



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

CHRIS HANI DISTRICT MUNICIPALITY
Consolidated Annual Financial Statements
for the year ended 30 June 2018

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

Nature of business and principal activities

Chris Hani District Municipality is South African Category C Municipality (District Municipality) as defined by the Municipal Structure Act. (Act no 117 of 1998)

Mayoral committee

Executive Mayor

K. Vimbayo

M.C. Koyo: Speaker

B. van Heerden: Chief Whip

S. Mbotshane: Portfolio Head - Intergrated Planning and Economic Development

N. Makanda: Portfolio Head - Budget & Treasury (Resigned: March 2018)

M. Jack: Portfolio Head - Budget & Treasury (Appointed: April 2018)

S. Zangqa: Portfolio Head - Engineering

N. September-Caba: Portfolio Head - Health & Community Services

N. Matiwane: Portfolio Head - Special Programmes Unit

M. Jack: Portfolio Head - Corporate Services (Resigned: March 2018)

N. Koni: Portfolio Head - Corporate Services (Appointed: April 2018)

Councillors

W. Gela

M. Xheliso

K. Mjezu

S. Tame

N.C. Goniwe

E.G. Bomela

B. Ntsere

M. Adonisi

N. Mtyobile

F.A.N. Hendricks

S. Kula

E.L Gubula

S.E. Mvana

N.A. Dayisi

S.A. Nxози

S. Myataza

Z. Qayiya

Z.N.E. Ralane

L.N. Tyali

S.B. Nxawe

N. Nkota

N. Nyukwana

T. Bikwana

L. Gunuza-Nkwentsha

N.C. Lali

X.P. Xelo

J. Cengani

Z.R. Shweni

M. Kondile

K. Bizana

Z. Deliwe

R. Venske

M. Desha

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

| | |
|-----------------------------------|-------------------------------------|
| Grading of local authority | Grade 5 |
| Accounting Officer | Y. Sinyanya |
| Registered office | 15 Bells Road Queenstown 5320 |
| Bankers | First National Bank Limited |
| Auditors | Auditor General of South Africa |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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

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 and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officers 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic 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 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 economic entity's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

The consolidated annual financial statements set out on pages 5 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2018 and were signed on its behalf by:

Y. Sinyanya
Acting Municipal Manager

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

| Figures in Rand | Note(s) | Economic entity | | Controlling entity | |
|--|---------|----------------------|----------------------|----------------------|----------------------|
| | | 2018 | 2017 Restated* | 2018 | 2017 Restated* |
| Assets | | | | | |
| Current Assets | | | | | |
| Inventories | 11 | 16,342,214 | 11,041,750 | 16,342,214 | 11,041,750 |
| Receivables from non-exchange transactions | 12 | 50,419,800 | 77,864,354 | 50,419,800 | 77,864,354 |
| VAT receivable | 13 | - | 63,144,642 | - | 62,888,377 |
| Prepayments | 10 | 10,831,010 | 10,765,507 | 10,765,507 | 10,765,507 |
| Receivables from exchange transactions | 14 | 113,352,725 | 160,421,866 | 113,268,047 | 159,487,972 |
| Cash and cash equivalents | 15 | 276,605,905 | 235,946,654 | 274,268,498 | 235,792,713 |
| | | 467,551,654 | 559,184,773 | 465,064,066 | 557,840,673 |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 3 | 4,240,794,956 | 3,965,879,873 | 4,224,894,355 | 3,949,085,102 |
| Intangible assets | 4 | 2,423,301 | 3,888,621 | 2,150,140 | 3,527,323 |
| Investments in controlled entities | 5 | - | - | 1,500,000 | 1,500,000 |
| | | 4,243,218,257 | 3,969,768,494 | 4,228,544,495 | 3,954,112,425 |
| Non-Current Assets | | 4,243,218,257 | 3,969,768,494 | 4,228,544,495 | 3,954,112,425 |
| Current Assets | | 467,551,654 | 559,184,773 | 465,064,066 | 557,840,673 |
| Total Assets | | 4,710,769,911 | 4,528,953,267 | 4,693,608,561 | 4,511,953,098 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Operating lease liability | 6 | 63,489 | 64,595 | 63,489 | 64,595 |
| Payables from exchange transactions | 19 | 154,317,908 | 210,999,125 | 153,914,522 | 208,386,512 |
| Payables from non-exchange | 20 | 2,842,115 | 2,722,793 | - | - |
| VAT payable | 21 | 3,995,435 | - | 3,536,576 | - |
| Consumer deposits | 22 | 329,186 | 214,960 | 329,186 | 214,960 |
| Employee benefit obligation | 7 | 11,071,824 | 9,365,862 | 11,071,824 | 9,365,862 |
| Unspent conditional grants and receipts | 18 | 119,531,401 | 71,881,484 | 114,249,016 | 70,046,383 |
| Bank overdraft | 15 | 13,422,606 | 33,854,007 | 13,422,606 | 33,854,007 |
| | | 305,573,964 | 329,102,826 | 296,587,219 | 321,932,319 |
| Non-Current Liabilities | | | | | |
| Deferred tax | 17 | 187,293 | 172,852 | - | - |
| Employee benefit obligation | 7 | 59,231,495 | 42,323,225 | 59,231,495 | 42,323,225 |
| | | 59,418,788 | 42,496,077 | 59,231,495 | 42,323,225 |
| Non-Current Liabilities | | 59,418,788 | 42,496,077 | 59,231,495 | 42,323,225 |
| Current Liabilities | | 305,573,964 | 329,102,826 | 296,587,219 | 321,932,319 |
| Total Liabilities | | 364,992,752 | 371,598,903 | 355,818,714 | 364,255,544 |
| Assets | | 4,710,769,911 | 4,528,953,267 | 4,693,608,561 | 4,511,953,098 |
| Liabilities | | (364,992,752) | (371,598,903) | (355,818,714) | (364,255,544) |
| Net Assets | | 4,345,777,159 | 4,157,354,364 | 4,337,789,847 | 4,147,697,554 |
| Accumulated surplus | 16 | 4,345,777,159 | 4,157,354,364 | 4,337,789,847 | 4,147,697,554 |

* See Note 44

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

| Figures in Rand | Note(s) | Economic entity | | Controlling entity | |
|---|---------|------------------------|------------------------|------------------------|------------------------|
| | | 2018 | 2017 Restated* | 2018 | 2017 Restated* |
| Revenue | | | | | |
| Revenue from exchange transactions | | | | | |
| Service charges | 24 | 275,035,828 | 223,923,199 | 275,035,828 | 223,923,199 |
| Project income | | 16,695,592 | 28,852,145 | - | - |
| Other income | 25 | 3,771,294 | 2,732,547 | 3,296,438 | 2,573,172 |
| Interest income | 26 | 40,552,860 | 36,704,686 | 40,191,999 | 36,321,338 |
| Total revenue from exchange transactions | | 336,055,574 | 292,212,577 | 318,524,265 | 262,817,709 |
| Revenue from non-exchange transactions | | | | | |
| Transfer revenue | | | | | |
| Government grants & subsidies | 28 | 1,088,406,807 | 1,289,452,959 | 1,088,406,807 | 1,289,452,959 |
| | | 336,055,574 | 292,212,577 | 318,524,265 | 262,817,709 |
| | | 1,088,406,807 | 1,289,452,959 | 1,088,406,807 | 1,289,452,959 |
| Total revenue | 23 | 1,424,462,381 | 1,581,665,536 | 1,406,931,072 | 1,552,270,668 |
| Expenditure | | | | | |
| Employee related costs | 29 | (306,518,799) | (259,776,012) | (293,468,166) | (249,004,211) |
| Remuneration of councillors | 30 | (11,161,776) | (9,577,450) | (11,161,776) | (9,577,450) |
| Depreciation and amortisation | 31 | (142,068,391) | (121,882,964) | (140,520,650) | (121,362,809) |
| Finance costs | 32 | (257,064) | (271,493) | (117,085) | (271,493) |
| Debt Impairment | 33 | (267,391,721) | (177,155,621) | (267,391,721) | (177,155,621) |
| Repairs and maintenance | | (47,391) | (181,832) | - | - |
| Bulk purchases | 34 | (16,178,054) | (21,588,920) | (16,178,054) | (21,588,920) |
| Contracted services | 35 | (115,123,029) | (93,530,370) | (96,770,768) | (78,782,615) |
| Transfers and Subsidies | 27 | (172,528,870) | (228,939,431) | (192,208,870) | (246,619,431) |
| General Expenses | 36 | (191,172,393) | (233,735,664) | (184,018,110) | (224,652,498) |
| Project costs - Internal programs | | (196,550) | (1,496,627) | - | - |
| Total expenditure | | (1,222,644,038) | (1,148,136,384) | (1,201,835,200) | (1,129,015,048) |
| | | - | - | - | - |
| Total revenue | | 1,424,462,381 | 1,581,665,536 | 1,406,931,072 | 1,552,270,668 |
| Total expenditure | | (1,222,644,038) | (1,148,136,384) | (1,201,835,200) | (1,129,015,048) |
| Operating surplus | | 201,818,343 | 433,529,152 | 205,095,872 | 423,255,620 |
| (Loss) gain on disposal of assets and liabilities | | (106,688) | 891,155 | (106,688) | 891,155 |
| Actuarial gains/losses | 7 | (12,417,677) | 6,097,564 | (12,417,677) | 6,097,564 |
| | | (12,524,365) | 6,988,719 | (12,524,365) | 6,988,719 |
| Operating surplus | | 201,818,343 | 433,529,152 | 205,095,872 | 423,255,620 |
| | | (12,524,365) | 6,988,719 | (12,524,365) | 6,988,719 |
| Surplus before taxation | | 189,293,978 | 440,517,871 | 192,571,507 | 430,244,339 |
| Taxation | 38 | 14,441 | 2,895,645 | - | - |
| Operating surplus/deficit | | (12,524,365) | 6,988,719 | (12,524,365) | 6,988,719 |
| Surplus before taxation | | 189,293,978 | 440,517,871 | 192,571,507 | 430,244,339 |
| Taxation | | 14,441 | 2,895,645 | - | - |
| Surplus for the year | | 189,279,537 | 437,622,226 | 192,571,507 | 430,244,339 |

* See Note 44

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|----------------------|----------------------|
| Economic entity | | |
| Opening balance as previously reported | 3,658,010,734 | 3,658,010,734 |
| Adjustments | | |
| Prior year adjustments | 63,220,403 | 63,220,403 |
| Balance at 01 July 2016 as restated* | 3,721,231,137 | 3,721,231,137 |
| Changes in net assets | | |
| Prior year adjustments | (29,461) | (29,461) |
| Net income (losses) recognised directly in net assets | (29,461) | (29,461) |
| Surplus for the year | 437,622,226 | 437,622,226 |
| Total recognised income and expenses for the year | 437,592,765 | 437,592,765 |
| Total changes | 437,592,765 | 437,592,765 |
| Restated* Balance at 01 July 2017 | 4,158,853,363 | 4,158,853,363 |
| Changes in net assets | | |
| Surplus for the year | 191,998,800 | 191,998,800 |
| Total changes | 191,998,800 | 191,998,800 |
| Balance at 30 June 2018 | 4,350,852,163 | 4,350,852,163 |
| Note(s) | | |
| Controlling entity | | |
| Opening balance as previously reported | 3,654,232,812 | 3,654,232,812 |
| Adjustments | | |
| Prior year adjustments | 63,220,403 | 63,220,403 |
| Balance at 01 July 2016 as restated* | 3,717,453,215 | 3,717,453,215 |
| Restated* Balance at 01 July 2017 | 4,147,697,552 | 4,147,697,552 |
| Changes in net assets | | |
| Total recognised income and expenses for the year | 192,571,507 | 192,571,507 |
| Prior period adjustments | (2,479,212) | (2,479,212) |
| Total changes | 190,092,295 | 190,092,295 |
| Balance at 30 June 2018 | 4,337,789,847 | 4,337,789,847 |
| Note(s) | | |

* See Note 44

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| Figures in Rand | Note(s) | Economic entity | | Controlling entity | |
|---|---------|----------------------|----------------------|----------------------|----------------------|
| | | 2018 | 2017 Restated* | 2018 | 2017 Restated* |
| Cash flows from operating activities | | | | | |
| Receipts | | | | | |
| Sale of goods and services | | 108,767,469 | 44,723,006 | 84,605,028 | 27,043,006 |
| Grants | | 1,088,406,807 | 1,289,452,959 | 1,088,406,807 | 1,289,452,959 |
| Interest income | | 40,552,860 | 36,704,686 | 40,191,999 | 36,321,338 |
| Other receipts | | 18,777,084 | 32,304,582 | - | - |
| | | 1,256,504,220 | 1,403,185,233 | 1,213,203,834 | 1,352,817,303 |
| Payments | | | | | |
| Employee costs | | (317,680,575) | (268,480,002) | (304,629,942) | (257,722,658) |
| Suppliers | | (468,060,976) | (833,560,408) | (440,685,662) | (805,059,598) |
| Finance costs | | (117,085) | (271,493) | (117,085) | (271,493) |
| Interest on tax | | (139,979) | - | - | - |
| Taxes on surpluses | | - | (148,073) | - | - |
| | | (785,998,615) | (1,102,459,976) | (745,432,689) | (1,063,053,749) |
| Total receipts | | 1,256,504,220 | 1,403,185,233 | 1,213,203,834 | 1,352,817,303 |
| Total payments | | (785,998,615) | (1,102,459,976) | (745,432,689) | (1,063,053,749) |
| Net cash flows from operating activities | 39 | 470,505,605 | 300,725,257 | 467,771,145 | 289,763,554 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 3 | (415,544,529) | (465,274,863) | (415,059,408) | (449,315,912) |
| Proceeds from sale of property, plant and equipment | 3 | - | 4,251 | - | - |
| Purchase of other intangible assets | 4 | (80,314) | (2,929,670) | - | (2,585,109) |
| Net cash flows from investing activities | | (415,624,843) | (468,200,282) | (415,059,408) | (451,901,021) |
| Cash flows from financing activities | | | | | |
| Net employee benefit obligation | | 6,196,555 | 5,891,748 | 6,196,555 | 5,891,748 |
| Net lease liability | | (1,106) | 13,862 | (1,106) | 13,862 |
| Net cash flows from financing activities | | 6,195,449 | 5,905,610 | 6,195,449 | 5,905,610 |
| Net increase/(decrease) in cash and cash equivalents | | 61,076,211 | (161,569,415) | 58,907,186 | (156,231,857) |
| Cash and cash equivalents at the beginning of the year | | 202,092,647 | 363,492,494 | 201,938,706 | 358,170,563 |
| Cash and cash equivalents at the end of the year | 15 | 263,168,858 | 201,923,079 | 260,845,892 | 201,938,706 |

