Blue Crane Route Municipality
Consolidated Annual Financial Statements
For the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
The following is included in the scope of operation	Service Delivery
Council members	
Mayor	NM Scott
Councillors	BA Manxoweni
	KC Brown
	CFB Du Preez
	WH Greeff
	M Nontyi
	NG Mjikelo
	Z Funiselo
	NP Yantolo
	MK Mali
	RM Bradfield
Accounting Officer	Thabiso Klaas
Chief Finance Officer (CFO)	GJ Goliath
Registered office	67 Nojoli Street
	Somerset East
	5850
Postal address	P.O. Box 21
	Somerset East
	5850
Auditors	Auditor General

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cashflows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 4 to 72, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these consolidated annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Thabiso Klaas
Accounting Officer

30 September 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
Assets			
Current assets			
Other financial assets	7	2 664	4 442
Inventories	10	9 764 421	5 907 214
Other receivables from exchange transactions	11	646 252	1 151 596
Other receivables from non-exchange transactions	12	1 319 375	2 032 254
Trade receivables from exchange transactions	13	12 972 383	9 821 698
Cash and cash equivalents	14	26 639 181	20 284 256
VAT receivable	15	16 040	-
		51 360 316	**39 201 460**
Non-current assets			
Investment property carried at fair value	4	24 017 090	20 189 682
Property, plant and equipment	5	358 636 281	350 906 878
Intangible assets	6	1	1
Investments in controlled entities	7		
Other financial assets	7	18 493	21 158
		382 671 865	**371 117 719**
Total assets		**434 032 181**	**410 319 179**
Liabilities			
Current liabilities			
Employee benefit obligation	9	445 344	456 122
Other financial liabilities	16	656 527	596 475
Finance lease obligation	17	262 166	792 893
Unspent conditional grants and receipts	18	7 421 792	1 749 655
Provisions	19	18 352 298	17 389 734
Payables from exchange transactions	20	16 763 184	15 057 792
Trade and other payables from non-exchange	21	57 652	40 727
VAT payable	22	-	805 073
Consumer deposits	23	1 895 041	1 713 208
		45 854 004	**38 601 679**
Non-current liabilities			
Employee benefit obligation	9	13 931 655	14 997 358
Other financial liabilities	16	1 887 249	2 543 776
Finance lease obligation	17	-	265 852
		15 818 904	**17 806 986**
Total liabilities		**61 672 908**	**56 408 665**
Net Assets		**372 359 273**	**353 910 514**
Net Assets			
Accumulated surplus / (deficit)		**372 359 273**	**353 910 514**

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Property rates	26	8 116 578	7 556 602
Service charges	27	77 431 229	68 634 107
Rental of facilities and equipment		85 567	158 227
Interest received (trading)		2 196 443	2 075 126
Interest received on investments	34	1 628 930	1 429 518
Income from agency services		614 458	583 878
Fines		75 577	139 928
Licences and permits		740 723	831 535
Government grants and subsidies	28	78 782 432	61 543 638
Fees earned		308 281	224 979
General		630 721	1 003 934
Private Work		338 652	671 406
Gains on disposal of assets		30 483	1 012 158
Gain on investment properties fair valuation		3 827 408	-
Other income	29	1 177 961	1 153 545
Total revenue		**175 985 443**	**147 018 581**
Expenditure			
Employee related costs	31	51 256 750	49 211 620
Remuneration of councillors	32	2 739 347	2 451 987
Bad debts	33	8 597 729	10 188 956
Collection costs		68 452	2 484
Depreciation and amortisation expense		15 678 475	13 733 149
Impairment loss/Reversal of impairments		-	316 516
Repairs and maintenance		3 146 659	3 041 229
Finance costs	35	2 194 106	1 975 586
Bulk purchases	37	49 120 737	41 377 313
General expenses	30	26 911 129	22 629 359
Total expenditure		**159 713 384**	**144 928 199**
Actuarial (Loss)/gain		2 176 700	(544 458)
Surplus / (deficit) for the year		**18 448 759**	**1 545 924**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
Opening balance as previously reported	**358 607 437**	358 607 437
Adjustments:		
Error in assets take on balances	8 873 468	8 873 468
Prior year adjustments (2011 and earlier)	(15 116 315)	(15 116 315)
Balance at 1 July 2011 as restated	**352 364 590**	**352 364 590**
Changes in net assets		
Deficit for the year	1 545 924	1 545 924
Total changes	1 545 924	1 545 924
Opening balance as previously reported	370 597 042	370 597 042
Adjustments:		
Prior year adjustments	(16 686 528)	(16 686 528)
Balance at 1 July 2012 as restated	**353 910 514**	**353 910 514**
Changes in net assets		
Surplus for the year	18 448 759	18 448 759
Total changes	18 448 759	18 448 759
Balance at 30 June 2013	**372 359 273**	**372 359 273**
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Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sales of goods and services		73 810 214	77 291 587
Grants		93 206 599	59 247 537
Interest received		1 628 930	1 429 518
Other receipts		6 909 657	7 866 220
		175 555 400	145 834 862
Payments			
Employee costs		(53 537 887)	(49 988 069)
Suppliers		(33 026 391)	(27 282 144)
Interest paid		(281 446)	(2 092 191)
Other payments		(59 676 466)	(52 063 728)
		(146 522 190)	(131 426 132)
Net cash flows from operating activities	38	**29 033 210**	**14 408 730**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(23 420 741)	(19 708 177)
Gain on disposal of assets and liabilities		30 483	1 035 206
Net movement in financial assets		4 441	808
Actuarial gain/(loss) - Non cash item		2 176 700	(544 458)
Other non cash item			
Net cash flows from investing activities		**(21 209 117)**	**(19 216 621)**
Cash flows from financing activities			
Repayment of other financial liabilities		(596 476)	2 327 738
Finance lease payments		(872 692)	(890 237)
Net cash flows from financing activities		**(1 469 168)**	**1 437 501**
Net increase / (decrease) in net cash and cash equivalents		6 354 925	(3 370 390)
Cash and cash equivalents at beginning of the year		20 284 256	23 654 646
Net cash and cash equivalents at end of the year	14	**26 639 181**	**20 284 256**

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003 and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The financial statements have been prepared on a going concern basis and the accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The selling price refers to the Rand amount that the item can be exchanged for on the open market or the fair value of another asset exchanged.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

Impairment testing

The recoverable amounts 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. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

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 18 - Provisions.

Useful lives of waste and water network and other assets

The economic entity's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 economic entity 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. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The economic entity used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for doubtful debts

On trade and other 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 debtors carrying amount and the estimated future cash flows based on the historical payment trend.

Provision to the doubtful debts allowance accounts are calculated based on the average payment percentage as calculated per ward determining the risk in days averaged to 30, 60, 90, 120 days and higher. Provision is then determined per ward based on the ward's risk portfolio.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that
are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value.

Where comparable market transactions become less frequent or market prices become less readily available, the fair value model will be remain applicable until disposal (or reclassification) of the investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one 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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is 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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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 entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant 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.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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 as follows:

Item	Average useful life
Buildings	60
Plant and machinery	3 to 30
Furniture and fixtures	5
Motor vehicles	4 to 15
Office equipment	3 to 5
Landfill site	30
Infrastructure	30 to 50
Equipment	5

The residual value, and the useful life and 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.

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

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 when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the 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.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.4 Site restoration and dismantling cost

The economic entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an economic entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity 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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

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

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- 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.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation 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. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

1.5 Intangible assets (continued)

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

Item	**Useful life**
Computer software, other	3 years

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

1.6 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 economic entity; 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.

1.7 Financial instruments

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

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

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

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

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

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

Classification

The economic entity has the following types of financial assets (classes and category) as reflected on the face of the accumulated surplus or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non current investments (shares)	Financial asset measured at fair value
Other	Financial asset measured at fair value

The economic entity has the following types of financial liabilities (classes and category) as reflected on the face of the accumulated surplus or in the notes thereto:

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The economic entity recognises a financial asset or a financial liability in its accumulated surplus when the economic entity becomes a party to the contractual provisions of the instrument.

The economic entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The economic entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.7 Financial instruments (continued)

The economic entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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 entity 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

1.7 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting 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.

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.

Derecognition

Financial assets
The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are 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.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

1.7 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its accumulated surplus 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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the accumulated surplus when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 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 entity assesses the classification of each element separately.

1.8 Leases (continued)

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the accumulated surplus 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 accumulated surplus 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 or the incremental borrowing rate of the economic entity.

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 expensed in the period in which they are incurred.

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases – lessee

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

1.9 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

Accounting Policies

1.9 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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

1.10 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.

1.11 Impairment of cash-generating assets

Identification

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

The economic entity assesses annually whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

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 economic entity 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.

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

1.11 Impairment of cash-generating assets (continued)

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 entity 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 noncash-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.

Reversal of impairment loss

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 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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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.

Accounting Policies

1.12 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The economic entity assesses annually whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset 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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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 economic entity assess 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 economic entity estimates the recoverable service amount of that asset.

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

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 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.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 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 service to the entity during a reporting period, the entity recognise 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 entity recognise 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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity 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 entity 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 an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognise 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, an entity recognise 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.

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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 entity measure 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 entity determine 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 consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.13 Employee benefits (continued)

The entity 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;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity 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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute 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, an entity shall attribute 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 entity 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 entity re-measure 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 entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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) reflect 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 post-employment benefit obligations.

Accounting Policies

1.13 Employee benefits (continued)

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.

1.14 Provisions and contingencies

Provisions are recognised when:

- the entity 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 entity 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 deficits.

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

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- 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 restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.15 Revenue from exchange transactions

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the economic entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

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 economic entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.16 Revenue from non-exchange transactions(continued)

Measurement

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

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

Transfers
Apart from Services in kind, which are not recognised, the economic entity 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.

