Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
Grading of local authority	Metropolitan
Executive Mayor	SM Mlamleli
Deputy Executive Mayor	LA Masoetsa
Speaker	MA Siyonzana
Chief Whip	ZA Mangcotywa
Mayoral committee	VE Jonas MM Mahase NP Monyakoana MA Morake J Nothnagel M Nkhabu XD Pongolo G Thipenyane LM Titi-Odili
Accounting Officer	Adv TB Mea
Acting Chief Finance Officer (CFO)	KS Rapulungoane
Registered office	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaf Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Development Bank of South Africa First National Bank Nedbank Standard Bank
Auditors	Auditor General of South Africa
Enabling legislation	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 6 of 2004) Division of Revenue Act (Act 3 of 2017) Municipal Demarcation Act, (Act 27 of 19998)

Index

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

Abbreviations

1. Abbreviations used within the consolidated annual financial statements

ACT	Actual
BAL	Balance
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
NDR	Non Distributable Reserve
NERSA	National Energy Regulator of South Africa
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SOC	State Owned Entity
UIF	Unemployment Insurance Fund
VAR	Variance
VAT	Value Added Tax
WIP	Work-in-Progress

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 entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

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

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied, unless included in note 2, and supported by reasonable and prudent judgements and estimates.

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

The accounting officer is responsible for the preparation of these consolidated annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies 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 43 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 Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the entity’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding the assumptions have been included in note 62.

Although the accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors to express an independent opinion of the fair presentation of the consolidated annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements.

The consolidated annual financial statements set out on pages 6 to 142, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2018 and were signed on its behalf by:

Adv TB Mea
Accounting officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in my opinion require any further comment.

Net surplus of the entity was R 393,962,874 (2017: surplus R 1,179,993,087).

2. Going concern

I draw attention to the fact that at 30 June 2018, the entity had accumulated surplus of R 13,369,871,944 and that the entity's total assets exceed its liabilities by R 15,877,826,448.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 62 for further details.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 1 of 2018).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The consolidated annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 16 to 54, and unless indicated in note 2 are consistent with the prior year.

6. Re-determination of the boundaries of the entity

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality has been extended to include Naledi Local Municipality and the town of Soutpan from Masilonyane Local Municipality. These changes are effective as of 6 August 2016.

The inclusion of the mentioned areas has been accounted for in accordance with GRAP 106 - Transfer of functions between entities not under common control. Further detail relating to the transfer of function is disclosed in note 41 to these consolidated annual financial statements.

7. Accounting Officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name	Nationality
Adv TB Mea	South African

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	4	665,681,024	512,968,694
Other receivables from non-exchange transactions	5	-	-
Other receivables from exchange transactions	6	137,320,681	113,989,364
Consumer receivables from non-exchange transactions	7	540,840,543	265,565,074
Consumer receivables from exchange transactions	8	1,324,993,403	1,201,493,272
VAT receivable	9	2,957,863	16,138,580
Investments	10	53,265,198	162,721,621
Cash and cash equivalents	11	235,901,912	217,527,320
Current portion of Non-current receivables	16	275,470	275,470
		2,961,236,094	**2,490,679,395**
Non-Current Assets			
Investment property	12	1,566,340,435	1,584,411,863
Property, plant and equipment	13	16,398,099,053	16,258,064,201
Intangible assets	14	108,037,874	112,264,692
Heritage assets	15	279,968,687	277,768,687
Non-current receivables	16	4,804,568	2,227,421
Deferred tax	17	300,817,107	280,731,467
		18,658,067,724	**18,515,468,331**
Total Assets		**21,619,303,818**	**21,006,147,726**
Liabilities			
Current Liabilities			
Payables from exchange transactions	18	1,469,036,208	1,448,211,288
Payables from non-exchange transactions	19	263,546,889	290,578,808
Consumer deposits	20	148,411,801	150,182,327
Unspent conditional grants and receipts	21	230,013,159	63,100,514
Current portion of Finance lease obligation	22	12,648,830	13,832,226
Current portion of Borrowings	23	147,615,980	138,707,448
Current portion of Provisions	24	370,479,935	338,084,578
Current portion of Employee benefit obligation	25	821,000	1,461,000
		2,642,573,802	**2,444,158,189**
Non-Current Liabilities			
Deferred tax	17	575,253,899	508,989,252
Finance lease obligation	22	20,757,253	6,070,317
Borrowings	23	976,664,271	1,072,530,241
Provisions	24	178,043,636	178,043,636
Employee benefit obligation	25	669,869,000	839,678,000
FRESHCO Liability	26	206,031,823	204,013,644
Land availability liability	27	472,283,686	270,157,135
		3,098,903,568	**3,079,482,225**
Total Liabilities		**5,741,477,370**	**5,523,640,414**
Net Assets		**15,877,826,448**	**15,482,507,312**
Reserves			
Revaluation reserve	28	2,426,263,790	2,455,360,588
Other NDR	29	60,000,000	60,000,000
Self insurance reserve	30	5,000,000	5,000,000
COID reserve	31	16,690,714	14,482,139
Accumulated surplus		13,369,871,944	12,947,664,585
Total Net Assets		**15,877,826,448**	**15,482,507,312**

* See Note 58

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	33	3,232,348,109	3,198,859,677
Rental of facilities and equipment	34	45,004,998	35,656,628
Income from agency services		2,327,162	3,844,123
Other income from exchange transactions	35	72,120,474	56,439,589
Interest received from exchange transactions	36	219,097,435	210,427,360
Dividends received	36	4,087	1,679
Gain on derecognition of assets		18,273,426	777,230
Total revenue from exchange transactions		**3,589,175,691**	**3,506,006,286**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	1,158,216,167	974,508,658
Transfer revenue			
Government grants & subsidies	38	1,861,384,308	1,921,825,111
Public contributions and donations	39	294,992,104	19,216,633
Fines, penalties and forfeits	40	13,094,580	46,724,504
Gain from transfer of functions between entities not under common control	41	-	1,178,035,393
Interest received from non-exchange transactions	36	41,774,948	59,228,712
Total revenue from non-exchange transactions		**3,369,462,107**	**4,199,539,011**
Total revenue	32	**6,958,637,798**	**7,705,545,297**
Expenditure			
Employee related costs	42	(1,852,912,027)	(1,605,678,326)
Remuneration of councillors	43	(62,271,387)	(56,028,903)
Depreciation and amortisation	44	(889,764,750)	(914,305,151)
Impairment loss/ Reversal of impairments	45	(57,712,479)	(3,682,496)
Finance costs	46	(213,287,643)	(189,333,166)
Debt impairment and bad debt written off	47	(447,577,615)	(663,385,669)
Bulk purchases	48	(1,921,602,272)	(1,906,618,478)
Contracted services	49	(879,912,613)	(909,535,372)
Grants and subsidies paid	50	(4,468,967)	(2,948,459)
General expenses	51	(383,043,065)	(349,820,528)
Loss on derecognition of assets		(54,837,796)	(45,162,442)
Total expenditure		**(6,767,390,614)**	**(6,646,498,990)**
Operating surplus		**191,247,184**	**1,059,046,307**
Fair value adjustments	52	(18,066,225)	91,231,256
Actuarial gains/losses	25	266,960,924	(10,584,000)
Rehabilitation provision movement		-	16,018,699
		248,894,699	**96,665,955**
Surplus before taxation		**440,141,883**	**1,155,712,262**
Taxation	53	(46,179,009)	24,280,825
Surplus for the year		**393,962,874**	**1,179,993,087**

* See Note 58

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Self insurance reserve	COID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	1,961,930,567	60,000,000	5,000,000	12,511,880	2,039,442,447	12,093,877,718	14,133,320,165
Adjustments							
Prior year adjustments	413,756,566	-	-	-	413,756,566	(334,187,497)	79,569,069
Balance at 01 July 2016 as restated*	**2,375,687,133**	**60,000,000**	**5,000,000**	**12,511,880**	**2,453,199,013**	**11,759,690,221**	**14,212,889,234**
Changes in net assets							
Surplus for the year	-	-	-	-	-	1,179,993,087	1,179,993,087
Revaluation of assets	161,589,123	-	-	-	161,589,123	-	161,589,123
Reversal of revaluation	(71,964,132)	-	-	-	(71,964,132)	-	(71,964,132)
Realisation of revaluation reserve through disposal	(765,457)	-	-	-	(765,457)	765,457	-
Realisation of revaluation reserve through depreciation of asset	(9,186,079)	-	-	-	(9,186,079)	9,186,079	-
Contributions received	-	-	305,390	3,511,922	3,817,312	(3,817,312)	-
Insurance claims processed	-	-	(305,390)	(1,541,663)	(1,847,053)	1,847,053	-
Total changes	79,673,455	-	-	1,970,259	81,643,714	1,187,974,364	1,269,618,078
Opening balance as previously reported	2,037,901,266	60,000,000	5,000,000	14,482,139	2,117,383,405	13,234,095,693	15,351,479,098
Adjustments							
Prior year adjustments	417,459,322	-	-	-	417,459,322	(286,431,106)	131,028,216
Balance at 01 July 2017 as restated*	**2,455,360,588**	**60,000,000**	**5,000,000**	**14,482,139**	**2,534,842,727**	**12,947,664,587**	**15,482,507,314**
Changes in net assets							
Surplus for the year	-	-	-	-	-	393,962,874	393,962,874
Revaluation of assets	1,356,260	-	-	-	1,356,260	-	1,356,260
Realisation of revaluation reserve - through depreciation	(30,453,058)	-	-	-	(30,453,058)	30,453,058	-
Contributions received	-	-	160,822	3,643,518	3,804,340	(3,804,340)	-
Insurance claims processed	-	-	(160,822)	(1,434,943)	(1,595,765)	1,595,765	-
Total changes	(29,096,798)	-	-	2,208,575	(26,888,223)	422,207,357	395,319,134
Balance at 30 June 2018	**2,426,263,790**	**60,000,000**	**5,000,000**	**16,690,714**	**2,507,954,504**	**13,369,871,944**	**15,877,826,448**
Note(s)	28	29	30	31			

* See Note 58

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3,633,140,221	3,386,321,402
Grants		2,027,160,000	1,869,976,310
Interest income		252,658,026	251,398,881
Dividends received		4,087	1,679
		5,912,962,334	5,507,698,272
Payments			
Employee costs		(1,905,150,490)	(1,632,997,229)
Suppliers		(3,160,301,456)	(3,068,300,407)
Finance costs		(3,250,543)	(7,804,340)
Grants paid		(4,468,967)	(2,948,459)
		(5,073,171,456)	(4,712,050,435)
Net cash flows from operating activities	54	**839,790,878**	**795,647,837**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(721,164,250)	(1,121,647,126)
Proceeds from sale of property, plant and equipment	13	21,401,853	579,601
Purchase of other intangible assets	14	(7,355,394)	(15,293,198)
Transfer of functions between entities not under common control	41	-	4,362,111
Proceeds from sale of financial assets		(2,571,944)	460,014
Purchase of investments		-	(54,903,078)
Proceeds from sale of investments		109,456,423	-
Interest		6,159,677	16,987,859
Net cash flows from investing activities		**(594,073,635)**	**(1,169,453,817)**
Cash flows from financing activities			
Proceeds from borrowings		-	500,000,000
Repayment of borrowings		(86,957,438)	(62,820,234)
Finance lease payments		(15,056,587)	(45,252,688)
Finance costs		(123,558,100)	(113,922,851)
Consumer deposits		(1,770,526)	(12,350,304)
Net cash flows from financing activities		**(227,342,651)**	**265,653,923**
Net increase/(decrease) in cash and cash equivalents		**18,374,592**	**(108,152,057)**
Cash and cash equivalents at the beginning of the year		217,527,320	325,679,377
Cash and cash equivalents at the end of the year	11	**235,901,912**	**217,527,320**

* See Note 58

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 72
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	1,103,200,160	-	**1,103,200,160**	1,158,216,167	**55,016,007**	
Service charges	3,575,219,638	(46,586,550)	**3,528,633,088**	3,232,348,108	**(296,284,980)**	A1
Investment revenue	26,732,216	(1,976,940)	**24,755,276**	29,908,463	**5,153,187**	A2
Transfers recognised - operational	1,040,687,829	10,709,018	**1,051,396,847**	1,015,919,121	**(35,477,726)**	A3
Other own revenue	529,003,619	(14,559,256)	**514,444,363**	648,754,777	**134,310,414**	A4
Total Revenue (excluding capital transfers and contributions)	**6,274,843,462**	**(52,413,728)**	**6,222,429,734**	**6,085,146,636**	**(137,283,098)**	
Expenditure by type						
Employee costs	(1,703,525,249)	(150,524,180)	**(1,854,049,429)**	(1,852,912,027)	**1,137,402**	A5
Remuneration of councillors	(58,011,202)	(2,254,713)	**(60,265,915)**	(62,271,388)	**(2,005,473)**	
Debt impairment	(421,634,071)	210,801,308	**(210,832,763)**	(447,577,615)	**(236,744,852)**	
Depreciation & asset impairment	(628,666,431)	130,014,098	**(498,652,333)**	(947,477,230)	**(448,824,897)**	
Finance charges	(169,143,170)	(82,285,462)	**(251,428,632)**	(213,287,643)	**38,140,989**	
Materials and bulk purchases	(1,985,712,896)	953,947	**(1,984,758,949)**	(2,002,593,584)	**(17,834,635)**	A6
Transfers and grants	(18,069,023)	(5,734,896)	**(23,803,919)**	(4,468,967)	**19,334,952**	
Other expenditure	(1,162,122,347)	(84,356,426)	**(1,246,478,773)**	(1,254,873,582)	**(8,394,809)**	A6
Total expenditure	**(6,146,884,389)**	**16,613,676**	**(6,130,270,713)**	**(6,785,462,036)**	**(655,191,323)**	
Surplus / (Deficit)	**127,959,073**	**(35,800,052)**	**92,159,021**	**(700,315,400)**	**(792,474,421)**	
Transfers recognised - capital	940,117,617	117,257,942	**1,057,375,559**	845,465,187	**(211,910,372)**	A3
Contributions recognised - capital & contributed assets	26,761,603	(18,761,603)	**8,000,000**	294,992,104	**286,992,104**	
Surplus / (Deficit) after capital transfers & contributions	**1,094,838,293**	**62,696,287**	**1,157,534,580**	**440,141,891**	**(717,392,689)**	
Taxation	-	-	**-**	(46,179,009)	**(46,179,009)**	
Surplus / (Deficit) for the year	**1,094,838,293**	**62,696,287**	**1,157,534,580**	**393,962,882**	**(763,571,698)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 72
Statement of Financial Position						
Assets						
Current Assets						
Cash	416,295,934	(175,285,376)	**241,010,558**	98,868,281	**(142,142,277)**	B
Call investment deposits	505,314,251	(308,847,751)	**196,466,500**	190,298,829	**(6,167,671)**	B
Consumer debtors	2,361,392,064	196,020,112	**2,557,412,176**	1,865,833,946	**(691,578,230)**	B
Other debtors	181,820,000	(65,068,536)	**116,751,464**	140,278,544	**23,527,080**	B
Current portion of long-term receivables	24,000	258,470	**282,470**	275,470	**(7,000)**	
Inventory	458,618,233	14,629,454	**473,247,687**	665,681,024	**192,433,337**	B
	3,923,464,482	**(338,293,627)**	**3,585,170,855**	**2,961,236,094**	**(623,934,761)**	
Non-Current Assets						
Long-term receivables	3,012,981	(785,563)	**2,227,418**	-	**(2,227,418)**	B
Investment property	1,647,257,700	(62,820,000)	**1,584,437,700**	1,566,340,435	**(18,097,265)**	B
Property, plant and equipment	16,904,839,141	95,178,297	**17,000,017,438**	16,678,067,740	**(321,949,698)**	B
Intangible assets	228,095,231	(115,830,539)	**112,264,692**	108,037,874	**(4,226,818)**	B
Other non-current assets	484,415,993	(250,170,783)	**234,245,210**	4,804,568	**(229,440,642)**	B
Deferred tax asset	-	-	**-**	300,817,107	**300,817,107**	
	19,267,621,046	**(334,428,588)**	**18,933,192,458**	**18,658,067,724**	**(275,124,734)**	
Total Assets	**23,191,085,528**	**(672,722,215)**	**22,518,363,313**	**21,619,303,818**	**(899,059,495)**	
Liabilities						
Current Liabilities						
Borrowing	182,425,287	-	**182,425,287**	160,264,810	**(22,160,477)**	
Consumer deposits	173,928,890	8,513,104	**182,441,994**	148,411,801	**(34,030,193)**	B
Trade and other payables	2,571,537,938	352,518,050	**2,924,055,988**	1,962,596,256	**(961,459,732)**	B
Provisions	362,612,580	(25,000,000)	**337,612,580**	371,300,935	**33,688,355**	B
	3,290,504,695	**336,031,154**	**3,626,535,849**	**2,642,573,802**	**(983,962,047)**	
Non-Current Liabilities						
Borrowing	1,123,223,218	(12,500,000)	**1,110,723,218**	1,675,737,033	**565,013,815**	B
Provisions	2,034,047,918	(840,153,563)	**1,193,894,355**	847,912,636	**(345,981,719)**	B
Deferred tax liability	-	-	**-**	575,253,899	**575,253,899**	
	3,157,271,136	**(852,653,563)**	**2,304,617,573**	**3,098,903,568**	**794,285,995**	
Total Liabilities	**6,447,775,831**	**(516,622,409)**	**5,931,153,422**	**5,741,477,370**	**(189,676,052)**	
Net Assets	**16,743,309,697**	**(156,099,806)**	**16,587,209,891**	**15,877,826,448**	**(709,383,443)**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	13,781,175,351	593,900,194	**14,375,075,545**	13,369,871,944	**(1,005,203,601)**	B
Reserves	2,962,134,346	(750,000,000)	**2,212,134,346**	2,507,954,504	**295,820,158**	B
Total community wealth/equity	**16,743,309,697**	**(156,099,806)**	**16,587,209,891**	**15,877,826,448**	**(709,383,443)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 72
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	4,462,862,115	1,611,511,752	**6,074,373,867**	3,633,140,221	**(2,441,233,646)**	C
Government - operating	1,040,687,829	(259,039,829)	**781,648,000**	2,027,160,000	**1,245,512,000**	C
Government - capital	1,040,687,829	(201,140,424)	**839,547,405**	-	**(839,547,405)**	C
Interest	161,872,634	(102,146,147)	**59,726,487**	252,658,026	**192,931,539**	C
Dividends	-	-	**-**	4,087	**4,087**	
	6,706,110,407	**1,049,185,352**	**7,755,295,759**	**5,912,962,334**	**(1,842,333,425)**	
Payments						
Suppliers and employees	(4,842,787,203)	(1,563,824,363)	**(6,406,611,566)**	(5,065,451,945)	**1,341,159,621**	C
Finance charges	-	-	**-**	(3,250,544)	**(3,250,544)**	
Transfers and Grants	(38,069,023)	(184,941,188)	**(223,010,211)**	(4,468,967)	**218,541,244**	C
	(4,880,856,226)	**(1,748,765,551)**	**(6,629,621,777)**	**(5,073,171,456)**	**1,556,450,321**	
Net cash flows from operating activities	**1,825,254,181**	**(699,580,199)**	**1,125,673,982**	**839,790,878**	**(285,883,104)**	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of PPE	-	-	**-**	21,401,853	**21,401,853**	
Interest	-	-	**-**	6,159,677	**6,159,677**	
Decrease (increase) other non-current receivables	300,000	(300,000)	**-**	(2,571,944)	**(2,571,944)**	
Decrease (increase) in non-current investments	-	-	**-**	109,456,423	**109,456,423**	
	300,000	**(300,000)**	**-**	**134,446,009**	**134,446,009**	
Payments						
Capital assets	(1,124,143,303)	56,761,721	**(1,067,381,582)**	(750,532,667)	**316,848,915**	C
Net cash flows from investing activities	**(1,123,843,303)**	**56,461,721**	**(1,067,381,582)**	**(616,086,658)**	**451,294,924**	
Cash flows from financing activities						
Receipts						
Increase (decrease) in consumer deposits	5,066,000	(3,326,951)	**1,739,049**	(1,770,526)	**(3,509,575)**	C
Payments						
Repayment of borrowing	(176,311,692)	125,516,319	**(50,795,373)**	(225,572,124)	**(174,776,751)**	C
Net cash flows from investing activities	**(171,245,692)**	**122,189,368**	**(49,056,324)**	**(227,342,650)**	**(178,286,326)**	
Net increase/(decrease) in cash held	530,165,186	(520,929,110)	**9,236,076**	(3,638,430)	**(12,874,506)**	C
Cash/cash equivalents at the year begin:	491,445,000	(259,670,519)	**231,774,481**	217,527,320	**(14,247,161)**	C
Cash and cash equivalents at the end of the year	**1,021,610,186**	**(780,599,629)**	**241,010,557**	**213,888,890**	**(27,121,667)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	1,103,200,160	-	1,103,200,160	-		1,103,200,160	1,158,216,167		55,016,007	105 %	105 %
Service charges	3,575,219,638	(46,586,550)	3,528,633,088	-		3,528,633,088	3,232,348,109		(296,284,979)	92 %	90 %
Investment revenue	26,732,216	(1,976,940)	24,755,276	-		24,755,276	29,908,463		5,153,187	121 %	112 %
Transfers recognised - operational	1,040,687,829	10,709,018	1,051,396,847	-		1,051,396,847	1,015,919,121		(35,477,726)	97 %	98 %
Other own revenue	529,003,619	(14,559,256)	514,444,363	-		514,444,363	381,793,853		(132,650,510)	74 %	72 %
Total revenue (excluding capital transfers and contributions)	**6,274,843,462**	**(52,413,728)**	**6,222,429,734**	**-**		**6,222,429,734**	**5,818,185,713**		**(404,244,021)**	**94 %**	**93 %**
Employee costs	(1,703,525,249)	(150,524,180)	(1,854,049,429)	-	-	(1,854,049,429)	(1,852,912,027)	-	1,137,402	100 %	109 %
Remuneration of councillors	(58,011,202)	(2,254,713)	(60,265,915)	-	-	(60,265,915)	(62,271,387)	-	(2,005,472)	103 %	107 %
Debt impairment	(421,634,071)	210,801,308	(210,832,763)			(210,832,763)	(447,577,615)	-	(236,744,852)	212 %	106 %
Depreciation and asset impairment	(628,666,431)	130,014,098	(498,652,333)			(498,652,333)	(947,477,229)	-	(448,824,896)	190 %	151 %
Finance charges	(169,143,170)	(82,285,462)	(251,428,632)	-	-	(251,428,632)	(213,287,643)	-	38,140,989	85 %	126 %
Materials and bulk purchases	(1,985,712,896)	935,947	(1,984,776,949)	-	-	(1,984,776,949)	(2,002,593,584)	-	(17,816,635)	101 %	101 %
Transfers and grants	(18,069,023)	(5,734,896)	(23,803,919)	-	-	(23,803,919)	(4,468,967)	-	19,334,952	19 %	25 %
Other expenditure	(1,162,122,347)	(84,356,426)	(1,246,478,773)	-	-	(1,246,478,773)	(1,256,772,658)	-	(10,293,885)	101 %	108 %
Total expenditure	**(6,146,884,389)**	**16,595,676**	**(6,130,288,713)**	**-**	**-**	**(6,130,288,713)**	**(6,787,361,110)**	**-**	**(657,072,397)**	**111 %**	**110 %**
Surplus/(Deficit)	**127,959,073**	**(35,818,052)**	**92,141,021**	**-**		**92,141,021**	**(969,175,397)**		**(1,061,316,418)**	**(1,052)%**	**(757)%**

Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	940,117,617	117,257,942	1,057,375,559	-		1,057,375,559	845,465,187		(211,910,372)	80 %	90 %
Contributions recognised - capital and contributed assets	26,761,603	(18,761,603)	8,000,000	-		8,000,000	294,992,104		286,992,104	3,687 %	1,102 %
Surplus (Deficit) after capital transfers and contributions	**1,094,838,293**	**62,678,287**	**1,157,516,580**	**-**		**1,157,516,580**	**171,281,894**		**(986,234,686)**	**15 %**	**16 %**
Taxation	-	-	-	-		-	46,179,009		46,179,009	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**1,094,838,293**	**62,678,287**	**1,157,516,580**	**-**		**1,157,516,580**	**125,102,885**		**(1,032,413,695)**	**11 %**	**11 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	1,139,436,203	98,092,299	1,237,528,502	100,000,000		1,337,528,502	776,330,671		(561,197,831)	58 %	68 %
Sources of capital funds											
Transfers recognised - capital	940,117,617	117,257,942	1,057,375,559	100,000,000		1,157,375,559	609,913,501		(547,462,058)	53 %	65 %
Public contributions and donations	26,761,603	(18,761,603)	8,000,000	-		8,000,000	8,858,829		858,829	111 %	33 %
Borrowing	29,599,094	-	29,599,094	-		29,599,094	38,810,893		9,211,799	131 %	131 %
Internally generated funds	142,957,889	(404,040)	142,553,849	-		142,553,849	118,747,449		(23,806,400)	83 %	83 %
Total sources of capital funds	**1,139,436,203**	**98,092,299**	**1,237,528,502**	**100,000,000**		**1,337,528,502**	**776,330,672**		**(561,197,830)**	**58 %**	**68 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	1,825,254,181	(699,580,199)	1,125,673,982	-		1,125,673,982	839,790,878		(285,883,104)	75 %	46 %
Net cash from (used) investing	(1,123,843,303)	56,461,721	(1,067,381,582)	-		(1,067,381,582)	(594,073,635)		473,307,947	56 %	53 %
Net cash from (used) financing	(171,245,692)	122,189,368	(49,056,324)	-		(49,056,324)	(227,342,651)		(178,286,327)	463 %	133 %
Net increase/(decrease) in cash and cash equivalents	**530,165,186**	**(520,929,110)**	**9,236,076**	**-**		**9,236,076**	**18,374,592**		**9,138,516**	**199 %**	**3 %**
Cash and cash equivalents at the beginning of the year	491,445,000	(259,670,519)	231,774,481	-		231,774,481	217,527,320		(14,247,161)	94 %	44 %
Cash and cash equivalents at year end	**1,021,610,186**	**(780,599,629)**	**241,010,557**	**-**		**241,010,557**	**235,901,912**		**5,108,645**	**98 %**	**23 %**

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

Consolidated consolidated annual financial statements are the consolidated annual financial statements of the entity presented as those of a single entity.

The consolidated consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity’s consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its loans to controlled entities used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the loans to controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the municipality are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the municipality and the Special purpose entity indicates that the Special purpose entity is controlled by the municipality.

1.2 Going concern assumption

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

1.3 Transfer of functions between entities under common control

Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.3 Transfer of functions between entities under common control (continued)

Assets acquired [transferred] and liabilities assumed [relinquished]

The derecognition of assets and liabilities, is subject to the following conditions:

The assets transferred and the liabilities relinquished are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the entity and the acquirer have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration received and the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the entity (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:
- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
  - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity (as acquirer) when compared with terms for current market transactions for the same or similar items.
  - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the entity expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, is not accounted for as part of the liabilities at the transfer date. The entity does not recognise those costs as part of a transfer of functions. Instead, the entity recognises these costs in its consolidated annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the entity derecognises from its consolidated annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.4 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

1.4 Transfer of functions between entities not under common control (continued)

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.4 Transfer of functions between entities not under common control (continued)

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the entity as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the entity as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The entity as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The entity as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The entity as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants‘ willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The entity as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the entity as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The entity as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The entity as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the entity as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity‘s net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments‘ proportionate share in the recognised amounts of the acquiree‘s identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The entity as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the entity as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

1.4 Transfer of functions between entities not under common control (continued)

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the entity as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

Exceptions to both the recognition and measurement principles

Employee benefits:

The entity as acquirer recognises and measures a liability (or asset, if any) related to the acquiree‘s employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the entity as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The entity as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the entity as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The entity as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The entity as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:
(a) the aggregate of:
(i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
(iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer’s previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the entity as acquirer, the liabilities incurred by the entity as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the entity as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The entity as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

The entity as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial instruments, or other applicable Standard of GRAP. The entity as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

An entity as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

Accounting Policies

1.4 Transfer of functions between entities not under common control (continued)

In a transfer of functions achieved in stages, the entity as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the entity as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the entity as acquirer had disposed directly of the previously held residual interest.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the entity as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the entity as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The entity as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the entity as acquirer identifies any amounts that are not part of what the entity as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the entity as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Effective settlement of a pre-existing relationship between the entity as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the entity as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the entity as acquirer recognises a gain or loss, measured as follows:
(a) for a pre-existing non-contractual relationship, fair value.
(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity as acquirer when compared with terms for current market transactions for the same or similar items.
(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.
If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

A pre-existing relationship may be a contract that the entity as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the entity as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the entity as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The entity as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial instruments.