* See Note 44

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|------------------------|---------------------|------------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Economic entity | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 187,499,903 | 32,141,840 | 219,641,743 | 275,035,828 | 55,394,085 | |
| Project income | 25,768,000 | 6,829,326 | 32,597,326 | 18,460,435 | (14,136,891) | |
| Tender fees | 5,305 | (3,000) | 2,305 | 99,720 | 97,415 | |
| Agency fees | 1,905,290 | (500,000) | 1,405,290 | 337,644 | (1,067,646) | |
| Operating income | 85,501,655 | (318,000) | 85,183,655 | 3,634,082 | (81,549,573) | |
| Other income | - | - | - | 37,492 | 37,492 | |
| Interest received - investment | 136,926,349 | (96,763,337) | 40,163,012 | 40,552,860 | 389,848 | |
| Total revenue from exchange transactions | 437,606,502 | (58,613,171) | 378,993,331 | 338,158,061 | (40,835,270) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 1,212,131,000 | (6,833,000) | 1,205,298,000 | 1,088,406,807 | (116,891,193) | |
| 'Total revenue from exchange transactions' | 437,606,502 | (58,613,171) | 378,993,331 | 338,158,061 | (40,835,270) | |
| 'Total revenue from non-exchange transactions' | 1,212,131,000 | (6,833,000) | 1,205,298,000 | 1,088,406,807 | (116,891,193) | |
| Total revenue | 1,649,737,502 | (65,446,171) | 1,584,291,331 | 1,426,564,868 | (157,726,463) | |
| Expenditure | | | | | | |
| Personnel | (360,431,777) | 21,754,287 | (338,677,490) | (306,518,799) | 32,158,691 | |
| Remuneration of councillors | (12,578,110) | 2,033,845 | (10,544,265) | (11,161,776) | (617,511) | |
| Depreciation and amortisation | (180,170,291) | - | (180,170,291) | (142,068,391) | 38,101,900 | |
| Finance costs | (1,200,000) | - | (1,200,000) | (257,064) | 942,936 | |
| Debt Impairment | (200,000,000) | - | (200,000,000) | (267,391,721) | (67,391,721) | |
| Repairs and maintenance | (72,660) | 24,798 | (47,862) | (47,391) | 471 | |
| Bulk purchases | (24,893,843) | - | (24,893,843) | (16,374,604) | 8,519,239 | |
| Contracted Services | (59,608,565) | (80,022,211) | (139,630,776) | (115,123,029) | 24,507,747 | |
| Transfers and Subsidies | (20,198,020) | (158,966,621) | (179,164,641) | (192,208,870) | (13,044,229) | |
| General Expenses | (482,181,133) | 226,243,728 | (255,937,405) | (191,219,784) | 64,717,621 | |
| Total expenditure | (1,341,334,399) | 11,067,826 | (1,330,266,573) | (1,242,371,429) | 87,895,144 | |
| | 1,649,737,502 | (65,446,171) | 1,584,291,331 | 1,426,564,868 | (157,726,463) | |
| | (1,341,334,399) | 11,067,826 | (1,330,266,573) | (1,242,371,429) | 87,895,144 | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|---------------------|--------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Operating surplus | 308,403,103 | (54,378,345) | 254,024,758 | 184,193,439 | (69,831,319) | |
| Loss on disposal of assets and liabilities | 200,000 | - | 200,000 | (106,688) | (306,688) | |
| Actuarial gains/losses | - | - | - | (12,417,677) | (12,417,677) | |
| | 200,000 | - | 200,000 | (12,524,365) | (12,724,365) | |
| | 308,403,103 | (54,378,345) | 254,024,758 | 184,193,439 | (69,831,319) | |
| | 200,000 | - | 200,000 | (12,524,365) | (12,724,365) | |
| Surplus before taxation | 308,603,103 | (54,378,345) | 254,224,758 | 171,669,074 | (82,555,684) | |
| Deficit before taxation | 308,603,103 | (54,378,345) | 254,224,758 | 171,669,074 | (82,555,684) | |
| Taxation | - | - | - | - | - | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 308,603,103 | (54,378,345) | 254,224,758 | 171,669,074 | (82,555,684) | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | - | - | - | 16,342,214 | 16,342,214 | |
| Receivables from exchange transactions | - | - | - | 1,282,863 | 1,282,863 | |
| Receivables from non-exchange transactions | - | - | - | 50,419,800 | 50,419,800 | |
| Prepayments | - | - | - | 10,831,010 | 10,831,010 | |
| Consumer debtors | - | - | - | 113,268,047 | 113,268,047 | |
| Cash and cash equivalents | - | - | - | 276,605,905 | 276,605,905 | |
| | - | - | - | 468,749,839 | 468,749,839 | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | - | - | - | 4,240,794,956 | 4,240,794,956 | |
| Intangible assets | - | - | - | 2,423,301 | 2,423,301 | |
| Investments in controlled entities | - | - | - | 1,500,000 | 1,500,000 | |
| | - | - | - | 4,244,718,257 | 4,244,718,257 | |
| Non-Current Assets | - | - | - | 468,749,839 | 468,749,839 | |
| Current Assets | - | - | - | 4,244,718,257 | 4,244,718,257 | |
| Non-current assets held for sale (and) (assets of disposal groups) | - | - | - | - | - | |
| Total Assets | - | - | - | 4,713,468,096 | 4,713,468,096 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Operating lease liability | - | - | - | 63,489 | 63,489 | |
| Payables from exchange transactions | - | - | - | 154,317,908 | 154,317,908 | |
| Taxes and transfers payable (non-exchange) | - | - | - | 2,878,080 | 2,878,080 | |
| VAT payable | - | - | - | 3,995,435 | 3,995,435 | |
| Consumer deposits | - | - | - | 329,186 | 329,186 | |
| Employee benefit obligation | - | - | - | 11,071,824 | 11,071,824 | |
| Unspent conditional grants and receipts | - | - | - | 119,766,558 | 119,766,558 | |
| Bank overdraft | - | - | - | 13,422,606 | 13,422,606 | |
| | - | - | - | 305,845,086 | 305,845,086 | |
| Non-Current Liabilities | | | | | | |
| Deferred tax | - | - | - | 17,565 | 17,565 | |
| Employee benefit obligation | - | - | - | 59,231,495 | 59,231,495 | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| | - | - | - | 59,249,060 | 59,249,060 | |
| | - | - | - | 305,845,086 | 305,845,086 | |
| | - | - | - | 59,249,060 | 59,249,060 | |
| | - | - | - | - | - | |
| Total Liabilities | - | - | - | 365,094,146 | 365,094,146 | |
| Assets | - | - | - | 4,713,468,096 | 4,713,468,096 | |
| Liabilities | - | - | - | (365,094,146) | (365,094,146) | |
| Net Assets | - | - | - | 4,348,373,950 | 4,348,373,950 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Share capital / contributed capital | - | - | - | 1,000 | 1,000 | |
| Reserves | | | | | | |
| Accumulated surplus | - | - | - | 4,142,000,115 | 4,142,000,115 | |
| Total Net Assets | - | - | - | 4,142,001,115 | 4,142,001,115 | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|------------------------|-------------------|------------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Controlling entity | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 187,499,903 | 32,141,840 | 219,641,743 | - | (219,641,743) | 51 |
| Other income | 85,501,655 | (318,000) | 85,183,655 | - | (85,183,655) | 51 |
| Interest received - investment | 33,153,996 | - | 33,153,996 | - | (33,153,996) | 51 |
| Total revenue from exchange transactions | 306,155,554 | 31,823,840 | 337,979,394 | - | (337,979,394) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 1,194,451,000 | (9,633,000) | 1,184,818,000 | - | (1,184,818,000) | 51 |
| 'Total revenue from exchange transactions' | 306,155,554 | 31,823,840 | 337,979,394 | - | (337,979,394) | |
| 'Total revenue from non-exchange transactions' | 1,194,451,000 | (9,633,000) | 1,184,818,000 | - | (1,184,818,000) | |
| Total revenue | 1,500,606,554 | 22,190,840 | 1,522,797,394 | - | (1,522,797,394) | |
| Expenditure | | | | | | |
| Personnel | (349,186,660) | 23,526,278 | (325,660,382) | - | 325,660,382 | 51 |
| Remuneration of councillors | (12,578,110) | 2,033,845 | (10,544,265) | - | 10,544,265 | 51 |
| Depreciation and amortisation | (180,000,000) | - | (180,000,000) | - | 180,000,000 | 51 |
| Finance costs | (1,200,000) | - | (1,200,000) | - | 1,200,000 | 51 |
| Debt Impairment | (200,000,000) | - | (200,000,000) | - | 200,000,000 | 51 |
| Bulk purchases | (24,893,843) | - | (24,893,843) | - | 24,893,843 | 51 |
| Contracted Services | (32,955,760) | (73,880,690) | (106,836,450) | - | 106,836,450 | 51 |
| Transfers and Subsidies | (20,198,020) | (158,966,621) | (179,164,641) | - | 179,164,641 | 51 |
| General Expenses | (476,427,126) | 227,725,194 | (248,701,932) | - | 248,701,932 | 51 |
| Total expenditure | (1,297,439,519) | 20,438,006 | (1,277,001,513) | - | 1,277,001,513 | |
| | 203,167,035 | 42,628,846 | 245,795,881 | - | (245,795,881) | |
| Surplus before taxation | 203,167,035 | 42,628,846 | 245,795,881 | - | (245,795,881) | |
| Surplus before taxation | 203,167,035 | 42,628,846 | 245,795,881 | - | (245,795,881) | |
| Taxation | - | - | - | - | - | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------------|--------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 203,167,035 | 42,628,846 | 245,795,881 | | - (245,795,881) | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

Statement of Financial Position

Assets

Current Assets

| | | | | | | |
|--|--------------------|---|--------------------|---|----------------------|----|
| Inventories | 7,772,607 | - | 7,772,607 | - | (7,772,607) | 51 |
| Receivables from non-exchange transactions | 128,034,064 | - | 128,034,064 | - | (128,034,064) | 51 |
| Consumer debtors | 35,148,393 | - | 35,148,393 | - | (35,148,393) | 51 |
| Cash and cash equivalents | 399,841,743 | - | 399,841,743 | - | (399,841,743) | 51 |
| | 570,796,807 | - | 570,796,807 | - | (570,796,807) | |

Non-Current Assets

| | | | | | | |
|------------------------------------|----------------------|---|----------------------|---|------------------------|----|
| Property, plant and equipment | 5,116,048,867 | - | 5,116,048,867 | - | (5,116,048,867) | 51 |
| Intangible assets | 481,056 | - | 481,056 | - | (481,056) | 51 |
| Investments in controlled entities | 1,500,000 | - | 1,500,000 | - | (1,500,000) | 51 |
| | 5,118,029,923 | - | 5,118,029,923 | - | (5,118,029,923) | |

| | | | | | | |
|---------------------|----------------------|---|----------------------|---|------------------------|--|
| Non-Current Assets | 570,796,807 | - | 570,796,807 | - | (570,796,807) | |
| Current Assets | 5,118,029,923 | - | 5,118,029,923 | - | (5,118,029,923) | |
| Total Assets | 5,688,826,730 | - | 5,688,826,730 | - | (5,688,826,730) | |

Liabilities

Current Liabilities

| | | | | | | |
|-------------------------------------|--------------------|---|--------------------|---|----------------------|--|
| Payables from exchange transactions | 99,836,346 | - | 99,836,346 | - | (99,836,346) | |
| Employee benefit obligation | 9,555,031 | - | 9,555,031 | - | (9,555,031) | |
| | 109,391,377 | - | 109,391,377 | - | (109,391,377) | |

Non-Current Liabilities

| | | | | | | |
|-----------------------------|--------------------|---|--------------------|---|----------------------|----|
| Employee benefit obligation | 49,508,526 | - | 49,508,526 | - | (49,508,526) | 51 |
| | 109,391,377 | - | 109,391,377 | - | (109,391,377) | |
| | 49,508,526 | - | 49,508,526 | - | (49,508,526) | |
| | - | - | - | - | - | |
| Total Liabilities | 158,899,903 | - | 158,899,903 | - | (158,899,903) | |

| | | | | | | |
|-------------------|----------------------|---|----------------------|---|------------------------|--|
| Assets | 5,688,826,730 | - | 5,688,826,730 | - | (5,688,826,730) | |
| Liabilities | (158,899,903) | - | (158,899,903) | - | 158,899,903 | |
| Net Assets | 5,529,926,827 | - | 5,529,926,827 | - | (5,529,926,827) | |

Net Assets

Net Assets
Attributable to
Owners of Controlling
Entity

Reserves

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---------------------|--------------------|-------------|-----------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Accumulated surplus | 5,529,926,827 | | - 5,529,926,827 | 4,135,480,855 | (1,394,445,972) | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|----------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Sale of goods and services | 142,576,456 | - | 142,576,456 | 49,851,407 | (92,725,049) | |
| Grants | 1,146,289,736 | 38,527,710 | 1,184,817,446 | 1,088,406,807 | (96,410,639) | |
| Interest income | 33,153,996 | - | 33,153,996 | 40,191,999 | 7,038,003 | |
| | 1,322,020,188 | 38,527,710 | 1,360,547,898 | 1,178,450,213 | (182,097,685) | |
| Payments | | | | | | |
| Suppliers | (757,431,142) | 40,794,269 | (716,636,873) | (304,629,942) | 412,006,931 | |
| Finance costs | (1,200,000) | - | (1,200,000) | (117,085) | 1,082,915 | |
| Other payments | (20,198,020) | (158,966,621) | (179,164,641) | (400,926,371) | (221,761,730) | |
| | (778,829,162) | (118,172,352) | (897,001,514) | (705,673,398) | 191,328,116 | |
| Total receipts | 1,322,020,188 | 38,527,710 | 1,360,547,898 | 1,178,450,213 | (182,097,685) | |
| Total payments | (778,829,162) | (118,172,352) | (897,001,514) | (705,673,398) | 191,328,116 | |
| Net cash flows from operating activities | 543,191,026 | (79,644,642) | 463,546,384 | 472,776,815 | 9,230,431 | |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | (598,536,187) | - | (598,536,187) | (420,065,078) | 178,471,109 | |
| Cash flows from financing activities | | | | | | |
| Employee benefits | - | - | - | 6,196,555 | 6,196,555 | |
| Leases | - | - | - | (1,106) | (1,106) | |
| Net cash flows from financing activities | - | - | - | 6,195,449 | 6,195,449 | |
| Net increase/(decrease) in cash and cash equivalents | (55,345,161) | (79,644,642) | (134,989,803) | 58,907,186 | 193,896,989 | |
| Cash and cash equivalents at the beginning of the year | 432,848,961 | - | 432,848,961 | 201,938,706 | (230,910,255) | |
| Cash and cash equivalents at the end of the year | 377,503,800 | (79,644,642) | 297,859,158 | 260,845,892 | (37,013,266) | |
| Reconciliation | | | | | | |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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 Presentation currency

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

All figures have been rounded off to the nearest rand.