The economic entity 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.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the economic entity.

Where the economic entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the economic entity, and the fair value of the assets can be measured reliably.

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 economic entity and the fair value of the assets can be measured reliably.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 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 economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Accounting Policies

1.18 Borrowing costs(continued)

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, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

When the economic entity 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.

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 Irregular expenditure

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

1.23 Presentation of currency
These consolidated annual financial statements are presented in South African Rand which is the functional currency of the economic entity.

Accounting Policies

1.24 Offsetting

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

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance
.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the economic entity 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.

1.27 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The consolidated annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the consolidated annual financial statements.

1.28 Related parties

The economic entity 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.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.29 Going concern

The financial statements have been prepared on the going concern basis which presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2. Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date) and those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

Accounting Policies

2. Events after reporting date(continued)

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

3. New standards and interpretations

3.1. Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 25: Employee benefits	01 April 2013
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013
• GRAP 12 (as revised 2012): Inventories	01 April 2013
• GRAP 13 (as revised 2012): Leases	01 April 2013
• GRAP 16 (as revised 2012): Investment Property	01 April 2013
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013
• GRAP16: Intangible assets website costs	01 April 2013
• GRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013

3.2. Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation: Years beginning on or after	Effective date:	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	No significant effect
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant effect
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No significant effect
• GRAP 107: Mergers	01 April 2014	No significant effect
• GRAP 20: Related parties	01 April 2013	No significant effect

Possible impact of initial application of standards of GRAP approved but not yet effective

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

4. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost / Valuation	Accumulated depreciation/ impairment	Carrying Value
Investment property	24 017 090		24 017 090	20 189 682		20 189 682

Reconciliation of investment property - 2013

	Opening balance	Additions/ Revaluations	Total
Investment property	20 189 682	3 827 408	24 017 090

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	20 189 682	20 189 682

Pledged as security

No investment property have been pledged as security for loans

Details of valuation

The effective date of the revaluation was at 30 June 2013. Valuations were performed by an independent valuer, Mr MC Dippenaar from the Eastern Cape Department of Local Government and Traditional Affairs. The independent valuer is not related to the Municipality and has recent experience in the location and category of the investment property that have been valued.

The valuation was based on open market value for existing use.

Investment property is split between land and improvements R20,917,090 and R3,100 000 (2012: R19,757,751 and R431,931) respectively.

5. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost / Valuation	Accumulated depreciation/ impairment	Carrying Value
Land	4 552 250	-	4 552 250	4 552 250	-	4 552 250
Buildings	28 633 279	(4 331 521)	24 301 758	25 776 439	(3 926 818)	21 849 621
Plant	4 557 968	(3 058 478)	1 499 490	4 557 968	(1 967 741)	2 590 227
Furniture and fixtures	2 713 981	(1 900 545)	813 436	2 499 621	(1 642 528)	857 093
Motor vehicles	13 779 257	(7 350 516)	6 428 741	13 447 430	(5 748 578)	7 698 852
Office equipment	3 070 050	(2 432 068)	637 982	2 723 015	(2 091 150)	631 865
Other equipment	1 458 423	(704 846)	753 577	1 239 097	(542 156)	696 941
Infrastructure	543 804 973	(248 571 471)	295 233 502	539 552 891	(237 286 587)	302 266 304
WIP	15 701 310	-	15 701 310	516 511	-	516 511
Landfill sites	12 356 200	(3 641 965)	8 714 235	12 354 591	(3 107 377)	9 247 214
	630 627 691	**(271 991 410)**	**358 636 281**	**607 219 813**	**(256 312 935)**	**350 906 878**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	4 552 250	-	-	-	-	-	4 552 250
Buildings	21 849 621	2 856 840	-	-	(404 703)	-	24 301 758
Plant	2 590 227		-	-	(1 090 737)	-	1 499 490
Furniture and fixtures	857 093	214 360	-	-	(258 017)	-	813 436
Motor vehicles	7 698 852	344 690	-	(12 863)	(1 601 938)	-	6 428 741
Office equipment	631 865	347 035	-	-	(340 918)	-	637 982
Other equipment	696 941	219 326	-	-	(162 690)	-	753 577
Infrastructure	302 266 304	4 252 082	-	-	(11 284 884)	-	295 233 502
WIP	516 511	15 184 799	-	-	-	-	15 701 310
Landfill sites	9 247 214	1 609	-	-	(534 588)	-	8 714 235
	350 906 878	**23 420 741**	**-**	**(12 863)**	**(15 678 475)**	**-**	**358 636 281**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	4 549 150	3 100	-	-			4 552 250
Buildings	22 089 379	155 689	-	-	(382 147)	(13 300)	21 849 621
Plant	2 866 732	-	-	-	(275 044)	(1 461)	2 590 227
Furniture and fixtures	1 066 299	70 880	(11 973)	-	(254 928)	(13 185)	857 093
Motor vehicles	3 440 965	5 377 148		-	(1 119 261)		7 698 852
Office equipment	614 699	260 745	(7 000)	-	(236 153)	(426)	631 865
Other equipment	361 314	448 832	(469)	-	(106 957)	(5 779)	696 941
Infrastructure	291 461 978	12 741 729	-	9 122 472	(10 777 514)	(282 361)	302 266 304
WIP	9 049 906	589 077	-	(9 122 472)	-	-	516 511
Landfill sites	9 791 789	60 978	-	-	(605 553)	-	9 247 214
	345 292 211	**19 708 178**	**(19 442)**	**-**	**(13 757 557)**	**(316 512)**	**350 906 878**

Assets subject to finance lease (Net carring amount)

	2013	2012
Motor vehicles	204 302	612 523
Office equipment	-	353 779
	204 302	966 302

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation / impairment	Carrying Value	Cost / Valuation	Accumulated depreciation / impairment	Carrying Value
Computer software	141 717	(141 716)	1	141 717	(141 716)	1

Reconciliation of intangible assets - 2013

	Opening balance	Total
Computer software	1	1

Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	1	1

Other information

	2013	2012
Fully amortised intangible assets still in use	3	3

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

7. Other financial assets

Loans and receivables		
Long term loans	21 157	25 600
This loan is for a sport club and is repayable in monthly installments over a period of twenty years. It has a fixed interest rate of 5% and will be fully redeemed in April 2020. This loan is not secured		
Non-current assets		
Loans and receivables	18 493	21 158
Current assets		
Loans and receivables	2 664	4 442
	21 157	25 600

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2013 and 2012, as all the financial assets were disposed of at their redemption date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013 - Rnil (2012 Rnil) were past due but not impaired.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2013	Financial assets amortised	Total
Other financial assets	21 157	21 157
Other receivables from exchange transactions	646 252	646 252
Other receivables from non-exchange transactions	1 319 375	1 319 375
Cash and cash equivalents	26 639 181	26 639 181
Trade receivables from exchange transactions	12 972 383	12 972 383
	41 598 348	**41 598 348**

2012	Financial assets amortised	Total
Other financial assets	25 600	25 600
Other receivables from exchange transactions	1 167 294	1 167 294
Other receivables from non-exchange transactions	2 032 254	2 032 254
Cash and cash equivalents	20 284 256	20 284 256
Trade receivables from exchange transactions	9 821 698	9 821 698
	33 331 102	**33 331 102**

9. Employee benefit obligations

Defined benefit plan

To value the PRMA liability in respect of all eligible Blue Crane Route Municipality employees who belong to one of the following medical schemes:Bonitas, Hosmed, Key Health, LA Health, Samwumed

Data was used in respect of 65 active members and 20 pensioners entitled to a post-retirement medical scheme contribution subsidy.

Discount Rate: IAS19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.76% per annum has been used. The corresponding index-linked yield at this term is 2.09%.

This rate was deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 28 June 2013.

A health care cost inflation rate of 7.54% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.04%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.13% whi((8.76%-7.54%)/1.0754.

Post retirement medical aid plan

In-service members
The calculation is based on 65 members (2012: 66) with an avrerage age of 46.5 (2012: 46.5) and an average of 0.3 dependants with a monthly contribution of R1,444 (2012: R1,689)

Continuation members
The calculation is based on 20 members (2012: 22) with an avrerage age of 68 (2012: 68) and an average of 0.5 dependants with a monthly contribution of R1 856 (2012: R1 689).

The amounts recognised in the accumulated surplus are as follows:

	2013	2012
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	15 453 480	13 782 022
Service and interest cost	1 556 341	1 492 004
Benefits paid	(456 122)	(365 000)
Actuarial (gain) / loss recognised in the year	(2 176 700)	544 454
Net liability	14 376 999	15 453 480
Non-current liabilities	13 931 655	14 997 358
Current liabilities	445 344	456 122
	14 376 999	15 453 480

The total liability has decreased by 7% (or R 1.076 million) since the last valuation

The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarisec in the following main components:

Actuarial (Gain)/Loss for the period	**(2 176 700)**
Contribution to Actuarial Loss:	
Basis changes: increase in net discount rate	(423 062)
Medical inflation higher than assumed	212 828
Changes to membership profile different from assun and other unquantifiable changes	(1 966 466)

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
Opening balance	5 805 175	4 678 175
Net expense recognised in the statement of financial performance	1 100 219	1 127 000
Closing balance	**6 905 394**	**5 805 175**

Figures in Rand	2013	2012

9. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	695 168	662 000
Interest cost	861 173	830 000
Benefits paid	(456 122)	(365 000)
Total included in employee related costs	**1 100 219**	**1 127 000**

Indicator	Past service liability	Sensitivity to medical inflation
1%	16 298 000	13%
Base	14 376 999	
-1%	12 718 000	-12%

10. Inventories

Work in progress	8 986 082	4 934 816
Consumable stores	637 950	819 456
Water	140 389	152 942
	9 764 421	**5 907 214**

Stores issued amounted to R 1 261 728 and R 1 244 823 (2012).

