



Gert Sibande District Municipality
Annual Financial Statements
for the year ended June 30, 2013

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

General Information

Legal form of entity	Municipality
Municipal demarcation code	DC 30
Mayoral committee	Maboa - Boltman NF Magagula MP Nkosi M Nyembe FM Zuma NF
Executive mayor	Nhlabathi MPP
Speaker	Dhlamini ES
Chief whip	Mnisi TA
Councillors	Baker TE Bongwe JS De Ville JR De Waal MAC GreylingGS Joubert LK Labuschagne PJ Madonsela EM Mahlangu BD Mahlangu H Makola MB Malatsi PV Manzi NE Masango SA Masina LL Maseko BP Mkhwanazi LVA Mkhwanazi ZG Mlotshhwa TL Morajane CM Motha TW Motlounge KW Mtshali BH Ndinisa BJ Nhlapo NS Nkozi AD Nkozi SS Nkosi VL Puwani BS Shiba BP Shongwe MD Thwala DM Tsetetsi MP Vilakazi RG Weber WL Zacarias SM Zwane LA Zwane TE

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

General Information

Grading of district authority	5
Capacity of district authority	Low
Chief finance officer	Singh AY
Accounting officer	Habile CA
Registered office	Cnr Joubert & Oosthuizen Street Ermelo Mpumalanga 2351
Business address	Cnr Joubert & Oosthuizen Street Ermelo Mpumalanga 2351
Postal address	PO Box 1748 Ermelo Mpumalanga 2350
Bankers	ABSA Bank
Auditors	Auditor General of South Africa
Attorneys	Fluxman Attorneys Twala Attorneys

Gert Sibande District Municipality

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
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 (Previously Common Management Information Protocol)

Gert Sibande District Municipality

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Accounting Officer's Responsibilities and Approval

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013:

Accounting Officer
Habile C.A
Ermelo
31 August 2013

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Financial Position as at June 30, 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Cash and cash equivalents	3	60,170,523	33,442,158
Other receivables	4	310,801	2,713,390
Receivables from exchange transactions	5	116,763	117,764
Receivables from non-exchange transactions	6	3,434,863	3,099,466
VAT receivable	7	7,607,181	8,007,098
		71,640,131	47,379,876
Non-Current Assets			
Property, plant and equipment	8	331,313,278	328,460,399
Intangible assets	9	256,571	549,108
Heritage assets	10	154,250	154,250
Investment in municipal entity	11	25,200,752	33,051,679
		356,924,851	362,215,436
Non-current assets held for sale and assets of disposal groups	12	32,530,000	32,530,000
Total Assets		461,094,980	442,125,311
Liabilities			
Current Liabilities			
Financial liabilities	13	7,245,671	6,673,388
Finance lease obligation	14	589,954	539,359
Payables from exchange transactions	15	55,790,942	61,916,644
		63,626,567	69,129,391
Non-Current Liabilities			
Financial liabilities	13	11,948,889	19,198,256
Finance lease obligation	14	23,499,263	24,001,548
Retirement benefit obligation	16	278,000	274,496
Deferred gain on sale and leaseback	17	2,917,024	2,553,649
		38,643,176	46,027,949
Total Liabilities		102,269,743	115,157,340
Net Assets		358,825,237	326,967,971
Accumulated surplus		358,825,238	326,967,971

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Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Government grants & subsidies	20	273,824,341	279,940,990
Income from municipal entities	21	4,716,141	5,295,316
Interest received	22	4,677,772	3,613,600
Other income	23	4,662,523	1,991,643
Rental income	24	2,020,000	505,111
Total revenue		289,900,777	291,346,660
Expenditure			
Contracted services	25	(1,941,892)	(1,904,592)
Depreciation	26	(16,731,179)	(11,849,528)
Employee related costs	27	(65,944,934)	(54,599,110)
Finance costs	28	(7,738,903)	(8,113,795)
General expenses	29	(26,308,685)	(21,572,507)
Grants and subsidies paid	30	(119,791,814)	(147,945,613)
Impairment loss	31	(7,651,768)	(7,841,929)
Loss on disposal of assets		(273,395)	(23,933,221)
Remuneration of councillors	32	(9,379,877)	(8,876,351)
Repairs and maintenance	33	(2,281,066)	(1,821,751)
Total expenditure		(258,043,513)	(288,458,397)
Operating surplus		31,857,264	2,888,263
Fair value adjustment on current assets held for sale	12	-	20,494,164
Surplus for the year		31,857,264	23,382,427

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	306,958,244	306,958,244
Change in accounting policy (note 40)	(3,867,553)	(3,867,553)
Prior year adjustments (note 39)	494,856	494,856
Balance at July 01, 2011 as restated	303,585,544	303,585,544
Restated surplus for the year	23,382,427	23,382,427
Balance at July 01, 2012	326,967,974	326,967,974
Surplus for the year	31,857,264	31,857,264
Balance at June 30, 2013	358,825,238	358,825,238

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Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Grants		273,824,341	279,940,990
Interest income		4,677,772	3,613,600
Other receipts		8,751,314	1,989,316
Income from municipal entities		5,278,675	5,295,316
		<u>292,532,102</u>	<u>290,839,222</u>
Payments			
Employee costs		(75,321,307)	(63,456,895)
Suppliers		(154,374,101)	(154,745,435)
Finance costs		(7,738,903)	(8,113,795)
Other payments		(1,941,892)	(1,904,592)
Repairs and maintenance		-	-
		<u>(239,376,203)</u>	<u>(228,220,717)</u>
Net cash flows from operating activities	35	<u>53,155,899</u>	<u>62,618,505</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(19,927,039)	(35,789,069)
Proceeds from sale of property, plant and equipment	8	628,279	181,514
Purchases of heritage assets	10	-	(29,800)
Net cash flows from investing activities		<u>(19,298,760)</u>	<u>(35,637,355)</u>
Cash flows from financing activities			
(Decrease)/increase in long term loans		(6,677,084)	(6,188,414)
Finance lease payments		(451,690)	2,368,306
Net increase / (decrease) in cash and cash equivalents		<u>26,728,365</u>	<u>23,161,042</u>
Cash and cash equivalents at the beginning of the year		33,442,158	10,281,116
Cash and cash equivalents at the end of the year	3	<u>60,170,523</u>	<u>33,442,158</u>

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Annual Financial Statements for the year ended June 30, 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	-	1,683,340	1,683,340	2,020,000	336,660	1
Income from municipal entities	-	-	-	4,716,141	4,716,141	2
Other income	8,797,790	(7,287,548)	1,510,242	4,662,523	3,152,281	3
Interest received	2,540,000	1,252,000	3,792,000	4,677,772	885,772	4
Total revenue from exchange transactions	11,337,790	(4,352,208)	6,985,582	16,076,436	9,090,854	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	289,141,170	-	289,141,170	273,824,341	(15,316,829)	5
Total revenue	300,478,960	(4,352,208)	296,126,752	289,900,777	(6,225,975)	
Expenditure						
Employee cost	(74,696,430)	3,042,820	(71,653,610)	(65,944,934)	5,708,676	6
Remuneration of councillors	(10,090,140)	454,680	(9,635,460)	(9,379,877)	255,583	7
Depreciation	(15,015,830)	(1,800,680)	(16,816,510)	(16,731,179)	85,331	8
Impairment loss / Reversal of impairments	-	-	-	(7,651,768)	(7,651,768)	
Finance costs	-	(7,739,442)	(7,739,442)	(7,738,903)	539	
Repairs and maintenance	(1,742,830)	(651,900)	(2,394,730)	(2,281,066)	113,664	9
Contracted Services	(2,580,000)	597,700	(1,982,300)	(1,941,892)	40,408	10
Grants and subsidies paid	(219,183,475)	24,796,892	(194,386,583)	(119,791,814)	74,594,769	11
General Expenses	(21,502,045)	(6,707,655)	(28,209,700)	(26,308,685)	1,901,015	12
Total expenditure	(344,810,750)	11,992,415	(332,818,335)	(257,770,118)	75,048,217	
Operating surplus	(344,810,750)	11,992,415	(332,818,335)	32,130,659	364,948,994	
Loss on disposal of assets and liabilities	-	(294,400)	(294,400)	(273,395)	21,005	13
Surplus	(344,810,750)	11,698,015	(333,112,735)	31,857,264	364,969,999	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(344,810,750)	11,698,015	(333,112,735)	31,857,264	364,969,999	

1: Sale of the old building not yet finalized.