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated consolidated annual financial statements are the consolidated annual financial statements of the economic 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 controlled entities used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same date.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Consolidation (continued)

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 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 economic entity 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 economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Transfer of functions between entities under common control

Definitions

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

A transferor is the economic 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 economic 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 economic 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 economic entity to the transaction or event is the transferor(s) and which economic 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 economic entity is the acquirer and which economic 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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the economic entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the economic entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the economic entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

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 economic entity reports in its consolidated annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the economic entity retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the economic entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The economic entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The economic entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the economic entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the economic entity revises comparative information for prior periods presented in consolidated annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the economic entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The economic entity subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the economic entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The economic entity 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 that exist at the transfer date. An exception is that the economic entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the economic 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 economic 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 economic 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.

1.5 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 / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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Accounting Policies

1.6 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.

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

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

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

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

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Buildings | Straight line | 5 - 100 years |
| Plant and machinery | Straight line | 2 - 17 years |
| Furniture and fixtures | Straight line | 3 - 18 years |
| Motor vehicles | Straight line | 4 - 20 years |
| Office equipment | Straight line | 3 - 18 years |
| IT equipment | Straight line | 3 - 13 years |

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.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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Accounting Policies

1.6 Property, plant and equipment (continued)

The economic entity assesses at each reporting date whether there is any indication that the economic 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 economic 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.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. 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 economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

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

1.7 Intangible assets

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

The economic 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.

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

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

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Accounting Policies

1.7 Intangible assets (continued)

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.

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Licenses and franchises | Straight line | 2 - 5 years |
| Computer software, other | Straight line | 2 - 5 years |

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

1.8 Investments in controlled entities

Controlling entity consolidated annual financial statements

In the municipality's separate annual financial statements, investments in non-current investments are carried at cost. .

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate consolidated annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate consolidated annual financial statements.

1.9 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.

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

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.

Chris Hani District Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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 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.

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.

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

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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

| Class | Category |
|--|--|
| Long term receivables | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Investments | Financial asset measured at fair value |
| Cash and Cash equivalents | Financial asset measured at fair value |

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

| Class | Category |
|---|--|
| Long-term liabilities | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |
| Unspent conditional grants | Financial liability measured at amortised cost |
| Bank overdraft | Financial liability measured at fair value |

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Accounting Policies

1.9 Financial instruments (continued)

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 transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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

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Accounting Policies

1.9 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 economic 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.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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.

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Accounting Policies

1.9 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 :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

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.

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.

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

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.10 Leases

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

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Accounting Policies

1.10 Leases (continued)

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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 economic entity incurs to acquire the asset on the reporting date.

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

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

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 economic entity.

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

1.12 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).

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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 (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 economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

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

The economic 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 economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic 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.

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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 economic 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.

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic 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.

Chris Hani District Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a 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.

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

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Accounting Policies

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

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 economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Criteria developed by the economic entity to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

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

The economic 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 economic 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.

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic 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.

Chris Hani District Municipality

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Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.15 Deferred tax

Compulsory convertible preference shares [Compulsory convertible debentures] are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the economic entity, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

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Accounting Policies

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Chris Hani District Municipality

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Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:

- the economic 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 economic 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.

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 economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic 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 42.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Provisions and contingencies (continued)

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 economic 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 economic 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 economic entity considers that an outflow of economic resources is probable, an economic 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.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Chris Hani District Municipality

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Accounting Policies

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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 municipality, 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 municipality's right to receive payment has been established.

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

1.20 Revenue from non-exchange transactions

Fines are economic benefits or service potential received 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 defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Chris Hani District Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

Measurement

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

Fines

Revenue from the issuing of fines is recognised when:

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

The economic entity has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

1.21 Investment income

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

1.22 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.

1.23 Comparative figures

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 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.

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Accounting Policies

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.28 Related parties

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

Chris Hani District Municipality

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Accounting Policies

1.28 Related parties (continued)

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

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

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

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

The economic 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.

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Notes to the Consolidated Annual Financial Statements

| | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| Figures in Rand | 2018 | 2017 | 2018 | 2017 |

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|----------------------------------|--|-------------------------|
|----------------------------------|--|-------------------------|

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2018 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|--|--|
| • GRAP 34: Separate Financial Statements | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 35: Consolidated Financial Statements | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 36: Investments in Associates and Joint Ventures | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 37: Joint Arrangements | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 38: Disclosure of Interests in Other Entities | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 110: Living and Non-living Resources | 01 April 2009 | Unlikely there will be a material impact |
| • GRAP 12 (as amended 2016): Inventories | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 27 (as amended 2016): Agriculture | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 31 (as amended 2016): Intangible Assets | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 103 (as amended 2016): Heritage Assets | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 110 (as amended 2016): Living and Non-living Resources | 01 April 2018 | Unlikely there will be a material impact |
| • IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land | 01 April 2019 | Unlikely there will be a material impact |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 26 (as amended 2016): Impairment of cash-generating assets | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 21 (as amended 2016): Impairment of non-cash-generating assets | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 18 (as amended 2016): Segment Reporting | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 17 (as amended 2016): Property, Plant and Equipment | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 16 (as amended 2016): Investment Property | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 106 (as amended 2016): Transfers of functions between entities not under common control | 01 April 2018 | Unlikely there will be a material impact |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| Figures in Rand | 2018 | 2017 | 2018 | 2017 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

| Economic entity | 2018 | | | 2017 | | |
|--------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 14,181,429 | - | 14,181,429 | 14,181,429 | - | 14,181,429 |
| Buildings | 69,866,390 | (9,360,913) | 60,505,477 | 61,667,113 | (8,165,863) | 53,501,250 |
| Machinery and Equipment | 18,380,889 | (6,227,686) | 12,153,203 | 14,064,527 | (4,368,826) | 9,695,701 |
| Furniture and Office Equipment | 24,099,971 | (12,562,470) | 11,537,501 | 23,193,994 | (10,414,688) | 12,779,306 |
| Transport Assets | 80,156,113 | (40,954,395) | 39,201,718 | 70,935,710 | (34,044,259) | 36,891,451 |
| Computer equipment | 13,423,880 | (8,594,554) | 4,829,326 | 14,803,421 | (9,338,345) | 5,465,076 |
| Infrastructure: Water | 3,771,388,390 | (853,855,131) | 2,917,533,259 | 3,141,728,630 | (787,672,278) | 2,354,056,352 |
| Infrastructure: Sanitation | 432,443,504 | (140,063,494) | 292,380,010 | 372,580,183 | (85,281,611) | 287,298,572 |
| Infrastructure: Roads | 11,760,838 | (1,869,712) | 9,891,126 | 10,399,434 | (166,358) | 10,233,076 |
| Work-in-progress: Water | 647,165,539 | - | 647,165,539 | 958,326,700 | - | 958,326,700 |
| Work-in-progress: Sanitation | 203,354,786 | - | 203,354,786 | 202,001,755 | - | 202,001,755 |
| Work-in-progress: Roads | 28,061,582 | - | 28,061,582 | 21,449,205 | - | 21,449,205 |
| Total | 5,314,283,311 | (1,073,488,355) | 4,240,794,956 | 4,905,332,101 | (939,452,228) | 3,965,879,873 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

| Controlling entity | 2018 | | | 2017 | | |
|--------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 11,614,100 | - | 11,614,100 | 11,614,100 | - | 11,614,100 |
| Buildings | 57,744,985 | (8,703,368) | 49,041,617 | 49,545,708 | (8,114,389) | 41,431,319 |
| Machinery and Equipment | 18,380,889 | (6,227,686) | 12,153,203 | 14,064,527 | (4,368,826) | 9,695,701 |
| Furniture and Office Equipment | 22,804,694 | (12,034,768) | 10,769,926 | 22,173,415 | (10,184,432) | 11,988,983 |
| Transport Assets | 79,124,602 | (40,489,967) | 38,634,635 | 69,904,199 | (33,786,133) | 36,118,066 |
| Computer equipment | 12,268,483 | (7,973,911) | 4,294,572 | 13,857,140 | (8,985,867) | 4,871,273 |
| Infrastructure: Water | 3,771,388,390 | (853,855,131) | 2,917,533,259 | 3,141,728,630 | (787,672,278) | 2,354,056,352 |
| Infrastructure: Sanitation | 432,443,504 | (140,063,494) | 292,380,010 | 372,580,183 | (85,281,611) | 287,298,572 |
| Infrastructure: Roads | 11,760,838 | (1,869,712) | 9,891,126 | 10,399,434 | (166,358) | 10,233,076 |
| Work-in-progress: Water | 647,165,539 | - | 647,165,539 | 958,326,700 | - | 958,326,700 |
| Work-in-progress: Sanitation | 203,354,786 | - | 203,354,786 | 202,001,755 | - | 202,001,755 |
| Work-in-progress: Roads | 28,061,582 | - | 28,061,582 | 21,449,205 | - | 21,449,205 |
| Total | 5,296,112,392 | (1,071,218,037) | 4,224,894,355 | 4,887,644,996 | (938,559,894) | 3,949,085,102 |

Reconciliation of property, plant and equipment - Economic entity - 2018

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|--------------------------------|----------------------|--------------------|------------------|-----------------|----------------------|----------------------|
| Land | 14,181,429 | - | - | - | - | 14,181,429 |
| Buildings | 53,501,250 | - | - | 8,199,235 | (1,195,008) | 60,505,477 |
| Machinery and Equipment | 9,695,701 | 4,738,520 | - | - | (2,056,741) | 12,153,203 |
| Furniture and Office Furniture | 12,779,306 | 2,307,932 | (141,254) | - | (3,408,483) | 11,537,501 |
| Transport Assets | 36,891,451 | 11,367,423 | (22,466) | - | (9,034,690) | 39,201,718 |
| Computer equipment | 5,465,076 | 1,599,957 | (51,322) | (22,000) | (2,162,385) | 4,829,326 |
| Infrastructure - Water | 2,354,056,352 | - | - | 668,942,167 | (105,465,260) | 2,917,533,259 |
| Infrastructure - Sanitation | 287,298,572 | 4,763,592 | - | 17,176,084 | (16,858,242) | 292,380,006 |
| Infrastructure - Roads | 10,233,076 | - | - | - | (341,950) | 9,891,126 |
| Work-in-progress: Water | 958,326,700 | 357,781,010 | - | (668,942,171) | - | 647,165,539 |
| Work-in-progress: Sanitation | 202,001,755 | 18,529,115 | - | (17,176,084) | - | 203,354,786 |
| Work-in-progress: Roads | 21,449,205 | 14,811,612 | - | (8,199,235) | - | 28,061,582 |
| | 3,965,879,873 | 415,899,161 | (215,042) | (22,004) | (140,522,759) | 4,240,794,952 |

Reconciliation of property, plant and equipment - Economic entity - 2017

| | Opening balance | Additions | Prior year adjustments | Disposals | Transfers | Depreciation | Total |
|--------------------------------|----------------------|--------------------|------------------------|------------------|---------------|----------------------|----------------------|
| Land | 11,614,100 | 2,567,329 | - | - | - | - | 14,181,429 |
| Buildings | 38,624,825 | 15,425,613 | - | - | - | (549,188) | 53,501,250 |
| Machinery and Equipment | 7,696,879 | 3,630,331 | 2,839 | (3,583) | - | (2,056,741) | 9,695,701 |
| Furniture and Office Equipment | 9,482,944 | 6,065,690 | (492) | - | - | (2,768,836) | 12,779,306 |
| Transport assets | 37,806,050 | 17,503,778 | - | (481,200) | - | (17,937,177) | 36,891,451 |
| Computer equipment | 6,246,684 | 2,382,570 | (40,053) | (56,559) | - | (3,067,566) | 5,465,076 |
| Infrastructure - Water | 2,233,819,324 | 74,298 | - | - | 204,138,198 | (83,975,468) | 2,354,056,352 |
| Infrastructure - Sanitation | 297,544,503 | - | - | - | - | (10,245,931) | 287,298,572 |
| Infrastructure - Roads | 7,284,551 | - | - | - | 3,193,608 | (245,083) | 10,233,076 |
| Work-in-progress: Water | 803,903,300 | 554,887,059 | (193,131,853) | - | (207,331,806) | - | 958,326,700 |
| Work-in-progress: Sanitation | 164,966,275 | 46,368,176 | (9,332,696) | - | - | - | 202,001,755 |
| Work-in-progress: Roads | 1,148,685 | 20,300,520 | - | - | - | - | 21,449,205 |
| | 3,620,138,120 | 669,205,364 | (202,502,255) | (541,342) | - | (120,845,990) | 3,965,879,873 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2018

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|--------------------------------|----------------------|--------------------|------------------|---------------|----------------------|----------------------|
| Land | 11,614,100 | - | - | - | - | 11,614,100 |
| Buildings | 41,431,319 | - | - | 8,199,235 | (588,937) | 49,041,617 |
| Machinery and Equipment | 9,695,701 | 4,514,243 | - | - | (2,056,741) | 12,153,203 |
| Furniture and Office Equipment | 11,988,983 | 2,031,927 | (141,254) | - | (3,109,730) | 10,769,926 |
| Transport assets | 36,118,066 | 11,367,423 | (22,466) | - | (8,828,388) | 38,634,635 |
| Computer equipment | 4,871,273 | 1,368,841 | (51,322) | - | (1,894,220) | 4,294,572 |
| Infrastructure - Water | 2,354,056,352 | - | - | 668,942,167 | (105,465,260) | 2,917,533,259 |
| Infrastructure - Sanitation | 287,298,572 | 4,763,592 | - | 17,176,088 | (16,858,242) | 292,380,010 |
| Infrastructure - Roads | 10,233,076 | - | - | - | (341,950) | 9,891,126 |
| Work-in-progress: Water | 958,326,700 | 357,781,010 | - | (668,942,171) | - | 647,165,539 |
| Work-in-progress: Sanitation | 202,001,755 | 18,529,115 | - | (17,176,084) | - | 203,354,786 |
| Work-in-progress: Roads | 21,449,205 | 14,811,612 | - | (8,199,235) | - | 28,061,582 |
| | 3,949,085,102 | 415,167,763 | (215,042) | - | (139,143,468) | 4,224,894,355 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2017

| | Opening balance | Additions | Prior year adjustments | Disposals | Transfers | Depreciation | Total |
|--------------------------------|----------------------|--------------------|------------------------|------------------|---------------|----------------------|----------------------|
| Land | 11,614,100 | - | - | - | - | - | 11,614,100 |
| Buildings | 38,624,825 | 3,304,208 | - | - | - | (497,714) | 41,431,319 |
| Machinery and Equipment | 7,696,879 | 3,630,331 | 2,839 | (3,583) | - | (1,630,765) | 9,695,701 |
| Furniture and Office equipment | 9,313,862 | 5,369,204 | (492) | - | - | (2,693,591) | 11,988,983 |
| Transport assets | 36,825,798 | 17,503,778 | - | (481,200) | - | (17,730,310) | 36,118,066 |
| Computer equipment | 6,130,984 | 1,808,839 | (40,053) | (52,308) | - | (2,976,189) | 4,871,273 |
| Infrastructure - Water | 2,233,819,324 | 74,298 | - | - | 204,138,198 | (83,975,468) | 2,354,056,352 |
| Infrastructure - Sanitation | 297,544,503 | - | - | - | - | (10,245,931) | 287,298,572 |
| Infrastructure - Roads | 7,284,551 | - | - | - | 3,193,608 | (245,083) | 10,233,076 |
| Work-in-progress: Water | 803,903,300 | 554,887,059 | (193,131,853) | - | (207,331,806) | - | 958,326,700 |
| Work-in-progress: Sanitation | 164,966,275 | 46,368,176 | (9,332,696) | - | - | - | 202,001,755 |
| Work-in-progress: Roads | 1,148,685 | 20,300,520 | - | - | - | - | 21,449,205 |
| | 3,618,873,086 | 653,246,413 | (202,502,255) | (537,091) | - | (119,995,051) | 3,949,085,102 |