11. Other receivables from exchange transactions

Deposits	593 758	537 579
Other receivables	52 494	600 684
Councillors overpayments		13 333
	646 252	**1 151 596**

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.
Other receivables is a financial asset which is classified as loans and receivables.
Fair value is estimated at cost.

12. Other receivables from non-exchange transactions

Government grants and subsidies	757 955	1 410 979
Property rates	371 143	381 964
Other receivables from non-exchange revenue	190 277	239 311
	1 319 375	**2 032 254**
Property rates		
Porperty rates	6 692 347	4 461 202
Provision for bad debts: Property rates	(6 321 204)	(4 079 238)
	371 143	**381 964**
Property rates age analysis		
Current (0-30days)	265 050	258 031
31-60 days	42 939	51 099
61-90 days	36 121	36 654
91-120 days	30 613	32 576
> 121 days	6 317 624	4 082 842
	6 692 347	**4 461 202**
Provision for bad debts: Property rates		
Impairment balance prior year	(4 079 238)	(2 650 165)
Contributions to provision	(2 494 935)	(1 607 645)
Debt impairment written off against provision	252 969	178 572
	(6 321 204)	**(4 079 238)**

Figures in Rand	2013	2012

12. Other receivables from non-exchange transactions (contiuned)

Other receivables from non-exchange transactions		
Employees overpayment on backpay	231 831	231 831
Provision for bad debts	(231 831)	(231 831)
Insurance claims	2 683	118 448
Hotel refunds		6 529
SARS refund - penalty charges	37 593	-
Employee leave overpayment	30 604	-
SARS UIF paid for Councillors	98 634	98 634
IDC	2	2
Employee - recevables	4 828	-
Other debtors	15 933	15 698
	190 277	**239 311**

Prior period adjustment		
Balance previously reported		1 928 239
2012: refund on hotel accommodation		6 529
2012: SARS UIF for councillors		19 716
Earlier than 2012: UIF for Councillors		78 918
Earlier than 2012: Billing correction on property rates levied		(1 148)
		2 032 254

As of 30 June 2013, other receivables from non-exchange transactions of R252 969 (2012: R178 572) were impaired and provided for.
The amount of the provision was R 6 321 204 as at 30 June 2013 (2012: R 4 079 238).

Other receivables from non-exchange transactions are financial assets classified as loans and receivables. No amortisation was applied.

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions 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. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Other receivables from non-exchange transactions past due but not impaired

The ageing of amounts for property rates past due but not impaired is as follows:

1 month past due	215 189	173 677
2 months past due	42 939	45 427
3 months past due	34 312	23 218
4 months past due	28 835	52 445

13. Trade receivables from exchange transactions

Gross balances		
Electricity	9 428 949	7 528 857
Water	8 703 958	8 994 444
Sanitation	1 273 062	1 373 355
Sewerage	4 083 263	4 197 714
Refuse	7 010 356	6 937 538
Other	839 399	711 971
	31 338 987	**29 743 879**
Less: Provision for debt impairment		
Electricity	(1 968 958)	(2 119 403)
Water	(6 200 667)	(6 984 550)
Sanitation	(1 097 668)	(1 208 368)
Sewerage	(2 999 315)	(3 353 802)
Refuse	(5 357 665)	(5 685 702)
Other	(742 331)	(570 356)
	(18 366 604)	**(19 922 181)**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

13. Trade receivables from exchange transactions (continued)

Net balance		
Electricity	7 459 991	5 409 454
Water	2 503 291	2 009 894
Sanitation	175 394	164 987
Sewerage	1 083 948	843 912
Refuse	1 652 691	1 251 836
Other	97 068	141 615
	12 972 383	**9 821 698**
Electricity		
Current (0 -30 days)	5 240 411	3 982 171
31 - 60 days	847 384	566 049
61 - 90 days	685 556	326 919
91 - 120 days	445 648	236 165
>121 days	2 209 950	2 417 553
	9 428 949	**7 528 857**
Water		
Current (0 -30 days)	1 010 091	1 067 172
31 - 60 days	257 072	400 177
61 - 90 days	274 338	422 701
91 - 120 days	220 094	304 620
>121 days	6 942 363	6 799 774
	8 703 958	**8 994 444**
Sanitation		
Current (0 -30 days)	33 571	50 304
31 - 60 days	14 292	14 916
61 - 90 days	13 957	14 648
91 - 120 days	13 954	14 763
>121 days	1 197 288	1 278 724
	1 273 062	**1 373 355**
Sewerage		
Current (0 -30 days)	423 656	439 287
31 - 60 days	133 261	172 163
61 - 90 days	114 627	159 333
91 - 120 days	106 924	144 929
>121 days	3 304 795	3 282 002
	4 083 263	**4 197 714**
Refuse		
Current (0 -30 days)	559 765	594 750
31 - 60 days	196 860	254 834
61 - 90 days	180 588	239 999
91 - 120 days	169 153	221 289
>121 days	5 903 990	5 626 666
	7 010 356	**6 937 538**
Other		
Current (0 -30 days)	53 624	40 622
31 - 60 days	32 258	14 998
61 - 90 days	33 645	13 819
91 - 120 days	31 644	32 186
>121 days	688 228	610 346
	839 399	711 971

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	7 321 118	6 174 305
31 - 60 days	1 481 127	1 423 137
61 - 90 days	1 302 711	1 177 419
91 - 120 days	987 417	953 953
>121 days	20 246 614	20 015 065
	31 338 987	29 743 879
Less: Provision for debt impairment	(18 366 604)	(19 922 181)
	12 972 383	**9 821 698**

13. Trade receivables from exchange transactions (continued)

Reconciliation of debt impairment provision

	2013	2012
Balance at beginning of the year	(19 922 181)	(17 278 823)
Contributions to provision	(3 251 180)	(5 053 341)
Debt impairment written off against provision	4 806 757	2 409 983
	(18 366 604)	**(19 922 181)**

Credit quality of trade receivables from exchange transactions

The credit quality of consumer debtors 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.

Fair value of trade receivables from exchange transactions

	2013	2012
Trade receivables from exchange transactions	12 972 383	9 821 698

The fair value has been determined by using the face value of the outstanding capital.

Trade receivables impaired

As of 30 June 2013, consumer debtors of R4 806 757 (2012: R 2 409 983) were impaired and provided for.
The amount of the provision was R18 366 604 as at 30 June 2013 (2012: R 19 922 181).

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	4 988	4 842
Bank balances	2 269 872	1 638 253
Short-term deposits	24 364 321	18 641 161
	26 639 181	**20 284 256**

No restrictions exist with regard to the use of cash.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Bank statement balances 30 June 2011	Cash book balances 30 June 2013	Cash book balances 30 June 2012	Cash book balances 30 June 2011
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 756	7 500	7 500
ABSA Bank - Fixed deposit - 2055844786	22 856	21 679	20 612	23 371	21 679	20 612
ABSA Bank - Fixed deposit - 2064372621	-	-	289	-	-	289
ABSA Bank - Fixed deposit - 2084303510	-	-	12 497	-	-	12 497
ABSA Bank - Call account - 9067623600	4 866 768	8 135 070	6 147 075	4 883 207	8 171 816	6 147 075
ABSA Bank - Fixed deposit - 3064335048	-	-	22 599	-	-	22 599
ABSA Bank - Fixed deposit - 4064313202	-	-	13 526	-	-	13 526
ABSA Bank - Fixed deposit - 5024312404	-	-	29 891	-	-	29 891
ABSA Bank - Fixed deposit - 9064335011	-	-	13 089	-	-	13 089
ABSA Bank - Fixed deposit - 9073206933	-	-	29 513	-	-	29 513
ABSA Bank - Call account - 99216529966	-	-	269 692	-	-	269 692
Nedbank - Money market - 1263036023	6 082	6 262	6 424	6 082	6 262	6 424
Nedbank - Fixed deposit - 18312491	4 600	4 600	4 600	4 600	4 600	4 600
Nedbank - Money market - 1263034756	66 950	65 016	62 777	66 950	65 016	62 777
Nedbank - Fixed deposit -	10 000 000	-	-	10 035 973	-	-
First National Bank - Money market - 74255023258	-	-	3 253 591	-	-	3 253 591
ABSA - Cheque account - 2200000008	1 783 473	938 177	942 357	2 069 350	1 190 993	1 005 843
ABSA - Cheque account - 4064779134	41 847	13 026	29 647	49 745	14 818	8 266
Investec - Fixed deposit - 50005649159	9 336 382	10 315 114	12 197 019	9 336 382	10 364 288	12 197 019
ABSA Bank - Current Account - 4061722786	150 777	432 942	558 580	150 777	432 942	558 580
ABSA Bank - Current Account - 9166711247	-	-	2 035	-	-	2 035
ABSA Bank - Current Account - 9255926268	-	-	1 933	-	-	1 933
ABSA Bank - Call Account - 2070091576	-	-	-	-	-	-
ABSA Bank - Credit Card - Mr. CJ Wilken	-	-	(5 420)	-	-	(5 420)
ABSA Bank - Credit Card - Mr. NHJ Lombaard	-	-	(620)	-	-	(620)
ABSA Bank - Credit Card - Mr. R Beach	-	-	(11 672)	-	-	(11 672)
Total	**26 287 235**	**19 939 386**	**23 607 534**	**26 634 193**	**20 279 914**	**23 649 639**

Prior period adjustment

Opening balance as previously reported	20 278 971
Petty cash float not accounted for prior to 2012	500
2012: Billing refund - cheque written back	443
Restated	**20 279 914**

Figures in Rand	2013	2012

14. Cash and cash equivalents (continued)

The municipality has guarantees at ABSA bank to the value of R6 000 relating to the personal bonds of two municipal employees.