Subsequent measurement and accounting

In general, an entity as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An entity as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

1.4 Transfer of functions between entities not under common control (continued)

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the entity as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:
(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

Indemnification assets

At the end of each subsequent reporting period, the entity as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The entity as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the entity as acquirer recognises after the acquisition date may be the result of additional information that the entity as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The entity as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:
(a) Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
(b) Contingent consideration classified as an asset or a liability that:
(i) is a financial instrument and is within the scope of the Standard of GRAP on Financial instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
(ii) is not within the scope of the Standard of GRAP on Financial instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets or other Standards of GRAP as appropriate.

1.5 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and other receivables

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

Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, theses are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus of deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow moving, damaged an obsolete inventory to write this inventory 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 write down is included in the statement of financial performance.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets such as trading 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 entity is the current bid price.

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

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. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of the tangible assets.

The 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 demand, together with economic factors such as exchange rates, inflation rates 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 24 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policy 1.7 & 1.9. This estimate is based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Employee benefit obligations

The present value of the employee benefit 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 or income include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefit obligation

The 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 employee benefit obligations. In determining the appropriate discount rate, the 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 employee liability.

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in note 25.

1.6 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

1.6 Investment property (continued)

- 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 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 through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. 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.

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.

Although unlikely, 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 in accordance with 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 in accordance with 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. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity discloses relevant information relating to assets under construction or development, in the notes to the consolidated annual financial statements (see note 12).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.7 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 (other than investment property), 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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

1.7 Property, plant and equipment (continued)

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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the 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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity by registered valuators, such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment:

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

1.7 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Buildings	Straight line	30-53
Landfill sites	Straight line	20-69
Fire arms	Straight line	5-40
Environmental facilities	Straight line	15
Quarries	Straight line	20-30
Roads and stormwater	Straight line	5-100
Equipment under finance lease	Straight line	3-5
Community / Recreational	Straight line	6-100
Other assets	Straight line	3-35
Sewerage and mains	Straight line	40-100
Electrical infrastructure	Straight line	3-50
Specialised plant and equipment	Straight line	3-55
Other vehicles	Straight line	3-55
Water and sewerage network	Straight line	7-100
Security	Straight line	8-12
Housing	Straight line	50

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Derecognition

Items of PPE 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.

Property, plant and equipment which the 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. 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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

1.8 Site restoration and dismantling cost

The 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 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.

Accounting Policies

1.8 Site restoration and dismantling cost (continued)

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 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.

1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:
- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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 entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

Intangible assets are initially recognised at cost.

Subsequent measurement

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.

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

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

Item	Average useful life
Computer software	1-30
Servitudes	Indefinite

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

1.9 Intangible assets (continued)

Derecognition

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 15).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

1.11 Investments in controlled entities

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

The cost of an investment in a 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 entity; plus
- any costs directly attributable to the purchase of the controlled entity.

1.12 Financial instruments

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

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

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

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

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

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).

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

A financial asset is:

- cash;
- a 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.

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

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

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

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

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

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

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

1.12 Financial instruments (continued)

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity classifies financial assets and financial liabilities into the following categories which are reflected on the face of the statement of financial position or in the notes thereto:

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.12 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The 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 and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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.

Impairment and uncollectibility of financial assets

1.12 Financial instruments (continued)

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.

The entity assess financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer that the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 5, 6, 7 and 8 for the impact of the above application.

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.

1.12 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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 :
  - derecognises 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.

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 statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

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

1.12 Financial instruments (continued)

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.

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 statement of financial position 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.

1.13 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current tax and deferred taxes are recognised in net assets if the tax relates to items that are credited or recognised, in the same or a different period, to net assets.

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.14 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.

1.14 Leases (continued)

Finance leases - lessee

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

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

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

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.

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

1.15 Inventories

The entity recognises inventories as an asset when;
(a) it is probable that future economic benefits or service potential associate with the item will flow to the entity; and
(b) the cost of the inventory can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, 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 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.

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

Accounting Policies

1.16 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

All assets of the entity are accounted for as non-cash generating assets.

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

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.16 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the 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. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

In allocating an impairment loss, the 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 non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

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.

1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Accounting Policies

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

All assets of the entity are accounted for as non-cash generating assets.

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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 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.

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

Reversal of an impairment loss

The 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 entity estimates the recoverable service amount of that asset.

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

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

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.

1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.18 Employee benefits (continued)

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.

1.18 Employee benefits (continued)

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.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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.

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).

1.18 Employee benefits (continued)

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. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, 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 [OR is not] 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.

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.

Accounting Policies

1.18 Employee benefits (continued)

Other long term employee benefits

The entity provides other long term employee benefits to qualifying employees in the form of long service award.

The amount recognised as a liability for other long-term employee benefit 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.

The entity recognises the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

The entity determines the present value of long term employee 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.

The entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The above accounting policy on long term employee benefits has been included during the current financial year and is not regarded as a change in accounting policy, but rather to provide further details relating to other long term employee benefits.

1.19 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.

Accounting Policies

1.19 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 56.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.20 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 55.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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

1.21 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 similar distributions are recognised, in surplus or deficit, when the entity’s right to receive payment has been established.

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the previous financial years' months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.22 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

When, as a result of a non-exchange transaction, the 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.

1.22 Revenue from non-exchange transactions (continued)

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised unless it is significant to the entity's operations, the 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 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.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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 entity.

Where the 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 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 which are significant to the entity's operations, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind which are not significant to the entity's operations are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by an PPE on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

1.22 Revenue from non-exchange transactions (continued)

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

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

1.23 Investment income

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

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Comparative figures

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

1.26 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.

Detailed disclosures are made in note 64 to the consolidated annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.27 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.

Detailed disclosures are made in note 65 to the consolidated annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.28 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

a) the MFMA, and which has not been condoned in terms of section 170;
b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that act;
c) the Public Office-Bearers Act, (Act No.20 of 1998)
d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

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.

Detailed disclosures are made in note 66 to the consolidated annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

Accounting Policies

1.29 Internal reserves

Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the entity's insurance broker and is reinstated or increased by a transfer from or to the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit.

1.30 Revaluation reserve

The surplus arising from the revaluation of land, buildings, water meters and zoo animals is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.31 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the consolidated annual financial statements. GRAP 18 has not been considered in developing these policies.

1.32 Budget information

The entity is 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 the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on the accrual basis and presented by nature classification. The approved budget and the consolidated annual financial statements are not prepared on the same classification basis.

The Statement of comparative and actual information has been included in the consolidated annual financial statements as the recommended disclosure when the consolidated annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 71 to the consolidated annual financial statements.

1.33 Related parties

The 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.

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

1.33 Related parties (continued)

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 entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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 financial statements.

1.35 Housing development arrangements

The entity grants the right to use properties to third parties by means of contractual agreements. These agreements are classified into two categories, namely the FRESHCO Agreement and the Land Availability Agreements.

The following properties, owned by the entity, are used by third parties to provide public services subject to the entity's control of the asset.
Brandwag Property;
Hillside View Property;
Vista Park Extension 2 Property; and
Vista Park Extension 3 Property.

These agreements are binding arrangements between the entity and the third party in which:
- The third party uses the specified asset to provide a public service on behalf of the entity for a specified period of time; and
- The third party is compensated for its services over the period of the arrangement, and/or upon completion of conditions specified within the contract, and/or upon the completion of the project.

The Properties are assets used to provide public services, in an arrangement, that:
- Are provided by the entity which:
- Are existing assets of the entity; or
- Are upgrade to existing assets of the entity; or
- Are provided by the third party which:
- Are existing assets of the third party; or
- Are constructed, developed, or acquired from a third party.

The entity shall recognize an asset provided by the third party and/or an upgrade to an existing asset of the entity if:
- The entity controls or regulates what services the third party must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the assets recognised at fair value.

The assets received shall subsequently be accounted for in accordance with the GRAP Standard applicable to the classification of the asset received. Including but not limited to GRAP 16 – Investment Property; GRAP 17 - Property, Plant, and Equipment; and GRAP 12 – Inventory.

Where the entity recognises an asset, the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the asset, adjusted by the amount of any other consideration (e.g.cash) from the entity to the third party, or from the third party to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the third party for the construction, development, acquisition, or upgrade of the property, and grants the third party the right to earn revenue from other third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and the third party.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the arrangement.

The entity shall account for the revenues from the third party in accordance with GRAP 9 - Revenue from Exchange Transactions.

1.36 Advance receipts

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 19 Payables from non-exchange transactions where these receipts in advance are disclosed.

1.37 Offsetting

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

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published, but are not yet effective as at the date of these financial statements.

Standard / Interpretation	Expected impact
Effective for periods commencing on or after 1 April 2018	
GRAP 21 - Impairment of non-cash generating assets	Amendments were made to the definition of cash-generating assets and explanatory commentary was added to the standards
GRAP 26 - Impairment of cash generating assets	1. Amendments were made to the definition of cash-generating assets and explanatory commentary was added to the standards
Effective for periods commencing on or after 1 April 2019	
GRAP 20 - Related parties	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration
GRAP 32 - Service Concession Arrangements: Grantor	Unlikely there will be a material impact
GRAP 108 - Statutory Receivables	Unlikely there will be a material impact
GRAP 109 - Accounting by Principals and Agents	Unlikely there will be a material impact
Effective for periods commencing on or after 1 April 2020	
GRAP 18 - Segment Reporting	Unlikely there will be a material impact
GRAP 110 - Living and non-living resources	Unlikely there will be a material impact
No effective date has been determined yet	
GRAP 34 - Separate Financial Statements	Unlikely there will be a material impact
GRAP 35 - Consolidated Financial Statements	Unlikely there will be a material impact
GRAP 36 - Investments in Associates and Joint Ventures	Unlikely there will be a material impact
GRAP 37 - Joint Arrangements	Unlikely there will be a material impact
GRAP 38 - Disclosure of Interests in Other Entities	Unlikely there will be a material impact
IGRAP 17 - Service Concession Arrangements: Grantor	Unlikely there will be a material impact
IGRAP 18 - Recognition and Derecognition of Land	Unlikely there will be a material impact
IGRAP 19 - Liabilities to Pay Levies	Unlikely there will be a material impact

3. Change in estimate

Property, plant and equipment

For the following classes of PPE, the remaining useful lives were adjusted to a minimum remaining usefil life of 3 years. Residual value adjustments were also made to the residual values of fleet. The effect of the change has resulted in a decrease in depreciation of R69,392,641

It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

	Depreciation 2016/17	Depreciation 2017/18	Increase / (Decrease) in Depreciation
Infrastructure - Roads and roads related	177,717,909	134,548,126	(43,169,782)
Infrastructure - Water network	42,121,998	27,307,464	(14,814,534)
Infrastructure - Sanitation network	7,096,213	4,407,035	(2,689,178)
Community - Landfill sites and quarries	9,825,537	7,273,624	(2,551,913)
Community - Other	32,064,991	23,754,309	(8,310,681)
Fleet	7,113,254	9,256,701	2,143,447
	275,939,902	**206,547,259**	**(69,392,641)**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

3. Change in estimate (continued)

Property, plant and equipment - Electrical infrastructure

During the year, the municipal entity changed its accounting estimates with respect to electrical infrastructure assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all infrastructure assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2018 is as follows

Depreciation expense after remaining useful lives review		
Depreciation expense before remaining useful lives review	-	115,109,821
Future increase in depreciation due to review	-	(8,228,983)
	-	**106,880,838**

Intangible assets

During the year, the municipal entity changed its accounting estimates with respect to intangible assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all intangible assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2018 is as follows:

Amortisation expense after remaining useful lives review		
Amortisation expense before remaining useful lives review	-	10,960,504
Future reduction in amortisation due to review	-	(597,228)
	-	**10,363,276**

Property, plant and equipment - Buildings

During the year, the municipal entity changed its accounting estimates with respect to building assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all building assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2018 is as follows:

Depreciation expense after remaining useful lives review		
Depreciation expense before remaining useful lives review	-	2,524,065
Future increase in depreciation due to review	-	49,029
	-	**2,573,094**

Property, plant and equipment - Other assets

During the year, the municipal entity changed its accounting estimates with respect to other movable assets. In order to conform with the benchmark treatment of GRAP17, the municipal entity re-assessed the remaining useful lives of all building assets, which led to a change in the amortisation for the current year.

The aggregate effect of the changes in accounting estimate on the financial statements for the year ended 30 June 2018 is as follows:

Depreciation expense after remaining useful lives review		
Depreciation expense before remaining useful lives review	-	17,437,130
Future reduction in depreciation due to review	-	(3,055,014)
	-	**14,382,116**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

4. Inventories

Fuel (Diesel, Petrol)	806,675	879,647
Maintenance materials	726,483	1,311,499
Raw materials, components	99,748,852	93,748,038
Stores, materials and fuels	7,447,257	9,000,177
Unsold Properties Held for Resale	553,296,065	404,457,796
Water in pipes and reservoirs	3,655,692	3,571,537
	665,681,024	**512,968,694**

Inventory recognised as an expense

Inventories recognised as an expense during the year	73,338,992	35,413,899
Inventories written off	579,072	337,942
	73,918,064	**35,751,841**

Inventory pledged as security

No inventory was pledged as security for any financial liability.

5. Other receivables from non-exchange transactions

Fines receivables	225,777,675	225,360,563
Impairment of fines receivables	(225,777,675)	(225,360,563)
Grants receivable	1,136,954	-
Impairment of grants receivable	(1,136,954)	-
	-	-

Fines Receivables consists out of debtors raised from Fines Revenue as disclosed in note 40.

Other receivables from non-exchange pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from non-exchange transactions

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

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

Other receivables from non-exchange transactions impaired

As of 30 June 2018, other receivables from non-exchange transactions of R 226,914,629 (2017: R 225,360,563) were impaired and provided for.

The amount of the provision was R 226,914,629 as of 30 June 2017 (2017: R 225,360,563).

No amounts for other receivables from non-exchange transactions were past due but not impaired.

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	225,360,563	187,666,060
Provision for impairment adjustment	1,554,066	37,694,503
	226,914,629	**225,360,563**

Figures in Rand	2018	2017

6. Other receivables from exchange transactions

Deposits	937,504	909,087
Interest on investments	25,403	44,362
Receipt reversals	599,272	540,225
Other receivables	2,947,662	3,584,890
Vendors	4,787,124	2,452,698
Overpayment of suppliers	21,661,661	13,456,255
Deferred lease expenditure	275,095	-
DOE Grant - Southern Free State Towns	4,737,728	4,737,728
Kopanong Local Municipality	17,732,260	16,115,484
Mohokare Local Municipality	35,288,566	31,068,753
Staff leave days receivable	2,030,039	2,113,636
Sundry debtors	82,908,852	66,582,261
Sundry debtors - Impairment	(36,610,485)	(27,616,015)
	137,320,681	**113,989,364**

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from exchange transactions

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

None of the other receivables from non-exchange transactions that are fully performing have been renegotiated in the last year.

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 4,784,204 (2017: R 2,019,786) were past due but not impaired.

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

1 month past due	4,784,204	2,019,786

Other receivables from exchange transactions impaired

As of 30 June 2018, other receivables from exchange transactions of R 36,610,485 (2017: R 27,616,015) were impaired and provided for.

The amount of the provision was R 36,610,485 as of 30 June 2018 (2017: R 27,616,015).

The ageing of these other receivables from exchange transactions is as follows:

Over 3 months	36,610,485	27,616,015

Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	27,616,015	15,113,778
Provision for impairment adjustment	8,994,470	12,502,237
	36,610,485	**27,616,015**

Sundry debtors consist of debtors raised from other income from exchange transactions recognised (refer to note 35).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

7. Consumer receivables from non-exchange transactions

Rates - Gross balance	1,053,159,087	829,703,490
Rates - Impairment	(512,318,544)	(564,138,416)
	540,840,543	**265,565,074**

Rates ageing		
Current (0 - 30 days)	86,594,245	60,559,220
31 - 60 days	50,925,673	35,215,864
61 - 90 days	43,035,566	29,720,683
91+ days	872,603,603	704,207,723
Gross balance	1,053,159,087	829,703,490
Less: Allowance for impairment	(512,318,544)	(564,138,416)
	540,840,543	**265,565,074**

Summary by customer classification

Residential and sundry		
Current (0 - 30 days)	28,879,431	24,150,334
31 - 60 days	15,527,807	15,531,708
61 - 90 days	13,157,486	13,479,598
91+ days	363,857,701	343,568,697
Gross balance	421,422,425	396,730,337
Less: Allowance for impairment	(318,640,636)	(353,308,893)
	102,781,789	**43,421,444**

Business / commercial		
Current (0 - 30 days)	30,597,137	25,448,250
31 - 60 days	11,544,818	11,240,050
61 - 90 days	6,568,657	8,435,447
91+ days	211,214,509	214,131,263
Gross balance	259,925,121	259,255,010
Less: Allowance for impairment	(193,677,908)	(210,829,523)
	66,247,213	**48,425,487**

Government		
Current (0 - 30 days)	27,117,677	10,960,636
31 - 60 days	23,853,048	8,444,106
61 - 90 days	23,309,422	7,805,638
91+ days	297,531,393	146,507,763
	371,811,540	**173,718,143**

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of consumer 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.

Consumer receivables from non-exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

The credit quality of consumer receivables from non-exchange transactions was evaluated in terms of the risk group and aging of the individual receivable account.

Figures in Rand	2018	2017

7. Consumer receivables from non-exchange transactions (continued)

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

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 93,961,239 (2017: R 69,707,140) were past due but not impaired.

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

	2018	2017
1 month past due	50,925,673	37,801,793
2 months past due	43,035,566	31,905,347

Consumer receivables from non-exchange transactions impaired

As of 30 June 2018, consumer receivables from non-exchange transactions of R 512,318,544 (2017: R 564,138,416) were impaired and provided for.

The amount of the provision was R 512,318,544 as of 30 June 2018 (2017: R 564,138,416).

The ageing of these loans is as follows:

	2018	2017
Over 3 months	512,318,544	564,138,416

Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

	2018	2017
Opening balance	564,138,416	574,649,153
Provision for impairment	(51,819,872)	(10,510,737)
	512,318,544	**564,138,416**

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

8. Consumer receivables from exchange transactions

Net balance	2018	2017
Electricity	586,442,019	567,357,792
Water	509,399,468	480,491,780
Sewerage	184,490,756	120,708,819
Refuse	41,650,284	30,470,465
Housing rental	3,010,876	2,244,164
Unallocated receipts	-	220,252
	1,324,993,403	**1,201,493,272**

Net balance reconciliation - 2018	**Gross balance**	**Impairment**	**Net balance**
Electricity	819,227,221	(232,785,202)	586,442,019
Water	2,011,165,474	(1,501,766,006)	509,399,468
Sewerage	478,480,207	(293,989,451)	184,490,756
Refuse	214,228,409	(172,578,125)	41,650,284
Housing rental	23,738,183	(20,727,307)	3,010,876
	3,546,839,494	**(2,221,846,091)**	**1,324,993,403**

Net balance reconciliation - 2017	**Gross balance**	**Impairment**	**Net balance**
Electricity	785,373,392	(218,015,600)	567,357,792
Water	1,625,188,341	(1,144,696,561)	480,491,780
Sewerage	365,189,400	(244,480,581)	120,708,819
Refuse	168,429,341	(137,958,876)	30,470,465
Housing rental	17,511,623	(15,267,459)	2,244,164
Unallocated	220,252	-	220,252
	2,961,912,349	**(1,760,419,077)**	**1,201,493,272**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

8. Consumer receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	105,980,289	115,799,612
31 - 60 days	26,709,265	51,666,970
61 - 90 days	18,044,918	18,835,865
91+ days	510,995,968	434,349,978
Meter reading estimate - Electricity	163,062,397	165,282,557
Discounting	(2,399,256)	(246,359)
Transferred to non-current receivables	(3,166,360)	(315,231)
Gross balance	819,227,221	785,373,392
Less: Allowance for impairment	(232,785,202)	(218,015,600)
	586,442,019	**567,357,792**

Water		
Current (0 -30 days)	83,945,730	87,923,946
31 - 60 days	53,972,376	93,278,406
61 - 90 days	63,247,713	84,138,644
91+ days	1,785,972,279	1,342,431,607
Meter reading estimate	24,027,376	17,415,738
Gross balance	2,011,165,474	1,625,188,341
Less: Allowance for impairment	(1,501,766,006)	(1,144,696,561)
	509,399,468	**480,491,780**

Sewerage		
Current (0 -30 days)	26,244,000	20,691,263
31 - 60 days	17,525,414	14,340,649
61 - 90 days	16,642,596	12,364,750
91+ days	418,068,197	317,792,738
Gross balance	478,480,207	365,189,400
Less: Allowance for impairment	(293,989,451)	(244,480,581)
	184,490,756	**120,708,819**

Refuse		
Current (0 -30 days)	9,363,381	7,523,846
31 - 60 days	6,702,037	5,361,613
61 - 90 days	6,076,851	4,671,747
91+ days	192,086,140	150,872,135
Gross balance	214,228,409	168,429,341
Less: Allowance for impairment	(172,578,125)	(137,958,876)
	41,650,284	**30,470,465**

Housing rental		
Current (0 -30 days)	1,193,953	398,931
31 - 60 days	588,216	511,718
61 - 90 days	560,562	503,215
91+ days	21,395,452	16,097,759
Gross balance	23,738,183	17,511,623
Less: Allowance for impairment	(20,727,307)	(15,267,459)
	3,010,876	**2,244,164**

Unallocated deposits		
Current (0 -30 days)	-	220,252

Figures in Rand	2018	2017

8. Consumer receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2018	2017
Residential and sundry		
Current (0 -30 days)	90,197,665	86,676,082
31 - 60 days	60,677,719	76,455,140
61 - 90 days	63,363,146	80,115,986
91+ days	1,973,099,662	1,533,954,540
Meter reading estimate - Water	24,027,376	17,415,738
Meter reading estimate - Electricity	163,062,397	165,282,557
Discounting	(2,399,256)	(246,359)
Transferred to non-current receivables	(3,166,360)	(315,231)
Unallocated deposits	-	220,252
Gross balance	2,368,862,349	1,959,558,705
Less: Allowance for impairment	(1,940,280,828)	(1,507,112,695)
	428,581,521	**452,446,010**

	2018	2017
Business / commercial		
Current (0 -30 days)	106,305,332	115,676,764
31 - 60 days	25,948,832	54,000,875
61 - 90 days	20,541,494	20,152,833
91+ days	512,785,835	411,124,629
Gross balance	665,581,493	600,955,101
Less: Allowance for impairment	(281,565,263)	(253,306,382)
	384,016,230	**347,648,719**

	2018	2017
Government		
Current (0 -30 days)	30,224,357	29,984,753
31 - 60 days	18,870,756	34,703,342
61 - 90 days	20,668,001	20,245,402
91+ days	442,632,539	316,465,046
	512,395,653	**401,398,543**

	2018	2017
Total		
Current (0 -30 days)	226,727,354	232,337,599
31 - 60 days	105,497,307	165,159,357
61 - 90 days	104,572,641	120,514,221
91+ days	2,928,518,035	2,261,544,215
Meter reading estimate - Water	24,027,376	17,415,738
Meter reading estimate - Electricity	163,062,397	165,282,557
Discounting	(2,399,256)	(246,359)
Transferred to non-current receivables	(3,166,360)	(315,231)
Unallocated deposits	-	220,252
Gross balance	3,546,839,494	2,961,912,349
Less: Allowance for impairment	(2,221,846,091)	(1,760,419,077)
	1,324,993,403	**1,201,493,272**

Consumer receivables from exchange transactions pledged as security

Non of the consumer receivables from exchange transactions were pledged as security for any liabilities.

Credit quality of consumer receivables from exchange transactions

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

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

8. Consumer receivables from exchange transactions (continued)

Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 485,955,272 (2017: R 619,526,700) were past due but not impaired.

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

1 month past due	94,033,681	225,850,587
2 months past due	100,050,356	150,359,924
3 months past due	291,871,235	243,316,189

Consumer receivables from exchange transactions impaired

As of 30 June 2018, consumer receivables from exchange transactions of R 2,221,846,091 (2017: R 1,760,419,077) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	2,221,846,091	1,760,419,077

Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	1,760,419,077	1,771,967,437
Allowance for impairment	461,427,014	(11,548,360)
	2,221,846,091	**1,760,419,077**

Due to the limitations on the financial system it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.

9. VAT receivable

VAT	2,957,863	16,138,580

VAT is payable on the payment basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

Disclosure in terms of the MFMA

Opening balance	16,138,580	53,040,499
VAT Payable	(50,786,824)	(65,738,955)
VAT Claimed, not yet received	37,606,107	28,837,036
	2,957,863	**16,138,580**

10. Investments

Bank investments

Absa	1,646,362	162,721,621
Standard bank	51,618,836	-
	53,265,198	**162,721,621**

The investments are short-term fixed deposits for a period of less than 365 days which earn interest between 7.0% and 9.0%.

Fair value of the investments approximates the carrying value at 30 June 2018.

Figures in Rand		2018	2017

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		142,549	139,049
Bank balances		98,725,732	103,341,774
Short-term deposits		137,033,631	114,046,497
		235,901,912	**217,527,320**

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2017: R50,000,000).

There are no restrictions on the entity's ability to realise cash balances.

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 (if available) or historical information about counterparty default rates:

Credit rating			
Aa1		235,759,363	217,388,271

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for COID Reserve The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.	31	16,340,245	12,511,880

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

11. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Absa - Primary account - 470 000 465	12,015,461	48,057,521	40,463,260	12,015,461	48,057,521	40,463,260
Absa - Fresh Produce - 470 001 348	4,469,209	4,307,048	3,839,477	4,471,209	4,307,048	3,839,477
Absa - Direct deposits - 470 001 380	-	-	-	2,741,227	1,219,481	1,180,482
Absa - Current account - 406 653 1831*	-	1,137	-	-	1,137	-
Absa - Current account - 186 027 0184*	-	5,361,886	-	-	5,361,886	-
First National Bank - Current account - 624 019 56729*	659,524	336,848	-	659,524	336,848	-
ABSA Bank - Cheque account - 405 883 3582	67,092,738	36,794,498	271,089,053	74,971,033	42,969,184	237,918,957
ABSA Bank - Cheque account - 405 513 3721	12,597	19,947	22	12,597	19,947	22
ABSA Bank - Cheque account - 405 406 5339	292,339	45,648	264,629	300,339	51,948	261,746
ABSA Bank - Cheque account - 470 001 402	3,598,112	2,441,731	4,274,365	3,605,869	2,382,682	4,220,785
ABSA Bank - Cheque account - 405 453 0924	3,619	621	18,145	3,619	611	18,145
ABSA Bank - Cheque account - 407 820 9583	92,981	924,852	11,181,230	(426,626)	(1,344,076)	9,459,886
ABSA Bank - Cheque account - 4080522070	78,579	7,785	22,462	84,674	8,335	22,462
ABSA Bank - Cheque account - 408 052 1896	77,894	495	6,435	77,894	195	6,435
ABSA Bank - Cheque account - 932 610 2088	208,912	2,882	-	208,912	(31,304)	-
Total	**88,601,965**	**98,302,899**	**331,159,078**	**98,725,732**	**103,341,443**	**297,391,657**

* These bank accounts relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

Summary of short term deposits held

	2018	2017
Short term deposits held with ABSA	133,953,539	81,972,394
Short term deposits held with FNB	653,811	612,485
Short term deposits held with Nedbank	37,673	35,326
Short term deposits held with Standard bank	2,388,608	31,426,292
	137,033,631	**114,046,497**

12. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,566,340,435	-	1,566,340,435	1,584,411,863	-	1,584,411,863

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	1,584,411,863	(18,071,428)	1,566,340,435

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	1,493,175,000	91,236,863	1,584,411,863

Pledged as security

None of the investment property was pledged as security for any financial liability.