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

4. Intangible assets

| Economic entity | 2018 | | | 2017 | | |
|----------------------------|------------------|---|------------------|------------------|---|------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 8,118,159 | (5,968,019) | 2,150,140 | 8,118,159 | (4,590,836) | 3,527,323 |
| Computer software (finite) | 682,033 | (408,872) | 273,161 | 601,718 | (240,420) | 361,298 |
| Total | 8,800,192 | (6,376,891) | 2,423,301 | 8,719,877 | (4,831,256) | 3,888,621 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

4. Intangible assets (continued)

| Controlling entity | 2018 | | | 2017 | | |
|--------------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 8,118,159 | (5,968,019) | 2,150,140 | 8,118,159 | (4,590,836) | 3,527,323 |

Reconciliation of intangible assets - Economic entity - 2018

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|------------------|---------------|--------------------|------------------|
| Computer software, other | 3,527,323 | - | (1,377,183) | 2,150,140 |
| Intangible assets 1 | 361,298 | 80,314 | (168,451) | 273,161 |
| | 3,888,621 | 80,314 | (1,545,634) | 2,423,301 |

Reconciliation of intangible assets - Economic entity - 2017

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|------------------|------------------|--------------------|------------------|
| Computer software, other | 2,309,972 | 2,585,109 | (1,367,758) | 3,527,323 |
| Intangible assets 1 | 111,927 | 344,561 | (95,190) | 361,298 |
| | 2,421,899 | 2,929,670 | (1,462,948) | 3,888,621 |

Reconciliation of intangible assets - Controlling entity - 2018

| | Opening balance | Amortisation | Total |
|--------------------------|-----------------|--------------|-----------|
| Computer software, other | 3,527,323 | (1,377,183) | 2,150,140 |

Reconciliation of intangible assets - Controlling entity - 2017

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|-----------------|-----------|--------------|-----------|
| Computer software, other | 2,309,972 | 2,585,109 | (1,367,758) | 3,527,323 |

5. Investments in controlled entities

| Name of company | Held by | % holding 2018 | % holding 2017 | Carrying amount 2018 | Carrying amount 2017 |
|----------------------------------|---------|----------------|----------------|----------------------|----------------------|
| Investments in controlled entity | | 100.00 % | 100.00 % | - | - |

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

6. Operating lease asset (accrual)

| | | | | |
|---------------------|----------|----------|---|---|
| Current liabilities | (63,489) | (64,595) | - | - |
|---------------------|----------|----------|---|---|

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 7. Employee benefit obligations | | | | |
| The amounts recognised in the statement of financial position are as follows: | | | | |
| Carrying value | | | | |
| Present value of the defined benefit obligation-wholly unfunded | (48,552,148) | (32,901,878) | (48,552,148) | (32,901,878) |
| Present value of the defined benefit obligation-partly or wholly funded | (13,567,990) | (12,018,079) | (13,567,990) | (12,018,079) |
| Fair value of plan assets | (7,024,337) | (5,701,462) | (7,024,336) | (5,701,462) |
| Fair value of reimbursement rights | (1,158,844) | (1,067,668) | (1,158,844) | (1,067,668) |
| | (70,303,319) | (51,689,087) | (70,303,318) | (51,689,087) |
| Non-current liabilities | (59,231,495) | (42,323,225) | - | - |
| Current liabilities | (11,071,824) | (9,365,862) | - | - |
| | (70,303,319) | (51,689,087) | - | - |

Refer to note 8 for the disclosure relating to Long service bonus obligation.

Refer to note 9 for the disclosure relating to the current portion of the staff leave accrual, staff bonus accrual and the performance bonus provision liabilities.

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

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Opening balance | 32,901,878 | 35,070,544 | 32,901,878 | 35,070,544 |
| Benefits paid | (1,287,658) | (1,298,129) | (1,287,658) | (1,298,129) |
| Net expense recognised in the statement of financial performance | 16,937,928 | (870,537) | 16,937,928 | (870,537) |
| | 48,552,148 | 32,901,878 | 48,552,148 | 32,901,878 |

Net expense recognised in the statement of financial performance

| | | | | |
|--------------------------|-------------------|------------------|-------------------|------------------|
| Current service cost | 1,827,224 | 1,918,055 | 1,827,224 | 1,918,055 |
| Interest cost | 3,103,826 | 3,113,900 | 3,103,826 | 3,113,900 |
| Actuarial (gains) losses | 12,006,878 | (5,902,492) | 12,006,878 | (5,902,492) |
| | 16,937,928 | (870,537) | 16,937,928 | (870,537) |

Calculation of actuarial gains and losses

| | | | | |
|---------------------------------------|------------|-------------|------------|-------------|
| Actuarial (gains) losses – Obligation | 12,006,878 | (5,902,492) | 12,006,878 | (5,902,492) |
|---------------------------------------|------------|-------------|------------|-------------|

Key assumptions used

Assumptions used at the reporting date:

| | | | | |
|---|--------|--------|--------|--------|
| Discount rates used | 9.84 % | 9.62 % | 9.84 % | 9.62 % |
| Expected rate of return on assets | 2.05 % | 1.58 % | 2.05 % | 1.58 % |
| Expected rate of return on reimbursement rights | 6.13 % | 6.41 % | 6.13 % | 6.41 % |
| Actual return on reimbursement rights | 7.63 % | 7.91 % | 7.63 % | 7.91 % |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

7. Employee benefit obligations (continued)

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 | One percentage point increase | One percentage point decrease |
|---|-------------------------------------|--|-------------------------------------|--|
| Effect on the aggregate of the service cost and interest cost | 6,394,578 | 8,680,185 | 6,394,578 | 8,680,185 |
| Effect on defined benefit obligation | 6,200,495 | (7,496,356) | 6,200,945 | (7,496,356) |

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

| | 2018 R | 2017 R | 2016 R | 2015 R | 2014 R |
|--|------------|------------|------------|------------|------------|
| Defined benefit obligation | 48,552,148 | 32,901,878 | 35,070,544 | 32,216,006 | 27,957,000 |
| Surplus (deficit) | 48,552,148 | 32,901,878 | 35,070,544 | 32,216,006 | 27,957,000 |
| Experience adjustments on plan liabilities | 16,937,928 | (870,537) | 2,854,538 | 4,393,102 | 3,847,353 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

8. Long Service Awards

The municipality operates an undefined benefit plan for all its employees under the plan, a long service award is payable after 5 years of continuous service, and every 5 years thereafter, to 45 years of continuous service. The provision is an estimate of the long service based on historical staff turnover.

| Reconciliation of long service awards - June 2018 | Opening Balance | Additions | Utilised during the year | Total |
|---|-----------------|-----------|--------------------------|------------|
| Long Service Awards | 12,018,079 | 2,858,985 | (1,309,074) | 13,567,990 |

| Reconciliation of long service awards - June 2017 | Opening Balance | Additions | Utilised during the year | Total |
|---|-----------------|-----------|--------------------------|------------|
| Long Service Awards | 10,962,328 | 1,969,529 | (913,778) | 12,018,079 |

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by One Pangaea Expertise & Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Credit Unit Method.

At year end 871 (2017: 682) employees were eligible for the Long service awards.

The current service cost for the year ending 30 June 2018 was estimated to be R1 490 523 whereas the cost of the ensuing year is estimated to be R732 152.

The principle assumptions used for the purpose of the actuarial valuation were as follows:

| | | | | |
|-----------------------------|-------|-------|-------|-------|
| Discount rate | 8.87% | 8.42% | 8.87% | 8.42% |
| Consumer price inflation | 5.41% | 5.24% | 5.41% | 5.24% |
| Normal salary increase rate | 6.41% | 6.24% | 6.41% | 6.24% |
| Net effective discount rate | 2.31% | 2.05% | 2.31% | 2.05% |

Changes in the present value of the long service awards are as follows:

| | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Opening balance | 12,018,079 | 10,962,328 | 12,018,079 | 10,962,328 |
| Current year service cost | 1,490,523 | 1,277,322 | 1,490,523 | 1,277,322 |
| Interest cost | 957,663 | 887,279 | 957,663 | 887,279 |
| Benefits paid | (1,309,074) | (913,778) | (1,309,074) | (913,778) |
| Actuarial (gains) or losses | 410,799 | (195,072) | 410,799 | (195,072) |
| | 13,567,990 | 12,018,079 | 13,567,990 | 12,018,079 |

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

| | | | | |
|--|------------|------------|------------|------------|
| Present value of the long service awards wholly unfunded | 13,567,990 | 12,018,079 | 13,567,990 | 12,018,079 |
|--|------------|------------|------------|------------|

Next expense recognised in the statement of financial performance

| | | | | |
|---------------------------|------------------|------------------|------------------|------------------|
| Current service cost | 1,490,523 | 1,277,322 | 1,490,523 | 1,277,322 |
| Interest cost | 957,663 | 887,279 | 957,663 | 887,279 |
| Actuarial (gains)/ losses | 410,799 | (195,072) | 410,799 | (195,072) |
| | 2,858,985 | 1,969,529 | 2,858,985 | 1,969,529 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|---|-------------------|------------------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 9. Current Employee Benefits | | | | |
| Staff Bonus Accrual | 7,024,336 | 5,701,463 | 7,024,336 | 5,701,463 |
| Performance Bonus Accrual | 1,158,846 | 1,067,668 | 1,158,846 | 1,067,668 |
| Current Portion of Post-Retirement Benefits | 1,338,853 | 1,287,658 | 1,338,853 | 1,287,658 |
| Current Portion of Long Service Awards | 1,549,790 | 1,309,074 | 1,549,790 | 1,309,074 |
| | 11,071,825 | 9,365,863 | 11,071,825 | 9,365,863 |

| Other Current employee benefits - 2018 | Opening Balance | Additions | Total |
|---|------------------------|------------------|------------------|
| Staff Bonus Accrual | 5,701,643 | 1,322,873 | 7,024,516 |
| Performance Bonus Accrual | 1,067,668 | 91,178 | 1,158,846 |
| | 6,769,311 | 1,414,051 | 8,183,362 |

| Other Current employee benefits - 2017 | Opening Balance | Additions | Total |
|---|------------------------|------------------|------------------|
| Staff Bonus Accrual | 4,989,860 | 711,603 | 5,701,463 |
| Performance Bonus Accrual | 917,955 | 149,713 | 1,067,668 |
| | 5,907,815 | 861,316 | 6,769,131 |

10. Prepayments

Prepayment relate to payments made to Eskom for connections as well as software licence fees paid in advance for future period and data for board members paid in advance for the next 22 months starting in July 2018.

| | | | | |
|--------------------------|------------|------------|------------|------------|
| Payments made in advance | 10,831,010 | 10,765,507 | 10,765,507 | 10,765,507 |
|--------------------------|------------|------------|------------|------------|

11. Inventories

| | | | | |
|-------------------|-------------------|-------------------|---|---|
| Consumable stores | 15,950,362 | 10,649,898 | - | - |
| Water | 391,852 | 391,852 | - | - |
| | 16,342,214 | 11,041,750 | - | - |

12. Receivables from non-exchange transactions

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Sundry receivables - Roadworks subsidy | 21,972,871 | 15,659,910 | 21,972,871 | 15,659,910 |
| Local Municipalities | 11,103,108 | 5,000,000 | 11,103,108 | 5,000,000 |
| Rental and Eskom service deposits | 8,617,179 | 7,333,258 | 8,617,179 | 7,333,258 |
| Government grants and subsidies | 1,589,215 | 15,725,808 | 1,589,215 | 15,725,808 |
| Other debtors | 4,100,271 | 6,957,105 | 4,100,271 | 6,957,105 |
| DHS unblocking | - | 23,037,220 | - | 23,037,220 |
| RBIG debtor | - | 2,149,195 | - | 2,149,195 |
| Roads Subsidies | 3,037,156 | 2,001,858 | 3,037,156 | 2,001,858 |
| | 50,419,800 | 77,864,354 | 50,419,800 | 77,864,354 |

Government grants and subsidies consists of debtors raised for MIG.

Local municipalities consists of loans to Inxuba Yethemba Local Municipality and Sakhisizwe Local Municipality.

Service deposits consists of rental deposits and Eskom service deposits.