The muncipality has a credit facility of R1 507 000 at ABSA bank. Refer to note 17 for further detail regarding the outstanding finance lease obligation for assets procured by utilising this facility.

15. VAT receivable

VAT	16 040	-

VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

16. Other financial liabilities

Held at amortised cost		
Absa Bank loan	2 543 776	3 140 251
Total loan of R3,5 million was taken up from ABSA Bank (R1 000 000 on 19/10/2010 and R2 500 000 on 06/06/2012). Installments are R125 114.50 (9.75%) and R321 680.34 (9.74%) respectively. Both loans are over a period of 5 years and is semi-yearly payable.	-	-
	2 543 776	3 140 251

No defaults or breaches or re-negotiations of the terms and conditions ocurred during the year.
The loans are not secured and there are no loan covenants.

Non-current liabilities		
At amortised cost	1 887 249	2 543 776
Current liabilities		
At amortised cost	656 527	596 475
	2 543 776	3 140 251
Prior period adjustment		
Balance previously reported		3 137 548
2012: adjustment to capital balance		2 703
Restated		3 140 251

17. Finance lease obligation

Minimum lease payments due		
- within one year	266 435	883 026
- in second to fifth year inclusive	-	270 193
	266 435	1 153 219
less: future finance charges	(4 269)	(94 474)
Present value of minimum lease payments	**262 166**	**1 058 745**
Present value of minimum lease payments due		
- within one year	262 166	792 893
- in second to fifth year inclusive		265 852
	262 166	**1 058 745**
Non-current liabilities	-	265 852
Current liabilities	262 166	792 893
	262 166	**1 058 745**

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.
The average lease term was 3-5 years and the average effective borrowing rate was 9% .
Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 5, Property, plant and equipment for the carrying value of assets subject to finance lease.

All financial leases before 1 July 2008 are treated as contingent payment.
There are no subleases

No terms and conditions were re-negotiated.

Defaults and breaches
There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

Figures in Rand	2013	2012

18. Unspent conditional grants and receipts

	2013	2012
Other grants	7 421 792	1 749 655

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. The municipality complied with all the conditions attached to the grants / allocations.
These amounts are invested in a ring-fenced investment until utilised.

Grant description	Unspent balance 2012	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2013
Municipal Infrastructure Grant (MIG)	-	18 934 021	-	(685 973)	(12 341 555)	5 906 493
Vuna Awards	40 000	-	-	(40 000)	-	-
MSIG Funds	-	800 000	-	(800 000)	-	-
DWAF	86 192	-	-	(86 192)	-	-
FMG	-	1 500 000	-	(1 500 000)	-	-
DR WH CRAIB TRUST	13 015		-	-	-	13 015
Deployment of LED	42 390	87 990	-	(76 688)	-	53 692
IDP	-	200 000	-	-	-	200 000
Cacadu: Roads & stormwater	355 718	-	-	-	-	355 718
Dept of housing - RDP Houses	34 635	2 249 467	-	(2 284 102)	-	-
Cacadu: Rainwater harvesting	2 144	-	-	(2 144)	-	-
Cacadu: Fire fighters	178 047	375 000	-	(389 332)	-	163 715
Skills Development	174 768	554 173	-	(554 984)	-	173 957
EPWP	76 246	1 000 000	-	(1 076 246)	-	-
EPWP (BCDA)	-	4 500 000	-	(4 500 000)	-	-
Revenue Enhancement	-	500 000	-		-	500 000
Cacadu HIV Special programmes	-	18 290	-	(18 290)	-	-
ACIP Sewer Grant	-	7 186 626	-	-	(7 186 626)	-
ACIP Water conservation	-	2 283 828	-	-	(2 228 626)	55 202
Library grants	-	1 212 541	-	-	(1 212 541)	-
DWA (Masimbambane)	239 605	-	-	-	(239 605)	-
IDC - Maths & Science	43 646	-	-	(43 646)	-	-
ECDC	454 750	-	-	(454 750)	-	-
Media 24	8 499	-	-	(8 499)	-	-
	1 749 655	**41 401 936**	**-**	**(12 520 846)**	**(23 208 953)**	**7 421 792**

Unspent conditional grants and receipts (Overspent)

Grant description	Unspent balance 2012	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2013
MIG	(1 410 979)	1 410 979				-

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, MSIG & FMG) -	Municipal systems improvement and financial management projects. and Municipal Infrastructure (MIG)
Cacadu District municipality	Environmental health, rainwater, fire fighting and Integrated dev Planning.
Eastern Cape Department of Roads and Public Works	Labour intensive projects to promote job creation for unemployed people
Eastern Cape Department of Human Settlements	Housing projects

19. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
13th Cheque bonus provision	1 106 422	1 177 731	(1 106 422)	1 177 731
Performance bonus	195 686			195 686
Environmental rehabilitation	16 087 626	891 255		16 978 881
	17 389 734	**2 068 986**	**(1 106 422)**	**18 352 298**

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
13th Cheque bonus provision	-	1 106 422	-	1 106 422
Performance bonus	245 328	195 686	(245 328)	195 686
Environmental rehabilitation	15 244 600	843 026	-	16 087 626
	15 489 928	**2 145 134**	**(245 328)**	**17 389 734**

Prior period adjustment

Balance previously reported	2 843 680
2012: Recalculation of environmental rehabilitation	683 599
Earlier than 2012: Recalculation of environmental rehabilitation	13 862 455
	17 389 734

Environmental rehabilitation provision

The estimation of the current liability to rehabilitate the landfill sites were performed by Mr J de Wet, a Professional engineer and KV3. The full report is available on request.The amount is made up out of three sites ,Somerset East, Cookhouse and Pearston.

13th Cheque bonus provision

The municipality has a constructive obligation to pay a 13th cheque bonus to employees.
The municipality would be liable to pay such bonuses (or a pro-rata bonus) in the event of an employee's resignation.

Performance bonus provision

The municipality's section 57 managers are, according to their respective contracts with the municipality, entitled to a bonus, based on their performance during the year.

The bonusses are normally paid during the following financial year.

Based on previous experience, the calculation was done on the assumption that the maximum bonus to be paid would be 6% of an employee's total package (cost to the municipality).
No Provision was made for 2013 due to all section 57 managers that were acting managers for the greatest part of the year.

20. Payables from exchange transactions

	2013	2012
Trade payables	12 100 765	9 487 538
Payments received in advanced	370 064	362 101
COID		803 608
Accrued leave pay	2 826 081	2 678 226
Deposits received	78 133	62 439
Other payables	1 388 141	1 663 880
	16 763 184	**15 057 792**

Figures in Rand	2013	2012

20. Payables from exchange transactions (continued)

Prior period adjustment

Balance previously reported		13 371 179
2012: Adjustment for acting allowance payable to employees		3 427
2012: Adjustment for nightshift allowances payable to employees		36 710
2012: Internal audit cost payable		131 009
2012 Employee taskgrade re-evaluation		12 622
2012: Traffic testing fee		4 652
2012: COID adjustment after assessment		4 080
2012: Licensing of Landfill site		68 923
2012: UIF for councillors		9 858
2012: Reverse discounting		83 202
Earlier than 2012: Adjustment for acting allowance payable		13 921
Earlier than 2012: Adjustment for nightshift allowances payable to employees		14 718
Earlier than 2012: Employee taskgrade re-evaluation		18 741
Earlier than 2012: Employee rental cost payable		7 000
Earlier than 2012: Traffic testing fee		4 391
Earlier than 2012: Licensing of Landfill site		1 246 352
Earlier than 2012: UIF for Councillors		27 007
		15 057 792

21. Trade and other payables from non-exchange

Dept of Roads - Licences	57 612	40 707
Payables - Employees	40	20
	57 652	**40 727**

22. VAT payable

VAT	**-**	805 073

VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

23. Consumer deposits

Electricity & water	1 895 041	1 713 208

24 Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2013

	Financial liabilities at amortised cost	Total
Trade and other payables	16 763 184	16 763 184

2012

	Financial liabilities at amortised cost	Total
Trade and other payables	15 057 792	15 057 792

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

25. Revenue

Property rates	8 116 578	7 556 602
Service charges	77 431 229	68 634 107
Rental of facilities and equipment	85 567	158 227
Interest received (trading)	2 196 443	2 075 126
Interest received on investments	1 628 930	1 429 518
Income from agency services	614 458	583 878
Fines	75 577	139 928
Licences and permits	740 723	831 535
Government grants and subsidies	78 782 432	61 543 638
Fees earned	308 281	224 979
General	630 721	1 003 934
Private Work	338 652	671 406
Gains on disposal of assets	30 483	1 012 158
Gain on investment properties fair valuation	3 827 408	-
Other income	1 177 961	1 153 545
	175 985 443	**147 018 581**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	77 431 229	68 634 107
Rental of facilities & equipment	85 567	158 227
Interest received - trading	2 196 443	2 075 126
Income from agency services	614 458	583 878
Licences and permits	740 723	831 535
Miscellaneous other revenue	1 177 961	1 153 545
	82 246 381	**73 436 418**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	8 116 578	7 556 602
Fines	75 577	139 928
Goverment grants & subsidies	78 782 432	61 543 638
	86 974 587	**69 240 168**

Collectability of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

26. Property rates

Rates received

All properties	8 116 578	7 556 602

Valuations

Agricultural	3 090 332 300	1 657 585 450
Commercial	119 986 850	85 692 250
Government	44 050 500	23 779 480
Residential	463 420 000	345 491 171
State	301 684 700	155 995 765
	4 019 474 350	**2 268 544 116**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012.Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2013 (30 June 2012). Interest at prime plus 1% per annum (2012:prime plus 1% per annum), is levied on rates outstanding one month after due date.

