	1 045 009 027	-135 230 020	-21 659 531	1 724 343	-8 478 298	-163 643 506	881 365 521
Waste Water	56 063 258	89 412	-	-	63 697 893	-743 725	-94 013	-	-	-837 738	62 860 156
	1 237 510 974	-0	174 108 671	-	1 409 079 982	-187 102 660	-37 734 922	2 274 639	-12 265 537	-234 828 680	1 174 251 302
INTANGIBLE ASSETS											
Finance & Admin	2 742 953	-	92 800	-	2 835 753	-1 269 426	-491 399	-	-	-1 760 824	1 074 928
Planning & Development	6 310	-	-	-	6 310	-3 155	-1 052	-	-	-4 206	2 104
	2 749 263	-	92 800	-	2 842 063	-1 272 580	-492 450	-	-	-1 765 030	1 077 032

**APPENDIX D
GROUP**

**UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

	Restated 2012 Actual Income Year to date Rand	Restated 2012 Actual Expenditure Year to date Rand	Restated 2012 Surplus / (Deficit) Rand
Executive & Council	-	35 242 013	-35 242 013
Finance & Admin	435 423 661	39 154 383	396 269 278
Planning & Development	-	8 890 411	-8 890 411
Community & Social Services	216 751	8 952 309	-8 735 558
Public Safety	-	6 803 024	-6 803 024
Environmental Protection	14 388 953	6 770 060	7 618 893
Waste Management	8 444 903	29 741 095	-21 296 192
Waste Water	3 740 114	42 816 158	-39 076 044
Water	169 595 942	226 220 338	-56 624 396
	631 810 324	404 589 792	227 220 532

	2013 Actual Income Year to date Rand	2013 Actual Expenditure Year to date Rand	2013 Surplus / (Deficit) Rand
Executive & Council	-	29 408 004	-29 408 004
Budget and Treasury Office	379 824 770	28 202 543	351 622 227
Planning and Development	-	12 178 304	-12 178 304
Community and Social Services	270 030	15 611 835	-15 341 806
Public Safety	-	5 278 997	-5 278 997
Environmental Protection	15 930 421	7 140 671	8 789 750
Waste Management	11 722 007	26 714 270	-14 992 263
Waste Water	61 975 135	59 426 395	2 548 740
Water	181 625 235	245 277 970	-63 652 735
Corporate Services	-	35 773 252	-35 773 252
	651 347 598	465 012 242	186 335 356

**APPENDIX D
MUNICIPALITY**

**UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

	Restated 2012 Actual Income Year to date Rand	Restated 2012 Actual Expenditure Year to date Rand	Restated 2012 Surplus / (Deficit) Rand
Executive & Council		35 242 013	-35 242 013
Finance & Admin	441 330 598	45 061 320	396 269 278
Planning & Development	-	8 890 411	-8 890 411
Community & Social Services	216 751	8 952 309	-8 735 558
Public Safety	-	6 803 024	-6 803 024
Environmental Protection	14 388 953	6 770 060	7 618 893
Waste Management	8 444 903	29 741 095	-21 296 192
Waste Water	3 740 114	42 816 159	-39 076 044
Water	169 595 942	226 220 339	-56 624 396
	637 717 261	410 496 730	227 220 532

	2013 Actual Income Year to date Rand	2013 Expenditure Year to date Rand	Actual Surplus / (Deficit) Rand
Executive & Council		29 408 004	-29 408 004
Budget and Treasury Office	385 894 166	34 271 940	351 622 226
Planning and Development		12 178 304	-12 178 304
Community and Social Services	270 030	15 611 835	-15 341 806
Public Safety		5 278 997	-5 278 997
Environmental Protection	15 930 421	7 140 671	8 789 750
Waste Management	11 722 007	26 714 270	-14 992 263
Waste Water	61 975 135	59 426 395	2 548 740
Water	181 625 235	245 277 970	-63 652 735
Corporate Services		35 773 252	-35 773 252
	657 416 994	471 081 639	186 335 355

APPENDIX E

GROUP AND MUNICIPALITY

**UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED
30 JUNE 2013**

	Additions Rand	Under Construction Rand	Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 20% versus Budget
Property, Plant & Equipment							
Executive & Council	183 293	-	183 293	282 500	99 207	35%	Work in Progress
Finance and Admin	2 813 541	2 919 547	5 733 088	12 096 544	6 363 456	53%	Work in Progress
Planning & Development	-	-	-	483 500	483 500	100%	Work in Progress
Community & Social Services	1 403	372 654	374 057	7 541 699	7 167 642	95%	Work in Progress
Public Safety	5 400	-	5 400	896 467	891 067	99%	Work in Progress
Environmental Protection	-	-	-	120 000	120 000	100%	Devolution of Environmental Health Services not yet finalized.
Waste Management	-	-	-	17 707 518	17 707 518	100%	Work in Progress
Water	71 184	159 765 452	159 836 636	253 473 956	93 637 320	37%	Work in Progress
Waste Water	-	7 545 223	7 545 223	8 586 337	1 041 114	12%	
	3 074 821	170 602 876	173 677 697	301 188 521	127 510 824	42%	