Investment property in the process of being constructed or developed

No investment property are in the process of being constructed or developed.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Details of valuation

The effective date of the revaluations was Saturday, 30 June 2018. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,630,620,435	-	1,630,620,435	1,631,143,799	-	1,631,143,799
Buildings	1,453,142,755	(68,834,497)	1,384,308,258	1,382,268,841	(13,489,690)	1,368,779,151
Buildings - WIP	3,791,836	-	3,791,836	52,855,504	-	52,855,504
Infrastructure - Electrical	4,082,708,693	(627,664,334)	3,455,044,359	4,040,068,302	(508,903,362)	3,531,164,940
Infrastructure - Roads and roads related	5,736,990,747	(2,285,958,546)	3,451,032,201	5,371,985,735	(1,927,817,614)	3,444,168,121
Infrastructure - Water network	2,310,493,178	(775,867,654)	1,534,625,524	2,278,911,241	(685,090,545)	1,593,820,696
Infrastructure - Water meters	106,726,979	-	106,726,979	189,466,852	(34,085,149)	155,381,703
Infrastructure - Sanitation network	3,044,008,293	(616,652,787)	2,427,355,506	2,578,698,853	(509,485,907)	2,069,212,946
Infrastructure - WIP	946,290,293	-	946,290,293	1,191,283,153	-	1,191,283,153
Community - Landfill sites and quarries	590,567,722	(418,700,277)	171,867,445	558,173,629	(393,480,890)	164,692,739
Community - Other	1,306,426,319	(485,647,942)	820,778,377	1,049,640,652	(460,976,932)	588,663,720
Community - WIP	99,682,043	-	99,682,043	93,712,520	-	93,712,520
Fleet	455,699,117	(168,129,818)	287,569,299	434,727,438	(152,685,522)	282,041,916
Other property, plant and equipment	168,414,829	(95,557,420)	72,857,409	161,193,819	(75,518,268)	85,675,551
Zoo animals	5,549,815	(726)	5,549,089	5,468,420	(678)	5,467,742
Total	**21,941,113,054**	**(5,543,014,001)**	**16,398,099,053**	**21,019,598,758**	**(4,761,534,557)**	**16,258,064,201**

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	WIP Additions & WIP Transfers	Disposals	Transfers	Revaluations/ Fair value adjustments	Depreciation	Impairments/ Impairment reversal	Total
Land	1,631,143,799	31,001	-	(64,365)	(490,000)	-	-	-	1,630,620,435
Buildings	1,368,779,151	20,475,435	50,398,480	-	-	-	(55,344,808)	-	1,384,308,258
Buildings - WIP	52,855,504	1,334,812	(50,398,480)	-	-	-	-	-	3,791,836
Infrastructure - Electrical	3,531,164,940	31,007,199	9,924,413	(15,205)	-	-	(106,880,839)	(10,156,149)	3,455,044,359
Infrastructure - Roads and roads related	3,444,168,121	109,699,032	262,660,358	(3,786,912)	-	-	(361,708,398)	-	3,451,032,201
Infrastructure - Water network	1,593,820,696	3,399,860	28,182,077	-	-	-	(90,777,109)	-	1,534,625,524
Infrastructure - Water meters	155,381,703	23,899,559	-	-	-	(48,258,754)	(24,295,529)	-	106,726,979
Infrastructure - Sanitation network	2,069,212,946	137,117,185	328,192,255	-	-	-	(107,166,880)	-	2,427,355,506
Infrastructure - WIP	1,191,283,153	423,894,002	(628,959,103)	(39,927,759)	-	-	-	-	946,290,293
Community - Landfill sites and quarries	164,692,739	32,395,358	-	-	-	-	(25,220,652)	-	171,867,445
Community - Other	588,663,720	275,553,315	21,666,893	(4,053,061)	-	-	(61,052,490)	-	820,778,377
Community - WIP	93,712,520	36,864,926	(21,666,893)	(3,088,748)	(6,139,762)	-	-	-	99,682,043
Fleet	282,041,916	28,560,126	-	(2,681,193)	-	-	(20,351,550)	-	287,569,299
Other property, plant and equipment	85,675,551	13,425,609	-	(1,105,348)	-	-	(25,134,997)	(3,406)	72,857,409
Zoo animals	5,467,742	1,039,800	-	(356,253)	-	(591,085)	(11,115)	-	5,549,089
	16,258,064,201	**1,138,697,219**	**-**	**(55,078,844)**	**(6,629,762)**	**(48,849,839)**	**(877,944,367)**	**(10,159,555)**	**16,398,099,053**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions / Transfer to Additions	Additions through transfer of functions / mergers	WIP Additions & WIP Transfers	Disposals	Transfers	Revaluations/ Fair value adjustments	Depreciation	Impairments/ Impairment reversal	Total
Land	1,553,534,077	183,985	49,906,049	-	(2,600,000)	(3,670,000)	33,789,688	-	-	1,631,143,799
Buildings	1,210,434,165	17,710,917	23,954,210	30,190,637	-	-	127,422,922	(37,227,222)	(3,706,478)	1,368,779,151
Buildings - WIP	72,539,292	10,506,849	-	(30,190,637)	-	-	-	-	-	52,855,504
Infrastructure - Electrical	3,415,517,365	145,279,337	38,714,466	65,111,455	(266,524)	-	(21,964,135)	(110,710,232)	(516,792)	3,531,164,940
Infrastructure - Road and roads related	2,580,087,860	96,918,918	876,281,552	284,129,443	(4,288,495)	-	-	(388,961,157)	-	3,444,168,121
Infrastructure - Water network	1,603,531,479	8,264,280	69,287,643	17,077,039	-	-	-	(104,339,745)	-	1,593,820,696
Infrastructure - Water meters	187,217,745	30,127,627	1,535,702	-	(29,407,583)	-	-	(34,091,788)	-	155,381,703
Infrastructure - Sanitation network	1,478,921,905	138,549,693	53,903,714	483,096,564	-	-	-	(85,258,930)	-	2,069,212,946
Infrastructure - WIP	1,349,619,429	699,573,492	-	(849,414,501)	-	(8,495,267)	-	-	-	1,191,283,153
Community - Landfill sites and quarries	169,023,595	10,559,277	14,221,556	-	-	-	(2,116,914)	(26,994,775)	-	164,692,739
Community - Other	600,849,288	4,958,505	17,168,966	30,016,521	(73,969)	-	-	(64,255,591)	-	588,663,720
Community - WIP	93,590,833	22,250,277	-	(30,016,521)	-	7,887,931	-	-	-	93,712,520
Fleet	311,234,229	1,397,150	785,471	-	(7,417,856)	(139,515)	-	(23,817,563)	-	282,041,916
Other property, plant and equipment	99,119,484	12,444,598	298,876	-	(929,985)	142,889	-	(25,383,299)	(17,012)	85,675,551
Zoo animals	5,152,691	431,810	-	-	(271,350)	-	388,178	(233,587)	-	5,467,742
	14,730,373,437	**1,199,156,715**	**1,146,058,205**	**-**	**(45,255,762)**	**(4,273,962)**	**137,519,739**	**(901,273,889)**	**(4,240,282)**	**16,258,064,201**

Pledged as security

None of the PPE has been pledged as security for any financial liability.

Assets subject to finance lease (Net carrying amount)

Fleet	45,131,451	27,173,309
Office equipment	6,341,864	8,646,852
Centlec leased PPE	189,304	999,004
	51,662,619	**36,819,165**

Figures in Rand	2018	2017

13. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Friday, 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

The valuation was performed after the following factors were taken into account:
- the useful lives and;
- the condition of the asset.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected	2018	2017
Seisa Ramabodu	-	9,932,359
The reason for the delay is due to the entity awaiting the Public Finance Management Act, (Act 1 of 1999) section 42 notice for the transfer of the facility from the Department of Public Works. The transfer was completed during the current financial year.		
Elite distribution centre	39,245,527	-
The project was delayed due to the environmental impact assessment, planning and design process taking 18 months to complete, followed by an additional 6 month delay due to land and property disputes. The civil works on the project started during July 2017 and construction is still on-going.		
	39,245,527	**9,932,359**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)	2018	2017
Project W0904 - Raceway Outfall (North Eastern Waste Water Treatment Works)	-	4,443,380
The reason for the project being halted is due to the contractor abandoning the site. The outstanding work needs to be completed before the entity can commission the asset.		
Project T1327B - Kenneth Kaunda Road	-	39,374,839
The project has been halted due to legal action taken against the contractor.		
Project T1327B - South Park Cemetery Access Road	-	22,247,472
The project has been halted due to Telkom cables that need to be relocated before the project can be completed.		
Project W1202F - Botshabelo Sanitation	11,121,285	11,121,285
The reason for the project being halted is due to the contractor abandoning the site. The outstanding work needs to be completed before the entity can commission the asset.		
	11,121,285	**77,186,976**

During the current year the Gariep Bulk Water Supply Project (W1501) was stopped as the Department of Water Affairs has taken over the project. The value of R39,897,579 has been derecognised from the carrying value of PPE.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

13. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	362,071,945	350,532,584
General expenses	62,510,990	52,174,853
	424,582,935	**402,707,437**

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Additions through transfer of functions

The additions through transfer of functions relates to the incorporation of the former Naledi Local Municipality as well as the town of Soutpan/Ikgometseng as a result of the redetermination of the boundaries of the Mangaung Metropolitan Municipality.

Refer to note 41 for further details relating to the transfer of functions.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

14. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	63,609,793	(40,823,342)	22,786,451	64,616,275	(37,577,031)	27,039,244
Servitudes	85,251,423	-	85,251,423	85,225,448	-	85,225,448
Total	**148,861,216**	**(40,823,342)**	**108,037,874**	**149,841,723**	**(37,577,031)**	**112,264,692**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	27,039,244	7,329,419	(11,582,212)	22,786,451
Servitudes	85,225,448	25,975	-	85,251,423
	112,264,692	**7,355,394**	**(11,582,212)**	**108,037,874**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	24,209,066	14,954,690	(12,124,512)	27,039,244
Servitudes	84,886,940	338,508	-	85,225,448
	109,096,006	**15,293,198**	**(12,124,512)**	**112,264,692**

Pledged as security

None of the intangible assets were pledged as security for any financial liability.

Intangible assets in the process of being constructed or developed

	2018	2017
Cumulative expenditure recognised in the carrying value of Intangible assets		
Servitudes	148,871	122,897

Intangible assets with indefinite lives

	2018	2017
Servitudes	305,707	305,707

The servitudes held by the entity are land rights that have been issued. The land held by the entity is deemed to have an indefinite useful life, including servitudes.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

15. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	279,968,687	-	279,968,687	277,768,687	-	277,768,687

Reconciliation of heritage assets 2018

	Opening balance	Transfers received	Revaluation increase/ (decrease)	Total
Heritage assets	277,768,687	490,000	1,710,000	279,968,687

Reconciliation of heritage assets 2017

	Opening balance	Additions through transfer of functions / mergers	Revaluation increase/ (decrease)	Total
Heritage assets	321,568,687	6,200,000	(50,000,000)	277,768,687

Pledged as security

None of the heritage assets has been pledged as security for any financial liability.

Heritage assets additions through transfers of functions

*The additions through transfer of functions relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

Revaluations

Heritage assets

The effective date of the revaluation was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

The valuation was performed after the following factors were taken into account:
- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

During the 2017 financial year one of the heritage assets of the entity sustained fire damage and as a result has been impaired. In determining the value of the impairment, the entity has adopted the restoration cost approach as per GRAP 21. A restoration cost of R50,000,000 (2017: R50,000,000) has been estimated by the entity's insurers.

The impairment loss calculated on the asset has been treated as a revaluation decrease and reversed against the revaluation reserve for assets carried at revalued amounts.

The revaluation amounting to R 1,710,000 was due to the reclassification of the Arthur Nathan Swimming pool from PPE to Heritage assets.

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Deemed costs

Deemed cost was determined using depreciated replacement cost.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

16. Non-current receivables

Designated at fair value		
2535 Unlisted shares - OVK Limited	35,558	32,104
Unlisted shares - OVK Limited	39,110	34,607
3685 Unlisted shares - Senwes Ltd	25,313	28,066
	99,981	**94,777**
At amortised cost		
Housing and erven selling schemes	12,438,305	12,303,413
Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years. These loans have been reclassified into one.		
Cricket stadium	8,127,615	8,741,638
The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.		
Mohokare Local Municipality	585,919	681,461
The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10% per annum.		
Kopanong Local Municipality	1,089,432	1,269,361
The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10% per annum.		
Consumer debtors - Arrangements	3,166,360	315,231
Consumer debtors with arrangements which exceed a period longer than 12 months.		
	25,407,631	23,311,104
Impairment - Housing and erven selling schemes	(12,299,959)	(12,161,352)
Impairment - Cricket stadium	(8,127,615)	(8,741,638)
	4,980,057	**2,408,114**
Total non-current receivables	**5,080,038**	**2,502,891**
Non-current assets		
Designated at fair value	99,981	94,777
At amortised cost	4,704,587	2,132,644
	4,804,568	**2,227,421**
Current assets		
At amortised cost	275,470	275,470

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

16. Non-current receivables (continued)

Financial assets at fair value

Fair values of non-current receivables measured or disclosed at fair value

Class 1	99,981	94,777
The shares were valued using quoted market prices.		

Fair value hierarchy of non-current receivables at fair value

For non-current receivables recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1		
Class 1 - Unlisted shares	99,981	94,777

Non-current receivables at amortised cost

Non-current receivables at amortised cost past due but not impaired

Other non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, none of the non-current receivables were past due but not impaired.

Non-current receivables at amortised cost impaired

As of 30 June 2018, non-current receivables of R 20,427,574 (2017: R 20,902,973) were impaired and provided for.

The ageing of these loans is as follows.

Over 3 months	20,427,574	20,902,973

Reconciliation of provision for impairment of non-current receivables at amortised cost

Impairment of Housing and erven selling schemes		
Opening balance	12,161,352	56,348,638
Provision for impairment adjustment	138,607	(44,187,286)
	12,299,959	**12,161,352**

Impairment of Cricket stadium		
Opening balance	8,741,638	9,144,198
Provision for impairment adjustment	(614,023)	(402,560)
	8,127,615	**8,741,638**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The entity does not hold any collateral as security.

None of the non-current receivables were pledges as security for any financial liability.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

17. Deferred tax

Deferred tax liability

Opening balance	(508,989,251)	(446,916,332)
Property, plant and equipment	(66,218,432)	(61,431,520)
Taxable temporary differences	(46,215)	(641,399)
Total deferred tax liability	**(575,253,898)**	**(508,989,251)**

Deferred tax asset

Opening balance	280,731,467	194,377,723
Taxable temporary differences	6,618,814	1,669,701
Prepaid expense	-	151,352
Tax losses available for set off against future taxable income	13,466,826	84,532,691
Total deferred tax asset	**300,817,107**	**280,731,467**

Deferred tax liability	(575,253,898)	(508,989,251)
Deferred tax asset	300,817,107	280,731,467
Total net deferred tax liability	**(274,436,791)**	**(228,257,784)**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(228,257,785)	(252,538,608)
Depreciable assets	(66,218,432)	(61,431,520)
Finance lease	(21,904)	6,843
Provisions	6,594,503	1,021,457
Prepaid expenses	-	151,352
Assessed loss	13,466,826	84,532,691
	(274,436,792)	**(228,257,785)**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

17. Deferred tax (continued)

Deferred tax assumptions

As at 30 June 2016 no guidance was received from SARS on the transition from a tax exempt entity to a taxable entity. Due to this, uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronunciation is made by SARS on the municipal entity's tax calculation. In the absence of a pronunciation from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax. These assumptions are set out as follows:

Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at the 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

Infrastructure assets of the municipal entity are all carried on the revaluation model as per General Recognised Accounting Standards 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax act and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax action was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets:
High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

As per the Income Tax Act, 1962 (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:
- Independent engineering information;
- The taxpayer’s own past experience with similar assets;

Based on the above and due to insufficient guidance in the Income Tax Act, 1962 (Act 58 of 1962) the option of best professional judgement in determining an accurate write off period for the Infrastructure assets was used as follows:
- For all the distribution lines and cables a 5% write off period was used
- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information they cannot fall within Section 12D of the Income Tax Act, 1962 (Act 58 of 1962) .

Section 12 of the Income Tax Act, 1962 (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset.

The wear and tear was calculated as follows:
- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%.
- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

18. Payables from exchange transactions

Accrued bonus	38,729,852	31,570,418
Accrued leave pay	145,287,214	121,356,941
Claims - Unfair dismissal	4,879,817	4,879,817
Deferred lease expenditure	13,008,695	12,704,224
Unallocated consumer and vender payments received in advance	80,234,974	81,266,228
Electricity connections	16,225,872	9,423,971
Mantsopa Local Municipality	4,598,625	5,648,432
Unallocated deposits received	-	6,240,707
Operating lease liability	22,570,818	6,001,550
Other payables - Salary related payables	68,228,171	51,397,420
Other payables - Grants	979,450	979,450
Retentions	122,342,518	138,907,258
Trade payables	951,950,202	977,834,872
	1,469,036,208	**1,448,211,288**

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 142 days (2017: 139 days).

During the financial year, the entity entered into a payment arrangement with Bloemwater for the payment of its arrear water account.

19. Payables from non-exchange transactions

Advance receipts - Taxes	260,624,523	287,446,244
Other	2,151,474	2,461,860
Deposits	770,892	670,704
	263,546,889	**290,578,808**

20. Consumer deposits

Electricity	114,471,056	115,353,089
Water	33,940,745	34,829,238
	148,411,801	**150,182,327**

Guarantees in lieu of consumer deposits amounted to R 3,768,899 (2017: R 1,806,961).

Guarantees in lieu of electricity vendor deposits amounted to R 13,723,891 (2017: R 1,348,891).

Guarantees in lieu of electricity consumer deposits amounted to R 36,645,499 (2017: R 34,408,854).

Fair value hierarchy

For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those liabilities which are measured using unadjusted quoted prices in active markets for identical liabilities.
Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 applies inputs which are not based on observable market data.

Fair values of financial liabilities measured or disclosed at fair value		
Level 1		
Electricity	114,471,056	115,353,089
Water	33,940,745	34,829,238
	148,411,801	**150,182,327**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
City of Ghent - Youth development grant	481,950	481,950
Department of telecoms and postal services grant	893,441	3,893,441
Expanded public works programme incentive grant	-	3,290,323
Integrated city development grant	-	4,040,477
Municipal Human Settlement Capacity Grant	2,000,000	-
Municipal demarcation transition grant	-	8,218,379
Neighbourhood development grant	-	35,977,178
Public transport infrastructure grant	68,064,730	4,975,669
Sports, arts and culture - Admin libraries grant	627,315	627,315
Sustainable human settlement grant	1,595,782	1,595,782
Urban settlement development grant	156,349,941	-
	230,013,159	**63,100,514**

The amounts will be recognised as revenue when conditions have been met.

Refer to note 38 for reconciliation of grants from National/Provincial Government.

22. Finance lease obligation

Finance lease obligation	33,406,083	19,902,543
Minimum lease payments due		
- within one year	16,699,657	17,294,945
- in second to fifth year inclusive	23,050,824	7,657,583
	39,750,481	24,952,528
less: future finance charges	(6,344,398)	(5,049,985)
Present value of minimum lease payments	**33,406,083**	**19,902,543**
Present value of minimum lease payments due		
- within one year	12,648,830	13,832,226
- in second to fifth year inclusive	20,757,253	6,070,317
	33,406,083	**19,902,543**
Non-current liabilities	20,757,253	6,070,317
Current liabilities	12,648,830	13,832,226
	33,406,083	**19,902,543**

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

23. Borrowings

	2018	2017
At amortised cost		
DBSA - FS1034/01	120,690,447	127,929,168
DBSA - FS1034/02	34,969,692	37,832,661
DBSA - 6100 7294	266,779,287	289,153,434
Standard Bank - Loan 33714314	248,193,557	270,309,974
ABSA - Loan	453,647,268	486,012,452
	1,124,280,251	**1,211,237,689**
Total borrowings	**1,124,280,251**	**1,211,237,689**

These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 October 2027 and the loans bear interest between 6% and 14%.

	2018	2017
Non-current liabilities		
At amortised cost	976,664,271	1,072,530,241
Current liabilities		
At amortised cost	147,615,980	138,707,448

Defaults and breaches

The following loans were in default as a result of not meeting capital repayment requirements as per the contractual arrangements.

All the loans were remedied through payment of the accrued capital and interest amounts on the 10th July 2018. There were no renegotiations of the borrowing required.

Loans	**Carrying amount as at 30 June 2018**	**Principal paid**	**Interest paid**	**Payment after 30 June 2018**
DBSA - FS1034/01	120,690,447	1,894,786	1,239,095	3,133,881
DBSA - FS1034/02	34,969,692	442,260	192,864	635,124
DBSA - 6100 7294	266,779,287	24,931,695	13,378,191	38,309,886
	422,439,426	**27,268,741**	**14,810,150**	**42,078,891**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

24. Provisions

	2018	2017
Rehabilitation of landfill sites	209,514,769	196,335,873
Rehabilitation of quarry sites	339,008,802	319,792,341
	548,523,571	**516,128,214**

Reconciliation of provisions - 2018

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	196,335,873	13,178,896	209,514,769
Rehabilitation of quarry sites	319,792,341	19,216,461	339,008,802
	516,128,214	**32,395,357**	**548,523,571**

Reconciliation of provisions - 2017

	Opening Balance	Additions through transfer of functions	Re-assessment	Total
Rehabilitation of landfill sites	203,710,648	13,175,299	(20,550,074)	196,335,873
Rehabilitation of quarry sites	317,377,880	-	2,414,461	319,792,341
	521,088,528	**13,175,299**	**(18,135,613)**	**516,128,214**

	2018	2017
Non-current liabilities	178,043,636	178,043,636
Current liabilities	370,479,935	338,084,578
	548,523,571	**516,128,214**

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2018 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 6.003% (2017: 1.66%) for the circumstances of the entity.

Landfill sites consists of:	**Restoration date:**
Botshabelo Landfill Site	2116
Northern Landfill Site	2020
Southern Landfill Site	2037
Van Stadensrus Landfill Site	2033
Wepener Landfill Site	2034
Dewetsdorp	2019
Soutpan/Ikgomotseng Landfill site	2023

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002).The provision was determined by an independent expert for the rehabilitation cost in 2017 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 6.003% (2017: 1.65%) for the circumstances of the entity.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

24. Provisions (continued)

Quarries consists of:	**Restoration date:**
Bloemfontein	
Cecelia	2018
Sunnyside	2018
Kgotsong	2018
Ipopeng	2018
Chris Hani	2018
Caleb Motsoabi	2018
N1	2018
Botshabelo	
K-Section	2018
F1-Section	2018
F2.1-Section	2018
F2.2-Section	2018
W-Section	2018
S-Section	2018
B-Section	2018
Thaba Nchu	
Seroala	2018
Thubisi	2018
Putsane	2018
Merino	2018
Rhakoi	2018
Sediba	2018
Rooibult	2018
Kgalala	2018
Baraclava 1	2018
Baraclava	2018
Bultfontein 3	2018
Modutung	2018
Talla	2018
Nogas Post	2018

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

25. Employee benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits.

None of the benefits set out below are externally funded, i.e. no dedicated assets have been set aside to meet the liabilities. Therefore no assets were valued as part of the valuation.

Post retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member’s death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the FS Joint Municipal Pension Fund or FS Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

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

	2018	2017
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	670,690,000	841,139,000
Non-current liabilities	669,869,000	839,678,000
Current liabilities	821,000	1,461,000
	670,690,000	**841,139,000**

25. Employee benefit obligations (continued)

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

	2018	2017
Opening balance	841,139,000	730,560,000
Incorporation of the former Naledi Local Municipality	-	3,679,000
Interest cost	86,479,000	67,606,000
Current service cost	35,969,000	47,351,000
Benefits paid / (expected)	(25,936,076)	(18,641,000)
Actuarial (gains) / losses	(266,960,924)	10,584,000
	670,690,000	**841,139,000**

2014	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	77,598,000	455,993,000
Interest cost	453,000	34,729,000	5,577,000	40,759,000
Current service cost	43,000	17,517,000	7,547,000	25,107,000
Benefits paid / (expected)	(381,000)	(7,566,000)	(10,444,000)	(18,391,000)
Actuarial (gains) / losses	(943,000)	54,590,000	3,130,000	56,777,000
	5,165,000	**471,672,000**	**83,408,000**	**560,245,000**

2015	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2014	5,165,000	471,672,000	83,408,000	560,245,000
Interest cost	426,000	45,955,000	6,834,000	53,215,000
Current service cost	49,000	22,228,000	8,741,000	31,018,000
Past service cost	-	24,045,000	-	24,045,000
Benefits paid / (expected)	(354,000)	(8,357,000)	(10,230,949)	(18,941,949)
Actuarial (gains) / losses	(352,000)	1,635,000	(4,399,051)	(3,116,051)
	4,934,000	**557,178,000**	**84,353,000**	**646,465,000**

2016	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2015	4,934,000	557,178,000	84,353,000	646,465,000
Interest cost	405,000	53,241,000	7,107,000	60,753,000
Current service cost	47,000	27,719,000	9,294,000	37,060,000
Benefits paid / (expected)	(322,000)	(9,138,000)	(6,578,822)	(16,038,822)
Actuarial (gains) / losses	(247,000)	(2,563,000)	5,130,822	2,320,822
	4,817,000	**626,437,000**	**99,306,000**	**730,560,000**

2017	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2016	4,817,000	626,437,000	99,306,000	730,560,000
Incorporation of the former Naledi Local Municipality	-	1,027,000	2,652,000	3,679,000
Interest cost	452,000	58,835,000	8,319,000	67,606,000
Current service cost	(1,020,000)	45,058,000	3,313,000	47,351,000
Benefits paid / (expected)	(114,000)	(10,680,000)	(7,847,000)	(18,641,000)
Actuarial (gains) / losses	(372,000)	(2,661,000)	13,617,000	10,584,000
	3,763,000	**718,016,000**	**119,360,000**	**841,139,000**

2018	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2017	3,763,000	718,016,000	119,360,000	841,139,000
Interest cost	362,000	77,211,000	8,906,000	86,479,000
Current service cost	1,118,000	17,342,000	17,509,000	35,969,000
Benefits paid / (expected)	(503,000)	(9,276,000)	(16,157,076)	(25,936,076)
Actuarial (gains) / losses	(204,000)	(260,658,000)	(6,098,924)	(266,960,924)
	4,536,000	**542,635,000**	**123,519,000**	**670,690,000**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

25. Employee benefit obligations (continued)

Estimated future contributions

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2018	4,536,000	542,635,000	123,519,000	670,690,000
Interest cost	405,000	60,528,000	10,405,000	71,338,000
Current service cost	56,000	25,740,000	12,079,000	37,875,000
Benefits paid / (expected)	(325,000)	(10,506,000)	(14,683,000)	(25,514,000)
	4,672,000	**618,397,000**	**131,320,000**	**754,389,000**

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rate - Pension fund	9.20 %	9.00 %
Discount rate - Medical aid	11.00 %	9.75 %
Discount rate - Long service award	- %	8.65 %
Expected increase in healthcare costs	8.90 %	9.26 %
Salary inflation rate - Pension fund	7.70 %	8.65 %
Salary inflation rate - Long service award	- %	8.35 %
Expected pension increases	5.70 %	6.65 %
Inflation rate - Pension	5.70 %	6.65 %
Inflation rate - Medical aid	6.90 %	7.26 %
Inflation rate - Long service awards	- %	6.35 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

The tables used in determining the pre- and post-retirement mortality were as follows:
Pre-retirement mortality: SA85-90 Light rated down 1 year
Post-retirement mortality: PA(90) rated down 1 year plus 1% future mortality improvement from 2010.