A general rate of 0.00042 for agricultural properties, 0.00685 for business properties, 0.00585 for residential properties, 0.01291 for government infrastructure properties and 0.01150 for government properties is applied to property valuations to determine assessment rates (2012: 0.00075 - agricultural properties, 0.00906 - bussiness properties, 0.00803 - residential properties, 0.02007 - government properties and infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2012: R15 000 - residential properties and 30% government infrastructure).

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

27. Service charges

Sale of electricity	61 633 683	52 630 377
Sale of water	7 969 263	7 893 168
Sewerage and sanitation charges	3 376 507	3 482 358
Refuse removal	4 228 593	4 421 756
Other service charges	223 183	206 448
	77 431 229	**68 634 107**

Electricity losses incurred during the year - 17 834 526kwh (23%) - 2012: 16 909 333 (23%)
Water losses incurred during the year (Only for Somerset East) - 558 376 kl (45%) (2012 - n/a)

28. Government grants and subsidies

Equitable share	39 254 000	34 998 000
Government grant - MIG	13 027 528	14 579 350
Government grant - FMG	1 500 000	1 450 000
Provincial and District Municipality grants	23 694 009	8 004 947
Government grant - MSIG	800 000	790 000
Government grant - NER	-	29 000
Government grant - ECDC	-	1 544 412
Government grant - Media 24	-	142 304
Donation - IDC	-	5 625
BCRM - EPWP	506 895	
	78 782 432	**61 543 638**

29. Other income

Insurance claims	59 748	254 397
Biltong festival	759 830	649 357
Housing	93 988	114 680
Public contributions	-	59 528
Surplusses	12 688	1 726
Sub-division/rezoning fees	9 479	73 857
Sundry Income	171 209	-
Tourism Hub	8 500	-
Umzi Wild Foundation	43 133	-
LTO	19 386	-
	1 177 961	**1 153 545**

Figures in Rand	2013	2012

30. General expenses

Accounting fees	343 957	817 628
Advertising	422 496	498 701
Auditors remuneration	2 482 784	1 752 715
Bank charges	298 130	210 718
Computer expenses	2 268	2 357
Consulting and professional fees	3 539 663	2 367 208
Consumables	220 966	416 635
Donations	7 500	17 442
Entertainment	1 243 050	1 022 105
Animal Costs	400	4 211
Insurance	635 049	667 938
Conferences and seminars	20 303	48 508
IT expenses	5 031	4 713
Rentals ad hoc	592 920	865 542
Refuse Bags	290 679	
Marketing	39 391	1 366
Magazines, books and periodicals	17 766	22 851
Fuel and oil	3 481 388	2 643 223
Postage and courier	607	517
Printing and stationery	738 666	669 881
Project expenditure	7 721	102 140
Protective clothing	153 750	144 214
Security (Guarding of municipal property)	803 678	629 186
Subscriptions and membership fees	2 291	530
Telephone and fax	1 644 483	1 578 803
Transport and freight	25 094	37 052
Training	146 365	114 404
Travel - local	153 999	117 767
Title deed search fees	18 082	19 116
Water	69 284	52 172
Tourism development	313 850	301 116
Housing	3 195 291	1 478 455
Licences	602 785	482 379
Stipends - ward committee	690 000	603 692
Obsolete stock	47 430	98 021
Conditional grant expenditure	4 225 517	4 508 908
Cashier shortages	526	1 221
Chemicals	579 678	639 740
Valuations expenses	25 159	
Laboratory tests	67 293	
Inter departmental charges	(1 027 151)	(703 552)
Other expenses	782 989	389 737
	26 911 129	**22 629 359**

Other expenses		
Ward committees	6 771	4 916
Various special events	167 233	197 184
Dis/re-connection fees	2 500	2 500
Levies-SALGA	402 118	74 178
Pauper burials	1 580	3 388
Prevention of epidemics		457
Municipal Services: Rates	313	
Fruitless, wastefull, unauthorised expenditure	829	11 670
Private works	76	2 200
Prodiba	79 275	63 600
Medical expenses	1 417	3 875
Alien vegetation	697	8 544
Disaster assistance	120 180	17 225
	782 989	389 737

Figures in Rand	2013	2012

31. Employee related costs

Basic	33 946 021	32 620 456
Bonus	1 602 811	2 540 602
Medical aid - company contributions	1 683 404	1 487 012
UIF	357 294	329 638
WCA	433 979	369 006
SDL	437 694	412 203
Leave pay provision charge	892 606	661 004
Post-employment benefits - Pension - Defined contribution plan	239 046	297 000
Travel, motor car, accommodation, subsistence and other allowances	1 560 597	1 317 319
Overtime payments	2 024 337	1 725 917
13th Cheques provision charge	1 177 731	1 106 422
Other allowances	2 142 605	1 944 060
Bargaining council	21 390	14 842
Other contributions	3 860	4 137
Pension contributions	4 720 150	4 367 745
Relocation costs	13 225	14 257
	51 256 750	**49 211 620**

Remuneration of municipal manager (Vacant from 1/08/2012 to 30/06/2013)

Annual Remuneration	46 661	559 951
Car Allowance	10 000	120 000
Provision for Performance Bonuses		116 053
Contributions to UIF, Medical and Pension Funds	8 530	102 338
Leave pay out	114 778	
Annual Bonus	27 219	40 925
	207 188	**939 267**

Remuneration of chief finance officer (Vacant from 01/01/2013 to 30/04/2013)

Annual Remuneration	359 436	509 281
Car Allowance	110 000	180 000
Provision for Performance Bonuses		96 716
Contributions to UIF, Medical and Pension Funds	1 314	1 546
Acting allowance (Municipal Manager)	56 843	
Leave pay out	80 829	53 141
	608 422	**840 684**

Remuneration of manager - corporate services (Vacant from 01/07/2012 to 31/08/2012)

Annual Remuneration	474 167	601 565
Car Allowance	100 000	120 000
Provision for Performance Bonuses		101 236
Contributions to UIF, Medical and Pension Funds	1 523	1 547
Leave pay out		50 061
Acting allowance (Municipal Manager)	60 562	
Long service bonus		11 290
	636 252	**885 699**

Remuneration of manager - community services (Vacant from 01/05/2013 to 30/06/2013)

Annual Remuneration	552 586	569 391
Car Allowance	110 000	120 000
Provision for Performance Bonuses		96 716
Leave pay out	19 511	
Contributions to UIF, Medical and Pension Funds	1 629	1 546
	683 726	**787 653**

Remuneration of manager - infrastructure (Vacant from 01/10/2012 to 30/06/2013)

Annual Remuneration	180 422	246 533
Car Allowance	30 000	60 000
Provision for Performance Bonuses		45 880
Leave pay out	18 599	
Contributions to UIF, Medical and Pension Funds	392	773
	229 413	**353 186**

Remuneration of the chief executive officer

Annual Remuneration	483 599	428 400
Travel Allowance	101 597	90 000
Annual Bonus	48 734	43 200
Backdated Salaries	30 888	
Contributions to UIF	1 713	1 497
	666 531	**563 097**

Figures in Rand	2013	2012

31. Employee related costs (continued)

Remuneration of the legal and administrative manager

Annual Remuneration	483 599	428 400
Travel Allowance	101 597	90 000
Annual Bonus	48 734	43 200
Backdated Salaries	30 888	
Contributions to UIF	1 713	1 497
	666 531	**563 097**

Remuneration of the business and aviation manager

Annual Remuneration	483 599	428 400
Travel Allowance	101 597	90 000
Annual Bonus	48 734	43 200
Backdated Salaries	30 888	
Contributions to UIF	1 713	1 497
	666 531	**563 097**

Remuneration of the financial manager

Annual Remuneration	215 059	190 512
Annual Bonus	17 922	15 876
Backdated Salaries	11 351	
Contributions to UIF	1 713	1 497
	246 045	**207 885**

32. Remuneration of councillors

Councillors	2 739 347	2 451 987
	2 739 347	**2 451 987**

In-kind benefits
The mayor nor the councillors received any in-kind benefits.

33. Debt impairment

Contributions to debt impairment provision	5 746 116	6 892 817
Debts impaired	2 851 613	3 296 139
	8 597 729	**10 188 956**

34. Investment revenue

Interest revenue		
Interest	1 127	1 250
Bank	1 627 803	1 428 268
	1 628 930	**1 429 518**

The amount included in Investment revenue arising from exchange transactions.
The amount included in Investment revenue arising from non-exchange transactions.
Total interest income, calculated using the effective interest rate.

35. Finance costs

Trade and other payables	281 445	98 032
Finance leases	88 976	196 583
Interest cost - Landfill sites liability	962 512	850 971
Interest cost - PRMA liability	861 173	830 000
	2 194 106	**1 975 586**

Interest expense is calculated using the effective interest rate.

36. Auditors' remuneration

Fees	2 482 784	1 752 715

37. Bulk purchases

Electricity	47 905 451	40 668 498
Water	1 215 286	708 815
	49 120 737	**41 377 313**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

38 Cash generated from operations

Surplus/(deficit)	18 448 759	1 545 924
Adjustments for:		
Depreciation and amortisation	15 678 475	13 733 149
Gain / Loss on sale of assets and liabilities	(30 483)	(1 012 158)
Gain on investment properties fair valuation	(3 827 408)	
Finance costs (finance leases)	88 976	196 583
Impairment deficit		316 516
Debt impairment	8 597 729	10 188 956
Movements in retirement benefit assets and liabilities	(1 076 481)	1 671 458
Movements in provisions	962 564	1 899 806
Actuarial valuation	(2 176 700)	544 458
Changes in working capital:		
Inventories	(3 857 207)	(2 788 567)
Other receivables from exchange transactions	505 109	(731 985)
Other receivables from non-exchange transactions	(1 823 203)	301 963
Consumer debtors	(9 212 097)	(9 339 478)
Payables from exchange transactions	1 705 393	(686 834)
VAT	(821 109)	329 994
Taxes and transfers payable (non exchange)	16 925	(76 632)
Unspent conditional grants and receipts	5 672 137	(1 813 841)
Consumer deposits	181 833	129 418
	29 033 212	**14 408 730**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Housing projects	1 976 952	5 709 010
Infrastructure	19 330 963	2 664 297
	21 307 915	**8 373 307**

This committed expenditure relates to Housing and Infrastructure projects and will be financed by Government Grants only.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated a month to month basis. No straightlining is possible due to the fact that the contracts are expired and the rent is on a month to month basis.