Other debtors consists of amounts receivable from bursary loan obligations, tax control, ACB rejections, etc.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|------------------------|----------------------|------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 12. Receivables from non-exchange transactions (continued) | | | | |
| Fair value of receivables from non-exchange transactions | | | | |
| Other receivables from non-exchange transactions | 50,419,800 | 77,864,354 | 50,419,800 | 77,864,354 |
| The fair value of the other trade receivables from non-exchange transactions approximates their carrying amount. | | | | |
| 13. VAT receivable | | | | |
| VAT | - | 63,144,642 | - | 62,888,377 |
| 14. Receivables from exchange transactions | | | | |
| Gross balances | | | | |
| Water | 921,281,534 | 762,175,627 | 921,281,534 | 762,175,627 |
| Sewerage | 410,621,454 | 336,551,618 | 410,621,454 | 336,551,618 |
| Sundry debtors | 3,467,280 | 15,471,227 | 3,467,280 | 15,471,227 |
| Government and subsidies | 84,678 | 933,894 | - | - |
| | 1,335,454,946 | 1,115,132,366 | 1,335,370,268 | 1,114,198,472 |
| Less: Allowance for impairment | | | | |
| Water | (827,700,246) | (682,985,734) | (827,700,246) | (682,985,734) |
| Sewerage | (393,222,018) | (265,640,595) | (393,222,018) | (265,640,595) |
| Sundry debtors | (1,179,957) | (6,084,171) | (1,179,957) | (6,084,171) |
| | (1,222,102,221) | (954,710,500) | (1,222,102,221) | (954,710,500) |
| Net balance | | | | |
| Water | 93,581,288 | 79,189,893 | 93,581,288 | 79,189,893 |
| Sewerage | 17,399,436 | 70,911,023 | 17,399,436 | 70,911,023 |
| Sundry debtors | 2,287,323 | 9,387,056 | 2,287,323 | 9,387,056 |
| Government and subsidies | 84,678 | 933,894 | - | - |
| | 113,352,725 | 160,421,866 | 113,268,047 | 159,487,972 |
| Water | | | | |
| Current (0 -30 days) | 23,105,367 | 26,065,537 | 23,105,367 | 26,065,537 |
| 31 - 60 days | 29,099,908 | 16,017,269 | 29,099,908 | 16,017,269 |
| 61 - 90 days | 15,335,721 | 13,796,481 | 15,335,721 | 13,796,481 |
| 91 - 120 days | 36,154,802 | 14,179,354 | 36,154,802 | 14,179,354 |
| 121 - 365 days | 101,345,139 | 106,330,857 | 101,345,139 | 106,330,857 |
| > 365 days | 716,240,597 | 585,786,129 | 716,240,597 | 585,786,129 |
| Impairment allowance | (827,700,246) | (682,985,734) | (827,700,246) | (682,985,734) |
| | 93,581,288 | 79,189,893 | 93,581,288 | 79,189,893 |
| Sewerage | | | | |
| Current (0 -30 days) | 4,689,128 | 1,857,188 | 4,689,128 | 1,857,188 |
| 31 - 60 days | 13,304,470 | 3,891,594 | 13,304,470 | 3,891,594 |
| 61 - 90 days | 4,341,323 | 3,860,134 | 4,341,323 | 3,860,134 |
| 91 - 120 days | 4,251,101 | 3,854,900 | 4,251,101 | 3,854,900 |
| 121 - 365 days | 27,523,219 | 34,018,728 | 27,523,219 | 34,018,728 |
| > 365 days | 356,512,213 | 289,069,074 | 356,512,213 | 289,069,074 |
| Impairment allowance | (393,222,018) | (265,640,595) | (393,222,018) | (265,640,595) |
| | 17,399,436 | 70,911,023 | 17,399,436 | 70,911,023 |

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|---|------------------------|----------------------|------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 14. Receivables from exchange transactions (continued) | | | | |
| Sundry debtors | | | | |
| Current (0 -30 days) | 28,171 | 1,031,451 | 28,171 | 1,031,451 |
| 31 - 60 days | 18,045 | 3,572 | 18,045 | 3,572 |
| 61 - 90 days | 9,120 | 6,031 | 9,120 | 6,031 |
| 91 - 120 days | 31,534 | 201,843 | 31,534 | 201,843 |
| 121 - 365 days | 89,608 | 18,817 | 89,608 | 18,817 |
| > 365 days | 3,290,802 | 14,209,513 | 3,290,802 | 14,209,513 |
| Impairment allowance | (1,179,957) | (6,084,171) | (1,179,957) | (6,084,171) |
| | 2,287,323 | 9,387,056 | 2,287,323 | 9,387,056 |
| Government and subsidies | | | | |
| Current (0 -30 days) | 84,678 | 933,894 | - | - |
| Reconciliation of allowance for impairment | | | | |
| Balance at beginning of the year | (954,710,500) | (777,388,123) | (954,710,500) | (777,388,123) |
| Contributions to allowance | (267,391,721) | (177,322,377) | (267,391,721) | (177,322,377) |
| | (1,222,102,221) | (954,710,500) | (1,222,102,221) | (954,710,500) |
| 15. Cash and cash equivalents | | | | |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 4,235 | 4,200 | 4,200 | 4,200 |
| Bank balances | 2,332,661 | 149,567 | - | - |
| Short-term deposits | 274,269,009 | 235,792,887 | 274,264,298 | 235,788,513 |
| Bank overdraft | (13,422,606) | (33,854,007) | (13,422,606) | (33,854,007) |
| | 263,183,299 | 202,092,647 | 260,845,892 | 201,938,706 |
| Current assets | 276,605,905 | 235,946,654 | 274,268,498 | 235,792,713 |
| Current liabilities | (13,422,606) | (33,854,007) | (13,422,606) | (33,854,007) |
| | 263,183,299 | 202,092,647 | 260,845,892 | 201,938,706 |

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

15. 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 |
| First National Bank - Current - 62002510693 | 75,220,724 | 80,515,606 | 132,326,812 | (13,422,606) | (33,854,007) | 16,627,715 |
| First National Bank - Call - 62004499481 | 13,588,735 | 19,349,445 | 113,284,765 | 13,558,735 | 19,349,445 | 113,284,765 |
| First National Bank - Call account - 62190652521 (CRR) | 242,754,637 | 86,217,296 | 110,951,667 | 242,754,637 | 86,217,296 | 110,951,667 |
| First National Bank - Call Account - 62187939784 Infrastructure | 7,506,142 | 115,876,841 | 30,031,899 | 7,506,142 | 115,876,841 | 30,031,899 |
| First National Bank - Call Account - 62187936532 (National) | 1,166,978 | 7,233,597 | 86,397,673 | 1,166,978 | 7,233,597 | 86,397,673 |
| First National Bank - Call Account - 62187938538 (Provincial) | 1,027,204 | 1,254,167 | 3,841 | 1,027,204 | 1,254,167 | 3,841 |
| First National Bank - Public Sector Cheque Account 62610267602 | 8,220,867 | 5,857,987 | 835,822 | 8,220,603 | 5,857,167 | 735,315 |
| FNB Main 623 636 541 56 | 192,264 | 92,096 | 391,440 | 192,264 | 92,096 | 391,440 |
| FNB Skills 623 960 858 99 | 484,812 | 31,101 | 229,545 | 484,812 | 31,101 | 229,545 |
| FNB INV 623 789 429 18 | 4,711 | 4,374 | 3,485,191 | 4,711 | 4,374 | 3,485,191 |
| FNB DEA 624 578 562 95 | 1,606,912 | 9,663 | 10,031 | 1,606,912 | 9,663 | 10,031 |
| FNB CALL 625 418 515 74 | 3,991 | 10,594 | 1,177,942 | 3,991 | 10,594 | 1,177,942 |
| FNB MECH 625 407 434 83 | 38,828 | 5,515 | 24,869 | 38,828 | 5,515 | 24,869 |
| FNB PETTY 625 407 426 83 | 5,854 | 598 | 2,913 | 5,854 | 598 | 2,913 |
| Total | 351,822,659 | 316,458,880 | 479,154,410 | 263,149,065 | 202,088,447 | 363,354,806 |

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2018

| | Capital replacement reserve | Other | Total |
|-----------------|-----------------------------|----------------------|----------------------|
| Opening balance | 50,896,894 | 4,105,477,258 | 4,156,374,152 |
| Surplus | - | 193,298,634 | 193,298,634 |
| | 50,896,894 | 4,298,775,892 | 4,349,672,786 |

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2017

| | Capital replacement reserve | Other | Total |
|-----------------|-----------------------------|----------------------|----------------------|
| Opening balance | 50,896,894 | 3,666,904,781 | 3,717,801,675 |
| Surplus | - | 437,651,689 | 437,651,689 |
| | 50,896,894 | 4,104,556,470 | 4,155,453,364 |

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

16. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2018

| | Capital replacement reserve | Other | Total | |
|-----------------|-----------------------------|----------------------|----------------------|--|
| Opening balance | 50,896,894 | 4,094,321,447 | 4,145,218,341 | |
| Surplus | - | 192,571,507 | 192,571,507 | |
| | 50,896,894 | 4,286,892,954 | 4,337,789,848 | |

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2017

| | Capital replacement reserve | Other | Total | |
|-----------------|-----------------------------|----------------------|----------------------|--|
| Opening balance | 50,896,894 | 3,666,556,321 | 3,717,453,215 | |
| Surplus | - | 430,244,339 | 430,244,339 | |
| | 50,896,894 | 4,096,800,660 | 4,147,697,554 | |

17. Deferred tax

| | | | | |
|--------------|---------|---------|---|---|
| Deferred tax | 187,293 | 172,852 | - | - |
|--------------|---------|---------|---|---|

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | | | |
|---|--------------------|-------------------|--------------------|-------------------|
| Provincial: Treasury | 1,606,965 | 1,606,965 | 1,606,965 | 1,606,965 |
| National MSIG | 1,052,227 | - | 1,052,227 | - |
| CHDM Agricultural Production Support | 136,929 | 136,929 | - | - |
| National: Department of Rural Development and Land Reform | 402,614 | 402,614 | 402,614 | 402,614 |
| National: Sport and Development | 16,727,400 | 17,109,757 | 16,727,400 | 17,109,757 |
| Provincial: Office of the Premier | 1,665,822 | 21,569 | 1,665,822 | 21,569 |
| Provincial: Department of Transport | 1,732,096 | 1,732,096 | 1,732,096 | 1,732,096 |
| Provincial: Department of Economic Affairs | 14,820,323 | 14,536,049 | 14,820,323 | 14,536,049 |
| Provincial Department of Housing, Local Gvt and Traditional Affairs | 1,819,298 | 1,584,141 | 1,819,298 | 1,584,141 |
| ECDRDAR | 924,978 | 76,092 | - | - |
| Other Spheres of Government | 7,162,449 | 7,162,449 | 7,162,449 | 7,162,449 |
| Lapesi Project | 42,197 | 42,197 | 42,197 | 42,197 |
| National: Department of Transport - Rural Road Asset Mgt Grant | - | (1) | - | (1) |
| Provincial: RBIG | 29,439,980 | - | 29,439,980 | - |
| Provincial: Department of Economic Affairs and Trade | 360,655 | 360,655 | 360,655 | 360,655 |
| National: Finance Management Grant | 1 | 1 | 1 | 1 |
| DEDEAT: Rural Sustainable Villages | 6,200,000 | - | 6,200,000 | - |
| National: Rural Household Infrastructure Grant (RHIG) | 2,680,975 | - | 2,680,975 | - |
| National: WSIG | 32,991,649 | 27,109,971 | 32,991,649 | 27,109,971 |
| | 119,766,558 | 71,881,484 | 118,704,651 | 71,668,463 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 19. Payables from exchange transactions | | | | |
| Trade payables | 56,383,664 | 131,680,386 | 56,371,947 | 131,019,474 |
| Payments received in advanced - contract in process | 16,857,217 | 6,098,077 | 16,857,217 | 6,098,077 |
| Retentions | 48,224,817 | 46,990,815 | 48,224,797 | 46,990,815 |
| Accrued leave pay | 12,197,116 | 11,358,780 | 11,850,403 | 11,050,372 |
| Deposits received | 8,335 | 8,335 | 8,335 | 8,335 |
| Other payables | 20,601,823 | 13,420,973 | 20,601,823 | 13,219,439 |
| Provision for 13th cheque | 44,936 | 16,549 | - | - |
| Office building accruals | - | 1,425,207 | - | - |
| | 154,317,908 | 210,999,122 | 153,914,522 | 208,386,512 |
| 20. Payables from non-exchange | | | | |
| Income tax payable | 2,862,772 | 2,722,793 | - | - |
| 21. VAT payable | | | | |
| VAT Payable | 3,995,435 | - | 3,536,576 | - |
| 22. Consumer deposits | | | | |
| Water | 329,186 | 214,960 | 329,186 | 214,960 |
| 23. Revenue | | | | |
| Service charges | 275,035,828 | 223,923,199 | 275,035,828 | 223,923,199 |
| Project income | 16,695,592 | 28,852,145 | - | - |
| Operating income | 3,771,294 | 2,732,547 | 3,296,438 | 2,573,172 |
| Interest received - investment | 40,552,860 | 36,704,686 | 40,191,999 | 36,321,338 |
| Government grants & subsidies | 1,088,406,807 | 1,289,452,959 | 1,088,406,807 | 1,289,452,959 |
| | 1,424,462,381 | 1,581,665,536 | 1,406,931,072 | 1,552,270,668 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | | | |
| Service charges | 275,035,828 | 223,923,199 | 275,035,828 | 223,923,199 |
| Operating income | 3,771,294 | 2,732,547 | 3,296,438 | 2,573,172 |
| Interest income | 40,552,860 | 36,704,686 | 40,191,999 | 36,321,338 |
| | 319,359,982 | 263,360,432 | 318,524,265 | 262,817,709 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | | | |
| Taxation revenue | | | | |
| Transfer revenue | | | | |
| Government grants & subsidies | 1,088,406,807 | 1,289,452,959 | 1,088,406,807 | 1,289,452,959 |
| 24. Service charges | | | | |
| Service charges | 158,068 | 178,400 | 158,068 | 178,400 |
| Sale of water | 221,807,577 | 174,291,107 | 221,807,577 | 174,291,107 |
| Sewerage and sanitation charges | 53,070,183 | 49,453,692 | 53,070,183 | 49,453,692 |
| | 275,035,828 | 223,923,199 | 275,035,828 | 223,923,199 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------------------|------------------|------------------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 25. Operating income | | | | |
| Private telephone calls | 41,371 | 59,103 | 41,371 | 59,103 |
| Tender documents | 467,232 | 382,827 | 367,512 | 315,967 |
| Commission on collections | 238,582 | 200,868 | 238,582 | 200,868 |
| Sundry Revenue | 1,361,315 | 1,997,234 | 1,361,315 | 1,997,234 |
| Other income | 1,325,150 | 11,064 | 1,287,658 | - |
| Discount received | - | 442 | - | - |
| Agency fees | 337,644 | 81,009 | - | - |
| | 3,771,294 | 2,732,547 | 3,296,438 | 2,573,172 |

26. Interest income

Interest revenue

| | | | | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Bank | 1,929,363 | 2,564,853 | 1,568,502 | 2,181,505 |
| Interest - investments | 27,268,026 | 34,139,833 | 27,268,026 | 34,139,833 |
| Interest - debtors | 11,355,471 | - | 11,355,471 | - |
| | 40,552,860 | 36,704,686 | 40,191,999 | 36,321,338 |
| | - | - | - | - |
| | 40,552,860 | 36,704,686 | 40,191,999 | 36,321,338 |

The municipality had previously not charged interest on debtors, 2017/18 is the first year.