Government bond yields were used when setting the best-estimate discount rate assumption for health care cost.

The estimated discount rate health care cost was set equal to the yield on the BESA zero-coupon yield curve with a term of 19 years, the expected duration of the liability based on the current membership data, as at 30 June 2018.

Withdrawal rate assumptions:
In the absence of credible past withdrawal data for these particular schemes, the withdrawal assumptions have been set in line with those generally observed in the South African market.
The withdrawal rates vary from 13.30% to 2.90% for the age group 20 - 50 years, while the estimated withdrawal rate from 55 years is calculated at 0%.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	635,478,000	463,663,000
Effect on the aggregate of the service cost	31,617,000	20,911,000
Effect on the aggregate of the interest cost	70,994,000	51,506,000

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	670,690,000	825,686,000	723,671,000	642,594,000	557,216,000
Experience adjustments on plan liabilities	75,239,000	9,489,000	1,039,000	6,659,000	16,647,000

Figures in Rand	2018	2017

26. FRESHCO Liability

FRESHCO Liability	206,031,823	204,013,644

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 34 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

27. Land availability liability

Land availability liability	472,283,686	270,157,135

The entity has entered into an agreement with a developer to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households. The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, and the infrastructure services.

The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

28. Revaluation reserve

Opening balance	2,455,360,588	2,375,687,133
Revaluation	1,356,260	161,589,123
Reversal of revaluation	-	(71,964,132)
Realisation of revaluation reserve - through depreciation	(30,453,058)	(9,186,079)
Realisation of revaluation reserve - through derecognition of asset	-	(765,457)
	2,426,263,790	**2,455,360,588**

There are no restrictions on the distribution of the revaluation reserve.

29. Other NDR

Non-distributable reserve	60,000,000	60,000,000

In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R60,000,000 is to be held as a non-distributable reserve.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

30. Self insurance reserve

Opening balance	5,000,000	5,000,000
Contributions received	160,822	305,390
Insurance claims processed	(160,822)	(305,390)
	5,000,000	**5,000,000**

31. COID reserve

Opening balance	14,482,139	12,511,880
Contributions received	3,643,518	3,511,922
Insurance claims processed	(1,434,943)	(1,541,663)
	16,690,714	**14,482,139**

32. Revenue

Service charges	3,232,348,109	3,198,859,677
Rental of facilities and equipment	45,004,998	35,656,628
Income from agency services	2,327,162	3,844,123
Other income from exchange transactions	72,120,474	56,439,589
Interest received - investment	219,097,435	210,427,360
Dividends received	4,087	1,679
Gain on derecognition of assets	18,273,426	777,230
Property rates	1,158,216,167	974,508,658
Government grants & subsidies	1,861,384,308	1,921,825,111
Public contributions and donations	294,992,104	19,216,633
Fines, penalties and forfeits	13,094,580	46,724,504
Gain from transfer of functions between entities not under common control	-	1,178,035,393
Other transfer revenue 2	41,774,948	59,228,712
	6,958,637,798	**7,705,545,297**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3,232,348,109	3,198,859,677
Rental of facilities and equipment	45,004,998	35,656,628
Income from agency services	2,327,162	3,844,123
Other income from exchange transactions	72,120,474	56,439,589
Interest received	219,097,435	210,427,360
Dividends received	4,087	1,679
Gain on derecognition of assets	18,273,426	777,230
	3,589,175,691	**3,506,006,286**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	1,158,216,167	974,508,658
Transfer revenue		
Government grants & subsidies	1,861,384,308	1,921,825,111
Public contributions and donations	294,992,104	19,216,633
Fines, penalties and forfeits	13,094,580	46,724,504
Gain on transfer of functions between entities not under common control	-	1,178,035,393
Other transfer revenue 2	41,774,948	59,228,712
	3,369,462,107	**4,199,539,011**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

33. Service charges

Sale of electricity	1,341,627,774	1,316,270,782
Sale of electricity - Former Naledi & Soutpan*	-	20,099,376
Sale of electricity - Prepaid electricity	775,472,615	733,870,346
Free services recoverable	-	1,671,130
Sale of water	681,679,218	786,388,748
Sale of water - Former Naledi & Soutpan*	-	8,551,287
Sale of water - Prepaid water	22,998,374	7,435,337
Sewerage and sanitation charges	300,459,125	226,540,932
Sewerage and sanitation charges - Former Naledi & Soutpan*	-	5,010,816
Refuse removal	109,493,017	88,484,829
Refuse removal - Former Naledi & Soutpan*	-	3,948,377
Other service charges	617,986	587,717
	3,232,348,109	**3,198,859,677**

*The revenue from sale of water from Naledi and Soutpan relates to the transfer of function between entities not under common control. Refer to note 41 for further details.

34. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	43,657,678	34,797,782
Rental of equipment	1,347,320	506,188
Other	-	352,658
	45,004,998	**35,656,628**

35. Other income from exchange transactions

Advertising	7,397,461	3,031,352
Building plan fees	5,856,668	4,177,071
Clearance certificates	2,698,541	2,421,743
Commission - Fresh produce market	23,391,929	20,012,478
Credit control fees	2,520	3,419,064
Entrance fees	1,329,508	1,370,756
Grave plots	3,433,967	2,843,644
Insurance collection	4,423,290	2,738,555
Parking	1,325,540	1,057,695
Reimbursements	750,000	-
Removal fees	-	516,278
Sale of redundant materials	-	2,252,009
Sale of tender documents	1,868,818	919,498
Service concession revenue*	9,649,099	4,523,844
Streetlighting	-	114,479
Sundry income	3,735,590	2,932,500
Training	6,257,543	4,108,623
	72,120,474	**56,439,589**

* The service concession revenue relates to the revenue recognised from the Land availability liability. Refer to note 27 for further details.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

36. Interest and dividends received

Dividend revenue		
Unlisted financial assets	4,087	1,679
Interest revenue		
Interest charges - Consumer and other receivables from non-exchange transactions	41,774,948	59,228,712
Interest charges - Consumer and other receivables from exchange transactions	186,156,128	176,846,190
Interest charges - Non-current receivables	978,164	1,588,486
Interest on cash and cash equivalents	23,748,786	13,735,492
Interest on bank investments	6,159,677	16,987,859
Rent on land	2,193	90,575
Sale of erven	2,052,487	1,178,758
	260,872,383	**269,656,072**
	260,876,470	**269,657,751**

37. Property rates

Rates levied

Residential and business / commercial	911,212,768	690,179,624
Residential and business/commercial - Naledi & Soutpan*	-	1,036,530
Government	247,003,399	283,287,320
Government - Naledi & Soutpan*	-	5,184
	1,158,216,167	**974,508,658**

*The revenue for 2017 from property rates from Naledi and Soutpan relates to the transfer of function between entities not under common control. Refer to note 41 for further details.

Valuations

Residential	67,533,088,917	63,545,312,530
Commercial	21,633,104,283	19,658,987,083
State	13,364,844,096	9,008,844,970
Municipal	4,328,270,158	5,374,435,309
	106,859,307,454	**97,587,579,892**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 80,000 (2017: R 70,000) of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000

2018:
From 1 July 2017 the basic rates were adjusted as follows:
- R0.001750 on the value of rateable farm property
- R0.007001 on the value of rateable residential property
- R0.028757 on the value of rateable government property
- R0.028757 on the value of rateable business/commercial property
- R0.001750 on the value of public service infrastructure

2017:
From 1 July 2016 the basic rates were adjusted as follows:
- R0.001655 on the value of rateable farm property
- R0.006621 on the value of rateable residential property
- R0.027270 on the value of rateable government property
- R0.027270 on the value of rateable business/commercial property

Figures in Rand	2018	2017

38. Government grants and subsidies

	2018	2017
Operating grants		
Equitable share	630,908,000	622,989,000
Fuel levy	292,971,000	272,691,000
City of Ghent - Youth development grant	-	343,566
Financial management grant	3,645,000	3,310,000
Municipal accreditation project funding - Housing grant	-	1,312,966
Municipal Human Settlement Capacity Grant	-	3,004,513
Sports, arts and culture - Admin libraries grant	2,000,000	4,663,859
Demand side management grant	-	7,000,000
Telecoms and postal grant	-	501,393
Municipal demarcation grant	9,644,243	5,209,621
Expanded public works programme incentive grant	7,629,000	1,860,677
Public transport infrastructure and network system grant	69,121,878	168,811,751
Training and Development SETA	-	3,057,991
	1,015,919,121	**1,094,756,337**
Capital grants		
Urban settlement development grant	704,957,060	783,646,843
Integrated city development grant	13,082,067	6,871,522
Neighbourhood development grant	4,999,999	797,821
Public transport infrastructure and network systems grant	99,426,061	26,354,580
Telecoms and postal grant	3,000,000	898,008
National electrification programme grant	20,000,000	8,500,000
	845,465,187	**827,068,774**
	1,861,384,308	**1,921,825,111**

Reclassification

During the current year it was noted that the following 2 grants were incorrectly allocated as Capital grants while it should have been allocated under Operating Grants:

Public transport infrastructure grant	R151,558,904
Expanded public works programme and network systems grant	R 1,857,930

	2018	2017
Increase in Operating grants	-	153,416,834
Decrease in Capital grants	-	(153,416,834)
	-	**-**

Equitable Share

	2018	2017
Current year receipts	630,908,000	622,989,000
Conditions met - transferred to revenue	(630,908,000)	(622,989,000)
	-	**-**

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

Fuel levy

	2018	2017
Current-year receipts	292,971,000	272,691,000
Conditions met - transferred to revenue	(292,971,000)	(272,691,000)
	-	**-**

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

38. Government grants and subsidies (continued)

City of Ghent - Youth development grant

Balance unspent at beginning of year	481,950	825,516
Conditions met - transferred to revenue	-	(343,566)
	481,950	**481,950**

Conditions still to be met - remain liabilities (see note 21).

The grant is given by the City of Ghent for youth development.

Financial management grant

Current-year receipts	3,645,000	3,310,000
Conditions met - transferred to revenue	(3,645,000)	(3,310,000)
Incorporation of the former Naledi Local Municipality*	-	591,737
Surrendered to National Treasury	-	(591,737)
	-	**-**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	-	1,312,966
Conditions met - transferred to revenue	-	(1,312,966)
	-	**-**

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

Municipal human settlement capacity grant

Balance unspent at beginning of year	-	2,784,685
Current-year receipts	2,000,000	3,003,228
Conditions met - transferred to revenue	-	(3,004,513)
Surrendered to National Treasury	-	(2,783,400)
	2,000,000	**-**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

National electrification programme grant

Current-year receipts	20,000,000	8,500,000
Conditions met - transferred to revenue	(20,000,000)	(8,500,000)
Incorporation of the former Naledi Local Municipality*	-	168,000
Surrendered to National Treasury	-	(168,000)
	-	**-**

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. The grant was transferred to Centlec (SOC) Limited.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

38. Government grants and subsidies (continued)

Sports, art and culture - Admin libraries

Balance unspent at beginning of year	627,315	3,291,174
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(2,000,000)	(4,663,859)
	627,315	**627,315**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

Demand side management grant

Current-year receipts	-	7,000,000
Conditions met - transferred to revenue	-	(7,000,000)
	-	**-**

The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Department of Telecoms and Postal Services

Balance unspent at beginning of year	3,893,441	5,292,842
Conditions met - transferred to revenue	(3,000,000)	(1,399,401)
	893,441	**3,893,441**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

Municipal demarcation transition grant

Balance unspent at beginning of year	8,218,379	-
Current-year receipts	4,566,000	10,742,000
Conditions met - transferred to revenue	(9,644,243)	(5,209,621)
Incorporation of the former Naledi Local Municipality*	-	2,686,000
Surrendered to National Treasury	(3,352,983)	-
Transferred to other receivables from non-exchange transactions	212,847	-
	-	**8,218,379**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that took effect at the time of the 2016 local government elections.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

38. Government grants and subsidies (continued)

Expanded public works programme incentive grant

Balance unspent at beginning of year	3,290,323	-
Current-year receipts	7,629,000	5,151,000
Conditions met - transferred to revenue	(7,629,000)	(1,860,677)
Incorporation of the former Naledi Local Municipality*	-	369,343
Surrendered to National Treasury	(3,293,070)	(369,343)
Transferred to other receivables from non-exchange transactions	2,747	-
	-	**3,290,323**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

*The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Public transport infrastructure and network systems grant

Balance unspent at beginning of year	4,975,669	-
Current-year receipts	231,637,000	200,142,000
Conditions met - transferred to revenue	(168,547,939)	(195,166,331)
	68,064,730	**4,975,669**

Conditions still to be met - remain liabilities (see note 21).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

Urban settlement development grant

Balance unspent at beginning of year	-	58,643,843
Current-year receipts	861,307,000	725,003,000
Conditions met - transferred to revenue	(704,957,059)	(783,646,843)
	156,349,941	**-**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Integrated city development grant

Balance unspent at beginning of year	4,040,477	96,234
Current-year receipts	8,224,000	10,912,000
Conditions met - transferred to revenue	(13,082,068)	(6,871,523)
Surrendered to National Treasury	-	(96,234)
Transferred to other receivables from non-exchange transactions	817,591	-
	-	**4,040,477**

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focusing their use of available infrastructure investment and regulatory instruments.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

38. Government grants and subsidies (continued)

Neighbourhood development grant

Balance unspent at beginning of year	35,977,178	32,240,277
Current-year receipts	5,000,000	36,775,000
Conditions met - transferred to revenue	(4,773,039)	(797,822)
Surrendered to National Treasury	(36,307,908)	(32,240,277)
Transferred to other receivables from non-exchange transactions	103,769	-
	-	**35,977,178**

Conditions still to be met - remain liabilities (see note 21).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

During the current year R10,000,000 was withheld by National Treasury due to slow implementation of the projects related to the grant.

Sustainable human settlement grant

Balance unspent at beginning of year	1,595,782	1,595,782

Conditions still to be met - remain liabilities (see note 21).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Municipal systems improvement grant

Incorporation of the former Naledi Local Municipality*	-	45,483
Surrendered to National Treasury	-	(45,483)
	-	**-**

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Municipal infrastructure grant

Incorporation of the former Naledi Local Municipality*	-	3,972,915
Surrendered to National Treasury	-	(3,972,915)
	-	**-**

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro-enterprises and social institutions servicing poor communities.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Municipal Water Infrastructure - Department of Water Affairs

Incorporation of the former Naledi Local Municipality*	-	1,032,519
Surrendered to National Treasury	-	(1,032,519)
	-	**-**

The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer theses schemes to local government.

* The balance relates to the transfer of functions between entities not under common control. Refer to note 41 for further details.

Figures in Rand	2018	2017

38. Government grants and subsidies (continued)

Training and Development SETA

Current-year receipts	-	3,057,991
Conditions met - transferred to revenue	-	(3,057,991)
	-	**-**

Conditions still to be met - remain liabilities (see note 21).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

39. Public contributions and donations

Capital public contributions, donations and asset gains*	294,992,104	19,186,633
Operating public contributions and donations	-	30,000
	294,992,104	**19,216,633**

*During the current year the Dr. Petrus Molemela Stadium, formerly known as Seisa Ramabodu Stadium were officially transferred to the entity.

40. Fines, penalties and forfeits

Fines	9,141,891	45,325,423
Unclaimed deposits and stale cheques	3,952,689	1,399,081
	13,094,580	**46,724,504**

41. Transfer of functions between entities not under common control

Transfer of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan

On 6 August 2016 Mangaung Metropolitan Municipality acquired all the functions of the former Naledi Local Municipality which resulted in the entity obtaining control over Naledi Local Municipality. The transfer was effected by the local government elections which took place in the month of August 2016 and also through the Municipal Demarcation Board Circular 8/2015: Re-determination of municipal boundaries: Free State. The above resulted in the re-determination of the municipal boundaries to include those of former Naledi Local Municipality and the community of Ikgometseng/Soutpan. As a result of the acquisition the customer base of the entity including the municipal boundaries have increased significantly. It is also expecting increase the indigents for Mangaung due to the majority of the residents in the former Naledi Local Municipality being unemployed.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

	2018	2017
Current assets		
Inventories	-	8,527,643
Consumer receivables from exchange transactions - Electricity related	-	3,828,779
Consumer receivables from exchange transactions	-	61,052,913
Consumer receivables from non-exchange transactions	-	14,950,759
VAT (Payable) / Receivable	-	1,036,474
Cash and cash equivalents	-	4,362,110
Other receivables from exchange transactions	-	7,590,645
Non-current assets		
PPE - Land	-	49,906,050
PPE - Buildings	-	23,954,210
PPE - Infrastructure - Electrical	-	38,714,466
PPE - Infrastructure - Roads and roads related	-	876,281,552
PPE - Infrastructure - Water and water related	-	70,823,345
PPE - Infrastructure - Sanitation	-	53,903,714
PPE - Community - Landfill sites and quarries	-	14,221,556
PPE - Community - Other	-	17,885,696
PPE - Fleet	-	785,471
PPE - Movables	-	298,876
Heritage assets	-	6,200,000
Non-current receivables	-	115,487
Current liabilities		
Payables from exchange transactions	-	(17,948,601)
Unspent conditional grants	-	(8,865,997)
Centlec payable	-	(20,497,275)
Finance lease liability	-	(1,912)
Consumer deposits	-	(1,060,888)
Contingent liabilities assumed	-	(11,000,000)
Non-current liabilities		
Non-current financial liabilities	-	(175,382)
Employee benefit obligations	-	(3,679,000)
Provisions	-	(13,175,299)
	-	**1,178,035,392**

Contingent liabilities and contingent assets assumed or acquired in the transfer of functions

A contingent liability of R 11,000,000 has been recognised for court cases. The final outcome of the cases is expected during the 2018/19 financial year . The potential undiscounted cash flows which could arise as a result of the court case are expected to be between R 10,000,000 and R 15,000,000 and have not yet been concluded as at the end of the financial year. No reimbursements are expected against this amount.

Non-controlling interest

There is no non-controlling interest in the acquiree as the entity obtained 100% of the former Naledi Local Municipality and the town of Ikgomotseng/Soutpan.

Residual interest as part of the consideration paid

There was no consideration paid or payable for the transfer of function.

41. Transfer of functions between entities not under common control (continued)

Receivables acquired

Receivables acquired per major class are as follows, as at acquisition date:

	2017		
	Fair value of the receivables	The gross contractual amounts receivable	The best estimate at the acquisition date of the contractual cash flows not expected to be collected
Electricity	3,828,779	3,828,779	-
Water	22,057,491	22,057,491	19,462,265
Refuse removal	15,913,584	15,913,584	15,020,982
Sewerage	21,867,047	21,867,047	20,502,134
Sundries	9,389,016	9,389,016	9,349,111
Property rates	14,950,759	14,950,759	11,937,297
Total	**88,006,676**	**88,006,676**	**76,271,789**

Acquisition related costs

The acquisition related costs for the current year amounted to R 9,644,243 (2017: R 4,996,774). Refer to note 38 for details relating to the Municipal Demarcation Grant received. These costs have been expensed in the year of acquisition and are included in government grants and subsidies in statement of financial performance.

The funds for the financing of acquisition related costs were received from National Treasury with a total amount of R 4,566,000 (2017: R 13,428,000) being received and no balance (2017: R 8,431,226) unspent (Refer to note 21). A portion amounting to R 3,352,983 has been surrendered to National Treasury during the current financial year.

Revenue and surplus or deficit of Transfer of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan

Revenue of R 15,497,866 of the former Naledi Local Municipality and the community of Ikgometseng/Soutpan have been included in the entity's results in the prior year since the date of acquisition. Refer to notes 33 and 37 for further details.

Transfer of function achieved in stages

The transfer of function was not achieved in stages. The acquisition date for the transfer was 6 August 2016, following the release of the results of the municipal elections held on 3 August 2016.

Additional information

As a result of the relationship between the entity and its subsidiary, Centlec (SOC) Ltd, which operates the electricity function on behalf of the entity, all electricity related balances were transferred to Centlec (SOC) Ltd on the effective date.

Refer to note for further detail on the balances transferred.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

42. Employee related costs

Basic salaries and wages	1,182,385,903	1,011,214,561
Contributions to UIF	7,616,813	7,441,438
Contributions to pension funds	176,510,509	143,903,809
Contributions to medical aid	93,545,657	85,010,454
Defined contribution plan - Current service cost	34,233,000	46,190,000
Housing benefits and allowances	5,411,493	5,514,247
Leave pay	40,288,190	19,515,262
Long-service awards	1,736,001	1,161,449
Overtime, shift and standby allowances	178,584,865	173,783,328
Travel, motor car, accommodation, subsistence and other allowances	132,599,596	111,943,778
	1,852,912,027	**1,605,678,326**

Remuneration of Accounting Officer (Adv. TB Mea)

Annual remuneration	1,496,049	1,629,841
Car and other allowances	602,920	412,571
Contributions to UIF, Medical and Pension Funds	312,048	211,043
	2,411,017	**2,253,455**

Remuneration of the Acting Chief Financial Officer (KS Rapulungoane)

Annual Remuneration	181,335	-
Car and other allowances	33,200	-
Contributions to UIF, Medical and Pension Funds	33,676	-
	248,211	**-**

The official acted in the position of Chief Financial Officer from 26 April 2018, after the previous official resigned.

Remuneration of Chief Financial Officer (EM Mohlahlo)

Annual Remuneration	1,099,215	1,522,561
Car and other allowances	366,000	475,040
Contributions to UIF, Medical and Pension Funds	48,441	55,777
	1,513,656	**2,053,378**

The former Chief Financial Officer resigned during the financial year.

Remuneration of Executive Director - Corporate Services (DSR Nkaiseng)

Annual Remuneration	687,010	-
Car and other allowances	151,200	-
Contributions to UIF, Medical and Pension Funds	139,420	-
	977,630	**-**

The official was appointed as Executive Director - Corporate from 1 December 2017.

Remuneration of Executive Director - Corporate Services (M Ramaema)

Annual remuneration	240,809	1,457,406
Car and other allowances	336,798	259,200
Contributions to UIF, Medical and Pension Funds	52,324	283,776
	629,931	**2,000,382**

The former Executive Director - Corporate Services' contract expired on 31 August 2017.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

42. Employee related costs (continued)

Remuneration of Executive Director - Social services (MG Nkungwana)

Annual remuneration	1,398,730	229,015
Car Allowance	316,655	49,800
Contributions to UIF, Medical and Pension Funds	212,170	67,180
	1,927,555	**345,995**

The official was appointed as Executive Director - Social Services from 1 April 2017.

Remuneration of Executive Director - Social Services (E Radebe)

Annual remuneration	-	1,040,541
Car and other allowances	-	325,773
Contributions to UIF, Medical and Pension Funds	-	215,584
	-	**1,581,898**

The former Executive Director - Social Services' contract expired after which she acted in the position until 31 March 2017.

Remuneration of Executive Director - Economic and Rural Development (TA Maine)

Annual remuneration	1,348,777	311,396
Car and other allowances	626,637	77,362
Contributions to UIF, Medical and Pension Funds	316,883	89,769
	2,292,297	**478,527**

The position was vacant from May 2015, The above official acted from 7 March 2017 to 31 March 2017, thereafter the official was appointed to the position from 1 April 2017.

Remuneration of the Executive Director - Engineering (M Ndlovu)

Annual remuneration	1,370,749	132,050
Car and other allowances	259,200	90,920
Contributions to UIF, Medical and Pension Funds	179,963	2,463
	1,809,912	**225,433**

The official was appointed as Executive Director - Engineering from 1 May 2017.

Remuneration of the Executive Director - Engineering (L Ntoyi)

Annual remuneration	-	1,148,148
Car and other allowances	-	360,012
Contributions to UIF, Medical and Pension Funds	-	52,692
	-	**1,560,852**

The former Executive Director - Engineering's contract expired after which he acted in the position until 31 March 2017.

Remuneration of Executive Director - Waste and Fleet Management (S More)

Annual remuneration	1,718,169	1,218,478
Car and other allowances	255,383	541,557
Contributions to UIF, Medical and Pension Funds	21,499	19,357
	1,995,051	**1,779,392**

The official acted in the position from 1 June 2016 until 28 February 2017.
During March 2017 the official acted in the position of City Manager.
From 1 April 2017 the official was appointed as the Executive Director - Waste & Fleet Management.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

42. Employee related costs (continued)

Remuneration of Executive Director - Human Settlements and Housing (Adv MJN Phaladi)

Annual remuneration	1,370,748	132,049
Car Allowance	259,200	79,037
Contributions to UIF, Medical and Pension Funds	179,873	14,172
	1,809,821	**225,258**

The official was appointed as Executive Director - Human Settlements and Housing from 1 May 2017.

Remuneration of Executive Director - Human Settlements and Housing (M Mokoena)

Annual remuneration	-	1,155,490
Car and other allowances	-	149,400
Contributions to UIF, Medical and Pension Funds	-	303,122
	-	**1,608,012**

Remuneration of the Head of Police - (KI Kgamanyane)

Annual remuneration	611,892	-
Car and other allowances	129,600	-
Contributions to UIF, Medical and Pension Funds	96,427	-
	837,919	**-**

The official was appointed as Head of Police from 1 December 2017.

Remuneration of Acting Executive Director - Planning (MJ Kumalo)

Annual Remuneration	-	451,789
Car and Other Allowances	-	285,734
Contributions to UIF, Medical and Pension Funds	-	115,992
	-	**853,515**

The position had an official acting from 27 October 2015. The Executive Director was appointed 1 May 2017.

Remuneration of Executive Director - Planning (BS Mthembu)

Annual remuneration	1,393,374	132,050
Car and Other Allowances	259,200	90,920
Contributions to UIF, medical aid and pension fund	184,728	2,463
	1,837,302	**225,433**

The position had been vacant from April 2015, the official acted in this position during the period of 7 Mar 2017 to 31 Mar 2017. There were officials acting on the position. The above official was appointed from 1 May 2017.

Remuneration of Executive Director - Strategic Projects and Service Delivery Regulations (GM Mohlakoana)

Annual remuneration	-	2,300,913
Car and Other Allowances	-	239,400
Contributions to UIF, medical aid and pension fund	-	61,442
	-	**2,601,755**

Figures in Rand	2018	2017

43. Remuneration of councillors

Councillors allowance	42,838,086	39,448,372
Councillors pension contributions	1,632,554	1,659,245
Councillors medical aid contributions	503,721	429,200
Travel allowance	12,835,151	11,779,498
Cell phone allowance	4,405,629	2,651,155
Housing allowance	56,246	61,433
	62,271,387	**56,028,903**

In-kind benefits

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

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

The new Council was inaugurated on 18 August 2016 following the municipal elections held on 3 August 2016. The disclosure below indicates the remuneration of both the former as well as the current office bearers.