Operating leases - as lessor (income)

Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.

40. Contingencies

Matter: Blue Crane Route Municipality vs NJ Jack
An amount of R225 000 was claimed from the Road accident fund from NJ Jack. If not suceeded, she will be entitled to claim against the Municipality.
The merits of the case is not in dispute and should she persue her claim against the Municipality then a settlement offer can be made which can limit the legal cost, which can be about R80 000.

Matter: Blue Crane Route Municipality vs Standard Bank
The Municipality purchased computers, however according to Standard Bank the transaction was declared null and void as the purchase was not authorised by the Municipality.The computers were subsequently sold by Standard Bank for R350 646, including interest. The Municipality's laywers are of the opinion that Standard Bank does not have a valid claim against the Municipality as the transaction was void from the beginning. Waiting for a trial date.

Matter: Blue Crane Route Municipality vs Autumn star
Matter is on going. Should go to trial this year. Possible liability is R 1 300 000, plus Legal cost and interest of R2 300 000.

Matter: Blue Crane Route Municipality vs Pinolta & Claasen
This matter has been set down for trial in March 2014: Possible legal cost - R350 000

Figures in Rand	2013	2012

40. Contingencies (continued)

Matter: Blue Crane Route Municipality vs Albertus Swanepoel
Judgement was taken against the Municipality for an amount of R20 000.
Council considering appeal against the ruling. Waiting for Magistrate reasons.

Matter: Blue Crane Route Municipality vs Hans Hendricks
Claim for annual salary increases and perfomance bonus (see provisions): R160 000
Legal cost estimate: R100 000

Matter: Blue Crane Route Municipality vs Dr Eddie Rankwana
Claim against a fixed term contract not appointed as Municipal Manager: R5 000 000
Legal cost estimate: R1 000 000

41. Related parties

Relationships

Nico Lombaard (Director)	Blitzakraal & Lombaard Adventures and Broedery 7
Robin Beach (Director)	Plover Properties
	East Cape Rescue & Micromatica 171
	Rooftop Quality Tap Distributors
	Madison Properties
Chris Wilken (Director)	Ripple Effect 17

42. Prior period adjustments

During the preparation of the municipality's annual financial statements, a number of prior period errors (periods before 2011), affecting various balances were noted. These errors were corrected retrospectively.

The correction of the error(s) results in adjustments as follows:

Other reveivables from non-exchange transactions	
Correction of rates billing prior to 2012	(1 148)
SARS UIF for councillors prior to 2012	78 918
	77 770
Cash and cash equivalents	
Petty cash float not accounted for prior to 2012	500
	500
Provisions	
Re-calculation of environmental rehabilitation prior to 2012	(13 862 455)
	(13 862 455)
Payables from exchange transactions	
Acting allowance payable prior to 2012	(13 921)
Nightshift allowances payable prior to 2012	(14 718)
Salary adjustment - new taskgrade prior to 2012	(18 741)
Employee initial rental cost prior to 2012	(7 000)
SABS fee for traffic testing stations prior to 2012	(4 391)
Liability - Licensing of Pearston Landfill site prior to 2012	(1 246 352)
UIF adjusted for Councillors prior to 2012	(27 007)
	(1 332 130)
Accumulated surplus adjustments	
Other receivables from non-exchange transactions	**(77 770)**
Cash and cash equivalents	**(500)**
Provisions	**13 862 455**
Payables from exchange transactions	**1 332 130**
	15 116 315

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2013	2012

42. Prior period adjustments (continued)

Prior period adjustments

Subsistance and travel cost refund	(6 529)
Employee backpay - Acting allowance	3 427
Employee backpay - Nightshift allowance	36 710
Prof Fees: Internal Audit cost	131 009
Salary adjustment - new taskgrade evaluation	12 622
Refund cheque written back - billing cr balance	(443)
SABS fee for traffic testing stations	4 652
Adjust audit fee for Dev Agency	556 116
Adjust COID after assessment	4 080
Adjust ABSA external loan between interest and redemption portion	2 703
UIF adjusted for Councillors	(9 858)
Liability - Licensing of Pearston Landfill site	68 923
Re-calculation of environmental rehabilitation provision	683 599
Reverse discounting	83 202
Adjustment: Opening accumulated surplus 2012 (See above detail)	15 116 315
	16 686 528

43. Comparative figures

Certain comparative figures have been reclassified.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2013 and 2012, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10%	12 972 383	-	-	-	-
Other receivables from non exchange transactions	10%	1 319 375	-	-	-	-
Long term receivables	10%	18 493	-	-	-	-
Cash in current banking institutions	5%	24 364 321	-	-	-	-
Trade and other payables - extended credit terms	7%	(12 958 846)	-	-	-	-

44. Risk management (continued)

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used..

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

Financial instrument	2013	2012
Trade receivables from exchange transactions	12 972 383	9 821 698
Other receivables from non-exchange transactions	1 319 375	2 016 554
Other receivables from exchange transactions	646 252	1 167 294
Short term deposits	24 364 321	18 641 161

The municipality holds deposits of R1 895 041 (2012 R1 713 208) from consumer debtors. No guarantees or collateral was provided to third parties.

45. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated surplusses of R 363 035 927 and that the municipality's total assets exceed its liabilities by R 363 035 927

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Events after the reporting date

There are no events after reporting date to report on.

47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	829	11 670

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

48. Irregular expenditure

Opening balance	1 809 737	
Add: Irregular Expenditure - current year	3 319 302	1 809 737
Less: Amounts recoverable/condoned or written off by Council	-	-
Less: Amounts not recoverable (condoned)	-	-
	5 129 039	**1 809 737**

Details of irregular expenditure - current year		
Disciplinary steps taken/criminal proceedings - None		
Supply Chain Management regulations not adhered to	**5 129 039**	

Figures in Rand	2013	2012

49. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus/(deficit) per the statement of financial performance	18 448 759	1 545 924
Adjusted for:		
Depreciation differences	(3 375 445)	10 798 137
Sale of land to Shoprite budgeted as income,not realised		3 287 842
Bulk purchases - budget exceeded	1 910 737	1 339 313
Debt impairment - provision more than budgeted	2 300 358	5 244 970
Underspending on external audit fees	(167 216)	(763 597)
Legal Fees - Budget overspent	703 534	521 934
Nett underspending Housing project	(153 233)	(688 545)
Over/(under)-spending finance charges	1 861 765	1 214 200
More income with electricity sales	(2 237 044)	(1 508 639)
Savings on repairs and maintenance	(1 025 291)	(1 905 261)
Actuarial gain not budgeted	(2 176 700)	544 458
Savings on vacant posts/salaries	(3 878 445)	
Capital grants not utilised (underspent)	10 427 682	
Gain on Investment properties re-valuation	(3 827 408)	
Other savings on expenditure/additional revenue	(332 834)	(1 187 530)
Revenue	(932 014)	(52 804)
WIP	(3 997 212)	(1 635 243)
General expenditure		144 750
Net surplus per approved budget	**13 549 993**	**16 899 909**

50. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

SARS deductions	6 209 800	5 621 579
Amount paid over	(5 727 472)	(5 127 586)
	482 328	493 993

The full outstanding amount of R 482 328 was paid in July 2013.

Pension and Medical Aid Deductions

Current year deductions	9 303 509	8 484 013
Amount paid - current year	(9 300 259)	(8 484 013)
	3 250	-

The full outstanding amount of R 3 250 was paid in July 2013.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	TOTAL
NG Mjikelo	758		758
	758		**758**

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	TOTAL
	R	R	R
CFB Du Preez	465		465
NM Nontyi	10		10
TJ & NM Yantola	16		16
NM Scott	133		133
	624		624

51. Actual versus Budget: Explanation of significant variances greater than 10% versus budget

(See Notes 52 to 57 for full details)

Revenue	Final Budget 2013 R	Actual 2013 R	Variance R	Variance %	Explanation
Interest earned - external investmer	1 200 000	1 617 760	417 760	35%	Interest received on MIG funds not spent as budgeted
Traffic fines	100 000	75 577	(24 423)	-24%	Traffic fines not realised as suspected
Other revenue	2 037 170	8 152 266	6 115 096	300%	Council did not budget for the actuarial gain on the PRMA and the revaluation of investment properties
Transfers recognise - capital	33 780 470	23 352 788	(10 427 682)	-31%	Vacancies for several months in section 57 positions delayed the progress on capital projects
Expenditure					
Debt impairment	6 297 620	8 597 728	2 300 108	37%	Council could not budget for the full expected debt impairment - savings of other items were used to finance this shortfall
Finance charges	332 000	1 332 593	1 000 593	301%	The interest cost on the rehabilitation of the landfill site was not available during budget process
Depreciation & Assets impairment	19 030 480	15 655 075	(3 375 405)	-18%	A re-calculation of all infrastructure assets resulted in a lessor depreciation as previously