2: Income from municipal entities are not budget for.

3: Nothing was budgeted for retention to written back.

4: Due to the late implementation of projects, funds remained longer in bank account.

5: MIG funding from municipalities not received.

6: Not all position that was budget during current year was filled.

7: The Council meetings was not always attended by all traditional leaders.

8: Budget amount include the deprecation on the vehicle and assets dispose during the current year.

9: Due to the new building less maintenance was required.

10: Finance lease obligation lease services intervals.

11: Implementation of projects was slower than anticipated, but is included as transfer projects in the next budget.

12: Performance management services was performed in house for the last quarter, legal and travel cost was less previous

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

years

13: Deprecation provided on the sale of assets was calculated for 12 months for budget purposes.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustment budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial performance											
Investment revenue	2,540,000	1,252,000	3,792,000	-	-	3,792,000	4,677,772	-	885,772	123 %	184 %
Transfers recognised - operational	256,160,000	-	256,160,000	-	-	256,160,000	255,160,000	-	(1,000,000)	100 %	100 %
Other own revenue	8,797,790	-	8,797,790	-	-	8,797,790	11,398,664	-	2,600,874	130 %	130 %
Total revenue (excluding capital transfers and contributions)	267,497,790	1,252,000	268,749,790	-	-	268,749,790	271,236,436	-	2,486,646	101 %	101 %
Employee costs	(74,696,430)	(1,472,680)	(76,169,110)	-	-	(76,169,110)	(65,944,934)	-	10,224,176	87 %	88 %
Remuneration of councillors	(10,090,140)	158,380	(9,931,760)	-	-	(9,931,760)	(9,379,877)	-	551,883	94 %	93 %
Impairment loss	-	-	-	-	-	-	(7,651,768)	-	(7,651,768)	DIV/0 %	DIV/0 %
Depreciation	(15,015,830)	467,600	(14,548,230)	-	-	(14,548,230)	(16,731,179)	-	(2,182,949)	115 %	111 %
Finance charges	-	(1,996,792)	(1,996,792)	-	-	(1,996,792)	(7,738,903)	-	(5,742,111)	388 %	DIV/0 %
Transfers and grants	(219,183,475)	19,906,360	(199,277,115)	-	-	(199,277,115)	(119,791,814)	-	79,485,301	60 %	55 %
Other expenditure	(23,244,875)	(4,210,215)	(27,455,090)	-	-	(27,455,090)	(30,805,038)	-	(3,349,948)	112 %	133 %
Total expenditure	(342,230,750)	12,852,653	(329,378,097)	-	-	(329,378,097)	(258,043,513)	-	71,334,584	78 %	75 %
Surplus / (Deficit)	(74,732,960)	14,104,653	(60,628,307)	-	-	(60,628,307)	13,192,923	-	73,821,230	(22)%	(18)%
Transfers recognised - capital	27,024,000	-	27,024,000	-	-	27,024,000	18,664,341	-	(8,359,659)	69 %	69 %
Surplus / (Deficit) after capital transfers and contributions	(47,708,960)	14,104,653	(33,604,307)	-	-	(33,604,307)	31,857,264	-	65,461,571	(95)%	(67)%
Surplus / (Deficit) for the year	(47,708,960)	14,104,653	(33,604,307)	-	-	(33,604,307)	31,857,264	-	65,461,571	(95)%	(67)%

Capital expenditure and funds sources

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	(44,331,790)	7,640,207	(36,691,583)	-		(36,691,583)	53,155,899		89,847,482	(145)%	(120)%
Net cash from (used) investing	-	-	-	-		-	(19,298,760)		(19,298,760)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(7,128,774)		(7,128,774)	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	(44,331,790)	7,640,207	(36,691,583)	-		(36,691,583)	26,728,365		63,419,948	(73)%	(60)%
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	33,442,158		33,442,158	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(44,331,790)	7,640,207	(36,691,583)	-		(36,691,583)	60,170,523		(96,862,106)	(164)%	(136)%

Accounting Policies

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. All amounts disclosed in the annual financial statements have been rounded to the nearest rand.

A summary of the significant accounting policies are disclosed below.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

These accounting policies are consistent with the previous period, except for the changes set out in note 40 Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts or recoverable service amount of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. At each reporting date an assessment should be undertaken to determine whether there is any indication that any items of Property, plant and equipment may be impaired by reviewing external and internal source or information which indicates that impairments may have occurred.

Provisions

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

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

The cost of an item of property, plant and 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 or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and 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 and 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 and equipment, where the municipality 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 and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed by management by using industry norms and are shown below

Item	Average useful life (in years)
Buildings (Including air conditioning systems)	30
Building fixture	10
Furniture and fixtures	10
Infrastructure	
• Electrical network equipment	20
• Roads	30
IT equipment	3 - 5

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Accounting Policies

1.2 Property, plant and equipment (continued)

Land	Infinite
Motor vehicles	
• Specialised vehicles	15
• Other	5
Office equipment	5
Plant and machinery	5 - 10

The depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential expected from the use of the asset.

The gain or loss from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Work-in-progress is recognised by the municipality as expenses as incurred on a capital project. Work-in-progress is transferred to property, plant and equipment when it is technically complete. Work-in-progress is not depreciated.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality 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, excluding rights granted by statute, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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.

Where an intangible asset is acquired at no cost, or for nominal cost, its cost is 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;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- 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 to initial measurement intangible assets are carried at cost less any accumulated depreciation and any impairment losses.

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.

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1.3 Intangible assets (continued)

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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	5 years

Intangible assets are derecognised: on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.4 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.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or at normal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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1.5 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

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1.6 Financial instruments

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

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially as its fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial assets or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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 rate 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 uncollectability in the case of a financial asset.

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1.6 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit provider granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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 an 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.

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

Financial assets measured at cost:

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

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1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

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1.7 Leases (continued)

Finance leases - 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 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 minimum lease payments is the interest rate implicit in the lease.

Minimum 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 on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Non-current assets held for sale and disposal groups

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

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

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

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

1.9 Impairment of 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.

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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 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.

Identification

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

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 was tested for impairment before the end of the current reporting period.

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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1.11 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;

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Accounting Policies

1.11 Employee benefits (continued)

- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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Accounting Policies

1.12 Provisions and contingencies

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.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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Accounting Policies

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, other than increases relating to contributions from owners.

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.

Measurement

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

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;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- 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.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.14 Revenue from non-exchange transactions

Revenue is the gross inflows of economic benefits or service potential received and receivable by the 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.

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

Conditional grants and receipts

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

Gert Sibande District Municipality

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

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 a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.15 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;
- 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 as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.15 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.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular 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 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2012 to 6/30/2013.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 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 local sphere of government are considered to be related parties.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.20 Related parties (continued)

Management is 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.