Executive Mayor

Councillors allowance	1,298,317	1,168,290
Councillors pension contributions	-	9,941
Cell phone allowance	44,400	44,120
Medical aid contributions	-	1,858
Travel allowance	-	47,459
	1,342,717	**1,271,668**

Deputy Executive Mayor

Councillors allowance	655,365	561,525
Councillors pension contributions	95,765	85,760
Cell phone allowance	44,400	40,040
Housing allowance	18,000	16,500
Medical aid contributions	17,280	15,840
Travel allowance	262,137	226,542
	1,092,947	**946,207**

Speaker

Councillors allowance	811,739	789,446
Cell phone allowance	44,400	43,949
Housing allowance	38,246	38,246
Medical aid contributions	17,280	17,280
Travel allowance	262,137	146,328
	1,173,802	**1,035,249**

Chief Whip

Councillors allowance	646,462	618,567
Councillors pension contributions	94,324	87,950
Cell phone allowance	44,400	26,400
Medical aid contributions	2,880	-
Travel allowance	246,929	232,484
	1,034,995	**965,401**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

43. Remuneration of councillors (continued)

Mayoral committee members

Councillors allowance	6,375,288	5,657,425
Councillors pension contributions	184,133	226,428
Cell phone allowance	399,600	229,919
Housing allowance	-	6,687
Medical aid contributions	102,704	94,746
Travel allowance	2,218,510	1,994,256
	9,280,235	**8,209,461**

Councillors

Councillors allowance	33,050,915	30,756,453
Councillors pension contributions	1,258,333	1,249,166
Cell phone allowance	3,828,429	2,275,902
Housing allowance	-	2,000
Medical aid contributions	363,577	299,476
Travel allowance	9,845,439	9,192,496
	48,346,693	**43,775,493**

44. Depreciation and amortisation

Property, plant and equipment	878,182,537	902,180,639
Intangible assets	11,582,213	12,124,512
	889,764,750	**914,305,151**

45. Impairment of assets

Impairments		
Property, plant and equipment The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.	58,418,306	4,223,270
Inventories An assessment of the net realisable value against cost was performed and inventory was written down.	(705,827)	(540,774)
	57,712,479	**3,682,496**

46. Finance costs

Finance leases	3,455,343	9,558,755
Non-current borrowings	120,102,756	104,364,094
Defined benefit obligation	86,479,000	67,606,000
Trade and other payables	3,250,544	7,804,317
	213,287,643	**189,333,166**

47. Debt impairment and bad debt written off

Bad debts written off	70,380,966	676,656,978
Contributions to debt impairment provision	377,196,649	(13,271,309)
	447,577,615	**663,385,669**

During the current financial year, the write off amounting to R70,380,966 related to the write off of indigent consumers' debt as at the date of registration on the indigent register.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

48. Bulk purchases

Electricity	1,429,508,907	1,452,060,931
Water	492,093,365	454,557,547
	1,921,602,272	**1,906,618,478**

49. Contracted services

Burial services	2,718,323	8,715,513
Business & advisory services	106,511,347	166,555,033
Catering services	9,030,903	6,496,938
Gardening services	5,220,013	25,422,593
Infrastructure & planning services	13,005,723	14,491,747
Integrated call centre	-	9,920,692
Internal audit fees	3,972,834	4,100,693
Legal costs	60,104,604	67,374,867
Meter management services	24,811,213	23,526,667
Other contracted services	36,172,579	40,525,735
Refuse removal	39,302,309	56,817,805
Repairs & maintenance services	368,878,446	360,237,602
Security services	99,501,663	45,056,551
Vendor commission	110,682,656	80,292,936
	879,912,613	**909,535,372**

50. Grants and subsidies paid

Grants paid		
Central agricultural society	24,545	11,852
FRESHCO	1,900,773	-
Miscellaneous grants	2,543,649	2,326,807
SPCA	-	479,512
Training	-	130,288
	4,468,967	**2,948,459**

Central Agricultural Society:
The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

FRESHCO:
On a special council meeting held on 21 September 2017, the Council resolved to pay the amount of R1,900,773 to the National Housing Finance Corporation (SOC) Ltd (NHFC) as assistance to FRESHCO in order to service their loan with NHFC.

Miscellaneous grants:
These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

SPCA - Society for the Prevention of Cruelty to Animals:
The subsidy is paid annually to the society to assist them in performing their tasks.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

51. General expenses

Animal costs	1,760,914	1,204,534
Auditors remuneration	24,013,059	24,337,628
Bank charges and commissions	14,349,803	11,679,483
Bulk SMS service	1,556,664	2,304,334
Bursaries to employees	2,322,652	1,956,240
Chemicals	10,435,923	8,115,618
Consumables	19,397,225	15,411,226
Delivery expenses	-	3,492,649
Repairs & maintenance	62,510,990	53,738,618
Electricity	2,646,686	3,338,427
Fines and penalties	777,647	-
Fuel and oil	27,564,483	24,360,792
Indigent relief - Free electricity	3,629,810	3,366,562
Insurance	19,530,190	43,428,367
Inventory losses	572,998	1,545,075
Learnerships and internships	3,645,000	3,310,000
Marketing and advertising	4,668,508	7,707,349
Motor vehicle expenses	4,899,241	5,347,892
Operating lease expenditure	32,420,720	20,283,034
Postage and courier	10,214,885	7,991,589
Printing and stationery	6,437,936	8,246,845
Remuneration of ward committees	5,517,300	2,094,687
Royalties and license fees	17,053,061	15,519,725
Skills development levy	15,622,434	13,667,169
Subscriptions and membership fees	17,450,016	15,433,893
Sundry expenses	6,839,937	4,368,679
Telephone, fax and network charges	37,688,383	22,034,581
Title deed search fees	3,485,323	4,496,991
Workmens compensation	7,506,809	-
Transport and freight	3,484,405	4,315,100
Travel and subsistence	7,836,887	8,687,481
Uniforms and protective clothing	4,187,707	5,058,490
Water research	3,015,469	2,977,470
	383,043,065	**349,820,528**

52. Fair value adjustments

Investment property - (Fair value model)	(18,071,428)	91,236,863
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	5,203	(5,607)
	(18,066,225)	**91,231,256**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

53. Taxation

Major components of the tax expense (income)

Current		
Local income tax - current period	-	-
Deferred		
Originating and reversing temporary differences	59,645,834	60,251,866
Assessed loss used	220,387,849	135,855,158
Assessed loss raised	(233,854,674)	(220,387,849)
	46,179,009	**(24,280,825)**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	440,141,883	1,155,712,262
Tax at the applicable tax rate of 28% (2017: 28%)	123,239,727	323,599,433
Tax effect of adjustments on taxable income		
Non-taxable income	(4,901,787)	(2,087,719)
Non-deductible expenses	592,302	7,051,021
Tax effect of intercompany transactions*	(72,751,233)	(352,843,560)
	46,179,009	**(24,280,825)**

*The intercompany transactions have an effect on the tax expense reconciliation due to the different tax statuses between the controlled and the controlling entity. The controlled entity, Centlec (SOC) Limited, is liable for taxation at 28%, while the controlling entity is not liable for tax. The elimination of intercompany transactions therefore has an effect on the reconciliation between the surplus/deficit and the taxable income.

Income tax was accounted for in terms of the principals set out in International Accounting Standard 12.

54. Cash generated from operations

Surplus	393,962,874	1,179,993,087
Adjustments for:		
Depreciation and amortisation	889,764,750	914,305,151
Fair value adjustments	18,066,225	(91,231,256)
Finance costs - Finance leases	3,455,343	9,558,755
Finance costs - Borrowings	120,102,756	104,364,094
Impairment loss	58,418,306	4,223,270
Movements in retirement benefit assets and liabilities	(170,449,000)	106,900,000
Movements in provisions	32,395,357	(18,135,613)
Annual charge for deferred tax	46,179,009	(24,280,844)
Operating lease	-	(97,893)
Interest received - Investments	(6,159,677)	(16,987,859)
Public contributions and donations	(294,992,104)	(19,186,633)
Gain on transfer of functions between entities not under common control	-	(1,178,035,393)
Gain/Loss on disposal of assets	36,564,370	44,385,212
Unwinding of Land availability liability	(9,649,099)	(4,523,844)
Unwinding of FRESHCO Liability	(13,829,272)	(10,544,397)
Changes in working capital:		
Inventories	(15,818,406)	(5,807,733)
Other receivables from exchange transactions	(23,331,317)	(16,691,178)
Consumer receivables from exchange transactions	(123,500,131)	(286,654,685)
Consumer receivables from non-exchange transactions	(275,275,469)	46,334,571
Other receivables from non-exchange transactions	-	4,454,092
Payables from exchange transactions	20,824,920	62,828,452
VAT	13,180,717	37,947,882
Payables from non-exchange transactions	(27,031,919)	4,379,401
Unspent conditional grants and receipts	166,912,645	(51,848,802)
	839,790,878	**795,647,837**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

55. Commitments

Authorised capital expenditure

Approved and contracted for		
• Infrastructure assets	201,434,447	413,906,573
• Other asset classes	60,663,839	86,258,682
	262,098,286	**500,165,255**

The capital expenditure will be financed from		
• Unspent conditional grants and receipts	146,419,936	63,100,514
• Own resources	115,678,350	437,064,741
	262,098,286	**500,165,255**

Commitments are disclosed exclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,467,416	1,473,945
- in second to fifth year inclusive	117,790	349,200
	1,585,206	**1,823,145**

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per annum. There are no renewal purchase options. No contingent rent is payable.

The municipal entity leases a building situated in Botshabelo from Free State Development Corporation (FDC) for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management agreed to rent from FDC for the next financial year at the end of which management will re-assess the likelihood of extending the lease further. The lease rental is escalated annually on 1 December by 10%.

The municipal entity leased a building situated in Bloemfontein from Telkom SA (SOC) Ltd for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease agreement was extended for one year from 1 November 2016 to 31 October 2017 which would remain in force on a month to month basis thereafter until termination by either party. The lease was terminated by Centlec (SOC) Ltd during the 2017/18 financial year.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	6,794,016	6,576,063
- in second to fifth year inclusive	25,649,587	23,949,221
- later than five years	26,188,660	34,683,042
	58,632,263	**65,208,326**

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 29,821,839 (2017: R 24,270,459) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

The effect of the correction of prior period error as disclosed in note .18 resulted in the adjustment of the disclosure of the minimum lease payments as follows:

As previously disclosed	61,947,097
Adjustment	3,261,229
Restated	65,208,326

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

56. Contingencies

Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,647,223	3,661,668

Contingent liabilities

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	6,167,929	4,598,193
Labour cases and employee related matters	18,000,000	13,460,002
Claims by individuals due to property damages in various incidents	1,825,000	175,000
Claims by individuals due to various incidents	110,458,287	64,074,131
Bloemwater dispute on the drought tariff charged	314,224,573	162,850,060
	450,675,789	**245,157,386**

57. Related parties

Relationships	
Accounting Officer	Adv TB Mea

Remuneration of key management

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 42 for key management and note 43 for councillors.

Non-executive directors' emoluments - Centlec (SOC) Limited

2018	Director's fees	Company contribution - UIF	Company contribution - SDL	Total
Mr. N Mokhesi (Chairperson)	404,820	1,617	4,048	410,485
Me. D Myeni (Deputy Chairperson)	269,880	1,785	2,699	274,364
Mr. KM Moroka	160,332	1,542	1,603	163,477
Me. ZC Uwah	106,888	1,069	1,069	109,026
Mr. CAK Choeu	160,332	1,603	1,603	163,538
Mr. MP Mohale	160,332	1,603	1,603	163,538
	1,262,584	**9,219**	**12,625**	**1,284,428**

2017	Director's fees	Company contribution - UIF	Company contribution - SDL	Total
Mr. N Mokhesi (Chairperson)	371,085	1,492	3,711	376,288
Me. D Myeni (Deputy Chairperson)	179,920	1,190	1,799	182,909
Mr. KM Moroka	146,971	1,417	1,470	149,858
Me. ZC Uwah	146,971	1,470	1,470	149,911
Mr. CAK Choeu	146,971	1,470	1,470	149,911
Mr. MI Seoe	66,805	668	668	68,141
Me. N Mochochoko	127,220	1,272	1,272	129,764
Mr. MP Mohale	160,332	1,603	1,603	163,538
	1,346,275	**10,582**	**13,463**	**1,370,320**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

The following prior period errors relates to the figures disclosed in the Statement of Financial Performance, Statement of Financial Position and Cashflow Statement. Also refer to disclosure notes on Commitments and Contingencies for further detail.

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

1. Prior period error - VAT apportionment

During the current year the VAT was recovered for the apportionment of the 2017 VAT. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in VAT Receivable	-	1,998,296
Statement of financial performance		
Decrease in General expenditure - Sundry expenses	-	(1,998,296)
	-	-

2. Prior period error - SARS unallocated receipt

During the current year a refund was received from SARS which related to the 2012 financial year which were never accounted for. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in VAT Receivable	-	1,847,056
Increase in Accumulated surplus	-	(1,847,056)
	-	-

3. Prior period error - Accrual not reversed

During the current year it was noted that an accrual for services in the past were not reversed when the payment was made. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Decrease in Payables from exchange transactions - Trade payables	-	2,271,822
Decrease in VAT Receivable	-	(213,891)
Increase in Accumulated surplus	-	(1,749,156)
Statement of financial performance		
Decrease in General expenses - Marketing and advertising	-	(308,775)
	-	-

4. Prior period error - VAT correction on Naledi incorporation

During the prior year the VAT was incorrectly accounted for with the incorporation of the former Naledi Local Municipality. The effect of the restatement is as follows:

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

5. Prior period error - Naledi accruals

During the prior year the errors were made with the accruals of the former Naledi Local Municipality related expenditure. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(3,105,881)
Increase in VAT Receivable	-	397,300
Statement of financial performance		
Increase in General expenses - Audit fees	-	2,837,855
Increase in the Gain from transfer of functions between entities not under common control	-	(129,274)
	-	-

6. Prior period error - Naledi PAYE and VAT payment not posted

With the incorporation of the former Naledi Local Municipality a balance related to SARS for PAYE and VAT were incorporated. The balance was paid subsequently, but not accounted for against the account payable. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cash and cash equivalents	-	(390,907)
Decrease in Payables from exchange transactions - Trade payables	-	180,141
Increase in Other receivables from exchange transactions	-	57,849
Statement of financial performance		
Increase in General expenditure	-	57,432
Increase in Finance costs	-	95,485
	-	-

7. Prior period error - Adjustment of 2017 CCTV camera depreciation

During the prior year the depreciation of CCTV cameras were not posted in the accounting records of the entity. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated depreciation of PPE - Community assets	-	57,172
Statement of financial performance		
Decrease in Depreciation	-	(57,172)
	-	-

8. Prior period error - Naledi Cemetery not incorporated with transfer of function

During the incorporation of the former Naledi Local Municipality, the cemetery was valued, but not recorded in the accounting records of the entity. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Community assets	-	9,862
Increase in Accumulated depreciation of PPE - Community assets	-	(2,691)
Statement of financial performance		
Increase in Gain on transfer of functions between entities not under common control	-	(9,862)
Increase in Depreciation	-	2,691
	-	-

Notes to the Consolidated Annual Financial Statements

58. Prior period errors (continued)

9. Prior period error - Equipment not derecognised

During the prior year equipment were written off, but not accounted for in the accounting records of the entity. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Decrease in Cost of PPE - Other assets	-	(105,769)
Statement of financial performance		
Increase in Loss on derecognition of assets	-	105,769
	-	-

10. Prior period error - VAT on capital accruals not accounted for

During the prior year accruals were raised without accounting for the VAT in the capital expenditure. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(3,510,648)
Increase in VAT Receivable	-	3,510,648
	-	-

11. Prior period error - Furniture disposal not accounted for

During the current year it was noted that a disposal of furniture, office and equipment items were not recorded in the accounting records. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Decrease in Cost of PPE - Other PPE	-	(1,090,838)
Increase in Accumulated depreciation of PPE - Other PPE	-	(80,829)
Statement of financial performance		
Increase in Loss on derecognition of assets	-	1,171,667
	-	-

12. Prior period error - Duplicate investment property

During the current year it was noted that a property was duplicated in the Investment property register. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Decrease in Investment property	-	(27,000)
Decrease in Accumulated surplus	-	27,000
	-	-

13. Prior period error - Other PPE Corrections

Differences were noted between the Other PPE asset register and the TB due to transactions not recorded. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Cost of PPE - Other assets	-	71,086
Decrease in VAT Receivable	-	(993)
Increase in Accumulated depreciation of PPE - Other PPE	-	(1,497)
Statement of financial performance		
Increase in Depreciation	-	1,547
Increase in Loss on derecognition of assets and liabilities	-	1,847
Decrease in Contracted services - Repairs and maintenance	-	(71,990)
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

14. Prior period error - Fleet written off

During the prior year fleet were written off, but not accounted for in the accounting records of the entity. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Fleet	-	(4,047,398)
Decrease in Accumulated depreciation of PPE - Fleet	-	1,799,548
Decrease in Accumulated surplus	-	304,477
Statement of financial performance		
Decrease in Depreciation	-	(73,746)
Increase in Loss on derecognition of assets	-	2,017,119
	-	-

15. Prior period error - Loss on disposal of land

During the prior year the loss on disposal of land was posted without taking into account the amount that the land was disposed for. The sales price was already received in the 2016 financial year, and incorrectly recorded as revenue in 2016. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated surplus - opening balance	-	1,537,215
Increase in Accumulated surplus - 2017 movement	-	(765,457)
Statement of financial performance		
Decrease in Loss on derecognition of assets	-	(771,758)
	-	-

16. Prior period error - Expenditure not accrued

During the current year it was noted that expenditure related to waste and fleet management were not accrued for during the prior year. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(21,869,580)
Increase in VAT Receivable	-	1,259,457
Statement of financial performance		
Increase in General expenditure - Hire	-	1,252,000
Increase in Contacted services - Refuse removal	-	19,358,123
	-	-

17. Prior period error - Rental stock expenditure

During the year it was noted that expenditure related to maintaining rental stock were incorrectly included in the WIP register. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Buildings WIP	-	(6,185,482)
Statement of financial position		
Increase in Contracted services - Other contracted services	-	6,185,482
	-	-

18. Prior period error - Deferred Lease

During the current year it was noted that contracts' period were incorrectly accounted for as well as the duplication of some contracts while performing the deferred lease calculation. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Deferred lease accrual	-	(188,467)
Statement of financial performance		
Decrease in Rental of facilities and equipment	-	188,467
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

19. Prior period error - Unit rate

During the current year it was noted that an incorrect unit rate escalation resulted in a difference in pro rata split in cost and depreciation for additions. The effect of the correction is as follows:

Statement of financial position		
Increase in Cost of PPE - Water	-	6,853
Decrease in Cost of PPE - Sanitation	-	(6,853)
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(83,103)
Decrease in Accumulated depreciation of PPE - Community assets	-	6,198
Decrease in Accumulated depreciation of PPE - Landfill sites and quarries	-	1,257
Decrease in Accumulated depreciation of PPE - Sanitation	-	71,872
Decrease in Accumulated depreciation of PPE - Water	-	1,142
Statement of financial performance		
Increase in Depreciation	-	2,634
	-	-

20. Prior period error - Duplicate pipe

During the year it was noted that some pipes within the water network were duplicated on the asset register and corrected. The effect of the correction is as follows:

Statement of financial position		
Decrease in Cost of PPE - Water	-	(5,274,549)
Decrease in Accumulated depreciation	-	787,840
Decrease in Accumulated surplus	-	4,588,939
Statement of financial performance		
Decrease in Depreciation	-	(102,230)
	-	-

21. Prior period error - Bank reconciliation not cleared

During the prior year items on the bank reconciliation were not appropriately classified. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cash and cash equivalents	-	(13,856,255)
Increase in Other receivables from exchange transactions - Overpayments of contractors	-	13,456,255
Statement of financial performance		
Increase in General expenses - Insurance claims	-	400,000
	-	-

22. Prior period error - Sanitation W1119

During the current year it was noted that expedniture included in WIP should have been capitalised. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Infrastructure WIP	-	(228,143)
Increase in Cost of PPE - Sanitation	-	228,143
Increase in Accumulated depreciation of PPE - Sanitation	-	(11,453)
Statement of financial performance		
Increase in Depreciation	-	11,453
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

23. Prior period error - Costs incorrectly capitalised

Due to the incorrect categorisation of project costs, costs were incorrectly capitalised as part of a project. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Sanitation	-	(12,023,584)
Increase in Cost of PPE - Infrastructure WIP	-	12,023,584
Decrease in Accumulated depreciation - Sanitation	-	129,679
Statement of financial performance		
Decrease in Depreciation	-	(129,679)
	-	-

24. Prior period error - Change in useful lives of parks and cemeteries

Statement of financial position		
Decrease in Accumulated depreciation of PPE - Community assets - Cemeteries	-	519,508
Decrease in Accumulated depreciation of PPE - Community assets - Parks	-	10,176
Increase in Accumulated surplus	-	(353,123)
Statement of financial performance		
Decrease in Depreciation	-	(176,561)
	-	-

25. Prior period error - Reclassification of WIP

During the current year it was noted that the classification of projects within WIP for Community assets and Infrastructure were incorrect. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Community assets WIP	-	5,657,309
Decrease in Cost of PPE - Infrastructure WIP	-	(8,927,091)
Increase in Cost of PPE - Buildings WIP	-	3,269,782
	-	-

26. Prior period error - Errors on swimming pools

During the current year it was noted that projects related to swimming pools were incorrectly accounted for. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community assets	-	(241,728)
Increase in Accumulated depreciation of PPE - Community assets	-	(675,889)
Statement of financial performance		
Increase in Depreciation	-	675,889
Decrease in Gain on derecognition of assets	-	(475,001)
Increase in Loss on derecognition of assets	-	716,729
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

27. Prior period error - Retention not accrued or capitalised

Retentions for projects were not appropriately accrued and capitalised with a project. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Retentions	-	(34,571)
Increase in VAT Receivable	-	3,782
Increase in Cost of PPE - Community assets	-	30,789
Increase in Accumulated depreciation	-	(1,100)
Decrease in Accumulated surplus	-	961
Statement of financial performance		
Increase in Depreciation	-	139
	-	-

28. Prior period error - Project costs included in WIP not capitalised

During the current year errors were noted with the accounting for WIP. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community WIP	-	(2,160,136)
Increase in Cost of PPE - Community assets	-	2,160,136
Increase in Accumulated depreciation - Community assets	-	(116,838)
Statement of financial performance		
Increase in Depreciation	-	116,838
	-	-

29. Prior period error - Capex costs not accrued

Capital expenditure were not accrued and capitalised in the prior year. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(1,058,580)
Increase in VAT Receivable	-	133,077
Increase in Cost of PPE - Roads and roads related	-	925,503
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(1,616)
Statement of financial performance		
Increase in Depreciation	-	1,616
	-	-

30. Prior period error - Project T1420 not capitalised

During the current year errors were noted with the accounting for WIP related to project T1420. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(944,113)
Increase in Payables from exchange transactions - Retentions	-	(11,563)
Increase in VAT Receivable	-	115,944
Decrease in Cost of PPE - Infrastructure WIP	-	(8,767,267)
Increase in Cost of PPE - Roads and roads related	-	9,606,999
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(13,138)
Statement of financial performance		
Increase in Depreciation	-	13,138
	-	-

Figures in Rand	2018	2017

58. Prior period errors (continued)

31. Prior period error - Project W1107 expenses incorrectly capitalised

During the current year errors were noted with the accounting for WIP related to project W1107. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Water	-	(3,208,647)
Increase in Accumulated depreciation - Water	-	(1,065)
Statement of financial performance		
Increase in Depreciation	-	1,065
Increase in Contracted services - Repairs and maintenance	-	3,208,647
	-	-

32. Prior period error - SOLAR Posting Error

During the prior year a processing error was noted on the Solar system. The effect of the correction is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Retentions	-	15,968,026
Decrease in VAT Receivable	-	(1,786,831)
Decrease in Cost of PPE - Infrastructure WIP	-	(14,181,195)
	-	-

33. Prior period error - Project W1416 G&H Errors

During the current year errors were noted with the accounting for WIP related to project W1416. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(227,271)
Increase in VAT Receivable	-	27,910
Increase in Cost of PPE - Sanitation	-	56,465,454
Decrease in Cost of PPE - Infrastructure WIP	-	(56,266,093)
Increase in Accumulated depreciation of PPE - Sanitation	-	(1,449,750)
Statement of financial performance		
Increase in Depreciation	-	1,449,750
	-	-

34. Prior period error - Project W1412A-G Errors

During the current year errors were noted with the accounting for WIP related to project W1416. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Infrastructure WIP	-	(33,253,660)
Decrease in Accumulated surplus	-	23,714,340
Statement of financial performance		
Increase in Contracted Services	-	9,539,320
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

35. Prior period error - Project W1416F Errors

During the current year errors were noted with the accounting for WIP related to project W1416. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Sanitation	-	6,415,654
Decrease in Cost of PPE - Infrastructure WIP	-	(6,415,654)
Increase in Accumulated depreciation of PPE - Sanitation	-	(476,782)
Decrease in Accumulated surplus	-	33,969
Statement of financial performance		
Increase in Depreciation	-	442,813
	-	-

36. Prior period error - W0903B

During the current year errors were noted with the accounting for WIP related to project W0903B. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Sanitation	-	(12,972,956)
Increase in Cost of PPE - Infrastructure WIP	-	12,972,956
Increase in Accumulated depreciation of PPE - Sanitation	-	(1,771,519)
Statement of financial performance		
Increase in Depreciation	-	1,771,519
	-	-

37. Prior period error - T1327A

During the current year errors were noted with the accounting for WIP related to project T1327A. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Roads and roads related	-	277,154
Decrease in Cost of PPE - Infrastructure WIP	-	(277,154)
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(351,795)
Decrease in Accumulated surplus	-	28,013
Statement of financial performance		
Increase in Depreciation	-	323,782
	-	-

38. Prior period error - W0907AB

During the current year errors were noted with the accounting for WIP related to project W0907AB. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Sanitation	-	(4,001,406)
Increase in Cost of PPE - Infrastructure WIP	-	4,001,406
Decrease in Accumulated depreciation of PPE - Sanitation	-	9,318,555
Decrease in Accumulated surplus	-	(392,425)
Statement of financial performance		
Decrease in Depreciation	-	(8,926,130)
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

39. Prior period error - W1416A(B)

During the current year errors were noted with the accounting for WIP related to project W1416A(B). The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(897,934)
Increase in VAT Receivable	-	111,701
Increase in Cost of PPE - Sanitation	-	786,233
Increase in Accumulated depreciation of PPE - Sanitation	-	(2,840,492)
Decrease in Accumulated surplus	-	737,491
Statement of financial performance		
Increase in Depreciation	-	2,103,001
	-	-

40. Prior period error - W1416E

During the current year errors were noted with the accounting for WIP related to project W1416E. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Sanitation	-	2,979,090
Decrease in Cost of PPE - Infrastructure WIP	-	(2,979,090)
Increase in Accumulated depreciation of PPE - Sanitation	-	(393,013)
Decrease in Accumulated surplus	-	28,001
Statement of financial performance		
Increase in Depreciation	-	365,012
	-	-

41. Prior period error - T1007

During the current year errors were noted with the accounting for WIP related to project T1007. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - WIP Infrastructure	-	(13,156)
Decrease in Accumulated surplus	-	13,156
	-	-

42. Prior period error - Municipal accounts revenue

During the current year it was noted that interdepartmental and municipal accounts in the name of the entity were billed for revenue. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Consumer receivables from non-exchange transactions	-	(60,998,293)
Decrease in Accumulated surplus	-	37,942,831
Statement of financial performance		
Decrease in Property rates	-	19,165,519
Decrease in Interest received from non-exchange transactions	-	3,889,943
	-	-

43. Prior period error - Derecognition of swimming pools - C483F

Swimming pools were not derecognised from the asset register. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Community assets	-	(28,284,333)
Decrease in Accumulated depreciation of PPE - Community assets	-	8,183,952
Decrease in Accumulated surplus	-	21,027,883
Statement of financial performance		
Decrease in Depreciation	-	(927,502)
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

44. Prior period error - W1106A

During the current year errors were noted with the accounting for WIP related to project W1106A. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(235,929)
Increase in VAT Receivable	-	28,974
Decrease in Cost of PPE - Infrastructure WIP	-	(27,098,279)
Increase in Cost of PPE - Water	-	27,305,234
Increase in Accumulated depreciation of PPE - Water	-	(1,304,589)
Decrease in Accumulated surplus	-	326,817
Statement of financial performance		
Increase in Depreciation	-	977,772
	-	-

45. Prior period error - T1204

During the current year errors were noted with the accounting for WIP related to project T1204. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Decrease in Cost of PPE - Infrastructure WIP	-	(109,094)
Decrease in Cost of PPE - Roads and roads related	-	(26,592)
Increase in Cost of PPE - Sanitation	-	84,020
Increase in Cost of PPE - Water	-	51,665
Decrease in Accumulated depreciation of PPE - Sanitation	-	3,305
Decrease in Accumulated depreciation of PPE - Roads	-	44,464
Increase in Accumulated depreciation - Water	-	(132)
Increase in Accumulated surplus	-	(24,075)
Statement of financial performance		
Decrease in Depreciation	-	(23,561)
	-	-

46. Prior period error - T1305

During the current year errors were noted with the accounting for WIP related to project T1305. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(2,296,045)
Increase in VAT Receivable	-	281,972
Increase in Cost of PPE - Roads and roads related	-	58,134,431
Decrease in Cost of PPE - Infrastructure WIP	-	(56,120,357)
Decrease in Accumulated depreciation of PPE - Roads	-	518,519
Decrease in Accumulated surplus	-	(55,544)
Statement of financial performance		
Increase in Depreciation	-	(462,976)
	-	-