APPENDIX F

GROUP AND MUNICIPALITY

UJHURGULU DISTRICT MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 2003

Name of grant or state or municipal entity	RECEIPTS						Name of grant or state or municipal entity
	Sept 12	Dec 12	March 13	June 13	Sep 12	Dec 12	
MSIG (Asset Care, Clean Audit, Ward Programme, Batho Pele)	COGTA	1 000 000	8 000 000	14 400	257 028	148 813	474 878
Masikhan Program Grant	COGTA		400 000			18 630	
Water Reduction Strategy	COGTA		300 000			131 327	1 437 137
Growth and Development Summit	COGTA						183 701
BIOGAS	COGTA						43 746
Performance Management System	COGTA						29 293
Tender Reduction Strategy	COGTA						
Water quality Evaluation (Blue/Green Drop)	COGTA						
Conductor Training Programme	COGTA						
Rural Transport Services & Infrastructure	DOT	1 776 000,00	8 700 000	200 000			2 188 759
Subtotal DOT		1 776 000,00	8 700 000	200 000		436 776	2 188 759
Disaster Management Grant	DTLGA						97 000
Development Planning Shared Services	DTLGA						69 656
Corridor Development	DTLGA				258 805		227 603
Consolidate prior Grants (Planning 07/08)	DTLGA						44 468
Planning - Uthungulu Regional Council	DTLGA					8 819	
Regional Bulk Water Scheme	DTLGA						116 514
Planning Shared Services (1 &E)	DTLGA			529	10 889	(3 569)	69 656
Internal Fixed Assets	DTLGA						
Municipal development Info Services (GIS)	DTLGA						
Town Planning (Development Administration)	DTLGA						
Implementation of Fresh Produce	DTLGA						
Subtotal DTLGA					297 602	277 622	194 654
Issue Manager	DWAF	1 133 919	8 911 541	2 044 391	8 713 392	17 619 793	13 582 930
Greater Renovation Redoation	DWAF			(2 079 583)			111 334
ACIP Programme	DWAF			2 079 583			
Subtotal DWAF		1 133 919	8 911 541	30 899 425	2 044 391	17 619 793	13 582 930
MIG	MIG	69 626 000	51 442 000	6 339 438	14 788 400	70 868 499	71 888 955
Local Government Finance Grant	National Treasury	1 250 000					
Finance Interns - Cp Projects (Budget Cycle)	National Treasury						
Equitable Share	National Treasury	61 210 342	28 493 838	168 242	303 126	40 695	454 367
Levy Replacement	National Treasury	69 130 333	64 460 714	61 210 342	28 493 838	131 905	135 792
Environmental Health (EQS)	National Treasury	6 643 325	6 194 582	6 643 325	3 092 514	6 194 582	138 695
Subtotal National Treasury		138 234 000	137 787 000	157 132 242	64 506 940	127 403 601	470 259
Public Works		2 651 000	1 304 000	322 633	324 202	283 611	902 057
Subtotal Public Works		2 651 000	1 304 000	322 633	324 202	283 611	902 057
HIV AIDS AWARENESS/POSCOR	POSCOR	30 000,00	80 000,00	50 000,00			
Subtotal POSCOR		30 000,00	80 000,00	50 000,00			
YOUTH PROGRAMME/EYETHU ENGINEERS	EYETHU		9 750				9 750
SUB/TOTAL EYETHU			9 750				9 750
Sports Development - DSR	DSR			273 800			
SUB/TOTAL DSR				273 800			
BFP Billions/Uniforms	BFP BILLION			50 000			50 000
SUB/TOTAL BFP BILLION				50 000			50 000
BELT				20 000			
SUB/TOTAL BELT				20 000			
Other				2 372			
SUB/TOTAL OTHER				2 372			
214 420 919	132 850 541	227 839 737	6 930 866	154 442 849	106 766 224	217 524 590	91 497 725
Sept 12	Dec 12	March 13	June 13	Sep 12	Dec 12	Mar 13	June 13
214 420 919	132 850 541	227 839 737	6 930 866	154 442 849	106 766 224	217 524 590	91 497 725