1.21 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.22 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.

1.23 Events after the reporting date

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

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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:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Gert Sibande District Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A heritage asset should be recognised as an asset only if:

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

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

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 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.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of 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.

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

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

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

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

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 40 Changes in accounting policy.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 01, 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after April 01, 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

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

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

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

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

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

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

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

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

2.3 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 July 01, 2013 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
 - all short-term employee benefits;
 - short-term compensated absences;
 - bonus, incentive and performance related payments;
- post-employment benefits: defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

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

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

The impact of this standard is currently being assessed.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

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

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

The impact of this amendment is currently being assessed.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2013 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

The municipality expects to adopt the standard for the first time once it becomes effective.

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

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

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

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

The impact of this interpretation is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,600	8,600
Bank balances	60,162,923	33,433,558
	60,170,523	33,442,158

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2013	June 30, 2012	June 30, 2011
ABSA BANK - Current Account-1053-971-462	1,791,106	1,292,249	4,474,407	59,903,943	33,183,128	10,037,377
ABSA BANK - Account - 4063-211-572	58,112,837	31,892,979	5,574,659	-	-	-
Nedbank BANK - Account Type - 1454-106-999	258,980	250,430	235,139	258,980	250,430	235,139
Total	60,162,923	33,435,658	10,284,205	60,162,923	33,433,558	10,272,516

4. Other receivables

Study bursaries	205,124	201,826
Motor loans	47,677	67,829
Irregular expenditure	58,000	2,443,735
	310,801	2,713,390

Motor loans:

Senior staff were entitled to motor loans which attracted interest at 8.5% per annum and which were repayable over a maximum period of 6 years. As from 1 July 2004 no new loans were approved in compliance with the MFMA. Two employees have since left the municipality, the municipality is in the process to recover the outstanding amount on the motor loans

5. Receivables from exchange transactions

Accrued interest	116,763	117,764
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Credit quality of receivables from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
6. Receivables from non-exchange transactions		
Dipaleseng Municipality MIG	-	7,841,929
Mpumalanga Province CoGTA	2,531,255	2,531,255
Other receivables	903,608	568,211
Provision for impairment - Dipsaliseng	-	(7,841,929)
	3,434,863	3,099,466

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R3 287 865 (2012: R3 217 230) were past due but not impaired.

The municipality manage the project on behalf of the municipality of Diplaseng, Displaseng received the funds from National Treasury and was not paid over to Gert Sibande District Municipality.

The outstanding amount of Dipalaseng was reviewed during the year which were provided again after management's conclusion that is very unlikely that the outstanding amount will be paid over to Gert Sibande. A council decision will be obtained to write off these debt in the 2013/2014 financial year.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

7. VAT receivable

VAT	7,607,181	8,007,098
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The municipality is registered on the payment basis for VAT purposes.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	360,000	-	360,000	360,000	-	360,000
Buildings	275,382,441	(19,954,319)	255,428,122	270,426,134	(11,029,726)	259,396,408
Plant and machinery	1,424,977	(436,079)	988,898	1,404,988	(295,280)	1,109,708
Furniture and fixtures	4,283,827	(1,099,356)	3,184,471	4,230,677	(692,471)	3,538,206
Motor vehicles	9,374,511	(4,443,102)	4,931,409	8,312,978	(3,630,359)	4,682,619
Office equipment	5,421,593	(2,409,722)	3,011,871	4,285,979	(1,393,157)	2,892,822
IT equipment	8,034,439	(5,322,653)	2,711,786	6,300,303	(4,936,540)	1,363,763
Infrastructure	27,007,008	(2,713,910)	24,293,098	26,973,973	(1,407,363)	25,566,610
Building fixtures	29,445,916	(6,118,916)	23,327,000	29,031,591	(3,213,884)	25,817,707
Specialised vehicles	4,101,870	(1,730,769)	2,371,101	4,101,870	(1,457,559)	2,644,311
Work in progress	10,705,522	-	10,705,522	1,088,245	-	1,088,245
Total	375,542,104	(44,228,826)	331,313,278	356,516,738	(28,056,339)	328,460,399

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	360,000	-	-	-	360,000
Buildings	259,396,408	4,956,308	-	(8,924,594)	255,428,122
Plant and machinery	1,109,708	19,989	-	(140,799)	988,898
Furniture and fixtures	3,538,206	53,150	-	(406,885)	3,184,471
Motor vehicles	4,682,619	1,963,206	(901,674)	(812,742)	4,931,409
Office equipment	2,892,822	1,135,613	-	(1,016,564)	3,011,871
IT equipment	1,363,763	1,734,136	-	(386,113)	2,711,786
Infrastructure	25,566,610	33,035	-	(1,306,547)	24,293,098
Buiding Fixtures	25,817,707	414,325	-	(2,905,032)	23,327,000
Specialised vehicles	2,644,311	-	-	(273,210)	2,371,101
Work in progress	1,088,245	9,617,277	-	-	10,705,522
	328,460,399	19,927,039	(901,674)	(16,172,486)	331,313,278

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	360,000	-	-	-	-	360,000
Buildings	227,057,088	20,818,616	-	19,246,342	(7,725,638)	259,396,408
Plant and machinery	1,250,520	-	-	-	(140,812)	1,109,708
Furniture and fixtures	2,661,436	1,233,899	-	-	(357,129)	3,538,206
Motor vehicles	3,367,585	2,647,528	(388,827)	-	(943,667)	4,682,619
Office equipment	1,376,823	1,950,048	-	-	(434,049)	2,892,822
IT equipment	1,689,262	767,306	(9,418)	(549,108)	(534,279)	1,363,763
Infrastructure	20,728,158	4,374,200	-	1,519,311	(1,055,059)	25,566,610
Building fixtures	23,267,256	2,909,227	-	2,050,514	(2,409,290)	25,817,707
Specialised vehicles	26,640,566	-	(23,716,490)	-	(279,765)	2,644,311
Work in progress	22,816,167	1,088,245	-	(22,816,167)	-	1,088,245
	331,214,861	35,789,069	(24,114,735)	(549,108)	(13,879,688)	328,460,399

Pledged as security

No assets have been pledged as security

Assets subject to finance lease (Net carrying amount)

Office equipment	1,125,740	1,712,470
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Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2013

	Included within Other PPE	Total
Opening balance	1,088,245	1,088,245
Additions/capital expenditure	9,617,276	9,617,276
	10,705,521	10,705,521

Reconciliation of Work-in-Progress 2012

	Included within Other PPE	Total
Opening balance	22,816,167	22,816,167
Additions/capital expenditure	1,088,245	1,088,245
Transferred to completed items	(22,816,167)	(22,816,167)
	1,088,245	1,088,245

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	916,599	(660,028)	256,571	916,599	(367,491)	549,108

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	549,108	(292,537)	256,571

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	916,599	(367,491)	549,108

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Pledged as security

No assets have been pledged as security

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

10. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain of office	154,250	-	154,250	154,250	-	154,250

Reconciliation of heritage assets 2013

	Opening balance	Total
Mayoral chain of office	154,250	154,250

Reconciliation of heritage assets 2012

	Opening balance	Additions	Total
Mayoral chain of office	124,450	29,800	154,250

11. Investment in municipal entities

Controlled entities

Investment in Eastvaal Financing Partnership Gert Sibande District Municipality holds a 99% interest in this partnership. The investment in the partnership is carried at the cost of obtaining control of the partnership, less annual distribution of contributions.	18,443,584	26,095,352
Investment in Eastvaal Development Trust Gert Sibande District Municipality is the 100% beneficiary of the trust. The investment in the Eastvaal Development Trust is carried at fair value. The fair value of the trust is determined by reference to the net assets of the trust.	6,757,168	6,956,327
	25,200,752	33,051,679

12. Non-current assets held for sale and assets of disposal groups

Portion 1 of Erf 8295 Secunda, Ext 25, Mpumalanga and Portion of Erf 8317 Secunda, Ext 25, Mpumalanga was value at a amount of R30 700 000.