27. Transfers and subsidies

Other subsidies

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Community support programmes (CSPS) | 17,617,820 | 14,928,607 | 17,617,820 | 14,928,607 |
| Community projects | 76,915,739 | 107,479,941 | 76,915,739 | 107,479,941 |
| Adopted schools | 20,657 | 480,000 | 20,657 | 480,000 |
| VIP Toilets Expenditure (MIG Operational) | 64,974,419 | 83,957,397 | 64,974,419 | 83,957,397 |
| Chris Hani Development Agency | - | - | 22,480,000 | 33,280,000 |
| International Strategy for Disaster Reduction (ISDR) | - | 1,993,486 | - | 1,993,486 |
| Sanitation (WSIG operational) | 10,200,235 | 4,500,000 | 10,200,235 | 4,500,000 |
| | 169,728,870 | 213,339,431 | 192,208,870 | 246,619,431 |
| Grants paid to ME's | - | - | - | - |
| Other subsidies | 169,728,870 | 213,339,431 | 192,208,870 | 246,619,431 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 28. Government grants and subsidies | | | | |
| Operating grants | | | | |
| National: Finance Management Grants | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| National: Municipal Infrastructure Grant | 278,216,152 | 271,423,000 | 278,216,152 | 271,423 |
| National: EPWP | 10,037,000 | 7,797,000 | 10,037,000 | 7,797,000 |
| National: Department of Transport - Rural Roads Asset Management | 541,025 | 3,097,002 | - | 3,153,460 |
| National: MWIG | - | 34,529,643 | - | 34,529,643 |
| WSIG Operational | - | 4,500,000 | - | 4,500,000 |
| | 290,294,177 | 322,846,645 | 289,753,152 | 51,751,526 |
| Capital grants | | | | |
| Provincial: Department of Human Settlement Unblocking | - | 23,862,132 | - | 23,862,162 |
| Provincial: Roads Subsidies | 29,265,928 | 27,800,000 | 29,265,928 | 27,800,000 |
| Provincial: DHLGTA | - | 157,758 | - | 157,758 |
| Provincial: Treasury - COGTA DEDEAT | 9,994,496 | 21,700,000 | 9,994,496 | 21,700,000 |
| Water Services Infrastructure Grant | 74,118,321 | 69,987,029 | 74,118,321 | 69,987,029 |
| Regional Bulk Infrastructure Grant | 176,910,825 | 335,055,195 | 176,910,825 | 335,055,195 |
| | 290,289,570 | 481,715,574 | 290,289,570 | 481,715,784 |
| | 290,294,177 | 322,846,645 | 289,753,152 | 51,751,526 |
| | 290,289,570 | 481,715,574 | 290,289,570 | 481,715,784 |
| | 580,583,747 | 804,562,219 | 580,042,722 | 533,467,310 |
| Revenue from other Unconditional Grants and Subsidies | | | | |
| Included in above are the following grants and subsidies received: | | | | |
| Equitable share | 507,459,000 | 484,455,262 | 507,459,000 | 484,455,262 |
| LGSETA | 364,060 | 435,478 | 364,060 | 435,478 |
| | 507,823,060 | 484,890,740 | 507,823,060 | 484,890,740 |
| Provincial: Treasury | | | | |
| Balance unspent at beginning of year | 1,606,965 | 1,606,965 | 1,606,965 | 1,606,965 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Department of Rural Development and Land Reform | | | | |
| Balance unspent at beginning of year | 402,614 | 402,614 | 402,614 | 402,614 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Sport and Development | | | | |
| Balance unspent at beginning of year | 16,140,327 | 16,140,327 | 16,140,327 | 16,140,327 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Prvoincial: Office of the Premier | | | | |
| Balance unspent at beginning of year | 21,569 | 21,569 | 21,569 | 21,569 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|---|------------------|------------------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 28. Government grants and subsidies (continued) | | | | |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Department of Transport | | | | |
| Balance unspent at beginning of year | 1,732,096 | 1,732,096 | 1,732,096 | 1,732,096 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Provincial: Department of Economic Affairs | | | | |
| Balance unspent at beginning of year | 14,308,884 | 14,308,884 | 14,308,884 | 14,308,884 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Provincial: Department of Housing, Local Gvt and Traditional Affairs | | | | |
| Balance unspent at beginning of year | 1,158,656 | 1,316,415 | 1,158,656 | 1,316,415 |
| Conditions met - transferred to revenue | - | (157,759) | - | (157,759) |
| | 1,158,656 | 1,158,656 | 1,158,656 | 1,158,656 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| ECDRDAR | | | | |
| Balance unspent at beginning of year | 76,092 | - | - | - |
| Current-year receipts | 3,462,853 | 2,550,000 | - | - |
| Conditions met - transferred to revenue | (2,613,967) | (2,473,908) | - | - |
| | 924,978 | 76,092 | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Other Spheres of Government | | | | |
| Balance unspent at beginning of year | 7,162,449 | 7,162,449 | 7,162,449 | 7,162,449 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Provincial: COGTA | | | | |
| Opening debtor balance | (15,725,808) | (8,060,462) | (15,725,808) | (8,060,462) |
| Current-year receipts | 19,547,000 | 14,034,654 | 19,547,000 | 14,034,654 |
| Conditions met - transferred to revenue | (9,994,497) | (21,700,000) | (9,994,497) | (21,700,000) |
| Transfer of debtor to MIG | 6,173,305 | 15,725,808 | 6,173,305 | 15,725,808 |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Provincial: Lapesi Project | | | | |
| Balance unspent at beginning of year | 42,197 | 42,200 | 42,197 | 42,200 |
| Other | - | (3) | - | (3) |
| | 42,197 | 42,197 | 42,197 | 42,197 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|-------------------|----------------|--------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| 28. Government grants and subsidies (continued) | | | | |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Municipal Infrastructure Grant (MIG) | | | | |
| Current-year receipts | 292,340,000 | 271,423,000 | 292,340,000 | 271,423,000 |
| Conditions met - transferred to revenue | (278,216,151) | (271,423,000) | (278,216,151) | (271,423,000) |
| Transfer to DHS unblocking debtor | (9,539,759) | - | (9,539,759) | - |
| Transfer to COGTA debtor | (6,173,305) | - | (6,173,305) | - |
| Transfer to debtor | 1,589,215 | - | 1,589,215 | - |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Department of Water and Forestry (WSOG) | | | | |
| Current-year receipts | - | 65,445 | - | 65,445 |
| Conditions met - transferred to revenue | - | (65,445) | - | (65,445) |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Rural Household Infrastructure Grant | | | | |
| Balance unspent at beginning of year | (1) | (1) | (1) | (1) |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Regional Bulk Infrastructure Grant | | | | |
| Opening debtor balance | (2,149,195) | - | (2,149,195) | - |
| Current-year receipts | 208,500,000 | 332,906,000 | 208,500,000 | 332,906,000 |
| Conditions met - transferred to revenue | (176,910,825) | (335,055,195) | (176,910,825) | (335,055,195) |
| Transferred to debtors | - | 2,149,195 | - | 2,149,195 |
| | 29,439,980 | - | 29,439,980 | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: EPWP | | | | |
| Balance unspent at beginning of year | - | 747,817 | - | 747,817 |
| Current-year receipts | - | 7,797,000 | - | 7,797,000 |
| Conditions met - transferred to revenue | - | (7,797,000) | - | (7,797,000) |
| Rollover deducted from equitable share | - | (747,817) | - | (747,817) |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Provincial: DEDEAT | | | | |
| Balance unspent at beginning of year | 360,655 | 1,539,115 | 360,655 | 1,539,115 |
| Current-year receipts | - | 1,975,000 | - | 1,975,000 |
| Conditions met - transferred to revenue | - | (3,153,460) | - | (3,153,460) |
| | 360,655 | 360,655 | 360,655 | 360,655 |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|-------------------|-------------------|--------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 28. Government grants and subsidies (continued) | | | | |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Municipal Water Infrastructure Grant | | | | |
| Current-year receipts | - | 34,529,643 | - | 34,529,643 |
| Conditions met - transferred to revenue | - | (34,529,643) | - | (34,529,643) |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Department of Human Settlement Unblocking | | | | |
| Balance unspent at beginning of year | (23,037,221) | 824,912 | (23,037,221) | 824,912 |
| Current-year receipts | 13,497,462 | - | 13,497,462 | - |
| Conditions met - transferred to revenue | - | (23,862,133) | - | (23,862,133) |
| Transferred to debtors | - | 23,037,221 | - | 23,037,221 |
| Transfer to MIG | 9,539,760 | - | 9,539,760 | - |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: Finance Management Grant | | | | |
| Balance unspent at beginning of year | 1 | 1 | 1 | 1 |
| Current-year receipts | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Conditions met - transferred to revenue | (1,500,000) | (1,500,000) | (1,500,000) | (1,500,000) |
| | 1 | 1 | 1 | 1 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Road subsidies | | | | |
| Opening debtor balance | (2,001,858) | - | (2,001,858) | - |
| Current-year receipts | 21,917,670 | 25,798,142 | 21,917,670 | 25,798,142 |
| Conditions met - transferred to revenue | (29,265,929) | (27,800,000) | (29,265,929) | (27,800,000) |
| Transferred to debtors | 9,350,117 | 2,001,858 | 9,350,117 | 2,001,858 |
| | - | - | - | - |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| Water Service Infrastructure Grant | | | | |
| Balance unspent at beginning of year | 27,109,971 | - | 27,109,971 | - |
| Current-year receipts | 80,000,000 | 97,097,000 | 80,000,000 | 97,097,000 |
| Conditions met - transferred to revenue | (74,118,322) | (69,987,029) | (74,118,322) | (69,987,029) |
| | 32,991,649 | 27,109,971 | 32,991,649 | 27,109,971 |
| Conditions still to be met - remain liabilities (see note 18). | | | | |
| National: DOT - Rural Asset Management Grant | | | | |
| Current-year receipts | 3,222,000 | 3,097,000 | 3,222,000 | 3,097,000 |
| Conditions met - transferred to revenue | (541,025) | (3,097,000) | (541,025) | (3,097,000) |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|------------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| 28. Government grants and subsidies (continued) | 2,680,975 | - | 2,680,975 | - |

Conditions still to be met - remain liabilities (see note 18).

Department of Environmental Affairs

| | | | | |
|---|------------------|---|---|---|
| Current-year receipts | 6,968,640 | - | - | - |
| Conditions met - transferred to revenue | (5,324,387) | - | - | - |
| | 1,644,253 | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

Water services Infrastructure Grant (WSIG)

| | | | | |
|---|---|-------------|---|-------------|
| Current-year receipts | - | 4,500,000 | - | 4,500,000 |
| Conditions met - transferred to revenue | - | (4,500,000) | - | (4,500,000) |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

Grain farmers development association

| | | | | |
|---|---|-----------|---|---|
| Balance unspent at beginning of year | - | 303,251 | - | - |
| Conditions met - transferred to revenue | - | (303,251) | - | - |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

IDC Mechanisation Centre Grant

| | | | | |
|---|---|----------|---|---|
| Balance unspent at beginning of year | - | 77,139 | - | - |
| Conditions met - transferred to revenue | - | (77,139) | - | - |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 18).

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 29. Employee related costs | | | | |
| Basic | 194,101,273 | 162,978,527 | 183,329,519 | 154,133,108 |
| Bonus | 14,780,726 | 14,698,753 | 13,876,194 | 13,968,969 |
| Medical aid - company contributions | 18,530,199 | 15,034,843 | 18,145,483 | 14,717,243 |
| UIF | 1,541,842 | 1,406,234 | 1,530,887 | 1,374,001 |
| WCA | 33,765 | 26,736 | - | - |
| Leave pay provision charge | 5,177,886 | 3,488,969 | 4,992,463 | 3,278,679 |
| Industrial Council Levies | 71,140 | 54,635 | 71,140 | 54,635 |
| Defined contribution plans | 732,488 | 609,739 | - | - |
| Travel, motor car, accommodation, subsistence and other allowances | 26,521,791 | 23,920,024 | 26,521,791 | 23,920,024 |
| Overtime payments | 11,683,692 | 9,916,928 | 11,683,692 | 9,916,928 |
| Long-service awards | 2,599,522 | 2,828,744 | 2,599,522 | 2,828,744 |
| Housing benefits and allowances | 1,866,978 | 1,875,440 | 1,866,978 | 1,875,440 |
| Pensions Fund Contributions | 28,060,208 | 22,298,059 | 28,060,208 | 22,298,058 |
| Group Life Insurance | 817,289 | 638,381 | 817,289 | 638,381 |
| | 306,518,799 | 259,776,012 | 293,495,166 | 249,004,210 |

Remuneration of Municipal Manager - M.A. Mene

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 801,890 | 1,168,200 | 801,980 | 1,168,200 |
| Car Allowance | 344,148 | 430,652 | 344,148 | 430,652 |
| Contributions to UIF, Medical and Pension Funds | 184,544 | 242,325 | 184,544 | 242,325 |
| Service bonus | 65,088 | 93,465 | 65,088 | 93,465 |
| Other | 190,507 | 41,485 | 190,507 | 41,485 |
| | 1,586,177 | 1,976,127 | 1,586,267 | 1,976,127 |

The municipal manager resigned on 13 March 2018.

Remuneration of Chief Finance Officer - N. Fetsha

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 1,158,365 | 964,915 | 1,158,365 | 964,915 |
| Car Allowance | 281,197 | 400,971 | 281,197 | 400,971 |
| Contributions to UIF, Medical and Pension Funds | 8,473 | 168,911 | 8,473 | 168,911 |
| Service bonus | 127,776 | 79,242 | 127,776 | 79,242 |
| Other | 161,110 | 36,816 | 161,110 | 36,816 |
| | 1,736,921 | 1,650,855 | 1,736,921 | 1,650,855 |

Remuneration of Director: Corporate Services - Y. Matakane-Dakuse

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 978,643 | 964,865 | 978,643 | 964,865 |
| Car Allowance | 392,636 | 354,683 | 392,636 | 354,683 |
| Contributions to UIF, Medical and Pension Funds | 8,473 | 211,132 | 8,473 | 211,132 |
| Service bonus | 339,457 | 79,242 | 339,457 | 79,242 |
| Other | 232,509 | 35,094 | 232,509 | 35,094 |
| | 1,951,718 | 1,645,016 | 1,951,718 | 1,645,016 |

Remuneration of Director: Health Services - Y. Sinyanya

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 998,454 | 964,865 | 998,454 | 964,865 |
| Car Allowance | 400,420 | 373,137 | 400,420 | 373,137 |
| Contributions to UIF, Medical and Pension Funds | 213,892 | 195,353 | 213,892 | 195,353 |
| Service Bonus | 83,204 | 79,242 | 83,204 | 79,242 |
| Other | 6,923 | 128,196 | 6,923 | 128,196 |
| | 1,702,893 | 1,740,793 | 1,702,893 | 1,740,793 |

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|------------------|------------------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 29. Employee related costs (continued) | | | | |
| Remuneration of Director: Integrated Planning and Development - Z. Shasha | | | | |
| Annual Remuneration | 976,962 | 172,179 | 976,962 | 172,179 |
| Car Allowance | 393,738 | 63,746 | 393,738 | 63,746 |
| Contributions to UIF, Medical and Pension Funds | 208,279 | 34,976 | 208,279 | 34,976 |
| Other | 943 | - | 943 | - |
| Other | 95,618 | 1,095 | 95,618 | 1,095 |
| | 1,675,540 | 271,996 | 1,675,540 | 271,996 |
| Remuneration of Director: Strategic Services - B. Mthembu | | | | |
| Annual Remuneration | 1,158,365 | 964,762 | 1,158,365 | 964,762 |
| Car Allowance | 377,924 | 366,562 | 377,924 | 366,562 |
| Contributions to UIF, Medical and Pension Funds | 43,737 | 208,417 | 43,737 | 208,417 |
| Service bonus | 5,602 | 79,242 | 5,602 | 79,242 |
| Other | 198,096 | 30,429 | 198,096 | 30,429 |
| | 1,783,724 | 1,649,412 | 1,783,724 | 1,649,412 |
| Remuneration of Director: Technical Services - M. Dungu | | | | |
| Annual Remuneration | 1,158,365 | 964,865 | 1,158,365 | 964,865 |
| Car Allowance | 384,749 | 354,683 | 384,749 | 354,683 |
| Contributions to UIF, Medical and Pension Funds | 52,788 | 212,328 | 52,788 | 212,328 |
| Service bonus | 29,395 | 79,242 | 29,395 | 79,242 |
| Other | 202,215 | 37,679 | 202,215 | 37,679 |
| | 1,827,512 | 1,648,797 | 1,827,512 | 1,648,797 |
| Remuneration of the Chief Executive Officer | | | | |
| Annual Remuneration including social contributions | 1,450,204 | 1,319,565 | - | - |
| Performance Bonuses | 141,257 | 210,769 | - | - |
| Contributions to UIF, Medical and Pension Funds | 100,092 | 93,001 | - | - |
| | 1,691,553 | 1,623,335 | - | - |
| Remuneration of Chief Finance Officer | | | | |
| Annual Remuneration including social contributions | 1,203,471 | 1,098,618 | - | - |
| Performance Bonuses | 117,896 | 140,603 | - | - |
| Contributions to UIF, Medical and Pension Funds | 110,098 | 102,679 | - | - |
| | 1,431,465 | 1,341,900 | - | - |
| Remuneration of Executive Manager Operations | | | | |
| Annual Remuneration including social contributions | 1,195,126 | 1,114,634 | - | - |
| Performance Bonuses | 119,821 | 97,496 | - | - |
| Contributions to UIF, Medical and Pension Funds | 110,098 | 103,946 | - | - |
| | 1,425,045 | 1,316,076 | - | - |