47. Prior period error - Civic centre not on asset register

During the current year it was noted that the Civic centre within regions were not included in the asset register. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Cost of PPE - Land	-	2,048,499
Increase in Cost of PPE - Buildings	-	21,327,825
Increase in Accumulated surplus	-	(23,376,324)
	-	-

58. Prior period errors (continued)

48. Prior period error - Human Settlement land not in registers

During the current year land was identified which were not recorded on the asset registers. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Cost of PPE - Land	-	1,454,086
Increase in Inventory	-	27,723,080
Increase in Accumulated surplus	-	(21,615,954)
Statement of financial performance		
Increase in Gain from transfer of functions between entities not under common control	-	(7,561,212)
	-	-

49. Prior period error - Soutpan not incorporated

During the prior year the debtors balances were incorporated onto the sub-system of the entity, however it was not recorded on the general ledger of the entity. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Increase in Consumer receivables from non-exchange transactions - Property rates	-	1,548,980
Increase in Consumer receivables from exchange transactions - Water	-	6,452,086
Increase in Consumer receivables from exchange transactions - Sewerage	-	5,127,875
Increase in Consumer receivables from exchange transactions - Refuse	-	2,994,315
Increase in Consumer receivables from exchange transactions - Housing rental	-	25,605
Increase in Other receivables from exchange transactions - Sundry debtors	-	7,590,645
Statement of financial performance		
Increase in Gain from transfer of functions between entities not under common control	-	(23,739,506)
	-	-

50. Prior period error - Contracted payments

During the prior year expenditure were incorrectly allocated to WIP. The effect of the correction is as follows

	2018	2017
Statement of financial position		
Decrease in Cost of PPE - Community WIP	-	(122,357)
Statement of financial performance		
Increase in Contracted services - Other contractors	-	122,357
	-	-

51. Prior period error - Laboratory and Fire station

	2018	2017
Statement of financial position		
Increase in Payables from exchange transactions - Trade Payables	-	(26,650)
Increase in VAT Receivable	-	3,273
Increase in Cost of PPE - Buildings	-	65,598
Increase in Accumulated depreciation of PPE - Buildings	-	(1,946)
Accumulated surplus	-	(42,148)
Statement of financial performance		
Increase in Depreciation	-	1,873
	-	-

52. Prior period error - Realisation of Revaluation reserve

Errors were made in prior years relating to the realisation of the revaluation reserve when properties were derecognised or reclassified. The effect of the restatement is as follows:

	2018	2017
Statement of financial position		
Decrease in Accumulated surplus	-	8,806,317
Increase in Revaluation reserve	-	(8,806,317)
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

53. Prior period error - Fleet RUL

The remaining useful lives of fleet were not adjusted to the minimum useful lives. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated depreciation of PPE - Fleet	-	379,452
Increase in Accumulated surplus	-	(372,630)
Statement of financial performance		
Decrease in Depreciation	-	(6,822)
	-	-

54. Prior period error - Fleet not transferred to Other PPE in 2017

During the prior year a transfer from Fleet to Other PPE were not accounted for. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Other PPE	-	307,419
Increase in Accumulated depreciation of PPE - Other PPE	-	(167,904)
Decrease in Cost of PPE - Fleet	-	(307,419)
Decrease in Accumulated depreciation of PPE - Fleet	-	167,904
	-	-

55. Prior period error - Naledi creditors

During the year it was noted that accruals for capital projects were understated with the incorporation of the former Naledi Local Municipality. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(373,099)
Decrease in VAT Receivable	-	(9,489)
Decrease in Cost of PPE - Community assets	-	(478,472)
Decrease in Accumulated depreciation of PPE - Community assets	-	40,499
Statement of financial performance		
Decrease in Gain on transfer of function between entities not under common control	-	861,061
Decrease in Depreciation	-	(40,500)
	-	-

56. Prior period error - T1216

During the current year errors were noted with the accounting for WIP related to project T1216. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(199,500)
Increase in VAT Receivable	-	26,022
Increase in Cost of PPE - Roads and roads related	-	173,478
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(1,176,125)
Decrease in Accumulated surplus	-	121,369
Statement of financial performance		
Increase in Depreciation	-	1,054,756
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

57. Prior period error - Water meters

The water meter register were recompiled during the current year which resulted in a restatement. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Water meters	-	17,936,232
Decrease in Accumulated depreciation of PPE - Water meters	-	22,896,600
Increase in Accumulated surplus	-	(55,066,191)
Statement of financial performance		
Increase in Depreciation	-	4,088,967
Increase in Loss on derecognition of assets	-	27,935,096
Decrease in Contracted services - Other contractors	-	(20,071,809)
Decrease in Gain on transfer of functions between entities not under common control	-	2,281,105
	-	-

58. Prior period error - Spitskop private development

During the prior year the private development improvements at Spitskop were not included in the asset register. The effect of the restatement is as follows:

Statement of financial position		
Increase in Cost of PPE - Sanitation	-	544,939
Increase in Cost of PPE - Roads and roads related	-	2,029,397
Increase in Accumulated depreciation - Sanitation	-	(180)
Increase in Accumulated depreciation - Roads and roads related	-	(1,213)
Statement of financial performance		
Increase in Depreciation	-	1,393
Increase in Public contributions and donations	-	(2,574,336)
	-	-

59. Prior period error - Land availability liability

During the current year it was noted that the assets related to the land availability were note capitalised from WIP to completed projects. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Land availability liability	-	27,499,771
Decrease in Cost of PPE - Infrastructure WIP	-	(124,597,766)
Increase in Cost of PPE - Roads and roads related	-	84,399,311
Increase in Cost of PPE - Sanitation	-	11,131,097
Increase in Cost of PPE - Water	-	6,091,431
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(2,124,207)
Increase in Accumulated depreciation of PPE - Sanitation	-	(194,852)
Increase in Accumulated depreciation of PPE - Water	-	(100,024)
Statement of financial performance		
Increase in Depreciation	-	2,419,083
Increase in Other revenue - Service concession revenue	-	(4,523,844)
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

60. Prior period error - Naledi transactions post transfer

During the current year it was noted that the transactions related to the former Naledi Local Municipality after the transfer were incorrectly captured on the financial system. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Consumer receivables from non-exchange transactions - Property rates	-	(74,311)
Decrease in Consumer receivables from exchange transactions - Water	-	(34,327)
Decrease in Consumer receivables from exchange transactions - Sewerage	-	(50,948)
Decrease in Consumer receivables from exchange transactions - Refuse	-	(27,430)
Increase in Other receivables from exchange transactions - Sundry debtors	-	23,075
Decrease in VAT Receivable	-	(18,382)
Decrease in Payables from non-exchange transactions - Payments received in advance	-	173,937
Decrease in Payables from non-exchange transactions - Other	-	56,823
Statement of financial performance		
Decrease in Property rates	-	79,527
Decrease in Service charges - Sale of water	-	28,674
Decrease in Service charges - Sewerage and sanitation services	-	46,122
Decrease in Service charges - Refuse removal	-	25,769
Increase in Rental of facilities	-	(171,393)
Increase in Licences and permits	-	(1,404)
Increase in Dividends received	-	(494)
Increase in Other income from exchange transactions - Advertising	-	(300)
Increase in Other income from exchange transactions - Building plan fees	-	(279)
Increase in Other income from exchange transactions - Clearance certificates	-	(3,228)
Increase in Other income from exchange transactions - Grave plots	-	(12,320)
Increase in Other income from exchange transactions - Sundry	-	(26,192)
Increase in Other income from exchange transactions - Training	-	(12,919)
	-	-

62. Prior period error - W1416C

During the current year errors were noted with the accounting for WIP related to project W1416C. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions	-	(417,682)
Increase on Cost of PPE - Sanitation	-	417,682
Increase in Accumulated depreciation of PPE - Sanitation	-	(47,718)
Statement of financial performance		
Increase in Depreciation	-	47,718
	-	-

63. Prior period error - W1202E & W1202I

During the current year errors were noted with the accounting for WIP related to project W1202E & 1202I. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(669,016)
Increase in Payables from exchange transactions - Retentions	-	(121,040)
Increase in VAT Receivable	-	82,160
Increase in Cost of PPE - Sanitation	-	707,896
Increase in Accumulated depreciation of PPE - Sanitation	-	(118,975)
Decrease in Accumulated surplus	-	44,212
Statement of financial position		
Increase in Depreciation	-	74,763
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

58. Prior period errors (continued)

64. Prior period error - Unauthorised expenditure

During the current year it was noted that expenditure were incurred where no budgeted funds were available. No accruals were provided for these expenditure. The items have been presented to Council for consideration. Refer to note 64 for further detail. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(8,804,922)
Increase in VAT Receivable	-	780,903
Decrease in Accumulated surplus	-	1,827,594
Statement of financial performance		
Increase in Contracted services - Other contracted services	-	6,178,465
Increase in Contracted services - Gardening services	-	1,100
Increase in General expenses - Uniform and protective clothing	-	16,860
	-	-

65. Prior period error - Interest from exchange and non-exchange transactions not separately disclosed

During the current year it was noted that Interest received were not split between interest from exchange and non-exchange transactions. The effect of the restatement is as follows:

Statement of financial performance		
Decrease in Interest received	-	482,479,158
Increase in Interest received from exchange transactions	-	(419,360,503)
Increase in Interest received from non-exchange transactions	-	(63,118,655)
	-	-

66. Prior period error - VAT on Grants

During the current year it was noted that the Grants revenue recognised did not take VAT into account. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Unspent conditional grants	-	100,859,122
Statement of financial performance		
Increase in Government grants and subsidies	-	(100,859,122)
	-	-

67. Prior period error - Property, plant and equipment

After completion of the mid year and year end movable assets count it was noted that two items were incorrectly written off on the fixed assets register at 30 June 2017. The comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in Cost of PPE - Other assets	-	3,967
Statement of financial performance		
Decrease in Loss on derecognition of assets	-	(3,967)
	-	-

Notes to the Consolidated Annual Financial Statements

58. Prior period errors (continued)

68. Prior period error - Inventories

During the period under review it was noted that payments made during the 2016/17 financial year relating to a cost price adjustment on stores items were incorrectly accounted for directly against the stores. A correction was made and the comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2018	2017
Statement of financial position		
Decrease in Inventories	-	(217,533)
Statement of financial performance		
Increase in General expenditure	-	217,533
	-	-

69. Prior period error - Payables from exchange transactions

During the period under review it was noted that expenditure relating to the 2016/17 and 2015/16 financial year was incorrectly accrued for at the 2016/17 financial year end. A correction was made and the comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2018	2017
Statement of financial position		
Decrease in Payables from exchange transactions	-	1,197,393
Increase in VAT liability	-	(146,632)
Increase in Accumulated surplus	-	(550,105)
Statement of financial performance		
Decrease in General expenses	-	(500,656)
	-	-

70. Prior period error - Property, plant and equipment work in progress:

During the period under review it was noted that unused material incorrectly capatalised to infrastructure work in progress during the 2016/17 financial year was returned to stores during the 2017/18 financial year. A correction was made and the comparative statements for the 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2018	2017
Statement of financial position		
Increase in Inventories	-	19,710,880
Decrease in PPE - Infrastructure WIP	-	(19,710,880)
	-	-

71. Prior period error - Reclassifying of other receivables from exchange transactions

During the period under review it was noted that in the prior year other receivables from exchange transactions relating to training and development services rendered was incorrectly classified as consumer receivables from exchange transactions. A reclassification was done for the prior period and the comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2018	2017
Statement of financial position		
Decrease in Consumer receivables from exchange transactions	-	(1,801,284)
Increase in Other receivables from exchange transactions	-	1,801,284
	-	-

72. Prior period error - Deferred tax

During the period under review it was noted that in the prior year the deferred tax movement restatement for 2015/16 was not accounted for. A correction was made and the comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Figures in Rand	2018	2017
Statement of financial position		
Decrease in Deferred tax liability	-	16,013,481
Increase in deferred tax asset	-	50,486,257
Increase in Accumulated surplus or deficit	-	(66,499,738)
	-	-

Figures in Rand	2018	2017

58. Prior period errors (continued)

73. Prior period error - Revaluation reserve

During the period under review it was noted that the revaluation reserve was incorrectly accounted for during the 2014/15 financial year using the nett revaluation movement instead of accounting for the downward revaluation and upward revaluation of the individual assets seperately. A correction was made and the comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2018	2017
Statement of financial position		
Increase in Revaluation reserve	-	(408,654,006)
Decrease in Accumulated surplus	-	408,654,006
	-	-

74. Prior period error - Payables from exchange transactions

During the period under review it was noted that telephone and fax expenditure relating to the 2016/17 financial year was not accrued for at the 2016/17 financial year end. A correction was made and the comparative statements for 2016/17 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2018	2017
Statement of financial position		
Increase in Payables from exchange transactions	-	(127,502)
Increase in VAT Receivable	-	15,658
Statement of financial performance		
Increase in General expenditure	-	111,844
	-	-

59. Comparative figures

Statement of financial performance

With the implementation of mSCOA, the entity has to reclassify various accounts. The effect of the reclassification is as follows:

2017	**As previously reported**	**Reclassification**	**Balance after Reclassification**
Revenue			
Service charges	3,187,569,168	5,253,269	3,192,822,437
Rental of facilities and equipment	35,764,278	(90,575)	35,673,703
Income from agency services	3,844,123	-	3,844,123
Licences and permits	259,038	(259,038)	-
Gain on disposal of assets	-	302,229	302,229
Other income from exchange transactions	85,476,099	(10,499,844)	74,976,255
Interest received	272,276,682	1,270,518	273,547,200
Dividends received	-	1,185	1,185
Property rates	993,753,704	-	993,753,704
Government grants and subsidies	1,817,908,000	3,057,991	1,820,965,991
Public contributions and donations	-	3,830,867	3,830,867
Other income from non-exchange transactions	5,229,948	(5,229,948)	-
Fines	38,278,450	2,995,373	41,273,823
Gain from transfer of functions between entities not under common control	1,149,737,705	-	1,149,737,705
Total revenue	7,590,097,195	632,027	7,590,729,222
Expenditure			
Employee related costs	(1,605,678,326)	-	(1,605,678,326)
Remuneration of councillors	(56,028,903)	-	(56,028,903)
Depreciation and amortisation	(909,272,947)	-	(909,272,947)
Impairment loss / reversal of impairments	(3,682,496)	-	(3,682,496)
Finance costs	(181,763,257)	(7,416,992)	(189,180,249)
Debt impairment	(663,385,669)	-	(663,385,669)
Repairs and maintenance	(397,507,138)	335,926,792	(61,580,346)
Bulk purchases	(1,906,618,478)	-	(1,906,618,478)
Contracted services	(429,092,578)	(367,698,672)	(796,791,250)
Grants and subsidies paid	(5,810,922)	15,277,147	9,466,225
General expenses	(408,010,902)	22,374,794	(385,636,108)
Loss on disposal of assets and liabilities	(14,892,960)	904,904	(13,988,056)
Rehabilitation provision movement	16,018,699	-	16,018,699
Fair value adjustments	91,231,256	-	91,231,256
Actuarial gains/(losses)	(10,584,000)	-	(10,584,000)
Total expenditure	(6,485,078,621)	(632,027)	(6,485,710,648)
Taxation	24,280,825	-	24,280,825
Surplus (deficit) for the year	**1,129,299,399**	**-**	**1,129,299,399**

60. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	99,981	4,980,057	5,080,038
Other receivables from exchange transactions	-	137,320,681	137,320,681
Consumer receivables from exchange transactions	-	1,324,993,403	1,324,993,403
Consumer receivables from non-exchange transactions	-	540,840,543	540,840,543
Cash and cash equivalents	-	235,759,363	235,759,363
Investments	-	53,265,198	53,265,198
	99,981	**2,297,159,245**	**2,297,259,226**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	1,124,280,251	1,124,280,251
Payables from exchange transactions	-	1,285,019,142	1,285,019,142
Payables from non-exchange transactions	-	263,546,889	263,546,889
Finance lease obligation	-	33,406,083	33,406,083
Consumer deposits	148,411,801	-	148,411,801
	148,411,801	**2,706,252,365**	**2,854,664,166**

2017

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	94,777	2,408,114	2,502,891
Other receivables from exchange transactions	-	113,989,364	113,989,364
Consumer receivables from exchange transactions	-	1,201,493,272	1,201,493,272
Consumer receivables from non-exchange transactions	-	265,565,074	265,565,074
Cash and cash equivalents	-	217,388,271	217,388,271
Investments	-	162,721,621	162,721,621
	94,777	**1,963,565,716**	**1,963,660,493**

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	1,211,237,689	1,211,237,689
Payables from exchange transactions	-	1,295,283,929	1,295,283,929
Payables from non-exchange transactions	-	290,578,808	290,578,808
Finance lease obligation	-	19,902,543	19,902,543
Consumer deposits	150,182,327	-	150,182,327
	150,182,327	**2,817,002,969**	**2,967,185,296**

61. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the consolidated annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risks is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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.

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

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

The entity has defaulted on external loans, as disclosed in note 23, but did not default on payables and leave commitment payments. The entity has also entered into a payment arrangement with Bloemwater for the settlement of outstanding bulk water purchases. No renegotiation of terms were made on any other instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	147,615,980	669,931,252	306,733,019
Finance lease obligations	12,648,830	20,757,253	-
Payables from exchange transactions	1,285,019,142	-	-
Payables from non-exchange transactions	263,546,889	-	-

At 30 June 2017	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	138,707,448	602,130,115	470,400,127
Finance lease obligations	13,832,226	6,070,317	-
Payables from exchange transactions	1,295,283,929	-	-
Payables from non-exchange transactions	290,578,808	-	-

There has been no change, since the previous financial year, to the entity's exposure to liquidity risks or the manner in which it manages and measures the risks.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

61. Risk management (continued)

Credit risk

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.

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

Consumer 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. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Credit guarantee insurance is purchased when deemed to be appropriate.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on the service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

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

Financial instrument	2018	2017
Cash and cash equivalents	235,759,363	217,388,271
Investments	53,265,198	162,721,621
Consumer receivables from non-exchange transactions	540,840,543	265,565,074
Consumer receivables from exchange transactions	1,324,993,403	1,201,493,272
Other receivables from exchange transactions	137,320,681	113,989,364
Non-current receivables	5,080,038	2,502,891

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 56 for additional details.

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

Market risk

Risk from biological assets

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the entity's revenue of the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the entity's exposure to market risks or the manner in which it manages and measures the risks.

Interest rate risk

Interest rate risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:
- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity’s interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2018 and 2017, the entity’s borrowings and finance leases at variable rate were denominated in the Rand.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

61. Risk management (continued)

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position as at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The fair value of financial assets with standard terms and conditions, and are traded in an active market is determined with reference to quoted market bid prices, and asked prices respectively.

62. Going concern

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

The entity experienced the following financial difficulties as at year end:

- Not all suppliers were paid within 30 days as required by the MFMA
- The consumer debtors balance after impairment grew by 27% (2017: 25%)
- The net debtors days are at 155 days (2017: 128 days) while the net creditors repayment term are at 142 days (2017: 139 days)

These difficulties are indicative of financial decline of the entity. In order to address the decline, a financial recovery plan has been developed with the assistance from National Treasury and this plan is currently being implemented by management. The plan focuses on a number of revenue enhancement initiatives while reducing operating costs through cost containment measures.

Furthermore, the following indicators as at 30 June 2018 are supporting the going concern basis:
- The entity had accumulated surplus of R 13,369,871,944 (2017: R 15,877,826,488);
- Total assets exceed its liabilities by R 15,877,826,448 (2017: R 15,482,507,312);
- Current assets exceed current liabilities by R 318,662,292 (2017: R 46,521,206);
- The entity had an operating surplus of R 393,962,874 (2017: R 1,179,993,087) as well as a positive cash flows from operating activities of R 839,790,878 (2017: R 795,647,837)

Additionally, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 1 of 2018).

63. Events after the reporting date

None.

64. Unauthorised expenditure

	2018	2017
Opening balance	3,586,069,246	2,715,566,991
Unauthorised expenditure - current year	874,191,987	857,473,566
Unauthorised expenditure - Incorporation of the former Naledi Local Municipality*	-	75,843,689
Unauthorised expenditure - prior year	108,279,588	-
Written off by council - related to the former Naledi Local Municipality**	-	(62,815,000)
Written off by council	(108,279,588)	-
	4,460,261,233	**3,586,069,246**

* The balance relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

** The balance was written off by Council on 31 August 2017.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

64. Unauthorised expenditure (continued)

During the current year it was noted that unauthorised expenditure reported under Corporate services, related to Engineering services and Water services and were therefore re-allocated. The effect is as follows:
Decrease in unauthorised expenditure - Corporate services R48,430,123
Increase in unauthorised expenditure - Engineering services R2,202,328
Increase in unauthorised expenditure - Water services R46,227,795

Incidents regarding 2017/18

	Disciplinary steps taken / criminal proceedings		
Unauthorised expenditure related to the prior year	Written off by Council	108,279,588	-
Overspending by Executive Mayor	None	7,893,535	-
Overspending by Corporate Services	None	75,409,774	-
Overspending by Social services	None	35,105,144	-
Overspending by Engineering services	None	206,441,966	-
Overspending by Water services	None	381,138,360	-
Overspending by Waste and Fleet Management Services	None	98,697,148	-
Overspending by Human Settlement & Housing	None	43,855,269	-
Overspending by Economic & Rural Development	None	3,774,857	-
Overspending by Centlec (SOC) Limited	None	21,875,934	-
		982,471,575	**-**

Incidents regarding 2016/17

	Disciplinary steps taken / criminal proceedings		
Overspending by Engineering services	None	-	326,486,669
Overspending by Water services	None	-	171,274,442
Overspending by Miscellaneous Services	None	-	231,892,412
Overspending by Corporate services	None	-	3,543,745
Overspending by Waste and Fleet Management Services	None	-	10,826,857
Overspending by Centlec (SOC) Limited	None	-	113,449,441
		-	**857,473,566**

Incidents regarding 2015/16

	Disciplinary steps taken / criminal proceedings		
Overspending by the Office of the City Manager	None	-	58,351,818
Overspending by Engineering services	None	-	376,693,435
Overspending by Water services	None	-	68,623,507
Overspending by Waste & Fleet Management services	None	-	8,718,871
Overspending by Miscellaneous services	None	-	122,261,302
Overspending by Finance - (Capital budget)	None	-	428,285
Overspending by Human Settlements (Capital budget)	None	-	24,220,513
Overspending by Strategic Projects and Service Delivery Regulations (Capital budget)	None	-	1,535,723
		-	**660,833,454**

Notes to the Consolidated Annual Financial Statements

Figures in Rand		2018	2017

64. Unauthorised expenditure (continued)

Incidents regarding 2014/15

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	476,310,085
Overspending by Water services	None	-	16,073,144
Overspending by Miscellaneous services	None	-	494,749,304
		-	**987,132,533**

Incidents regarding 2013/14

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	335,548,820
Overspending by Water services	None	-	6,503,968
Overspending by Miscellaneous services	None	-	324,571,205
Overspending by Property rates	None	-	6,472,972
		-	**673,096,965**

Incidents regarding 2012/13

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	19,535,661

Incidents regarding 2011/12

	Disciplinary steps taken / criminal proceedings		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh Produce Market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		-	**307,256,486**

Incidents regarding 2010/11

	Disciplinary steps taken / criminal proceedings		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water services - Operating	None	-	23,353,983
Overspending by Water services - Capital	None	-	14,165,233
		-	**67,711,892**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

65. Fruitless and wasteful expenditure

Opening balance	43,761,505	29,456,573
Add: Fruitless and wasteful expenditure - current year	26,700,031	7,832,302
Add: Incorporation of the former Naledi Local Municipality*	-	6,472,630
	70,461,536	**43,761,505**

* The balance relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

65. Fruitless and wasteful expenditure (continued)

Incidents regarding 2017/18

	Disciplinary steps taken / criminal proceedings	2018	2017
Municipality			
Interest paid to Telkom SA Limited due to late payment	None	180,854	-
Interest paid to Eskom due to late payment	None	35,104	-
Interest paid to FDC due to late payment	None	1,758	-
Interest paid to UMFA due to late payment	None	336	-
Interest paid to Hi-Tech Engineering due to late payment	None	37,869	-
Interest paid to Auditor General due to late payment	None	25,465	-
Interest paid to Road Mac Surfacing due to late payment	None	173,579	-
Interest paid to Tau Pele Construction due to late payment	None	797,779	-
Interest paid to Spangenberg Zietsman due to late payment	None	151,281	-
Interest paid to L & V Attorneys due to late payment	None	41,077	-
Interest paid to Fujitsu due to late payment	None	208,401	-
Interest paid to Symington & De Kok due to late payment	None	12,004	-
Interest paid to Reder Constructiondue to late payment	None	146,453	-
Interest paid to Friday Management Solutions	None	44,100	-
Overpayments made to Oramok (Pty) Ltd	None	304,800	-
Overpayments made to Ruwacon	None	1,752,770	-
Overpayment of service provider Kgato Project	None	10,937,012	-
Overpayment of service provider Refilwe Civils	None	1,526,642	-
Overpayment of service provider Panzacode CC	None	2,153,048	-
Overpayments made to Q-Civils	None	5,754,920	-
Overpayments made to Wasserman Teerwerke	None	201,300	-
Overpayment of service provider LTE Consulting	None	1,285,545	-
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	94,778	-
Municipal entity - Centlec (SOC) Limited			
Interest on late payment of UIF,SDL,PAYE to SARS	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and expense has been submitted to council for consideration of write off.	77	-
Penalties on Workmen Compensation	Penalties on workmen compensation assessment- Legal appeal still on going	777,647	-
Interest incurred on late payment of ESKOM and TELKOM accounts	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and expense has been submitted to council for consideration of write off.	55,432	-
		26,700,031	**-**

Notes to the Consolidated Annual Financial Statements

Figures in Rand		2018	2017

65. Fruitless and wasteful expenditure (continued)

Incidents regarding 2016/17

	Disciplinary steps taken / criminal proceedings		
Municipality			
Interest paid to Telkom SA Limited due to late payment	None	-	90,757
Interest paid to Railway Safety Regulator due to late payment	None	-	18
Interest paid to Free State Municipal Pension Fund	None	-	322
Interest paid to SARS due to late payment	None	-	1,896,020
Interest paid to Q-Civils due to late payment	None	-	370,089
Interest paid to Eskom due to late payment	None	-	47,495
Interest paid to FDC due to late payment	None	-	1,646
Interest paid to UMFA due to late payment	None	-	1,256
Interest paid to LM Meyer due to case no. 2843 14	None	-	15,649
Interest paid to Joyce Nel due to case no. 40602016	None	-	2,447,910
Interest paid to Wasserman Teerwerke due to late payment	None	-	223,008
Interest paid to Altimax due to Court Order (case no. 832/17)	None	-	1,444
Interest paid to Panzacode CC due to Court Order (case no. 5926/2016)	None	-	216,779
Interest paid to Maluti Plant Hire due to Court Order (case no. 4357 and case no. 1765)	None	-	1,918,580
Interest paid to Modderrivier Kalkveld due to late payment	None	-	2,816
Interest paid to Auditor General due to late payment	None	-	31,551
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	-	176,831
Interest paid to Kgato Project Management CC due to Court Order (case no. 5430/16)	None	-	104,690
Municipal entity - Centlec (SOC) Limited			
Interest on late payment of PAYE to SARS	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and expense has been submitted to council for consideration of write off.	-	23,854
Interest incurred on late payment of ESKOM and TELKOM accounts	The interest was incurred due to technical delays on transfer of funds. No official of the entity is liable and expense has been submitted to council for consideration of write off.	-	261,587
		-	**7,832,302**

Figures in Rand	2018	2017

65. Fruitless and wasteful expenditure (continued)

Incidents regarding 2015/16

	Disciplinary steps taken / criminal proceedings		
Municipality			
Interest paid to Eskom due to late payment	None	-	127,272
Interest paid to Razzmatazz (Pty) Ltd due to late payment	None	-	11,700
Interest paid to FDC due to late payment	None	-	1,732
Interest paid to PEC Metering due to late payment	None	-	618
Interest paid to UMFA due to late payment	None	-	662
Interest paid to Telkom SA Limited due to late payment	None	-	212,973
Interest paid to Kramer, Weihmann and Joubert due to late payment	None	-	3,796
Interest and penalties paid to SARS due to late payment and under declaration of VAT	None	-	117,852
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	-	230,879
Municipal entity - Centlec (SOC) Limited			
Interest on late payment of PAYE to SARS	None	-	181,908
Interest incurred on late payment of supplier accounts - FDC	None	-	7,773
Interest incurred on late payment of supplier accounts - Other	None	-	20,506
		-	**917,671**

Incidents regarding 2014/15

	Disciplinary steps taken / criminal proceedings		
Municipality			
Interest paid to Eskom due to late payment	None	-	20,469
Interest paid to FDC due to late payment	None	-	256
Interest paid to lawyers due to late payment	None	-	5,549
Interest paid to PEC Metering due to late payment	None	-	402
Interest paid to Telkom SA Limited due to late payment	None	-	57,044
Interest paid to SARS due to late payment	None	-	45,077
Interest and penalties paid to Phethogo Consulting CC due to late payment	None	-	78,938
Interest paid to UMFA due to late payment	None	-	213
Interest and penalties paid to Merchant West (Pty) Ltd due to late payment	None	-	1,155
Municipal entity - Centlec (SOC) Limited			
Interest paid to SARS due to late payment of SDL	None	-	210
Interest paid to FDC due to late payment of rentals	None.	-	4,586
Interest paid to Eskom due to late payment	None	-	68
		-	**213,967**

Incidents regarding 2013/14

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	-	138,247
Interest paid to FDC due to late payment	None	-	783
Interest paid to Broll due to late payment	None	-	976
Interest paid to Bloemwater due to late payment	None	-	240
Interest paid to lawyers due to late payment	None	-	769
Interest paid to PEC Metering due to late payment	None	-	417
Interest paid to Dlamini & Associates due to late payment	None	-	525
Interest paid to Standard Bank of South Africa due to late payment	None	-	3,818
Interest paid to Wright Rose Innes Inc due to late payment	None	-	2,360
Interest paid to Dierehospitaal due to late payment	None	-	208
		-	**148,343**

Figures in Rand		2018	2017

65. Fruitless and wasteful expenditure (continued)

Incidents regarding 2012/13

	Disciplinary steps taken / criminal proceedings		
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	-	42,879
Interest paid to Eskom due to late payment	None	-	41,415
Interest paid to FDC due to late payment	None	-	804
Interest paid to Rossouws Attorneys due to late payment	None	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	-	57
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel	None	-	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	-	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	-	147,204
Interest paid to Bloemwater due to late payment	None	-	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	60,820
Interest paid to Telkom SA limited due to late payment	None	-	100,031
Interest paid to Lawyers due to late payment	None	-	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	375,765
		-	**798,134**

Incidents regarding 2011/12

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return.	None	-	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	-	13,816,522
Interest paid on overdue accounts	None	-	31,163
Interest paid on overdue accounts - Telkom	None	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	378,254
		-	**14,378,291**

Incidents regarding 2010/11

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return	None	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	-	171,147
		-	**7,900,281**

Incidents regarding 2009/10

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of VAT return	None	-	5,099,888

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

66. Irregular expenditure

Opening balance	416,624,071	322,514,600
Add: Irregular expenditure - current year	127,208,794	8,752,200
Add: Incorporation of the former Naledi Local Municipality*	-	85,357,271
Add: Irregular expenditure - previous year detected in the current year	9,134,935	-
	552,967,800	**416,624,071**

* The balance was transferred from the former Naledi Local Municipality with the transfer of function. Refer to note 41 for further details.