Stand 7355, 62 Piet Slabbert Street, Ext 22, Secunda was valued at R1 830 000.

This property was included in non-current assets held for sale in 2012. The reason why it was not sold was a delay in the zoning process. Management is still committed to the sale of this assets.

The total value of these assets are revaluated at a total amount of R32,530,000.

The disposal are expected to be completed by 6/30/2014.

Non-current assets held for sale	32,530,000	32,530,000
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13. Financial liabilities

At amortised cost

ABSA bank loan This loan is unsecured, bears interest at 8.22% p.a. and is repayable in bi-annual installments of R4,335,090	19,194,560	25,871,644
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Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Non-current liabilities		
At amortised cost	11,948,889	19,198,256
Current liabilities		
At amortised cost	7,245,671	6,673,388
14. Finance lease obligation		
Minimum lease payments due		
- within one year	5,950,003	5,950,687
- in second to fifth year inclusive	25,685,621	32,310,987
- later than five years	-	11,086,742
	31,635,624	49,348,416
less: future finance charges	(7,546,407)	(24,807,509)
Present value of minimum lease payments	24,089,217	24,540,907
Present value of minimum lease payments due		
- within one year	5,950,033	5,200,045
- in second to fifth year inclusive	18,139,184	15,306,588
- later than five years	-	4,034,274
	24,089,217	24,540,907
Non-current liabilities	23,499,263	24,001,548
Current liabilities	589,954	539,359
	24,089,217	24,540,907

It is municipal policy to lease certain buildings and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2012: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer no.8

15. Payables from exchange transactions

Trade payables	38,303,121	34,215,638
Retention	10,926,782	22,514,071
Staff leave pay	4,426,658	2,592,583
Other Creditors	242,983	901,141
Staff bonuses	1,224,928	951,916
Performance bonuses	462,459	741,295
Empuluzi municipality	204,011	-
	55,790,942	61,916,644

Gert Sibande District Municipality

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Figures in Rand 2013 2012

16. Retirement benefit obligation

Defined benefit plan

Post retirement medical aid plan

The post employment medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account matters arising in respect of principal members and their spouses. Ages were calculated as age last birthday on 30 June 2013.

The Project Unit Credit Method was used as prescribed by IAS 19. This method is based on the approximation that the post-retirement benefit is notionally built up over the employee's working life.

The actuarial valuation of PRMA liability involves the following.

The projection of future post-retirement medical contribution subsidy cashflow, taking into account probabilities of survival withdrawal, ill-health retirement, and death in service. The medical contribution subsidies in respect of the audit dependants of employees. Increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in current Rand terms.

The amount represents the municipality's liability for post-employment medical aid benefit for the sole remaining pensioner under the now defunct plan. Current employees do not enjoy post-retirement medical aid benefits.

Employees of the municipality belong to the National Fund for Municipality Workers and the Municipal Gratuity Fund. These funds are defined contribution plans. The municipality has no legal or constructive obligation to pay further contributions. Contributions are recognised as an expense in the statement of financial performance in the year in which they become payable.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Opening balance	(274,496)	(255,930)
Payments made	31,288	26,524
Interest cost	(14,680)	(14,805)
Actuarial (gains)/losses	(20,112)	(30,285)
	278,000	274,496

17. Deferred gain on sale and leaseback

The property in Secunda was sold by the Municipality to the Eastvaal Financing Partnership. This property is being leased back by the municipality through a finance lease over 20 years. Every year the deferred profit is amortised as shown in the Statement of Financial Performance

Deferred profit on sale and leaseback	2,917,024	2,553,649
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18. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At amortised cost	Total
Cash and cash equivalents	60,170,523	60,170,523
Other receivables	310,801	310,801
Receivables from exchange transactions	116,763	116,763
Receivables from non-exchange transactions	3,791,636	3,791,636
	64,389,723	64,389,723

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
Financial liabilities		
	At amortised cost	Total
Other financial liabilities	19,194,560	19,194,560
Finance lease obligation	24,089,217	24,089,217
Payables from exchange transactions	54,566,014	54,566,014
	97,849,791	97,849,791
2012		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	33,442,158	33,442,158
Other receivables	2,713,390	2,713,390
Receivables from exchange transactions	117,764	117,764
Receivables from non-exchange transactions	3,099,466	3,099,466
	39,372,778	39,372,778
Financial liabilities		
	At amortised cost	Total
Other financial liabilities	25,871,644	25,871,644
Finance lease obligation	24,540,907	24,540,907
Payables from exchange transactions	60,964,728	60,964,728
	111,377,279	111,377,279
19. Revenue		
Rental income	2,020,000	505,111
Income from entities	4,716,141	5,295,316
Other income	4,662,523	1,991,643
Interest received	4,677,772	3,613,600
Government grants & subsidies	273,824,341	279,940,990
	289,900,777	291,346,660
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental income	2,020,000	505,111
Income from municipal entities	4,716,141	5,295,316
Other income	4,662,523	1,991,643
Interest received	4,677,772	3,613,600
	16,076,436	11,405,670
The amount included in revenue arising from non-exchange transactions is as follows:		
Government grants & subsidies	273,824,341	279,940,990

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

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Figures in Rand	2013	2012
20. Government grants and subsidies		
Operating grants		
Equitable share	17,403,000	17,634,000
Financial management grant	1,250,000	1,250,000
Municipal systems improvement grant	1,000,000	1,000,000
Revenue replacement grant	235,507,000	228,648,000
	<u>255,160,000</u>	<u>248,532,000</u>
Capital grants		
Department of water affairs	17,664,341	8,132,000
CoGTA	-	22,973,990
CBPWP	1,000,000	303,000
	<u>18,664,341</u>	<u>31,408,990</u>
	<u>273,824,341</u>	<u>279,940,990</u>

Equitable Share

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

Revenue replacement grant

Current-year receipts	235,507,000	228,648,000
Conditions met - transferred to revenue	(235,507,000)	(228,648,000)
	<u>-</u>	<u>-</u>

The purpose of the revenue replacement grant is to provide basic infrastructures within their areas, the revenue replacement grant is collected from employers being used to help fund these infrastructures.

Department of water affairs

Current-year receipts	17,664,341	8,132,000
Conditions met - transferred to revenue	(17,664,341)	(8,132,000)
	<u>-</u>	<u>-</u>

To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

CoGTA

Current-year receipts	-	22,973,990
Conditions met - transferred to revenue	-	(22,973,990)
	<u>-</u>	<u>-</u>

To accelerate universal access to water and sanitation services and has accordingly developed the Accelerated Community Infrastructure Programme.

CBPWP

Current-year receipts	1,000,000	303,000
Conditions met - transferred to revenue	(1,000,000)	(303,000)
	<u>-</u>	<u>-</u>

To incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas.