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 30. Remuneration of councillors | | | | |
| Executive Major | 1,002,142 | 961,705 | 1,002,142 | 961,705 |
| Mayoral Committee Members | 5,096,343 | 5,113,696 | 5,096,343 | 5,113,696 |
| Speaker | 878,310 | 743,735 | 878,310 | 743,735 |
| Councillors | 3,417,091 | 2,134,031 | 3,417,091 | 2,134,031 |
| Chief Whip | 767,890 | 624,283 | 767,890 | 624,283 |
| | 11,161,776 | 9,577,450 | 11,161,776 | 9,577,450 |
| 31. Depreciation and amortisation | | | | |
| Property, plant and equipment | 140,691,208 | 120,515,206 | 139,143,467 | 119,995,051 |
| Intangible assets | 1,377,183 | 1,367,758 | 1,377,183 | 1,367,758 |
| | 142,068,391 | 121,882,964 | 140,520,650 | 121,362,809 |
| 32. Finance costs | | | | |
| Interest cost | 257,064 | 271,493 | 117,085 | 271,493 |
| 33. Debt impairment | | | | |
| Debt impairment | 267,391,721 | 177,155,621 | 267,391,721 | 177,155,621 |
| 34. Bulk purchases | | | | |
| Water | 16,178,054 | 21,588,920 | 16,178,054 | 21,588,920 |
| 35. Contracted services | | | | |
| Outsourced Services | 22,549 | 26,040 | 22,549 | 26,040 |
| Consultant and Professional Services | 8,115,308 | 9,817,375 | 8,115,308 | 9,817,375 |
| Other Services | 36,586,086 | 23,702,116 | 18,233,825 | 8,954,361 |
| Contractors - Repairs and Maintenance | 70,399,086 | 59,984,839 | 70,399,086 | 59,984,839 |
| | 115,123,029 | 93,530,370 | 96,770,768 | 78,782,615 |

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 36. General expenses | | | | |
| Advertising | 3,075,305 | 2,801,486 | 2,680,889 | 2,546,753 |
| Auditors remuneration | 7,678,740 | 6,988,266 | 5,878,066 | 5,611,139 |
| Bank charges | 1,493,226 | 1,089,885 | 1,463,108 | 1,065,463 |
| Bad debts written off | 213,181 | 43,499,855 | 213,181 | 43,499,855 |
| Cleaning | 66,198 | 30,740 | - | - |
| Commission paid | 385,101 | 234,900 | 385,101 | 234,900 |
| Computer expenses | 6,357,865 | 3,425,579 | 6,337,171 | 3,425,579 |
| Consulting and professional fees | - | 449,092 | - | - |
| Consumables | 466,340 | 496,091 | 466,340 | 496,091 |
| Tools and equipment | 863,883 | (377,771) | 863,883 | (377,771) |
| Entertainment | 1,586,802 | 1,254,922 | 1,453,734 | 1,133,253 |
| Hire | 284,618 | - | 284,618 | - |
| Insurance | 1,001,366 | 1,441,066 | 840,568 | 1,347,923 |
| Lease rentals on operating lease | 5,928,013 | 5,461,285 | 5,855,300 | 5,048,990 |
| Education and training | 1,070,006 | 1,157,749 | 1,070,006 | 1,157,749 |
| Conferences and seminars | 33,296 | 31,297 | - | - |
| IT expenses | 335,681 | 312,855 | - | - |
| Strategic sessions | 1,208,192 | 2,255,736 | 1,208,192 | 2,255,736 |
| Motor vehicle expenses | 1,638,872 | 1,938,914 | 1,638,872 | 1,938,914 |
| Fuel and oil | 22,869,177 | 17,671,974 | 22,757,669 | 17,589,710 |
| Postage and courier | 1,130,336 | 271,295 | 1,126,484 | 268,746 |
| Printing and stationery | 7,827,874 | 995,630 | 7,589,073 | 876,279 |
| Promotions | 492,940 | 18,729 | 492,940 | 18,729 |
| Protective clothing | 1,089,890 | 1,643,816 | 1,089,890 | 1,643,816 |
| Security (Guarding of municipal property) | 78,375 | 7,533 | - | - |
| Software expenses | 2,123,959 | 5,836,860 | 1,820,315 | 5,836,860 |
| Staff welfare | 834,040 | 216,928 | 834,040 | 216,697 |
| Subscriptions and membership fees | 3,820,798 | 3,450,458 | 3,808,520 | 3,425,380 |
| Telephone and fax | 4,526,954 | 4,467,491 | 4,406,677 | 4,401,451 |
| Training | 1,624,000 | 1,329,076 | 1,624,000 | 1,329,076 |
| Travel - local | 16,990,725 | 13,354,087 | 16,400,886 | 12,623,333 |
| Travel - overseas | 150,412 | 101,569 | - | - |
| Purchase of samples | 185,066 | 164,592 | 121,323 | 72,475 |
| Title deed search fees | 60,096 | 110,809 | - | - |
| Assets expensed | 927,199 | 2,587,399 | 907,568 | - |
| Electricity | 40,139,384 | 26,192,311 | 40,050,043 | 26,166,029 |
| Rates | 376,975 | 357,829 | 376,975 | 357,829 |
| Water sampling | 516,551 | 523,544 | 516,551 | 523,544 |
| Refuse | 38,450 | 69,986 | 38,450 | 69,986 |
| Rates | 9,169 | - | - | - |
| Public events/ Imbizo | 2,567,113 | 6,193,657 | 2,567,113 | 6,193,657 |
| Study assistance reimbursements | 1,233,932 | 932,075 | 160,570 | 76,449 |
| Job Evaluation | 818,335 | 864,500 | 12,674 | - |
| Communication | 970,072 | 1,516,752 | 967,051 | 1,508,451 |
| Approved courses | 190,218 | 151,147 | 189,440 | 133,865 |
| Circumcision programme | 10,657 | 97,048 | - | 94,500 |
| Indigent Subsidy | 23,463,690 | 11,415,692 | 23,447,875 | 11,394,796 |
| Delegated Management - Water Services Authority | 14,880,029 | 51,966,567 | 14,533,961 | 51,714,033 |
| Chemicals | 4,440,688 | 6,209,290 | 4,440,688 | 6,209,290 |
| Skills Development Levy | 2,319,211 | 1,941,552 | 2,319,211 | 1,941,552 |
| Meeting fees - Audit Committee | 779,094 | 583,521 | 779,094 | 583,521 |
| Office consumables/ sundries | 299 | - | - | - |
| | 191,172,393 | 233,735,664 | 184,018,110 | 224,654,628 |

Chris Hani District Municipality

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------------------------|------------------|------------------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 37. Auditors' remuneration | | | | |
| External audit fees | 6,874,187 | 6,583,310 | 5,878,066 | 5,611,139 |
| Internal audit fees | 804,553 | 404,956 | - | - |
| | 7,678,740 | 6,988,266 | 5,878,066 | 5,611,139 |

38. Taxation

Major components of the tax expense

Current

| | | | | |
|------------------------|---|-----------|---|---|
| SA Normal Tax: Current | - | 2,726,075 | - | - |
|------------------------|---|-----------|---|---|

Deferred

| | | | | |
|-----------------------------|---|------------------|---|---|
| SA Normal Tax: Deferred tax | - | 169,570 | - | - |
| Current | - | 2,726,075 | - | - |
| Deferred | - | 169,570 | - | - |
| | - | 2,895,645 | - | - |

39. Cash generated from operations

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Surplus | 191,844,380 | 437,622,226 | 192,571,507 | 430,244,339 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 142,068,391 | 121,882,964 | 140,520,650 | 121,362,809 |
| Gain (loss) on sale of assets and liabilities | 106,688 | (891,155) | 106,688 | (891,155) |
| Debt impairment | 267,391,721 | 177,155,621 | 267,391,721 | 177,155,621 |
| Movements in retirement benefit assets and liabilities | 12,417,677 | (6,097,564) | 12,417,677 | (6,097,564) |
| Changes in working capital: | | | | |
| Inventories | (5,300,464) | (3,975,744) | (5,300,464) | (3,975,744) |
| Receivables from exchange transactions | (220,322,576) | (7,905,403) | (221,171,792) | (8,118,906) |
| Other receivables from non-exchange transactions | 26,246,369 | (225,485,198) | 27,444,554 | (228,565,198) |
| Prepayments | (65,503) | 2,442,966 | - | 2,442,966 |
| Payables from exchange transactions | (59,160,434) | (70,293,056) | (56,951,208) | (72,447,206) |
| VAT | 67,140,077 | (113,528,810) | 66,424,953 | (111,044,933) |
| Trade and other payables from non exchange) | 139,979 | 2,578,003 | - | - |
| Unspent conditional grants and receipts | 47,885,074 | (12,872,186) | 44,202,633 | (10,394,068) |
| Consumer deposits | 114,226 | 92,593 | 114,226 | 92,593 |
| | 470,505,605 | 300,725,257 | 467,771,145 | 289,763,554 |

40. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2018

Financial assets

| | At fair value | At amortised cost | Total |
|--|--------------------|--------------------|--------------------|
| Trade and other receivables from exchange transactions | - | 113,352,725 | 113,352,725 |
| Other receivables from non-exchange transactions | - | 51,617,985 | 51,617,985 |
| Cash and cash equivalents | 276,605,905 | - | 276,605,905 |
| Prepayments | - | 10,831,010 | 10,831,010 |
| | 276,605,905 | 175,801,720 | 452,407,625 |

Financial liabilities

Chris Hani District Municipality

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|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

40. Financial instruments disclosure (continued)

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Trade and other payables from exchange transactions | 154,317,907 | 154,317,907 |
| Taxes and transfers payable (non-exchange) | 2,842,115 | 2,842,115 |
| Bank overdraft | 13,422,606 | 13,422,606 |
| | 170,582,628 | 170,582,628 |

Economic entity - 2017

Financial assets

| | At fair value | At amortised cost | Total |
|--|--------------------|--------------------|--------------------|
| Trade and other receivables from exchange transactions | - | 160,421,866 | 160,421,866 |
| Other receivables from non-exchange transactions | - | 77,864,354 | 77,864,354 |
| Cash and cash equivalents | 235,946,654 | - | 235,946,654 |
| Prepayments | - | 10,765,507 | 10,765,507 |
| | 235,946,654 | 249,051,727 | 484,998,381 |

Financial liabilities

| | At amortised cost | Total |
|---|-------------------|-------------------|
| Trade and other payables from exchange transactions | 21,099,125 | 21,099,125 |
| Taxes and transfers payable (non-exchange) | 2,722,793 | 2,722,793 |
| Bank overdraft | 33,854,007 | 33,854,007 |
| | 57,675,925 | 57,675,925 |

Controlling entity - 2018

Financial assets

| | At fair value | At amortised cost | Total |
|--|--------------------|--------------------|--------------------|
| Trade and other receivables from exchange transactions | - | 113,268,047 | 113,268,047 |
| Other receivables from non-exchange transactions | - | 50,419,800 | 50,419,800 |
| Cash and cash equivalents | 274,264,298 | - | 274,264,298 |
| Prepayments | - | 10,765,507 | 10,765,507 |
| | 274,264,298 | 174,453,354 | 448,717,652 |

Financial liabilities

| | At fair value | At amortised cost | Total |
|---|-------------------|--------------------|--------------------|
| Trade and other payables from exchange transactions | - | 153,914,521 | 153,914,521 |
| Bank overdraft | 13,422,606 | - | 13,422,606 |
| | 13,422,606 | 153,914,521 | 167,337,127 |

Controlling entity - 2017

Financial assets

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|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

40. Financial instruments disclosure (continued)

| | At fair value | At amortised cost | Total |
|--|--------------------|--------------------|--------------------|
| Trade and other receivables from exchange transactions | - | 124,734,351 | 124,734,351 |
| Other receivables from non-exchange transactions | - | 77,864,354 | 77,864,354 |
| Cash and cash equivalents | 235,788,513 | - | 235,788,513 |
| Prepayments | - | 10,765,507 | 10,765,507 |
| | 235,788,513 | 213,364,212 | 449,152,725 |

Financial liabilities

| | At fair value | At amortised cost | Total |
|---|-------------------|--------------------|--------------------|
| Trade and other payables from exchange transactions | - | 208,386,513 | 208,386,513 |
| Bank overdraft | 33,854,007 | - | 33,854,007 |
| | 33,854,007 | 208,386,513 | 242,240,520 |

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|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 41. Commitments | | | | |
| Authorised capital expenditure | | | | |
| Already contracted for but not provided for | | | | |
| • Infrastructure | 612,440,313 | 543,703,437 | 612,440,313 | 543,703,437 |
| • Buildings | 202,184,331 | - | 202,184,331 | - |
| • Other | 52,382,777 | 16,553,551 | 50,499,667 | 14,870,625 |
| • Community | 12,038,841 | 62,259,855 | 12,038,841 | 62,259,855 |
| | 879,046,262 | 622,516,843 | 877,163,152 | 620,833,917 |
| Not yet contracted for and authorised by accounting officer | | | | |
| • Infrastructure | 8,913,344 | - | 8,913,344 | - |
| • Buildings | - | 191,340,706 | - | 191,340,706 |
| • Other | 2,445,300 | 1,221,397 | 2,445,300 | 1,221,397 |
| | 11,358,644 | 192,562,103 | 11,358,644 | 192,562,103 |
| Total capital commitments | | | | |
| Already contracted for but not provided for | 879,046,262 | 622,516,843 | 877,163,152 | 620,833,917 |
| Not yet contracted for and authorised by accounting officer | 11,358,644 | 192,562,103 | 11,358,644 | 192,562,103 |
| | 890,404,906 | 815,078,946 | 888,521,796 | 813,396,020 |
| Authorised operational expenditure | | | | |
| Already contracted for but not provided for | | | | |
| • Expenditure | 179,924 | 751,861 | - | - |
| Total operational commitments | | | | |
| Already contracted for but not provided for | 179,924 | 751,861 | - | - |
| Total commitments | | | | |
| Total commitments | | | | |
| Authorised capital expenditure | 890,404,906 | 815,078,946 | 888,521,796 | 813,396,020 |
| Authorised operational expenditure | 179,924 | 751,861 | - | - |
| | 890,584,830 | 815,830,807 | 888,521,796 | 813,396,020 |
| This committed expenditure relates to property, plant and equipment and will be mainly financed by Infrastructure grants as well as available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. | | | | |
| Operating leases - as lessee (Buildings) | | | | |
| Minimum lease payments due | | | | |
| - within one year | 1,069,320 | 721,944 | 1,069,320 | 721,944 |
| - in second to fifth year inclusive | 653,336 | 504,648 | 653,336 | 504,648 |
| | 1,722,656 | 1,226,592 | 1,722,656 | 1,226,592 |

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

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|---|-----------------|----------------|--------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| 41. Commitments (continued) | | | | |
| Operating leases - as lessee (Other Equipment) | | | | |
| Minimum lease payments due | | | | |
| - within one year | 70,323 | 417,466 | - | 417,466 |
| - in second to fifth year inclusive | 76,183 | - | - | - |
| | 146,506 | 417,466 | - | 417,466 |

Certain of the economic entity's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

| | | | | |
|---|-----------|-----------|-----------|-----------|
| The total future minimum lease payments expected to received under non-cancellable sublease | 1,869,162 | 1,644,058 | 1,722,656 | 1,644,058 |
|---|-----------|-----------|-----------|-----------|

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|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

42. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R -. The economic entity's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R -.