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A1 Budget Summary

Description	2012/2013								2011/12			
R thousands	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	800.00%	9	10	11	12
Financial Performance												
Property rates	8 016	130	8 146	8 117		(29)	99.6%	101.26%				7 557
Service charges	85 390	2 393	87 783	90 268		2 485	102.8%	105.71%				79 091
Investment revenue	1 200	–	1 200	1 618		418	134.8%	134.81%				1 417
Transfers recognised - operational	44 531	13 030	57 561	54 923		(2 638)	95.4%	123.34%				44 709
Other own revenue	9 108	(3 134)	5 973	12 188		6 215	204.0%	133.82%				7 472
Total Revenue (excluding capital transfers and contributions)	**148 245**	**12 418**	**160 663**	**167 113**		**6 450**	**104.0%**	**112.73%**				**140 246**
Employee costs	51 756	(411)	51 345	47 467	–	(3 878)	92.4%	91.71%	–	–	–	45 917
Remuneration of councillors	2 565	215	2 780	2 739	–	(41)	98.5%	106.79%	–	–	–	2 447
Debt impairment	5 656	641	6 298	8 598	–	2 300	136.5%	152.00%	–	–	–	10 189
Depreciation & asset impairment	2 845	16 185	19 030	15 655	–	(3 375)	82.3%	550.27%	–	–	–	13 730
Finance charges	278	54	332	1 333	–	1 001	401.4%	479.35%	–	–	–	1 145
Materials and bulk purchases	50 357	(3 147)	47 210	49 121	–	1 911	104.0%	97.55%	–	–	–	41 377
Transfers and grants	–	–	–	–	–	–	-	-	–	–	–	–
Other expenditure	34 788	19 111	53 899	52 034	–	(1 864)	96.5%	149.58%	–	–	–	40 804
Total Expenditure	**148 245**	**32 649**	**180 894**	**176 946**	**–**	**(3 947)**	**97.8%**	**119.36%**	**–**	**–**	**–**	**155 609**
Surplus/(Deficit)	**(0)**	**(20 230)**	**(20 231)**	**(9 833)**		**10 397**	**48.6%**	**3933302.80%**				**(15 363)**
Transfers recognised - capital	28 776	5 005	33 780	23 353		(10 428)	69.1%	81.15%				15 143
Contributions recognised - capital & contributed assets	–	–	–	–		–	-	-				–
Surplus/(Deficit) after capital transfers & contributions	**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**99.8%**	**46.98%**				**(221)**
Share of surplus/ (deficit) of associate	–	–	–	–		–	-	-				–
Surplus/(Deficit) for the year	**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**99.8%**	**46.98%**				**(221)**
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	28 776	5 005	33 780	20 681		(13 100)	61.2%	71.87%				13 285
Public contributions & donations	–	–	–	–		–	-	-				–
Borrowing	–	–	–	–		–	-	-				2 500
Internally generated funds	3 157	395	3 552	2 739		(813)	77.1%	86.77%				3 922
Total sources of capital funds	**31 932**	**5 400**	**37 332**	**23 420**		**(13 912)**	**62.7%**	**73.34%**				**19 707**
Cash flows												
Net cash from (used) operating	30 442	36 937	67 379	29 314		(38 065)	43.5%	96.30%				14 520
Net cash from (used) investing	270	(37 332)	(37 062)	(21 208)		15 854	57.2%	-7854.88%				(19 216)
Net cash from (used) financing	(750)	–	(750)	(1 469)		(719)	195.9%	195.89%				1 438
Cash/cash equivalents at the year end	**29 962**	**–**	**29 567**	**26 485**		**(3 082)**	**89.6%**	**88.39%**				**19 848**

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2012/2013								2011/2012			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	**20 895**	**5 639**	**26 534**	**28 896**		**2 362**	**108.9%**	**138.3%**				**20 869**
Executive and council	2 502	8 960	11 462	11 548		85	100.7%	461.5%				1 955
Budget and treasury office	18 363	(3 824)	14 539	16 742		2 203	115.2%	91.2%				18 152
Corporate services	30	502	532	606		74	113.8%	2020.1%				762
Community and public safety	**6 447**	**5 818**	**12 265**	**13 650**		**1 386**	**111.3%**	**211.8%**				**5 758**
Community and social services	1 040	3 199	4 239	3 657		(581)	86.3%	351.8%				690
Sport and recreation			–			–	-	-				
Public safety	3 550	(1 612)	1 939	1 922		(17)	99.1%	54.1%				1 833
Housing	1 073	4 200	5 273	7 256		1 983	137.6%	676.2%				2 271
Health	784	31	815	815		1	100.1%	104.0%				964
Economic and environmental services	**22 330**	**(499)**	**21 831**	**14 203**		**(7 628)**	**65.1%**	**63.6%**				**16 018**
Planning and development			–			–	-	-				
Road transport	22 330	(499)	21 831	14 203		(7 628)	65.1%	63.6%				16 018
Environmental protection			–			–	-	-				
Trading services	**127 349**	**6 465**	**133 814**	**133 717**		**(97)**	**99.9%**	**105.0%**				**112 744**
Electricity	74 770	510	75 280	77 504		2 224	103.0%	103.7%				67 485
Water	20 440	803	21 243	21 199		(44)	99.8%	103.7%				19 423
Waste water management	17 877	4 776	22 653	20 337		(2 316)	89.8%	113.8%				12 297
Waste management	14 263	376	14 639	14 677		38	100.3%	102.9%				13 540
Other			–			–	-	-				
Total Revenue - Standard	**177 021**	**17 423**	**194 444**	**190 466**		**(3 978)**	**98.0%**	**107.6%**				**155 389**
Expenditure - Standard												
Governance and administration	**37 268**	**10 014**	**47 282**	**45 516**	**(1 766)**	**(1 766)**	**96.3%**	**122.1%**	**–**	**–**	**–**	**38 180**
Executive and council	12 401	7 294	19 694	18 329	(1 365)	(1 365)	93.1%	147.8%			–	13 616
Budget and treasury office	19 000	2 325	21 325	20 530	(795)	(795)	96.3%	108.1%			–	18 756
Corporate services	5 867	395	6 263	6 657	394	394	106.3%	113.5%			–	5 808
Community and public safety	**15 581**	**5 850**	**21 431**	**17 533**	**(3 898)**	**(3 898)**	**81.8%**	**112.5%**	**–**	**–**	**–**	**13 344**
Community and social services	5 826	70	5 895	5 395	(501)	(501)	91.5%	92.6%			–	4 633
Sport and recreation			–		–	–	-	-			–	
Public safety	3 785	170	3 954	3 149	(805)	(805)	79.6%	83.2%			–	2 308
Housing	5 212	5 514	10 727	8 248	(2 479)	(2 479)	76.9%	158.2%			–	5 594
Health	758	96	854	741	(113)	(113)	86.7%	97.7%			–	809
Economic and environmental services	**8 893**	**8 021**	**16 914**	**14 557**	**(2 357)**	**(2 357)**	**86.1%**	**163.7%**	**–**	**–**	**–**	**12 162**
Planning and development			–		–	–	-	-			–	
Road transport	8 893	8 021	16 914	14 557	(2 357)	(2 357)	86.1%	163.7%			–	12 162
Environmental protection			–		–	–	-	-			–	
Trading services	**86 504**	**8 763**	**95 267**	**99 341**	**4 074**	**4 074**	**104.3%**	**114.8%**	**–**	**–**	**–**	**91 923**
Electricity	56 408	4 302	60 711	62 548	1 838	1 838	103.0%	110.9%			–	55 682
Water	11 230	2 586	13 816	14 171	354	354	102.6%	126.2%			–	14 554
Waste water management	5 762	1 454	7 216	7 222	6	6	100.1%	125.3%			–	6 999
Waste management	13 104	421	13 524	15 400	1 876	1 876	113.9%	117.5%			–	14 689
Other			–		–	–	-	-			–	
Total Expenditure - Standard	**148 245**	**52 072**	**180 894**	**176 946**	**(3 947)**	**(3 947)**	**97.8%**	**119.4%**	**–**	**–**	**–**	**155 609**
Surplus/(Deficit) for the year	**28 776**	**(34 649)**	**13 550**	**13 520**	**(30)**	**(30)**	**99.8%**	**47.0%**	**–**	**–**	**–**	**(221)**

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2012/2013								2011/2012			
R thousand	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	0	0	0	0	0	0	700%	800%	0	0	0	0
Revenue by Vote												
Mayoral Executive			–			–	-	-				
Municipal Council	1 753	4 419	6 171	6 211		40	101%	354%				795
Accounting Officer	750	4 541	5 291	5 337		46	101%	712%				1 159
Budget & Treasury	18 363	(3 824)	14 539	16 742		2 203	115%	91%				18 152
Technical Services	136 490	9 790	146 280	140 499		(5 780)	96%	103%				117 494
Community, Safety & Social Services	19 636	1 994	21 630	21 071		(559)	97%	107%				17 026
Corporate Services	30	502	532	606		74	114%	2020%				762
Example 8 - Vote8			–			–	-	-				
Example 9 - Vote9			–			–	-	-				
Example 10 - Vote10			–			–	-	-				
Example 11 - Vote11			–			–	-	-				
Example 12 - Vote12			–			–	-	-				
Example 13 - Vote13			–			–	-	-				
Example 14 - Vote14			–			–	-	-				
Example 15 - Vote15			–			–	-	-				
Total Revenue by Vote	**177 021**	**17 423**	**194 444**	**190 466**		**(3 978)**	**98%**	**108%**				**155 389**
Expenditure by Vote to be appropriated												
Mayoral Executive	263	23	286	258		(28)	90%	98%			–	242
Municipal Council	3 957	624	4 581	4 489		(91)	98%	113%			–	3 796
Accounting Officer	8 180	6 647	14 828	13 582		(1 245)	92%	166%			–	9 577
Budget & Treasury	19 000	2 325	21 325	20 530		(795)	96%	108%			–	18 756
Technical Services	87 505	21 878	109 384	106 746		(2 638)	98%	122%			–	94 990
Community, Safety & Social Services	23 472	756	24 228	24 685		457	102%	105%			–	22 439
Corporate Services	5 867	395	6 263	6 657		394	106%	113%			–	5 808
Example 8 - Vote8			–			–	-	-			–	
Example 9 - Vote9			–			–	-	-			–	
Example 10 - Vote10			–			–	-	-			–	
Example 11 - Vote11			–			–	-	-			–	
Example 12 - Vote12			–			–	-	-			–	
Example 13 - Vote13			–			–	-	-			–	
Example 14 - Vote14			–			–	-	-			–	
Example 15 - Vote15			–			–	-	-			–	
Total Expenditure by Vote	**148 245**	**32 649**	**180 894**	**176 946**	**–**	**(3 947)**	**98%**	**119%**	**–**	**–**	**–**	**155 609**
Surplus/(Deficit) for the year	**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**100%**	**47%**				**(221)**