During the current year it was noted that there are uncertainties relating to the interpretation of legislation regulating the composition of the Bid Adjudication Committee. The matter is currently under investigation to determine its validity and if there is any effect on irregular expenditure.

Furthermore, there are uncertainties relating to compliance with legislation relating to the extension of contracts. The matter is also under investigation to determine its effect on irregular expenditure.

Analysis of expenditure awaiting condonation per age classification

Current year	127,208,794	8,752,200
Incorporation of the former Naledi Local Municipality	-	85,357,271
Prior years	425,759,006	322,514,600
	552,967,800	**416,624,071**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified that were in contravention of the supply chain process	None	19,536,599
Expenditure items identified were that of supply chain process that was not followed - detected 2017	None	31,254
Expenditure in contravention of section 33 of the Division of Revenue Act	None	75,579,236
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	94,778
	Disciplinary steps taken/criminal proceedings	
Municipal entity - Procurement in contravention with Supply Chain Management policy and the MFMA	None	688,605
Municipal entity - Non-compliance to Municipal Systems Act no.32 of 2000, section 56(1)(c). Employees were appointed as acting executive managers for a period that exceeds three months.	None	202,254
Municipal entity - Weakness in internal controls relating to the Supply Chain Management policy and Municipal Financial Management Act.	None	40,211,004
		136,343,730

67. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	13,300,000	12,300,000
Amount paid - current year	(13,300,000)	(12,300,000)
Previous years subscription fees (related to the former Naledi Local Municipality)*	-	1,000,000
Amount paid - previous years (related to the former Naledi Local Municipality)	-	(1,000,000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

* The subscription fees relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2018	2017

67. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	6,103,565	1,896,868
Incorporation of the former Naledi Local Municipality*	-	1,567,813
Current year regulatory audit - former Naledi Local Municipality	-	2,837,855
Current year regulatory audit - Mangaung Metropolitan Municipality	24,013,059	23,197,670
Amount paid - previous year - former Naledi Local Municipality	(2,837,855)	-
Amount paid - previous year - Mangaung Metropolitan Municipality	(3,265,711)	(1,896,868)
Amount paid - current year - Mangaung Metropolitan Municipality	(23,203,299)	(21,499,773)
	809,759	**6,103,565**

* The subscription fees relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

Also refer to prior period error note 58 for details relating to the restatement of the prior year figures.

PAYE and UIF

Opening balance	14,072,729	17,422,487
Incorporation of the former Naledi Local Municipality*	-	275,627
Current year payable	325,937,346	274,053,207
Interest and penalites - current year	-	37,938
Amount paid - Naledi incorporation	-	(390,907)
Amount paid - previous year	(14,072,729)	(17,422,487)
Amount paid - current year	(298,327,404)	(259,903,136)
	27,609,942	**14,072,729**

* The subscription fees relates to the incorporation of the former Naledi Local Municipality. Refer to note 41 for further details.

Pension and Medical Aid Deductions

Opening balance	25,521,157	24,509,706
Current year subscription / fee	419,555,899	349,731,200
Amount paid - previous year	(25,521,157)	(24,516,556)
Amount paid - current year	(390,065,287)	(324,203,193)
	29,490,612	**25,521,157**

Councillors' arrear consumer accounts

Refer to Appendix B for details regarding the councillors' arrear consumer accounts.

Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable.

The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

	Kilo Litre	**Cost per Kilo litre**	**Total loss in Rands**
2018	29,207,126	9,12	266,368,991
2017	23,872,485	9,11	217,478,344

Grants withheld

During the year, the following amount was withheld by National Treasury due to slow implementation and subsequently forfeited.

Neighbourhood Development Grant	10,000,000	-

67. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity distribution losses

In the current year the energy losses were 9.30% (2017: 10.87%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management of the municipal entity has determined that these losses are not recoverable.

	kWh - Units	Rand value	Percentage
2018	155,706,800	137,789,865	9.30%
2017	183,298,918	162,586,611	10.87%

The electricity distribution loss comprises of technical and non-technical losses. For the 2017/18 financial year the distribution losses amount to 9.30% (2017:10.87%). The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 21,764,008 kWh - units (2017: 47,102,500 kWh - units) with a Rand value of R19,259,658 (2017: R41 780 039).

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 133,942,792 kWh - units (2017: 136,196,417 kWh - units) with a Rand value of R118,530,207 (2017: R120,806,572).

68. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D1 for the comparison of actual operating expenditure versus budgeted expenditure.

69. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D2 for the comparison of actual capital expenditure versus budgeted expenditure.

70. Deviation from supply chain management regulations

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

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

Deviations 2018	**Rands**	**Number of deviations**
Emergency	602,600	7
Sole supplier	2,609,974	28
Urgent	13,617	2
Other	706,825	24
	3,933,016	**61**

Deviations 2017	**Rands**	**Number of deviations**
Emergency	847,111	9
Sole supplier	9,222,866	47
Impractical	1,336,272	10
Urgent	1,530,510	20
Other	7,153,541	272
	20,090,300	**358**

Notes to the Consolidated Annual Financial Statements

71. Budget differences

Material changes from the approved budget to the final budget

Material changes between the approved and final budget are detailed below:

Statement of financial performance:

A1 - Service charges
Unfavourable performance on Water services revenue as at mid term assessment due to lower actual billing for the period (levied at Level 1 rate) and the impact on the revenue target based on the drought level 3 tariffs.The annual target was likely not to be realised and were thus adjusted downward.

A2 - Investment revenue
Adjustment on the interest on short term investments

A3 - Transfers recognised
Transfers and grants were adjusted to appropriate unspent conditional grants from 2016/17 as well as additional grants that were received and/or allocated during the year.

A4 - Other own revenue
Rental of facilities - the downward adjustment was due to the lower actual performance as at the mid term review on rental of facilities mainly due to the lower demand for the use of municipal facilities.
Traffic fines - due to a lack of a traffic fine management system the performance of the traffic fine revenue is likely not to be realised and were therefore adjusted downwards.

A5 - Employee costs
Unfavourable variance on employee costs at the mid term review due to over expenditure on overtime and salary adjustments paid as well as the parity adjustment for former Naledi and Soutpan employees that were not provided for in the approved budget.

A6 - Materials and bulk purchases and Other materials
Unfavourable variance on these costs at the mid term review due to over expenditure on security costs and repairs and maintenance.

Statement of financial position:

B - Changes to the statement of financial position budget were made in order to align the budget statement of financial position taking into account the closing balances as per the audited consolidated annual financial statements (which became available after the finalisation of the audit) as well as changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement:

C - Changes to the cash flow statement were made due to the anticipated cash position of the entity as a result of the adjustments made to the statements of financial performance and position.

Material differences between the budget and actual amounts

71. Budget differences (continued)

Statement of financial performance:

D1 - Property rates

D2 - Service charges
Unfavourable variance due to the tariff charged (Level 1) vs the budgeted tariff (Level 3) due to change in drought conditions.

D3 - Transfers recognised (Operational and Capital)
Unfavourable variance due to slow implementation of grant funded projects.

D4 - Other own revenue

D5 - Employee costs

D6 - Debt impairment
Debt impairment has an unfavourable variance as the provision for doubtful debts was in excess of the anticipated provision.

D7 - Depreciation and asset impairment
Depreciation has an unfavourable variance as a result of the increased asset base.

D8 - Materials and bulk purchases

D9 - Transfers and grants

D10 - Other expenditure

D11 - Contributions recognised - capital and contributed assets
During the current year the Dr. Petrus Molemela Stadium, formerly known as Seisa Ramabodu Stadium were officially transferred to the entity.

72. Non-compliance to the MFMA and other legislation

During the current financial year the following non-compliance matters were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)
Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)
Goods and services with a transactions value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2018 Rand
External loans						
DBSA	103433/01	31 March 2026	37,832,662	-	2,862,970	34,969,692
DBSA	103433/02	31 March 2026	127,929,169	-	7,238,721	120,690,448
DBSA	12007885	30 June 2025	289,153,434	-	22,374,148	266,779,286
Standard Bank	33714314	30 June 2025	270,309,974	-	22,116,416	248,193,558
ABSA	23135	30 October 2026	486,012,452	-	32,365,184	453,647,268
			1,211,237,691	**-**	**86,957,439**	**1,124,280,252**

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements - Audited
Councillors' Arrear Consumer Accounts (over 90 days) for the year ended 30 June 2018

Surname and Initials	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Chaka NS	25,892	26,797	27,682	28,468	29,033	29,657	30,367	31,079	31,797	32,518	33,244	33,982
Dyosiba S	947	1,186	1,427	1,728	1,991	1,877	2,164	1,764	1,947	1,764	1,764	1,764
Ferreira T I	-	-	-	20	172	367	-	-	-	201	397	4,614
Gailele I L	3,718	2,718	1,718	1,137	492	869	1,242	1,610	1,973	2,339	2,709	3,081
Goliath E K	71,948	74,147	76,128	78,348	81,027	83,102	84,990	86,888	88,801	90,724	92,658	94,615
Khunou L M	761	766	771	776	781	785	790	795	800	-	-	-
Kotze G D P	-	-	-	-	-	-	431	859	1,293	1,728	2,167	2,617
Mabale G	7,184	7,247	7,312	10,102	10,629	11,189	12,124	12,250	12,969	13,529	15,225	15,940
Mahase M M	3,201	3,433	3,468	3,715	3,916	4,142	-	-	-	-	-	-
Makhalanyane T S	185	197	209	210	211	212	222	232	241	251	261	271
Mangcotywa Z E	-	-	-	209	539	652	1,006	779	898	727	734	710
Mapitse T K	-	-	-	21,191	21,434	21,863	22,387	22,912	23,115	23,721	24,019	24,402
Masoetsa LA	8,387	11,136	13,682	19,105	20,829	23,490	26,871	30,261	33,691	37,135	40,606	44,142
Masoeu T D	-	-	-	653	1,131	1,842	3,315	4,788	4,279	4,275	2,739	869
Matetha R	1,184	-	-	43	552	952	1,454	1,454	1,454	-	-	334
Mlamleli S M	-	-	-	759	33	-	-	-	-	-	-	-
Mogapi K T	-	-	-	210	376	166	357	-	-	-	-	-
Mohibidu P M	60,116	64,660	68,692	72,961	69,870	72,717	74,931	75,695	35,220	36,253	37,296	38,580
Mohlabane R J	26,482	26,997	27,503	28,292	28,973	29,720	30,560	31,137	31,203	31,637	32,076	37,426
Mokoakoa M I	44,379	46,570	48,701	50,768	52,561	54,565	56,067	57,576	59,101	56,067	29,900	29,900
Mokoena J I	16,182	16,187	13,050	15,368	17,455	13,073	8,241	9,054	8,327	8,589	9,403	8,459
Morake AM	-	-	-	51	803	794	1,692	798	-	-	-	-
Mononyane M B	-	-	-	-	-	4,250	4,980	5,716	6,459	206	258	315
Monyakoana N P M	1,760	2,158	2,544	2,880	3,163	3,484	3,833	4,181	4,535	4,889	5,245	5,613
Motloung M V	1,108	1,115	1,121	1,128	1,134	1,141	1,147	1,153	1,160	1,166	1,172	1,179
Motsomi T E	20,233	-	-	-	-	-	-	-	-	-	-	-
Mvuyo A	6,067	6,125	6,392	6,734	7,019	7,332	7,647	7,956	8,284	8,115	8,447	8,738
Nkhabu M L	8,249	12,269	13,815	15,471	17,741	19,422	20,170	20,857	21,593	17,669	18,403	18,949
Phalatse OP	-	-	-	109	275	464	654	846	385	580	777	969
Naile T J	571	375	178	174	129	303	-	-	-	-	-	-
Ndzuzo T	-	-	-	-	-	-	-	-	-	-	-	43
Nkoe M J	111,929	114,313	116,414	118,104	119,601	121,232	176,947	177,480	183,313	187,559	208,431	216,222
Nothnagel J	17,675	20,391	23,132	25,905	28,464	1,399	-	-	-	-	622	1,680
Petersen J E	321	353	377	132	132	132	132	132	132	132	737	1,908
Pongolo DX	4,735	5,411	6,088	6,428	6,713	7,026	7,338	7,651	7,964	8,276	8,589	8,902
Poone P P	396	396	396	400	403	406	410	413	416	420	423	426
Pretorius S	3,907	3,230	2,784	2,389	2,227	2,247	23,787	24,687	21,631	21,236	21,252	21,293
Pretorius J C	-	-	-	-	-	-	775	66	132	199	266	333
Ratsiu N A	2,725	2,790	2,855	3,261	3,525	3,821	4,112	2,112	2,112	2,173	2,394	2,673
Sebolao J E	16,896	18,594	20,607	22,517	24,165	25,981	27,704	29,626	31,276	33,172	34,939	36,773
Sefuthi N M	2,316	2,552	2,799	3,061	3,254	3,472	3,682	3,422	3,567	3,744	3,922	4,018
Seleke P L	9,044	9,208	6,160	6,238	6,314	6,365	6,416	6,466	6,517	6,568	6,618	6,669
Shounyana M M	1,903	2,862	2,964	3,434	3,815	4,245	4,820	5,396	5,978	6,563	7,152	7,753
Siyonzana M A	70	1,264	34	1,909	2,240	4,333	6,844	7,621	9,815	10,031	11,887	11,054
Snyman van Deventer E	1,130	1,813	-	72	499	751	978	1,147	1,317	1,491	1,664	978
Terblanche A P	28,052	29,234	30,426	31,871	33,198	34,569	36,004	37,423	38,851	40,290	41,740	43,099

Surname and Initials	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Thwala Z J	6,689	-	-	-	-	-	-	-	-	-	7,119	7,172
Titi L M	-	-	-	-	-	1,953	3,054	4,172	5,301	6,438	7,586	6,328
Qwema MB	162	162	162	372	539	728	919	1,112	1,307	1,503	1,700	1,899
Grand Total	**516,504**	**516,656**	**529,591**	**586,703**	**607,358**	**607,090**	**701,564**	**719,566**	**699,154**	**703,878**	**726,541**	**756,692**

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements - Audited
Councillors' Arrear Consumer Accounts (over 90 days) for the year ended 30 June 2017

Surname and Initials	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Phajane M A*	17,897	-	-	-	-	-	-	-	-	-	-	-
Minnie H*	457	-	-	-	-	-	-	-	-	-	-	-
Mbange M B*	10,633	-	-	-	-	-	-	-	-	-	-	-
Ward V W*	59,066	-	-	-	-	-	-	-	-	-	-	-
Mtshiwane K J*	133	-	-	-	-	-	-	-	-	-	-	-
Matsoetlane M J*	1,178	-	-	-	-	-	-	-	-	-	-	-
Lekgela L E*	225	-	-	-	-	-	-	-	-	-	-	-
Lala T S*	259	-	-	-	-	-	-	-	-	-	-	-
Qwema M B*	12,106	-	-	-	-	-	-	-	-	-	-	-
Fujana M D*	15	-	-	-	-	-	-	-	-	-	-	-
Nothnagel J	-	-	-	-	-	-	1,827	4,423	7,036	9,666	12,312	14,981
Naile T J	527	531	534	538	542	545	549	553	556	560	564	567
Petersen J E	14,929	13,722	12,237	10,449	9,251	8,020	6,791	5,275	3,794	2,864	1,431	1,148
Nkoe M J	79,351	80,013	80,533	81,128	80,889	81,487	82,724	93,217	94,022	94,911	95,802	107,618
Mpakathe T S	3,018	4,886	3,867	3,565	3,051	2,123	1,441	481	268	-	-	-
Titi L M	1,455	1,659	1,556	-	-	-	-	804	-	-	-	-
Masoetsa L A	-	-	-	-	-	-	-	3	-	-	2,988	5,307
Mvuyo A	6,654	6,703	5,760	5,809	5,866	5,916	5,958	5,999	6,058	6,115	6,172	5,999
Mokoena J I**	-	3,623	4,128	4,674	5,067	5,624	6,162	6,716	7,264	7,819	8,377	10,929
Mlamleli S M**	-	2,310	-	-	-	-	-	-	-	-	-	-
Sebolao J E**	-	8,970	9,026	9,350	10,544	12,275	11,903	11,986	11,479	11,134	13,172	14,923
Goliath E K**	-	119	119	119	119	119	119	119	119	119	119	119
Thwala Z J**	-	12,994	13,686	13,794	13,899	14,013	14,166	13,280	12,438	11,627	10,379	8,493
Mohlabane R J**	-	21,267	20,195	20,418	20,765	21,960	21,795	23,658	24,321	24,621	25,235	25,862
Khunou L M**	-	707	712	717	722	727	732	737	741	746	751	756
Mabale G**	-	707	712	717	722	727	732	737	742	747	752	757
Monyakoana N P M**	-	-	-	-	-	-	-	-	95	505	916	1,342
Dyosiba S	-	-	-	-	-	-	-	-	11	243	476	710
Matetha N R**	-	-	-	-	-	-	-	-	-	-	569	1,001
Snyman van Deventer E	-	-	-	-	-	-	-	-	-	-	-	448
Pretorius S**	-	70,544	70,214	70,539	69,085	63,505	15,051	12,752	10,980	9,808	8,036	4,769
Motloung M V**	-	1,037	1,044	1,050	1,057	1,063	1,070	1,076	1,083	1,089	1,096	1,102
Makhalanyane T S**	-	123	108	123	132	140	149	157	158	148	160	172
Motsomi T E**	-	16,907	17,060	16,774	16,891	17,537	18,424	18,630	18,715	19,133	19,430	19,825
Ferreira T I**	-	-	-	-	-	104	-	-	-	-	-	-
Gailele I L**	-	5,514	5,909	6,302	6,699	7,099	6,501	5,907	5,316	5,316	5,316	4,718
Grand Total	**207,903**	**252,336**	**247,400**	**246,066**	**245,301**	**242,984**	**196,094**	**206,510**	**205,196**	**207,171**	**214,053**	**231,546**

*These relate to the former Council up to 6 August 2016
** These relate to the new Council as from 6 August 2016

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements - Audited
Councillors' Arrear Consumer Accounts (over 90 days) for the year ended 30 June 2017

Surname and Initials	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Ferreira TI	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,231
Masoetsa LA	10,890	10,960	11,031	11,101	11,172	11,243	11,313	11,384	11,455	11,524	11,593	11,662
Mokoena JI	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692
Nothnagel J	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901
Petersen JE	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
Pretorius S	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911
Rasoeu LE	564	564	564	564	564	564	564	564	564	564	564	564
Sebolai JJ	463	463	463	463	463	463	463	463	463	463	463	463
Siyonzana MA	96,020	98,619	102,720	105,510	109,158	109,665	110,211	110,756	111,302	111,835	112,368	112,902
Snyman van Deventer E	454	454	454	454	454	454	454	454	454	454	454	454
Van der Merwe R	1,118	1,132	1,146	1,155	1,165	1,179	1,353	2,222	916	1,825	981	990
Grand Total	**187,884**	**190,567**	**194,753**	**197,622**	**201,351**	**201,943**	**202,733**	**204,218**	**203,529**	**205,040**	**204,798**	**204,730**

Surname and Initials	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Ferreira TI	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911	1,911
Masoetsa LA	15,973	16,096	10,168	10,240	10,312	10,384	10,457	10,529	10,601	10,673	10,745	10,817
Masoeu JD	5,528	5,528	5,528	-	-	-	-	-	-	-	-	-
Mokoena JI	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692	38,692
Nothnagel J	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901
Petersen JE	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
Pretorius S	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911	3,911
Rasoeu LE	564	564	564	564	564	564	564	564	564	564	564	564
Sebolai JJ	463	463	463	463	463	463	463	463	463	463	463	463
Siyonzana MA	59,697	63,532	68,476	71,208	74,554	77,149	79,101	82,597	84,719	87,821	90,168	92,521
Snyman van Deventer E	454	454	454	454	454	454	454	454	454	454	454	454
Van der Merwe R	845	848	853	853	856	873	967	2,175	2,795	4,051	1,089	1,100
Viviers BJ	2,602	2,245	3,003	1,851	1,837	2,022	1,582	3,075	823	2,013	1,987	1,843
Grand Total	**164,501**	**168,105**	**167,884**	**164,008**	**167,415**	**170,284**	**171,963**	**178,232**	**178,794**	**184,414**	**183,845**	**186,137**

Mangaung Metropolitan Municipality
Appendix C to the Annual Financial Statements for the year ended 30 June 2018
Unaudited

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipal Votes			
-	142,030,168	(142,030,168)	City Manager	-	125,530,491	(125,530,491)
91,580,429	200,925,900	(109,345,471)	Executive Mayor	-	216,844,738	(216,844,738)
19,299,780	371,740,279	(352,440,499)	Corporate Services	283,073,451	319,598,647	(36,525,196)
1,335,855,418	201,962,299	1,133,893,119	Finance	1,343,440,680	243,520,149	1,099,920,531
51,858,922	440,448,481	(388,589,559)	Social Services	12,569,915	491,878,999	(479,309,084)
31,341,397	115,672,863	(84,331,466)	Planning	61,460,055	94,372,684	(32,912,629)
19,414,705	115,222,170	(95,807,465)	Human Settlement	39,987,034	144,682,944	(104,695,910)
3,060,052	29,808,307	(26,748,255)	Economic and Rural Development	7,610	35,290,208	(35,282,598)
327,588,269	1,078,374,788	(750,786,519)	Engineering Services	436,074,420	990,343,834	(554,269,414)
1,019,795,982	1,006,259,242	13,536,740	Water Services	1,041,944,609	1,442,286,132	(400,341,523)
261,032,908	318,642,227	(57,609,319)	Waste and Fleet Management	298,532,031	413,270,358	(114,738,327)
1,530,000,145	607,076,784	922,923,361	Miscellaneous Services	1,743,336,036	43,204,361	1,700,131,675
-	42,918,217	(42,918,217)	Strategic Projects and Service Delivery	-	47,299,052	(47,299,052)
1,197,157,198	36,089,819	1,161,067,379	Naledi	371,645	56,065,018	(55,693,373)
2,259,784,256	2,339,659,652	(79,875,396)	CENTLEC	2,367,673,524	2,206,627,349	161,046,175
(427,528,935)	(425,248,322)	(2,280,613)	Consolidation	(449,046,092)	(85,352,928)	(363,693,164)
7,720,240,526	**6,621,582,874**	**1,098,657,652**		**7,179,424,918**	**6,785,462,036**	**393,962,882**

Mangaung Metropolitan Municipality
Appendix D(1) to the Annual Financial Statements for the year ended 30 June 2018
Unaudited

Actual versus Budget(Revenue and Expenditure) for the year ended 2018

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var
Revenue				
Service charges	3,232,348,109	3,528,633,088	(296,284,979)	(8.4)
Rental of facilities and equipment	45,004,998	-	45,004,998	-
Agency services	2,327,162	-	2,327,162	-
Gain derecognition of assets	18,273,426	-	18,273,426	-
Public contributions and donations	294,992,104	-	294,992,104	-
Interest received from non-exchange transactions	41,774,948	-	41,774,948	-
Other income from exchange transactions	72,120,474	522,444,363	(450,323,889)	(86.2)
Property rates	1,158,216,167	1,103,200,160	55,016,007	5.0
Government grants & subsidies	1,861,384,308	2,108,772,406	(247,388,098)	(11.7)
Fines, penalties and forfeits	13,094,580	-	13,094,580	-
Interest received from exchange transactions	219,095,242	24,755,276	194,339,966	785.0
Interest received - other	2,193	-	2,193	-
Dividends received	4,087	-	4,087	-
	6,958,637,798	7,287,805,293	(329,167,495)	(4.5)
Expenses				
Employee related costs	(1,852,912,027)	(1,854,049,429)	1,137,402	(0.1)
Remuneration of councillors	(62,271,387)	(60,265,915)	(2,005,472)	3.3
Depreciation	(878,182,537)	(498,652,333)	(379,530,204)	76.1
Amortisation	(11,582,213)	-	(11,582,213)	-
Impairments	(57,712,479)	-	(57,712,479)	-
Finance costs	(213,287,643)	(251,428,632)	38,140,989	(15.2)
Debt impairment and write offs	(447,577,615)	(210,832,763)	(236,744,852)	112.3
Bulk purchases	(1,921,602,272)	(1,984,758,949)	63,156,677	(3.2)
Contracted Services	(879,912,613)	-	(879,912,613)	-
Grants and Subsidies	(4,468,967)	(23,803,919)	19,334,952	(81.2)
General Expenses	(437,880,861)	(1,246,478,773)	808,597,912	(64.9)
	(6,767,390,614)	(6,130,270,713)	(637,119,901)	10.4
Other revenue and costs				
Fair value adjustments	(18,066,225)	-	(18,066,225)	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Actuarial gains/losses	266,960,924	-	266,960,924	-
Taxation	(46,179,009)	-	(46,179,009)	-
	202,715,690	-	202,715,690	-
Net surplus/ (deficit) for the year	393,962,874	1,157,534,580	(763,571,706)	(66.0)