Gert Sibande District Municipality

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Figures in Rand	2013	2012
20. Government grants and subsidies (continued)		
Govan Mbeki and Mpumalanga Province		
Balance unspent at beginning of year	-	(5,062,510)
Current-year receipts	2,531,255	2,531,255
Conditions met - transferred to receivables	(2,531,255)	2,531,255
	<u>-</u>	<u>-</u>
<p>This was a tri-party agreement to upgrade infrastructure of a local municipality. Half of the money outstanding has been received at year end from Govan Mbeki Local Municipality.</p>		
Municipal system improvement grant		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	<u>-</u>	<u>-</u>
<p>To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal System Act and related legislation.</p>		
Financial management grant		
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	<u>-</u>	<u>-</u>
<p>To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.</p>		
21. Income from municipal entiteits		
Income from municipal entiteits	<u>4,716,141</u>	<u>5,295,316</u>
22. Interest received		
Interest on investments	4,677,772	3,605,234
Interest charged on trade and other receivables	-	8,366
	<u>4,677,772</u>	<u>3,613,600</u>
23. Other income		
Car Wash	282,926	283,551
Donations received	50,939	-
LG Seta	309,110	263,616
Refund telephone	166,291	151,062
Laboratory income	1,026,347	-
Retentions forfeited	1,955,537	945,909
Sundry	525,711	135,986
Tender deposits	345,662	211,519
	<u>4,662,523</u>	<u>1,991,643</u>

Gert Sibande District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
24. Rental income		
Rental income - third party	2,020,000	505,111
25. Contracted services		
Information technology services	807,218	689,280
Cleaning and maintenance	1,134,674	1,215,312
	1,941,892	1,904,592
26. Depreciation		
Property, plant and equipment	16,731,179	11,849,528

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
27. Employee related costs		
Basic	40,716,701	31,862,180
Bonus	2,829,828	3,121,638
Medical aid - company contributions	2,065,885	1,244,606
UIF	259,836	193,905
WCA	-	236,589
Leave pay accrual charge	2,070,558	1,359,579
Group insurance	612,458	595,174
Pension fund	6,676,777	6,257,463
Bargaining council	8,707	5,502
Overtime payments	436,658	147,419
Car allowance	5,903,382	4,106,192
Housing benefits and allowances	228,915	200,854
Uniforms	203,235	960
	62,012,940	49,332,061
Remuneration of municipal manager - Habile CA		
Annual remuneration	644,640	677,268
Car allowance	156,042	169,145
Contributions to UIF, medical and pension funds	134,763	195,550
Leave commutation	-	421,320
	935,445	1,463,283
Remuneration of chief finance officer - Singh AY		
Annual remuneration	681,344	743,865
Car allowance	159,596	172,387
Performance bonuses	-	87,666
Contributions to UIF, medical and pension funds	11,462	23,165
	852,402	1,027,083
Corporate and human resources (corporate services) - Maseko JB		
Annual remuneration	270,153	641,402
Car allowance	66,305	150,746
Performance bonuses	-	78,266
Contributions to UIF, medical and pension funds	13,366	37,015
Leave commutation	114,268	-
	464,092	907,429
Health, safety and social services (emergency management services) - Vilane SB		
Annual remuneration	467,676	574,599
Car allowance	136,800	143,650
Performance bonuses	-	87,666
Contributions to UIF, medical and pension funds	101,617	166,204
Leave Commutation	-	35,066
	706,093	1,007,185
Community and social services - Kunene M		
Annual remuneration	376,448	531,697
Car allowance	48,000	128,379
Contributions to UIF, medical and pension funds	67,033	131,752

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
27. Employee related costs (continued)		
Leave Commutation	-	70,241
	491,481	862,069
Planning manager - Zikalala S		
Annual remuneration	357,240	-
Car allowance	48,000	-
Contributions to UIF, medical and pension funds	77,241	-
	482,481	-
Total employment cost	65,944,934	54,599,110
28. Finance costs		
Interest on current liabilities	7,738,903	5,270,467
Current borrowings	-	2,843,328
	7,738,903	8,113,795
29. General expenses		
Advertising	687,148	457,185
Assets expensed	152,026	312,294
Auditors remuneration	3,458,882	2,853,512
Bank charges	111,488	80,683
Cleaning	309,446	207,187
Conferences and seminars	16,059	4,715
Consulting and professional fees	2,464,158	1,568,596
Entertainment	767,571	750,022
Flowers	3,483	12,142
Forums	3,000	7,815
Hostel charges	200,000	200,000
IDP review	-	820,000
Insurance	866,254	635,276
International relations	-	155,080
Lease rentals on operating lease	1,484,895	522,588
Municipal and other services	3,512,929	1,936,835
Post retirement expense	-	30,285
Postage and courier	9,089	9,840
Printing and stationery	702,694	513,815
Relocation costs	-	1,818,289
Royalties and license fees	1,223,604	76,348
Security (Guarding of municipal property)	2,186,439	1,788,010
Subscriptions and membership fees	695,052	530,570
Technical support	568,526	518,365
Telephone and fax	2,318,586	2,317,450
Training	944,225	830,123
Travel - local	3,054,677	2,465,482
Workmen's compensation	568,454	150,000
	26,308,685	21,572,507
30. Grants and subsidies paid		
Other subsidies		
Grants paid to local municipalities	119,791,814	147,945,613
	119,791,814	147,945,613

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
31. Impairment loss		
Impairments		
Investment in East Vaal Properties	7,651,768	-
Trade and other receivables	-	7,841,929
	7,651,768	7,841,929
32. Remuneration of councillors		
Executive mayor	794,599	602,014
Mayoral committee members	1,805,838	2,305,608
Speaker	648,013	619,086
Councillors	2,588,735	2,001,940
Mayoral committee contributions	1,425,579	1,834,607
Councillor contributions	2,117,113	1,513,096
	9,379,877	8,876,351

In-kind benefits

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand			2013	2012	
32. Remuneration of councillors (continued)					
Executive mayor - 2013					
	Remuneration	Travel allowance	Cell phone allowance	Municipal contribution	Total remuneration
Nhlabathi MPP	428,528	193,305	19,908	76,429	718,170
Mayoral committee - 2013					
Maboa - Boltman NE	369,005	147,212	19,908	72,631	608,756
Maboea	339,381	130,100	17,658	50,907	538,046
Magagula MP	384,031	147,216	19,908	57,605	608,760
Nkosi M	369,005	147,216	19,908	72,361	608,490
Nyembe FM	369,005	147,216	19,908	72,631	608,760
Zuma NG	384,031	147,216	19,908	57,605	608,760
Mnisi TA	381,275	147,216	19,908	69,292	617,691
	2,595,733	1,013,392	137,106	453,032	4,199,263
Speaker - 2013					
Dhlamini ES	394,608	80,555	19,908	76,471	571,542
Councillors - 2013					
Baker TE	25,840	8,613	-	-	34,453
Bongwe JS	4,080	-	-	-	4,080
De Ville JR	31,406	10,468	-	-	41,874
De Waal MAC	138,586	58,890	12,396	38,068	247,940
Greyling GS	31,406	10,468	-	-	41,874
Joubert LK	138,586	58,890	12,396	38,068	247,940
Labuschagne PJ	25,840	8,613	-	-	34,453
Madonsela EM	31,406	10,468	-	-	41,874
Mahlangu BD	25,840	8,613	-	-	34,453
Mahlangu H	153,612	58,885	12,396	23,042	247,935
Makola MB	6,460	2,154	-	-	8,614
Malatsi PV	4,896	-	-	-	4,896
Malaza KJ	1,596	-	-	-	1,596
Manzi NE	25,840	8,613	-	-	34,453
Masango SA	25,840	8,613	-	-	34,453
Masina LL	3,264	-	-	-	3,264
Maseko BP	31,406	10,472	-	-	41,878
Mkhwanazi LVA	31,406	10,468	-	-	41,874
Mkhwanazi ZG	25,840	8,613	-	-	34,453
Mlotshwa TL	153,612	58,889	12,396	23,042	247,939
Moloe LE	2,362	-	-	-	2,362
Morajane CM	4,896	-	-	-	4,896
Motha TW	31,406	10,468	-	-	41,874
Motloung KW	138,586	58,885	12,396	38,068	247,935
Mnisi SM	3,951	-	-	-	3,951
Mthethwa TB	773	-	-	-	773
Mtshali BH	4,896	-	-	-	4,896
Ndinisa BJ	25,840	8,612	-	-	34,452
Nhlapo JV	1,546	6,977	-	-	8,523
Nhlapho NS	6,528	-	-	-	6,528
Nkosi AD	31,406	10,469	-	-	41,875
Nkosi FL	2,362	-	-	-	2,362
Nkosi SS	138,586	58,885	12,396	38,068	247,935
Nkosi TM	816	-	-	-	816
Nkosi VL	31,406	10,469	-	-	41,875
Puwani BS	31,406	9,641	-	-	41,047
Sekhonde BG	59,601	24,422	3,916	12,289	100,228
Shiba BP	4,080	-	-	-	4,080
Shongwe MD	153,612	58,885	12,396	23,042	247,935