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		2012/2013								2011/2012			
R thousand	Note	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
		0	0	0	0	0	0	700%	800%	0	0	0	0
Revenue By Source													
Property rates		8 016	130	8 146	8 117		**(29)**	100%	**101%**				7 557
Property rates - penalties & collection charges				–			–	-	-				
Service charges - electricity revenue		61 950	2 393	64 343	66 580		2 237	103%	107%				56 741
Service charges - water revenue		10 600		10 600	10 821		221	102%	102%				10 236
Service charges - sanitation revenue		5 470		5 470	5 468		(2)	100%	100%				5 158
Service charges - refuse revenue		7 370		7 370	7 398		28	100%	100%				6 957
Service charges - other				–			–	-	-				
Rental of facilities and equipment		282	155	436	408		(28)	94%	145%				494
Interest earned - external investments	0	1 200		1 200	1 618		418	135%	135%				1 417
Interest earned - outstanding debtors		2 000		2 000	2 196		196	110%	110%				2 075
Dividends received				–			–	-	-				
Fines	0	200	(100)	100	76		(24)	76%	38%				140
Licences and permits		710	90	800	741		(59)	93%	104%				832
Agency services		600		600	614		14	102%	102%				584
Transfers recognised - operational		44 531	13 030	57 561	54 923		(2 638)	95%	123%				44 709
Other revenue	0	5 316	(3 279)	2 037	8 152		6 115	400%	153%				3 347
Gains on disposal of PPE				–			–	-	-				
Total Revenue (excluding capital transfers and contributions)		**148 245**	**12 418**	**160 663**	**167 113**		**6 450**	**104%**	**113%**				**140 246**
Expenditure By Type				–				-	-				
Employee related costs		51 756	(411)	51 345	47 467		(3 878)	92%	92%			–	45 917
Remuneration of councillors		2 565	215	2 780	2 739		(41)	99%	107%			–	2 447
Debt impairment	0	5 656	641	6 298	8 598		2 300	137%	152%			–	10 189
Depreciation & asset impairment		2 845	16 185	19 030	15 655		(3 375)	82%	550%			–	13 730
Finance charges	0	278	54	332	1 333		1 001	401%	479%			–	1 145
Bulk purchases		46 100	1 110	47 210	49 121		1 911	104%	107%			–	41 377
Other materials		4 257	(4 257)	–			–	-	-			–	
Contracted services		677	145	822	802		(20)	98%	118%			–	627
Transfers and grants				–			–	-	-			–	
Other expenditure		34 111	18 966	53 077	51 233		(1 844)	97%	150%			–	40 177
Loss on disposal of PPE				–			–	-	-			–	
Total Expenditure		**148 245**	**32 649**	**180 894**	**176 946**	**–**	**(3 947)**	**98%**	**119%**	**–**	**–**	**–**	**155 609**
Surplus/(Deficit)		**(0)**	**(20 230)**	**(20 231)**	**(9 833)**		**10 397**	**49%**	**3933303%**				**(15 363)**
Transfers recognised - capital	0	28 776	5 005	33 780	23 353		(10 428)	69%	81%				15 143
Contributions recognised - capital				–			–	-	-				
Contributed assets				–			–	-	-				
Surplus/(Deficit) after capital transfers & contributions		**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**100%**	**47%**				**(221)**
Taxation				–			–	-	-				
Surplus/(Deficit) after taxation		**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**100%**	**47%**				**(221)**
Attributable to minorities				–			–	-	-				
Surplus/(Deficit) attributable to municipality		**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**100%**	**47%**				**(221)**
Share of surplus/ (deficit) of associate				–			–	-	-				
Surplus/(Deficit) for the year		**28 776**	**(15 226)**	**13 550**	**13 520**		**(30)**	**100%**	**47%**				**(221)**

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2012/2013								2011/2012			
R thousand	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital Expenditure - Standard												
Governance and administration	**524**	**10**	**534**	**431**	**–**	**(102)**	**81%**	**82%**	**–**	**–**	**–**	**693**
Executive and council	400	(60)	340	247		(93)	73%	62%			–	72
Budget and treasury office	50	70	120	118		(2)	98%	236%			–	315
Corporate services	74		74	66		(7)	90%	90%			–	307
Community and public safety	**1 035**	**5 132**	**6 167**	**3 254**	**–**	**(2 913)**	**53%**	**314%**	**–**	**–**	**–**	**481**
Community and social services	913	2 237	3 150	2 705		(445)	86%	296%			–	67
Sport and recreation		2 900	2 900	439		(2 461)	15%				–	
Public safety	122	(5)	117	110		(7)	94%	90%			–	414
Housing			–			–	-	-			–	
Health			–			–	-	-			–	
Economic and environmental services	**21 098**	**(16 345)**	**4 753**	**2 961**	**–**	**(1 792)**	**62%**	**14%**	**–**	**–**	**–**	**6 869**
Planning and development	1 700	(1 560)	140	112		(28)	80%	7%			–	150
Road transport	19 378	(14 795)	4 583	2 826		(1 756)	62%	15%			–	6 524
Environmental protection	20	10	30	23		(7)	76%	114%			–	195
Trading services	**9 276**	**16 603**	**25 879**	**16 774**	**–**	**(9 105)**	**65%**	**181%**	**–**	**–**	**–**	**11 664**
Electricity	1 032		1 032	568		(464)	55%	55%			–	1 792
Water	2 423	6 471	8 894	7 148		(1 746)	80%	295%			–	9 420
Waste water management	5 455	10 052	15 507	8 694		(6 813)	56%	159%			–	390
Waste management	366	80	446	364		(82)	82%	99%			–	61
Other			**–**			**–**	-	-			**–**	
Total Capital Expenditure - Standard	**31 932**	**5 400**	**37 332**	**23 420**	**–**	**(13 912)**	**63%**	**73%**	**–**	**–**	**–**	**19 707**
Funded by:												
National Government	26 628	(7 300)	19 328	10 843		(8 484)	56%	41%				12 250
Provincial Government		12 367	12 367	8 625		(3 742)	70%					664
District Municipality	2 148	(62)	2 086	1 213		(873)	58%	56%				372
Other transfers and grants			–			–	-	-				
Transfers recognised - capital	**28 776**	**5 005**	**33 780**	**20 681**		**(13 100)**	**61%**	**72%**				**13 285**
Public contributions & donations			**–**			**–**	-	-				
Borrowing			**–**			**–**	-	-				2 500
Internally generated funds	**3 157**	**395**	**3 552**	**2 739**		**(813)**	**77%**	**87%**				3 922
Total Capital Funding	**31 932**	**5 400**	**37 332**	**23 420**		**(13 912)**	**63%**	**73%**				**19 707**

BLUE CRANE ROUTE MUNICIPALITY
Annual financial statements for the year ended at 30 June 2013

NOTE 52 (National Treasury Circular 67 requirement)

Reconciliation of Table A7 Budgeted Cash Flows

Description	2012/2013							2011/2012
R thousand	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	95 679		95 679	80 478	(15 201)	84.1%	84.1%	85 115
Government - operating	44 531	13 030	57 561	58 760	1 198	102.1%	132.0%	44 270
Government - capital	28 776	5 005	33 781	26 348	(7 433)	78.0%	91.6%	13 285
Interest	1 200		1 200	1 619	419	134.9%	134.9%	1 419
Dividends			–		–	-	-	
Payments								
Suppliers and employees	(139 466)	18 902	(120 564)	(137 608)	(17 045)	114.1%	98.7%	(127 478)
Finance charges	(278)		(278)	(281)	(3)	101.1%	101.1%	(2 092)
Transfers and Grants			–		–	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**30 442**	**36 937**	**67 379**	**29 314**	**(38 065)**	**43.5%**	**96.3%**	**14 520**
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	250		250	30	(220)	12.2%	12.2%	1 035
Actuarial gain/(loss)				2 177				(544)
Decrease (Increase) in non-current debtors	20		20	4	(16)	22.2%	22.2%	1
Decrease (increase) other non-current receivables			–		–	-	-	
Decrease (increase) in non-current investments			–		–	-	-	
Payments								
Capital assets		(37 332)	(37 332)	(23 420)	13 912	62.7%		(19 707)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**270**	**(37 332)**	**(37 062)**	**(21 208)**	**15 854**	**57.2%**	**-7854.9%**	**(19 216)**
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			–		–	-	-	
Borrowing long term/refinancing			–		–	-	-	2 500
Increase (decrease) in consumer deposits			–		–	-	-	
Payments								
Repayment of borrowing	(750)		(750)	(1 469)	(719)	195.9%	195.9%	(1 062)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(750)**	**–**	**(750)**	**(1 469)**	**(719)**	**195.9%**	**195.9%**	**1 438**
NET INCREASE/ (DECREASE) IN CASH HELD	29 962	(395)	29 567	6 637				(3 258)
Cash/cash equivalents at the year begin:	19 848		19 848	19 848				23 106
Cash/cash equivalents at the year end:	49 810		49 415	26 485	(22 930)	53.6%	53.2%	19 848