Mangaung Metropolitan Municipality
Appendix D(2) to the Annual Financial Statements for the year ended June 2018
Audited

Budget Analysis of Capital Expenditure as at 30 June 2018

	Additions Rand	Original Budget Rand	Adjustment Budget Rand	Variance Rand	Variance %
Vote					
Office of the City Manager	79,648,041	155,086,617	177,185,134	97,537,093	**55**
Corporate Services	6,109,062	6,240,000	12,052,150	5,943,088	**49**
Finance	1,841,529	2,039,000	5,231,710	3,390,181	**65**
Social Services	18,271,753	14,481,610	44,481,610	26,209,857	**59**
Planning	15,293,158	20,563,600	37,780,514	22,487,356	**60**
Human Settlements	29,672,663	114,800,000	119,579,895	89,907,232	**75**
Economic and Rural development	14,528,206	20,824,000	25,682,068	11,153,862	**43**
Engineering Services	373,761,799	487,200,000	478,381,116	104,619,317	**22**
Water Services	70,865,130	127,954,225	172,935,939	102,070,809	**59**
Waste and Fleet Management Services	40,373,176	41,278,469	36,003,469	(4,369,707)	**(12)**
Naledi	2,206,853	17,500,000	16,104,568	13,897,715	**86**
Strategic Projects and Service Delivery	4,773,038	15,000,000	15,000,000	10,226,962	**68**
Centlec (SOC) Limited	118,986,263	116,468,682	97,110,329	(21,875,934)	**(23)**
	776,330,671	**1,139,436,203**	**1,237,528,502**	**461,197,831**	**37**

Mangaung Metropolitan Municipality
Appendix E to the Annual Financial Statements for the year ended 30 June 2018
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 - Unaudited

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable share	National	262,879,000	210,302,000	157,727,000	-	197,159,250	170,870,750	144,582,750	118,295,250	Yes
Fuel levy	National	97,657,000	97,657,000	97,657,000	-	73,242,750	73,242,750	73,242,750	73,242,750	Yes
Financial Management Grant	National	3,645,000	-	-	-	320,008	531,199	364,130	2,429,663	Yes
National Electrification Program Grant	National	11,295,000	8,705,000	-	-	88,085	4,106,999	9,038,633	4,272,663	Yes
Urban Settlment Development Grant	National	269,084,000	319,749,000	272,474,000	-	100,380,843	182,851,617	94,398,299	241,277,427	Yes
Public Transport Network Grant	National	57,909,000	57,909,000	115,819,000	-	20,016,826	46,431,503	25,991,717	56,731,001	Yes
Municipal demarcation grant	National	1,522,000	1,522,000	1,522,000	-	-	974,678	647,174	8,022,391	Yes
Integrated city development Grant	National	4,112,000	4,112,000	-	-	4,344,624	3,568,617	4,212,233	621,543	Yes
EPWP Grant	National	1,908,000	-	5,721,000	-	-	-	7,479,403	149,598	Yes
Neighborhood Development Grant	National	-	-	5,000,000	-	-	-	-	4,773,038	Yes
Department SACR - Library	Provincial	-	1,000,000	1,000,000	-	-	-	-	2,000,000	Yes
Municipal Human Settlement Capacity Grant	National	-	-	-	2,000,000	-	-	-	-	Yes
Department Telecom and Postal Services (WIFI)	National	-	-	-	-	-	-	2,631,579	-	Yes
		710,011,000	700,956,000	656,920,000	2,000,000	395,552,386	482,578,113	362,588,668	511,815,324	

Mangaung Metropolitan Municipality
Appendix F1 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudi

2018/2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard										
Governance and administration	**2,788,158,966**	**116,737,761**	**2,904,896,727**	**-**		**2,904,896,727**	**2,859,335,767**	**(45,560,960)**	**98 %**	**103 %**
Executive and council	-	1,005,681	1,005,681	-		1,005,681	712,827	(292,854)	71 %	DIV/0 %
Budget and treasury office	2,788,158,966	115,732,080	2,903,891,046	-		2,903,891,046	2,858,622,940	(45,268,106)	98 %	103 %
Corporate services	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Community and public safety	**86,667,176**	**(10,957,992)**	**75,709,184**	**-**		**75,709,184**	**326,748,593**	**251,039,409**	**432 %**	**377 %**
Community and social services	7,761,488	(2,021,054)	5,740,434	-		5,740,434	5,500,717	(239,717)	96 %	71 %
Sport and recreation	7,236,613	**(1,641,505)**	5,595,108	-		5,595,108	276,996,847	271,401,739	4,951 %	3,828 %
Public safety	56,493,846	(26,200,284)	30,293,562	-		30,293,562	4,911,929	(25,381,633)	16 %	9 %
Housing	15,175,229	18,904,851	34,080,080	-		34,080,080	39,339,100	5,259,020	115 %	259 %
Health	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Economic and environmental services	**8,915,880**	**16,189,244**	**25,105,124**	**-**		**25,105,124**	**46,475,111**	**21,369,987**	**185 %**	**521 %**
Planning and development	8,044,680	12,887,041	20,931,721	-		20,931,721	34,552,062	13,620,341	165 %	430 %
Road transport	710,000	3,302,203	4,012,203	-		4,012,203	11,950,786	7,938,583	298 %	1,683 %
Environmental protection	161,200	-	161,200	-		161,200	(27,737)	(188,937)	(17)%	(17)%
Trading services	**4,331,682,230**	**(75,886,130)**	**4,255,796,100**	**-**		**4,255,796,100**	**3,918,779,292**	**(337,016,808)**	**92 %**	**90 %**
Electricity	2,336,756,346	(33,943,327)	2,302,813,019	-		2,302,813,019	2,152,875,115	(149,937,904)	93 %	92 %
Water	1,295,858,414	(41,942,803)	1,253,915,611	-		1,253,915,611	1,041,944,609	(211,971,002)	83 %	80 %
Waste water management	403,307,806	-	403,307,806	-		403,307,806	425,427,537	22,119,731	105 %	105 %
Waste management	295,759,664	-	295,759,664	-		295,759,664	298,532,031	2,772,367	101 %	101 %
Other	**26,298,430**	**-**	**26,298,430**	**-**		**26,298,430**	**28,086,160**	**1,787,730**	**107 %**	**107 %**
Other	26,298,430	-	26,298,430	-		26,298,430	28,086,160	1,787,730	107 %	107 %
Total Revenue - Standard	**7,241,722,682**	**46,082,883**	**7,287,805,565**	**-**		**7,287,805,565**	**7,179,424,923**	**(108,380,642)**	**99 %**	**99 %**

Mangaung Metropolitan Municipality
Appendix F1 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudi

2018/2017

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard										
Governance and administration	**1,294,522,030**	**(84,041,313)**	**1,210,480,717**	**-**	**-**	**1,210,480,717**	**1,088,547,577**	**(121,933,140)**	**90 %**	**84 %**
Executive and council	487,988,644	(16,527,234)	471,461,410	-	-	471,461,410	521,262,986	49,801,576	111 %	107 %
Budget and treasury office	806,533,386	(67,514,079)	739,019,307	-	-	739,019,307	567,284,591	(171,734,716)	77 %	70 %
Corporate services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Community and public safety	**548,014,780**	**151,081,852**	**699,096,632**	**-**	**-**	**699,096,632**	**755,950,633**	**56,854,001**	**108 %**	**138 %**
Community and social services	198,155,090	(52,339,453)	145,815,637	-	-	145,815,637	142,698,250	(3,117,387)	98 %	72 %
Sport and recreation	-	121,457,764	121,457,764	-	-	121,457,764	158,524,384	37,066,620	131 %	DIV/0 %
Public safety	239,839,095	44,302,727	284,141,822	-	-	284,141,822	315,959,234	31,817,412	111 %	132 %
Housing	110,020,595	23,829,144	133,849,739	-	-	133,849,739	129,499,359	(4,350,380)	97 %	118 %
Health	-	13,831,670	13,831,670	-	-	13,831,670	9,269,406	(4,562,264)	67 %	DIV/0 %
Economic and environmental services	**519,560,359**	**(63,924,827)**	**455,635,532**	**-**	**-**	**455,635,532**	**612,130,883**	**156,495,351**	**134 %**	**118 %**
Planning and development	154,361,113	(61,312,879)	93,048,234	-	-	93,048,234	81,374,107	(11,674,127)	87 %	53 %
Road transport	365,199,246	(32,645,541)	332,553,705	-	-	332,553,705	506,432,398	173,878,693	152 %	139 %
Environmental protection	-	30,033,593	30,033,593	-	-	30,033,593	24,324,378	(5,709,215)	81 %	DIV/0 %
Trading services	**3,763,562,794**	**(30,739,658)**	**3,732,823,136**	**-**	**-**	**3,732,823,136**	**4,311,412,425**	**578,589,289**	**116 %**	**115 %**
Electricity	2,215,095,884	(9,882,784)	2,205,213,100	-	-	2,205,213,100	2,191,353,482	(13,859,618)	99 %	99 %
Water	982,601,987	(86,828,707)	895,773,280	-	-	895,773,280	1,424,374,479	528,601,199	159 %	145 %
Waste water management	358,021,062	43,865,847	401,886,909	-	-	401,886,909	458,456,506	56,569,597	114 %	128 %
Waste management	207,843,861	22,105,986	229,949,847	-	-	229,949,847	237,227,958	7,278,111	103 %	114 %
Other	**21,224,426**	**11,010,270**	**32,234,696**	**-**	**-**	**32,234,696**	**17,420,519**	**(14,814,177)**	**54 %**	**82 %**
Other	21,224,426	11,010,270	32,234,696	-	-	32,234,696	17,420,519	(14,814,177)	54 %	82 %
Total Expenditure - Standard	**6,146,884,389**	**(16,613,676)**	**6,130,270,713**	**-**	**-**	**6,130,270,713**	**6,785,462,037**	**655,191,324**	**111 %**	**110 %**
Surplus/(Deficit) for the year	**1,094,838,293**	**62,696,559**	**1,157,534,852**	**-**		**1,157,534,852**	**393,962,886**	**(763,571,966)**	**34 %**	**36 %**

Mangaung Metropolitan Municipality
Appendix F2 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited

	2018/2017										2017/2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote											
Office of the City Manager	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %	-
Executive Mayor	-	481,950	481,950	-		481,950	-	(481,950)	- %	DIV/0 %	-
Corporate Services	16,627,005	(1,500,000)	15,127,005	-		15,127,005	283,073,451	267,946,446	1,871 %	1,702 %	-
Finance	1,263,695,319	-	1,263,695,319	-		1,263,695,319	1,343,440,680	79,745,361	106 %	106 %	-
Social Services	63,490,839	(24,920,000)	38,570,839	-		38,570,839	12,545,362	(26,025,477)	33 %	20 %	-
Planning	33,410,310	8,500,000	41,910,310	-		41,910,310	61,134,535	19,224,225	146 %	183 %	-
Housing and Human Settlements	39,104,517	-	39,104,517	-		39,104,517	39,987,034	882,517	102 %	102 %	-
Economic and Rural Development	-	10,000	10,000	-		10,000	7,610	(2,390)	76 %	DIV/0 %	-
Engineering Services	404,017,806	-	404,017,806	-		404,017,806	436,074,420	32,056,614	108 %	108 %	-
Water Services	1,295,858,414	(47,004,938)	1,248,853,476	-		1,248,853,476	1,041,944,609	(206,908,867)	83 %	80 %	-
Waste and Fleet Management Services	295,759,664	-	295,759,664	-		295,759,664	298,532,031	2,772,367	101 %	101 %	-
Miscellaneous Services	1,482,512,959	144,458,926	1,626,971,885	-		1,626,971,885	1,288,223,489	(338,748,396)	79 %	87 %	-
Naledi	10,489,503	-	10,489,503	-		10,489,503	371,645	(10,117,858)	4 %	4 %	-
Special Projects and Service Delivery	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %	-
Centlec - Electricity	2,336,756,346	-	2,336,756,346	-		2,336,756,346	2,374,090,048	37,333,702	102 %	102 %	-
Total Revenue by Vote	**7,241,722,682**	**80,025,938**	**7,321,748,620**	**-**		**7,321,748,620**	**7,179,424,914**	**(142,323,706)**	**98 %**	**99 %**	**-**
Expenditure by Vote to be appropriated											
Office of the City Manager	132,697,448	(4,475,644)	128,221,804	-	-	128,221,804	125,530,491	(2,691,313)	98 %	95 %	-
Executive Mayor	215,390,694	4,027,896	219,418,590	-	-	219,418,590	223,940,965	4,522,375	102 %	104 %	-
Corporate Services	286,208,490	8,053,813	294,262,303	-	-	294,262,303	333,791,101	39,528,798	113 %	117 %	-
Finance	214,387,008	25,399,383	239,786,391	-	-	239,786,391	251,753,329	11,966,938	105 %	117 %	-
Social Services	449,048,096	18,088,020	467,136,116	-	-	467,136,116	491,878,999	24,742,883	105 %	110 %	-
Planning	140,170,695	(12,145,349)	128,025,346	-	-	128,025,346	94,372,684	(33,652,662)	74 %	67 %	-
Housing and Human Settlement	170,644,897	(9,192,920)	161,451,977	-	-	161,451,977	144,682,944	(16,769,033)	90 %	85 %	-
Economic and Rural Development	34,244,398	4,367,180	38,611,578	-	-	38,611,578	42,386,435	3,774,857	110 %	124 %	-
Engineering Services	774,959,147	(40,212,934)	734,746,213	-	-	734,746,213	894,158,218	159,412,005	122 %	115 %	-
Water Services	884,833,565	2,449,713	887,283,278	-	-	887,283,278	1,366,769,222	479,485,944	154 %	154 %	-
Waste and Fleet Management	280,525,935	8,208,004	288,733,939	-	-	288,733,939	388,106,109	99,372,170	134 %	138 %	-
Miscellaneous Services	198,474,704	1,683,608	200,158,312	-	-	200,158,312	68,424,461	(131,733,851)	34 %	34 %	-
Naledi	78,834,922	5,004,937	83,839,859	-	-	83,839,859	70,257,472	(13,582,387)	84 %	89 %	-
Special Projects and Service Delivery	66,666,316	(13,284,409)	53,381,907	-	-	53,381,907	47,299,052	(6,082,855)	89 %	71 %	-
Centlec - Electricity	2,215,095,884	(14,584,974)	2,200,510,910	-	-	2,200,510,910	2,242,110,554	41,599,644	102 %	101 %	-
Total Expenditure by Vote	**6,142,182,199**	**(16,613,676)**	**6,125,568,523**	**-**	**-**	**6,125,568,523**	**6,785,462,036**	**659,893,513**	**111 %**	**110 %**	**-**
Surplus/(Deficit) for the year	**1,099,540,483**	**96,639,614**	**1,196,180,097**	**-**		**1,196,180,097**	**393,962,878**	**(802,217,219)**	**33 %**	**36 %**	**-**

Mangaung Metropolitan Municipality
Appendix F3 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Financial Performance (revenue and expenditure) - Unaudited

	2018/2017											2017/2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	1,103,200,160	-	1,103,200,160	-		1,103,200,160	1,158,216,167		55,016,007	105 %	105 %	-
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Service charges - electricity revenue	2,237,878,919	-	2,237,878,919	-		2,237,878,919	2,117,718,374		(120,160,545)	95 %	95 %	-
Service charges - water revenue	945,263,611	-	945,263,611	-		945,263,611	704,677,592		(240,586,019)	75 %	75 %	-
Service charges - sanitation revenue	282,554,481	-	282,554,481	-		282,554,481	300,459,125		17,904,644	106 %	106 %	-
Service charges - refuse revenue	109,522,627	-	109,522,627	-		109,522,627	109,493,017		(29,610)	100 %	100 %	-
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Rental of facilities and equipment	35,110,986	-	35,110,986	-		35,110,986	45,004,999		9,894,013	128 %	128 %	-
Interest earned - external investments	26,732,216	-	26,732,216	-		26,732,216	29,908,463		3,176,247	112 %	112 %	-
Interest earned - outstanding debtors	229,899,475	-	229,899,475	-		229,899,475	230,968,008		1,068,533	100 %	100 %	-
Dividends received	-	-	-	-		-	4,087		4,087	DIV/0 %	DIV/0 %	-
Fines	58,114,967	-	58,114,967	-		58,114,967	13,094,580		(45,020,387)	23 %	23 %	-
Licences and permits	242,590	-	242,590	-		242,590	2,990		(239,600)	1 %	1 %	-
Agency services	-	-	-	-		-	2,327,162		2,327,162	DIV/0 %	DIV/0 %	-
Transfers recognised - operational	1,040,687,829	-	1,040,687,829	-		1,040,687,829	1,015,919,121		(24,768,708)	98 %	98 %	-
Other revenue	205,635,601	-	205,635,601	-		205,635,601	339,079,524		133,443,923	165 %	165 %	-
Gains on disposal of PPE	-	-	-	-		-	18,273,426		18,273,426	DIV/0 %	DIV/0 %	-
Total Revenue (excluding capital transfers and contributions)	**6,274,843,462**	**-**	**6,274,843,462**	**-**		**6,274,843,462**	**6,085,146,635**		**(189,696,827)**	**97 %**	**97 %**	**-**

Mangaung Metropolitan Municipality
Appendix F3 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Financial Performance (revenue and expenditure) - Unaudited

	2018/2017											2017/2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type												
Employee related costs	1,703,525,249	150,524,180	1,854,049,429	-	-	1,854,049,429	1,852,912,030	-	(1,137,399)	100 %	109 %	-
Remuneration of councillors	58,011,202	2,254,713	60,265,915	-	-	60,265,915	62,271,387	-	2,005,472	103 %	107 %	-
Debt impairment	421,634,071	210,801,308	632,435,379		-	632,435,379	447,577,615	-	(184,857,764)	71 %	106 %	-
Depreciation & asset impairment	628,666,431	130,014,098	758,680,529		-	758,680,529	947,477,230	-	188,796,701	125 %	151 %	-
Finance charges	169,143,170	82,285,462	251,428,632	-	-	251,428,632	213,287,642	-	(38,140,990)	85 %	126 %	-
Bulk purchases	1,891,034,290	(935,947)	1,890,098,343	-	-	1,890,098,343	1,921,602,273	-	31,503,930	102 %	102 %	-
Other materials	94,678,606	-	94,678,606	-	-	94,678,606	80,991,311	-	(13,687,295)	86 %	86 %	-
Contracted services	627,550,235	-	627,550,235	-	-	627,550,235	879,912,614	-	252,362,379	140 %	140 %	-
Transfers and grants	18,069,023	5,734,896	23,803,919	-	-	23,803,919	4,468,967	-	(19,334,952)	19 %	25 %	-
Other expenditure	534,786,730	-	534,786,730	-	-	534,786,730	320,123,173	-	(214,663,557)	60 %	60 %	-
Loss on disposal of PPE	(214,618)	-	(214,618)	-	-	(214,618)	54,837,795	-	55,052,413	(25,551)%	(25,551)%	-
Total Expenditure	**6,146,884,389**	**580,678,710**	**6,727,563,099**	**-**	**-**	**6,727,563,099**	**6,785,462,037**	**-**	**57,898,938**	**101 %**	**110 %**	**-**
Surplus/(Deficit)	**127,959,073**	**(580,678,710)**	**(452,719,637)**	**-**		**(452,719,637)**	**(700,315,402)**		**(247,595,765)**	**155 %**	**(547)%**	**-**
Transfers recognised - capital	940,117,617	117,257,942	1,057,375,559	-		1,057,375,559	845,465,187		(211,910,372)	80 %	90 %	-
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Contributed assets	26,761,603	(18,761,603)	8,000,000	-		8,000,000	294,992,104		286,992,104	3,687 %	1,102 %	-
Surplus/(Deficit) after capital transfers & contributions	**1,094,838,293**	**(482,182,371)**	**612,655,922**	**-**		**612,655,922**	**440,141,889**		**(172,514,033)**	**72 %**	**40 %**	**-**
Taxation	-	-	-	-		-	(46,179,009)		(46,179,009)	DIV/0 %	DIV/0 %	-
Surplus/(Deficit) for the year	**1,094,838,293**	**(482,182,371)**	**612,655,922**	**-**		**612,655,922**	**393,962,880**		**(218,693,042)**	**64 %**	**36 %**	**-**

Mangaung Metropolitan Municipality
Appendix F4 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited

	2018/2017											2017/2016	
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final adjustments budget**	**Shifting of funds (i.t.o. s31 of the MFMA)**	**Virement (i.t.o. Council approved policy)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Capital expenditure - Vote													
City Manager	155,086,617	22,098,517	177,185,134	-	-	177,185,134	79,648,041	-	(97,537,093)	45 %	51 %	-	-
Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-
Corporate Services	6,240,000	5,812,150	12,052,150	-	-	12,052,150	6,109,062	-	(5,943,088)	51 %	98 %	-	-
Finance	2,039,000	3,192,710	5,231,710	-	-	5,231,710	1,841,529	-	(3,390,181)	35 %	90 %	-	-
Social Services	14,481,610	30,000,000	44,481,610	7,000,000	-	51,481,610	18,271,753	-	(33,209,857)	35 %	126 %	-	-
Planning	20,563,600	17,216,914	37,780,514	(7,000,000)	-	30,780,514	15,293,158	-	(15,487,356)	50 %	74 %	-	-
Human Settlement	114,800,000	4,779,895	119,579,895	-	-	119,579,895	29,672,663	-	(89,907,232)	25 %	26 %	-	-
Economic and Rural development	20,824,000	4,858,068	25,682,068	-	-	25,682,068	14,528,206	-	(11,153,862)	57 %	70 %	-	-
Engineering Services	487,200,000	(8,818,884)	478,381,116	100,000,000	-	578,381,116	373,761,799	-	(204,619,317)	65 %	77 %	-	-
Water Services	127,954,225	44,981,714	172,935,939	-	-	172,935,939	70,865,130	-	(102,070,809)	41 %	55 %	-	-
Waste and Fleet Management	41,278,469	(5,275,000)	36,003,469	-	-	36,003,469	40,373,176	-	4,369,707	112 %	98 %	-	-
Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-
Naledi	17,500,000	(1,395,432)	16,104,568	-	-	16,104,568	2,206,853	-	(13,897,715)	14 %	13 %	-	-
Strategic Projects and Service Delivery	15,000,000	-	15,000,000	-	-	15,000,000	4,773,038	-	(10,226,962)	32 %	32 %	-	-
Centlec	116,468,682	(19,358,353)	97,110,329	-	-	97,110,329	118,986,263	-	21,875,934	123 %	102 %	-	-
Capital multi-year expenditure sub-total	**1,139,436,203**	**98,092,299**	**1,237,528,502**	**100,000,000**	**-**	**1,337,528,502**	**776,330,671**	**-**	**(561,197,831)**	**58 %**	**68 %**	**-**	**-**

Mangaung Metropolitan Municipality
Appendix F4 to the Annual Financial Statements for the year ended 30 June 2018
Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited

	2018/2017											2017/2016	
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Funded by:													
National Government	940,117,617	117,257,942	1,057,375,559	100,000,000		1,157,375,559	609,913,501		(547,462,058)	53 %	65 %		668,743,167
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %		-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %		-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %		-
Transfers recognised - capital	**940,117,617**	**117,257,942**	**1,057,375,559**	**100,000,000**		**1,157,375,559**	**609,913,501**		**(547,462,058)**	**53 %**	**65 %**		**668,743,167**
Public contributions & donations	26,761,603	(18,761,603)	8,000,000	-		8,000,000	8,858,829		858,829	111 %	33 %		-
Borrowing	29,599,094	-	29,599,094	-		29,599,094	38,810,893		9,211,799	131 %	131 %		249,062,488
Internally generated funds	142,957,889	(404,040)	142,553,849	-		142,553,849	118,747,449		(23,806,400)	83 %	83 %		56,676,032
Total Capital Funding	**1,139,436,203**	**98,092,299**	**1,237,528,502**	**100,000,000**		**1,337,528,502**	**776,330,672**		**(561,197,830)**	**58 %**	**68 %**		**974,481,687**

Mangaung Metropolitan Municipality
Appendix F5 to the Annual Financial Statement for the year ended 30 June 2018
Budgeted Cash Flows - Unaudited

2018/2017

	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand
Cash flow from operating activities										
Receipts										
Ratepayers and other	4,462,862,115	1,611,511,752	6,074,373,867	-	-	6,074,373,867	3,633,140,221	(2,441,233,646)	60 %	81 %
Government - operating	1,040,687,829	(259,039,829)	781,648,000	-	-	781,648,000	2,027,160,000	1,245,512,000	259 %	195 %
Government - capital	1,040,687,829	(201,140,424)	839,547,405	-	-	839,547,405	-	(839,547,405)	- %	- %
Interest	161,872,634	(102,146,147)	59,726,487	-	-	59,726,487	252,658,026	192,931,539	423 %	156 %
Dividends	-	-	-	-	-	-	4,087	4,087	DIV/0 %	DIV/0 %
Payments										
Suppliers and employees	(4,842,787,203)	(1,563,824,363)	(6,406,611,566)	-	-	(6,406,611,566)	(5,065,451,946)	1,341,159,620	79 %	105 %
Finance charges	-	-	-	-	-	-	(3,250,544)	(3,250,544)	DIV/0 %	DIV/0 %
Transfers and Grants	(38,069,023)	(184,941,188)	(223,010,211)	-	-	(223,010,211)	(4,468,967)	218,541,244	2 %	12 %
Net cash flow from/used operating activities	**1,825,254,181**	**(699,580,199)**	**1,125,673,982**	**-**	**-**	**1,125,673,982**	**839,790,877**	**(285,883,105)**	**75 %**	**46 %**
Cash flow from investing activities										
Receipts										
Interest	-	-	-	-	-	-	6,159,677	6,159,677	DIV/0 %	DIV/0 %
Proceeds on disposal of PPE	-	-	-	-	-	-	21,401,853	21,401,853	DIV/0 %	DIV/0 %
Decrease (increase) other non-current receivables	300,000	(300,000)	-	-	-	-	(2,571,944)	(2,571,944)	DIV/0 %	(857)%
Decrease (increase) in non-current investments	-	-	-	-	-	-	109,456,423	109,456,423	DIV/0 %	DIV/0 %
Payments										
Capital assets	(1,124,143,303)	56,761,721	(1,067,381,582)	-	-	(1,067,381,582)	(750,532,667)	316,848,915	70 %	67 %
Net cash flow from/used investing activities	**(1,123,843,303)**	**56,461,721**	**(1,067,381,582)**	**-**	**-**	**(1,067,381,582)**	**(616,086,658)**	**451,294,924**	**58 %**	**55 %**
Cash flow from financing activities										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Increase (decrease) in consumer deposits	5,066,000	(3,326,951)	1,739,049	-	-	1,739,049	(1,770,526)	(3,509,575)	(102)%	(35)%
Payments										
Repayment of borrowing	(176,311,692)	125,516,319	(50,795,373)	-	-	(50,795,373)	(225,572,124)	(174,776,751)	444 %	128 %
Net cash flow from/used financing activities	**(171,245,692)**	**122,189,368**	**(49,056,324)**	**-**	**-**	**(49,056,324)**	**(227,342,650)**	**(178,286,326)**	**463 %**	**133 %**
Net increase/(decrease) in cash held	**530,165,186**	**(520,929,110)**	**9,236,076**	**-**	**-**	**9,236,076**	**(3,638,431)**	**(12,874,507)**	**(39)%**	**(1)%**
Cash/cash equivalents at the year begin:							380,248,941			
Cash/cash equivalents at the year end:	**530,165,186**	**(520,929,110)**	**9,236,076**	**-**	**-**	**9,236,076**	**376,610,510**	**(12,874,507)**	**4,078 %**	**71 %**