Gert Sibande District Municipality

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Notes to the Annual Financial Statements

Figures in Rand			2013	2012
32. Remuneration of councillors (continued)				
Thwala DM	31,406	10,468	-	41,874
Tshabalala AJ	3,908	-	-	3,908
Tsotetsi MP	349,609	153,763	19,908	593,001
Vilakazi RG	31,406	10,469	-	41,875
Weber WL	138,586	58,885	12,396	247,125
Wilson RJA	31,406	10,469	-	41,875
Yende MT	816	-	-	816
Zacarias SM	31,406	10,468	-	41,874
Zwane LA	104,664	40,121	-	160,485
Zwane TE	31,406	10,472	-	41,878
	2,345,434	904,558	122,992	3,729,350
33. Repairs and maintenance				
Buildings			187,111	91,672
Contract services			-	222,715
Fuel and oil			1,195,236	998,495
Furniture and equipment			97,697	21,720
Office equipment			70,994	21,637
Vehicles			730,028	465,511
			2,281,066	1,821,750
34. Auditors' remuneration				
Fees			3,321,252	2,516,881
Consulting			2,075	85,164
Expenses			135,555	251,467
			3,458,882	2,853,512
35. Cash generated from operations				
Surplus			31,857,264	23,382,427
Adjustments for:				
Depreciation and amortisation			16,731,179	11,849,528
Gain on sale of assets and liabilities			273,395	23,933,221
Fair value adjustments			-	(20,494,164)
Impairment deficit			7,651,768	7,841,929
Movements in retirement benefit assets and liabilities			3,504	18,566
Non-cash journals processed on system			132,165	-
Movement in municipal entities - non cash			164,216	(210,521)
Changes in working capital:				
Receivables from non-exchange transactions			(335,397)	2,103,713
(Increase)/decrease in other receivables			1,001	(117,764)
Movement in other receivables			2,402,589	(2,417,973)
Payables from exchange transactions			(6,125,702)	16,712,200
VAT			399,917	1,214,730
Non-current assets held for sale			-	(1,197,387)
			53,155,899	62,618,505

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	109,292,324	30,113,318
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

37. Contingencies

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1,052,117. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality will have to pay out the amount claimed of R1 052 117.

Inhlakanipho Consultants-Contractual dispute arising out of tender 11/2007: Upgrading of Empulzi Water Treatment Works Plaintiff is claiming R3 402 596. Inhlakanipho Consultants-Contractual appointed for R4 000 000 that included the planning and the construction of the project. Inhlakanipho then planning more than the appointed amount. The municipality then only paid for planning and the construction as the appointed letter. The R3 402 596 that Inhlakanipho is claiming is the pre planning of future construction work.

Federation for Sustainable Environment: Civil litigation-Application for supply of portable water in Carolina Municipality R1 000 000. Gert Sibande district municipality is a responded in the civil suit due to the fact that the district municipality is not the water authority supplier to supply water to the local areas.

Termination of Eastvaal Financing Partnership

The termination of Eastvaal Financing Partnership that comprises of third trust namely, Eastvaal Development Trust, the Eastvaal Financing Trust and The NIB(Nedbank) Trust due to the Property in Secunda been sold. The deed of sale of the property is already in the deed office. The legal cost that will be incurred will not exceed R20 000 for the completion of the sale of the asset.

Grant Thornton and Tri-Partite Agreements for the design and implementation of the turnaround strategy. Fees and charges to finalise these agreements will not exceed R17 000.

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 200 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Litigation is in the process against the municipality relating to a dispute with PWC who did not deliver a forensic report on the due date and they are seeking damages of R 195 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Litigation is in the process against the municipality relating to a dispute with Hlokoapitse for paying a subcontractor directly and not to the main contractor and they are seeking damages of R 127 006. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Litigation is in the process against the municipality relating to a dispute with TMN Kgomo and Associates over the quality of work performed by themselves for the delegation register and they are seeking damages of R 100 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Gert Sibande District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2013 2012

38. Related parties

Relationships

Accounting Officer
Associates

Refer to accounting officer's report
Eastvaal Financing Partnership
Eastvaal Development Trust
Highveld Printers

Close family member of key management

Related party transactions

Purchases from related parties

Highveld Printers 4,670 79,622

Distrutions from/(to) entities

Eastvaal Development Trust 5,278,542 4,857,548
Eastvaal Financing Partnership 363,375 484,500

39. Prior year adjustments

1. VAT Adjusment

SARS made a VAT adjustment on the VAT statement of account for input VAT for the VAT period that was not correctly recorded in the Annual financial Statement of 2010. The comparative amounts were adjusted with R7 160

2. ABSA loan interest and current account

Interest on the ABSA loan was wrongly accrued for in the prior years due to a change in interest rate that was not follow up with the third party. The comparative amounts were adjusted with R 37 558

3. Fairvalue adjustment

Fairvalue on retentions was written back. The fairvalue adjustments on retentions was both in the Annual financial statement of 2011 and 2012. GRAP 104 disallowed the fairvalue of line items. Refer to note 41 for detail.

4. Performance bonus

Performance bonuses amounting to R487 696 were not accrued for in the 2012 financial year. The comparative amounts were restated with this amount.

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The correction of the errors / change in accounting policies resulted in adjustments as follows:

Statement of financial position

VAT Receivable	-	(7,160)
Receivables from non-exchange transactions	-	20,716
Trade and other payables	-	2,629,914
Financial liabilities	-	(37,558)
Accumulated surplus	-	(2,541,241)

Statement of financial performance

Finance cost	-	37,558
Fair value adjustment	-	1,746,052

Gert Sibande District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012			
39. Prior year adjustments (continued)					
Statement of Financial Performance for the year ended 30 June 2013	Balance as previously reported	Change in accounting policies	Reclassified	Prior period error	Restated balance
Revenue					
Fairvalue adjustment	1,746,052	(1,746,052)	-	-	-
Interest (trading)	-	-	3,605,234	-	3,605,234
Interest (investments)	-	-	(3,605,234)	-	(3,605,234)
Income from municipal entities	-	-	(3,303,673)	-	(3,303,673)
Other income	-	-	3,303,673	-	3,303,673
Revaluation of non current assets held for sale	-	-	-	20,494,164	20,494,164
Total revenue	1,746,052	(1,746,052)	-	20,494,164	20,494,164
	1,746,052	(1,746,052)	-	20,494,164	20,494,164
Expenditure					
Finance costs	8,151,353	-	-	37,558	8,188,911
Total expenditure	8,151,353	-	-	37,558	8,188,911
	8,151,353	-	-	37,558	8,188,911
Operating surplus / (deficit)	1,104,653	1,746,051	-	37,558	2,888,262
Surplus / (deficit) for the year	1,104,653	1,746,051	-	37,558	2,888,262
	1,104,653	1,746,051	-	37,558	2,888,262
Statement of Financial Position as at 30 June 2013	Balance as previously reported	Change in accounting policies	Reclassified	Prior period error	Restated balance
Assets					
Current Assets					
VAT receivable	8,014,258	-	-	(7,160)	8,007,098
Receivables from non-exchange transactions	3,196,513	-	(117,764)	20,716	3,099,465
Other receivables	-	-	117,764	-	117,764
Total current assets	11,210,771	-	-	13,556	11,224,327
	11,210,771	-	-	13,556	11,224,327
Non-current Assets					
Property, plant and equipment	329,009,507	-	(549,108)	-	328,460,399
Intangible assets	-	-	549,108	-	549,108
Non-current assets held for sale	11,503,687	-	-	21,026,313	32,530,000
Total non-current assets	340,513,194	-	-	21,026,313	361,539,507
	340,513,194	-	-	21,026,313	361,539,507

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand			2013	2012	
39. Prior year adjustments (continued)					
Liabilities					
Current Liabilities					
Payables from exchange transactions	58,334,814	2,142,218	-	487,696	60,964,728
Total current liabilities	58,334,814	2,142,218	-	487,696	60,964,728
	58,334,814	2,142,218	-	487,696	60,964,728
Non-current Liabilities					
Provisions	951,917	-	(951,917)	-	-
Financial liabilities	19,235,814	-	-	(37,558)	19,198,256
Total non-current liabilities	20,187,731	-	(951,917)	(37,558)	19,198,256
	20,187,731	-	(951,917)	(37,558)	19,198,256
Net Assets					
Accumulated surplus - Opening balance	307,415,806	21,830,632	-	(494,857)	328,751,581
Surplus / (deficit)	-	(1,746,052)	-	(37,558)	(1,783,610)
Total net assets	307,415,806	20,084,580	-	(532,415)	326,967,971
	307,415,806	20,084,580	-	(532,415)	326,967,971

40. Change in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. All changes resulting from the application of these Standards of GRAP were accounted for retrospectively.

- GRAP 104

GRAP 104

During the year, the municipality changed its accounting policy with respect to the treatment of the discounting of the trade and other payables and trade and other payables according to GRAP104 – AG87.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2013 is as follows:

Statement of financial position

Current liabilities

Trade and other payables	1,725,335	-
Trade and other receivables	20,717	-
Total non-current liabilities	1,746,052	-

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

41. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and the adequate utilisation of borrowing facilities are monitored. Management ratio's are also prepared and monitored on a monthly basis.

Credit risk

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

The risk relating to investments is minimised due to the nature of the municipal entities finance structure.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's revenue and operating cash flows are substantially independent of changes in market interest rates.

42. Unauthorised expenditure

Unauthorised expenditure	-	5,280,101
Transfer of vehicles	-	23,935,874
	-	<u>29,215,975</u>

This amount relates to the Nedbank Structured loan. This amount was not provided for in the budget, however on the consolidation this amount will be eliminated and hence there is no financial impact.

Loss on construction vehicles that were transferred to the local municipalities. Due to the timing of the council resolution, it was not possible to include this item in the adjustment budget of 2011/12. Refer to council item C37/12/2011

43. Irregular expenditure

Opening balance	4,432,180	58,000
Add: Irregular Expenditure - current year - ABSA (fully recovered in 2012/13)	-	2,385,735
Add: Irregular - current year - other	97,593,968	1,940,622
Less: Amounts recoverable	(4,374,180)	-
Add: Amounts noted by council	-	47,823
	<u>97,651,968</u>	<u>4,432,180</u>

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non compliance to SCM procedures	The irregular expenditure is currently being investigated	97,593,968

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	663,480	502,875
Amount paid - current year	(663,480)	(502,875)
	-	-

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	3,341,260	2,853,512
Amount paid - current year	(3,341,260)	(2,853,512)
	-	-
PAYE and UIF		
Current year fee	11,870,465	9,931,694
Amount paid - current year	(11,870,465)	(9,931,694)
	-	-
Pension and medical aid deductions		
Current year fee	14,654,734	13,545,773
Amount paid - current year	(14,654,734)	(13,545,773)
	-	-
VAT		
VAT receivable	7,607,181	8,007,098

VAT output payable and VAT input receivable are shown in note 7.

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

45. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

46. Budget differences

Material differences between budget and actual amounts

[The excess of actual income over the final budget of 20% for rental income was due the sale of building net yet finalised during the current year.

The excess of the actual income over the final budget of 175% for other income is due to the fact that nothing was budget for the retention that was written back during the current year.

The excess of the actual income over the finale budget of 29.5% for interest received is due to the fact that projects was implemented late, funds thus remained longer in the bank account and the interest accrued.

The excess of the finale budget expenditure over the actual expenditure of 38.1% for grants and subsidies paid was due to slow implementation of project. the excess amount is included as transfer projects in the next budget.

Gert Sibande District Municipality

Annual Financial Statements for the year ended June 30, 2013

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Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 7/1/2012 to 6/30/2013. The annual financial statements differ from the budget, which is approved on the accrual basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at Saturday, June 30, 2012	Received during the period	Redeemed written off during the period	Balance at Sunday, June 30, 2013	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock							
Structured loans							
Funding facility							
Development Bank of South Africa							
Bonds							
Other loans							
Lease liability							
Eastvaal financing partnership		22,822,309	87,670	-	22,909,979	-	-
Nashua highveld		1,718,597	-	539,359	1,179,238	1,125,740	-
		24,540,906	87,670	539,359	24,089,217	1,125,740	-
Annuity loans							
ABSA bank		25,872,940	-	6,678,380	19,194,560	-	-
		25,872,940	-	6,678,380	19,194,560	-	-
Government loans							
Total external loans							
Lease liability		24,540,906	87,670	539,359	24,089,217	1,125,740	-
Annuity loans		25,872,940	-	6,678,380	19,194,560	-	-
		50,413,846	87,670	7,217,739	43,283,777	1,125,740	-

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	360,000	-	-	-	-	-	360,000	-	-	-	-	-	-	360,000
Building fixtures	29,031,591	414,325	-	-	-	-	29,445,916	(3,213,884)	-	-	(2,905,033)	-	(6,118,917)	23,326,999
Buildings	270,426,134	4,956,308	-	-	-	-	275,382,442	(11,029,726)	-	-	(8,924,593)	-	(19,954,319)	255,428,123
	299,817,725	5,370,633	-	-	-	-	305,188,358	(14,243,610)	-	-	(11,829,626)	-	(26,073,236)	279,115,122
Infrastructure														
Roads, pavements and bridges	3,448,607	-	-	-	-	-	3,448,607	(357)	-	(130,731)	-	-	(131,088)	3,317,519
Electrical network equipment	23,525,366	33,035	-	-	-	-	23,558,401	(1,407,006)	-	(1,175,816)	-	-	(2,582,822)	20,975,579
	26,973,973	33,035	-	-	-	-	27,007,008	(1,407,363)	-	(1,306,547)	-	-	(2,713,910)	24,293,098
Community Assets														

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Mayoral necklace	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles														
Other assets														
General vehicles	8,312,978	1,963,206	(901,674)	-	-	-	9,374,510	(3,593,837)	266,154	-	(1,115,419)	-	(4,443,102)	4,931,408
Plant & equipment	1,404,988	19,989	-	-	-	-	1,424,977	(295,280)	-	-	(140,800)	-	(436,080)	988,897
Computer Equipment	7,216,902	1,734,136	-	-	-	-	8,951,038	(5,234,840)	-	-	(747,841)	-	(5,982,681)	2,968,357
Furniture & Fittings	4,230,677	53,150	-	-	-	-	4,283,827	(688,193)	-	-	(411,163)	-	(1,099,356)	3,184,471
Office Equipment	2,524,581	1,135,615	-	-	-	-	3,660,196	(1,338,234)	-	-	(435,830)	-	(1,774,064)	1,886,132
Office Equipment - Leased	1,761,398	-	-	-	-	-	1,761,398	(48,928)	-	-	(586,731)	-	(635,659)	1,125,739
Work in progress	1,088,245	9,617,276	-	-	-	-	10,705,521	-	-	-	-	-	-	10,705,521
Construction vehicles	4,101,870	-	-	-	-	-	4,101,870	(1,457,559)	-	-	(273,210)	-	(1,730,769)	2,371,101
Non current assets held for sale	14,797,388	-	-	-	-	-	14,797,388	(4,843,290)	-	-	-	-	(4,843,290)	9,954,098
	45,439,027	14,523,372	(901,674)	-	-	-	59,060,725	(17,500,161)	266,154	-	(3,710,994)	-	(20,945,001)	38,115,724

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June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	299,817,725	5,370,633	-	-	-	-	305,188,358	(14,243,610)	-	-	(11,829,626)	-	(26,073,236)	279,115,122
Infrastructure	26,973,973	33,035	-	-	-	-	27,007,008	(1,407,363)	-	(1,306,547)	-	-	(2,713,910)	24,293,098
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets	45,439,027	14,523,372	(901,674)	-	-	-	59,060,725	(17,500,161)	266,154	-	(3,710,994)	-	(20,945,001)	38,115,724
	372,384,975	19,927,040	(901,674)	-	-	-	391,410,341	(33,151,134)	266,154	(1,306,547)	(15,540,620)	-	(49,732,147)	341,678,194
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														
Land and buildings	299,817,725	5,370,633	-	-	-	-	305,188,358	(14,243,610)	-	-	(11,829,626)	-	(26,073,236)	279,115,122
Infrastructure	26,973,973	33,035	-	-	-	-	27,007,008	(1,407,363)	-	(1,306,547)	-	-	(2,713,910)	24,293,098
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets	45,439,027	14,523,372	(901,674)	-	-	-	59,060,725	(17,500,161)	266,154	-	(3,710,994)	-	(20,945,001)	38,115,724
	372,384,975	19,927,040	(901,674)	-	-	-	391,410,341	(33,151,134)	266,154	(1,306,547)	(15,540,620)	-	(49,732,147)	341,678,194

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	360,000	-	-	-	-	-	360,000	-	-	-	-	-	-	360,000
Building fixtures	24,071,849	4,959,741	-	-	-	-	29,031,590	(804,593)	-	-	-	(2,409,290)	(3,213,883)	25,817,707
Buildings (Separate for AFS purposes)	230,361,175	17,248,791	-	22,816,167	-	-	270,426,133	(3,304,087)	-	-	-	(7,725,638)	(11,029,725)	259,396,408
	254,793,024	22,208,532	-	22,816,167	-	-	299,817,723	(4,108,680)	-	-	-	(10,134,928)	(14,243,608)	285,574,115
Infrastructure														
Roads, pavements and bridges	-	2,392,512	-	411,178	-	-	2,803,690	-	-	-	(357)	-	(357)	2,803,333
Electrical network equipment	21,080,462	2,444,904	-	1,108,133	-	-	24,633,499	(352,303)	-	-	(1,054,703)	-	(1,407,006)	23,226,493
	21,080,462	4,837,416	-	1,519,311	-	-	27,437,189	(352,303)	-	-	(1,055,060)	-	(1,407,363)	26,029,826
Community Assets														

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Mayoral necklace	124,450	29,800	-	-	-	-	154,250	-	-	-	-	-	-	154,250
	124,450	29,800	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles														
Other assets														
General vehicles	6,733,155	2,647,528	(1,067,705)	-	-	-	8,312,978	(3,365,570)	678,878	-	-	(943,667)	(3,630,359)	4,682,619
Plant & equipment	1,404,988	-	-	-	-	-	1,404,988	(154,468)	-	-	-	(140,812)	(295,280)	1,109,708
Computer Equipment	6,464,345	767,306	(14,749)	-	-	-	7,216,902	(4,775,083)	5,331	-	-	(534,279)	(5,304,031)	1,912,871
Furniture & Fittings	2,996,778	1,233,899	-	-	-	-	4,230,677	(335,342)	-	-	-	(357,129)	(692,471)	3,538,206
Office Equipment	2,335,931	188,650	-	-	-	-	2,524,581	(959,108)	-	-	-	(385,121)	(1,344,229)	1,180,352
Office Equipment - Leased	-	1,761,398	-	-	-	-	1,761,398	-	-	-	-	(48,928)	(48,928)	1,712,470
Work in progress	22,816,167	1,088,245	-	(22,816,167)	-	-	1,088,245	-	-	-	-	-	-	1,088,245
Construction vehicles	35,697,268	-	(31,595,398)	-	-	-	4,101,870	(9,056,702)	7,878,908	-	-	(279,765)	(1,457,559)	2,644,311
Non current assets held for sale	15,900,155	1,549,589	(1,102,767)	-	-	-	16,346,977	(5,593,856)	750,566	-	-	-	(4,843,290)	11,503,687
	94,348,787	9,236,615	(33,780,619)	(22,816,167)	-	-	46,988,616	(24,240,129)	9,313,683	-	-	(2,689,701)	(17,616,147)	29,372,469

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	254,793,024	22,208,532	-	22,816,167	-	-	299,817,723	(4,108,680)	-	-	-	(10,134,928)	(14,243,608)	285,574,115
Infrastructure	21,080,462	4,837,416	-	1,519,311	-	-	27,437,189	(352,303)	-	-	(1,055,060)	-	(1,407,363)	26,029,826
Heritage assets	124,450	29,800	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets	94,348,787	9,236,615	(33,780,619)	(22,816,167)	-	-	46,988,616	(24,240,129)	9,313,683	-	-	(2,689,701)	(17,616,147)	29,372,469
	370,346,723	36,312,363	(33,780,619)	1,519,311	-	-	374,397,778	(28,701,112)	9,313,683	-	(1,055,060)	(12,824,629)	(33,267,118)	341,130,660
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														
Land and buildings	254,793,024	22,208,532	-	22,816,167	-	-	299,817,723	(4,108,680)	-	-	-	(10,134,928)	(14,243,608)	285,574,115
Infrastructure	21,080,462	4,837,416	-	1,519,311	-	-	27,437,189	(352,303)	-	-	(1,055,060)	-	(1,407,363)	26,029,826
Heritage assets	124,450	29,800	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets	94,348,787	9,236,615	(33,780,619)	(22,816,167)	-	-	46,988,616	(24,240,129)	9,313,683	-	-	(2,689,701)	(17,616,147)	29,372,469
	370,346,723	36,312,363	(33,780,619)	1,519,311	-	-	374,397,778	(28,701,112)	9,313,683	-	(1,055,060)	(12,824,629)	(33,267,118)	341,130,660