The economic entity has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implemented and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R -.

There is no reimbursement from any third parties for potential obligations of the economic entity.

An associate is been sued for violation of copyrights. The economic entity's share of the potential claim amounts to R -. The associates lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The economic entity is severally liable for the liabilities of its associate. The associate is profitable and in currently able to meet all of it present obligations.

Litigation is in the process against the a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of R -. The economic entity's lawyers and management consider the likelihood of the action against the economic entity being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Contingent liabilities

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Contractual claim by Ziphi-niphi Enterprise against Eyethu Engineers and CHDM. There has been no further action by plaintiff. | 196,660 | 96,660 | 196,660 | 96,660 |
| Claim by Volcano Sales & Transport CC regarding the supply and delivery of materials.Plea of denial of alleged cession and delivery note and denial that cession is valid in law. The matter has not been taken further. | 78,885 | 28,885 | 78,885 | 28,885 |
| Claim by GK Water (t/a GK water solutions) against CHDM in respect of services rendered.Defendant has raised an Exception and exception is pending. The matter has not been taken further for more than a year. The plaintiff lodged 2 claims of R648,399.50 and R742,687.38 | 1,591,027 | 1,391,027 | 1,591,027 | 1,391,027 |
| Claim by Cradock Golf Club against CHDM and one other in respect of damages. Special Plea of non-compliance with Section 3 of Act 40 of 2002 and misjoinder and Plea overfilled The matter has not been taken further since May 2016. | 57,265 | 32,265 | 57,265 | 32,265 |
| Claim by T O Madywabe against CHDM in respect of damages for personal injury. | 17,000 | 300,000 | 17,000 | 300,000 |
| Claim by Norland Construction (Pty) Limited against CHDM in respect of services rendered. There has been no further action plaintiff since 30 November 2016. | 2,362,442 | 2,162,442 | 2,362,442 | 2,162,442 |

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|---|-----------------|-----------|--------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| 42. Contingencies (continued) | | | | |
| Claim by Element Consulting Engineers (Pty) Ltd against CHDM for goods supplied and services rendered. Summons issued for breach of contract. Action defended. Plaintiff applied for Summary Judgment. Summary Judgment opposed. Leave to Defend granted. No further action taken by Plaintiff. | 1,517,246 | 1,217,246 | 1,517,246 | 1,217,246 |
| Claim by City Square Trading 204 (Pty) Ltd against CHDM and one other for goods supplied and services rendered. | 5,559,088 | 5,359,088 | 5,559,088 | 5,359,088 |
| Claim by Edward Silas Bikitsha against CHDM for damages suffered due to unlawful utilisation of land. | 858,000 | 558,000 | 858,000 | 558,000 |
| Application by Vezizinto Co-operative to interdict CHDM and 4 others for using applicant's land. | 100,000 | 100,000 | 100,000 | 100,000 |
| Claim by Oducure Eastern Cape (Pty) Ltd for breach of contract. The case has been inactive since the special pleas of non-joinder and lack of locus standi and also of authority were filed. Instead a new action against the party that was joined has been instituted. | 230,052 | 180,052 | 230,052 | 180,052 |
| Plaintiff, Total Laboratory Technologies, issued summons against the Municipality for goods allegedly, supplied and delivered. Judgment was granted by default. The Municipality partially disputes the claim, and hence is in the process of applying for the rescission of judgment. | 221,296 | - | 96,296 | - |
| Plaintiff, Arise and Shine Security & Cleansing Services, brought a claim for services rendered and outstanding claims against the Municipality. Matter has been defended and the Municipality is in the process of filing a counterclaim for a lost generator. | 452,500 | - | 452,500 | - |
| The Applicant, Mawethu Magida, is making an application to rescind a judgement that was granted in default on behalf of the Respondent. | 650,000 | - | 650,000 | - |
| The Defendant has defended the action brought by Telkom so as to ascertain where the incident occurred. | 164,940 | - | 164,940 | - |
| Applicant (Moppo Mene) making an application to set the decision of Council to rescind his appointment aside. Matter has been opposed, and papers in opposition have been filed. No replying affidavit has been filed. Matter is still pending. The liability will be limited to the remuneration amount for the remainder of the contract of employment. | 500,000 | - | 500,000 | - |
| Great Fish River Water Users Association: Payment of government water charges and sub-area scheme charges. The Defendant has defended the action. | 1,007,923 | - | 1,007,923 | - |
| Claim by A.M. Putter and 4 others regarding obligation of CHDM to pay medical aid contributions to surviving spouse of deceased employee/ retired employee. Awaiting judgment and amount is indeterminable. | 300,000 | - | 300,000 | - |
| Claim by Zuziwe Booi against CHDM and 2 other. | 250,000 | - | 250,000 | - |

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|--|-------------------|-------------------|--------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 42. Contingencies (continued) | | | | |
| Claim by Civil and General Construction CC: Application to interdict and restrain CHDM from continuing with tender process and are awarding tender to Urban Africa Services pending hearing of main Application which is for the review and setting aside of the decision to award the bid to Urban Africa Services. Opposed Main Application enrolled for hearing on 4 August 2016. Matter decided in the municipality's favour, but the Applicant has applied for leave to appeal the decision of the Court. Application for Leave to Appeal granted. Appellant has prosecuted Appeal. Appeal heard, and granted in favour of the Appellant. Municipality has filed Leave to Appeal to the SCA. | 400,000 | - | 400,000 | - |
| Claim by Ikamva Architects and MMPA Quantity Surveyors and projects managers (Pty) Ltd: Application to interdict and restrain CHDM from continuing with tender process and are awarding tender to Clarence Bobie & Partners pending hearing of main Application which is for the review and setting aside of the decision to award the bid to Clarence Bobie & Partners. Matter settled and settlement made Order of Court. | 400,000 | - | 400,000 | - |
| Claim by Zandisile Yafele: Plaintiff brought an application for an order for an order to declare the refusal to grant him access to information unlawful. Matter has been opposed. | 70,000 | - | 70,000 | - |
| Claim by MEC for COGTA - EC: The Applicant is making an application to declare the appointment of the 4th Respondent as null and void. Matter not opposed | 200,000 | - | 200,000 | - |
| | 17,184,324 | 11,425,665 | 17,059,324 | 11,425,665 |

The contingent liabilities for the claims by plaintiffs A.M Putter and 4 others as well as Moppo Mene have not been determined.

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| | 2018 | 2017 | 2018 | 2017 |

43. Related parties

Relationships

Accounting Officer

Close family member of key management

Refer to accounting officer's report note

Qwati Tolo Farms - Wife Ms. Bolekwa Kama is working at DWS.

Amatola Irrigation & Civils (Daughter Rebecca Ross is working for DOE)

Nombeza - Wife Zanele Sodladla is working at Ingquza Hill Municipality.

MEMBERS OF KEY MANAGEMENT

KEY MANAGEMENT OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:

Somkoko Mvuyeleni

Member of Jange and Mlungu Civils; Spouse is a member of Kuvala 205 Trading Enterprise

Delubom Lindile

Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares

Memani Thobela Headwell

Child is a Member of Vunoleo Building & Civil Youth Construction

Fumbeza Ntombifikile

33,33% Membership in Thembalobom Manufacturing & Enterprise CC

Makonza Asanda

100% Membership in Seasons Find 1260 CC;

Member of Funumbona Construction & Projects

Shasha Mzwamadoda Moses

100% Membership in Safika Rural Development Consultants

Mapatwana Ntombizanele

Member of Brainwave Project 205

Gqodo Zixolisile

Member of GZ Civil Engineering and Member of FC Builders & Construction

Katsere Tendai

35% Membership of Mazvita Trading; 100% Membership of Jekeso Communications; Member of Relilite Investments; Spouse is a member of Umzali Trading Enterprise

Gobeni Nonelela

Director of Hi-Lite Development Agency; Member of Ulutho Funerals

Makwabe Thandisizwe

50% Membership in Mokoti Construction

Tito Sibongile

Director of Smith Tabata

Lucando Bulelani

33% membership in El Shaddai Civil and Building Contractors

Mohale Reatile

Director of Reatile Transport and Projects

Petela Neziwe

Member of Kumbu & Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas 1413

Baatjies Eldridge Denzil

Director in BS Holdings

Dlova Zingisile Gidion

Director in Zinbar Enterprise

Madikane Thozama

50% Membership in Secreets Trading; 50% Membership in Koelro No 106; 100% Membership in Silkyline Hair Studio

Nqwemeshe Nomvuyo

Spouse is a member of Liso Security Services & Trading

COUNCILLORS

REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION. COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:

Cengani Jongumzi

25% Membership in Four of us Construction & Development; 50% Membership in Manga Manga Trading Enterprise; 100% Membership in Ntandoyam Trading 44; 33% Membership in CMZ Tours

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|--|-----------------|------|--|------|
| | 2018 | 2017 | 2018 | 2017 |
| 43. Related parties (continued) | | | | |
| Deliwe Zanemvula | | | Director of Beyond 2030 Consulting Services; Member of Top-Town Farmers Agricultural Cooperation | |
| Dyantyi Sinethemba Reginald | | | Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tiholo Entrepreneur Support Centre | |
| Gela Wongama | | | Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuselu'luntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading | |
| Goniwe Nyameka | | | 33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions | |
| Koyo Mxolisi Clifford | | | Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services; Spouse has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service | |
| Kulashe-Ndyumbu Thandeka | | | Director and Founding Member of DDX General Trading; Director and Founding Member of Mayidede General Trading | |
| Mdwayingana William | | | Member of Mdwamtwa Construction &facilitation; Member of Mpoza-mpoza Business Solutions; Member of Masichume Fattening Agriculture; Director of Bring About | |
| Mandile Prince Phillip Mbolo Skosana | | | 50% Membership in Mfe-Gebe Trading 25% Membership in Amabandla Construction; 50% Membership in Monde Skosana Building Construction | |
| Mfundsi Nomalizo Myataza Saziso Nobongoza Humphrey | | | 33% Membership in Hewu Farming Project Member of Hluthamhlali Multi-purpose Trading Director of Madcomsol Holdings (company has been deregistered); 25% Membership in Sangolekhaya Funeral Services; 100% Membership in Sunrise Coach Services; 100% Membership in TandoLuzuko Trading & Projects | |
| Nquma Nombuyiselo Patricia | | | 33,40% Membership in Fenas and Nquma Civils and Property Developers | |
| Plata Sithembele David Radzilani NR Roskruge N | | | 100% Membership in Daves Energy Distribution CC Member of Forecast Traders 0% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise | |
| Shweni ZR | | | Spouse is a member of Shweni Trading, Ngxongounathi security, Bomi investment Holdings, Bomi investment Holdings, Eand So civil engineering and construction, Hlumisa Travelling Agency, Ezomso training and conference centre, Lilita vehicle hire, Manzana Mancoba and Shweni Heavy Duty Transportation; Olona Trading and Project | |
| Twani Sylvia | | | Director of Qamata Tembisiile Hani Intergrated Energy Centre Co-operative limited | |
| Vimbayo Kholisa | | | Member of Border Rural Committee; 50% membership in Sikho Social Development Facilitators | |

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| | 2018 | 2017 | 2018 | 2017 |
| 43. Related parties (continued) | | | | |
| MUNICIPAL EMPLOYEES | | | | |
| Hlahla Mtibe NNV Mankayi BJ | | | | EMPLOYEES OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW: Spouse is a member of Yovo Trading Enterprise Spouse is a member of Mandush General Trading (Pty) Ltd |
| Pukwana PC | | | | Spouse is a director of Chris Hani District Cooperative Development Centre |
| BUYILE MKHONTWANA Mrs T SIQWAYI- ENVIR HEALTH PRACT GR 2 | | | | Has interest in Mvulane Catering & Construction SPOUSE SAKIWO SIQWAYI- has an interest in JOLKS TRADING |
| MR MM SHASHA- SENIOR MANAGER WSA | | | | Spouse/Partner/Associate NOMALIZO MONICA DAMOYI has an interest in BITLINE SA 1060CC |
| Mrs. SL PETER- ENVIR HEALTH ASSIST GR 2 | | | | Spouse/Partner/Associate NOMBULELO CYNTHIA KHANZI has an interest in BUYILE NO88 CONSTRUCTION AND CATERING |
| MR M KAMTANI- WATER PROCESS CONTROLLER | | | | Spouse/Partner/Associate MPUTHUMI NELSON DYANTYI has an interest in GOLDEN REWARDS 954 CC |
| MR MT MAVUNDHLA- WSP: O & M TECHN (INKWANCA) | | | | Spouse/Partner/Associate AGNES MAKAZI MATROSS has an interest in MAMA TROSKIE TRADING ENTERPRISE |
| MR PCK PUKWANA- LED OFFICER (SMME) | | | | Spouse/Partner/Associate SIPHENDULWE MATANZIMA has an interest in UBUSO BETHU QAMATA GENERAL TRADING |
| MASHEBA LINDA | | | | Spouse has an interest in Bayolo Business Enterprise (Pty) Ltd. |
| LWANA KOLEKA | | | | Interest in Zano-Buntu Trading Enterprise (Pty) Ltd |

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

| | | |
|-------------------------------------|------------------|---------------|
| Operational Grant Short Fall | 1,198,185 | - |
| CHDM Pomergranate and Fig (Project) | - | 26,323 |
| Other Outstanding Invoices (Assets) | 20,657 | - |
| | 1,218,842 | 26,323 |

Related party transactions

Interest paid to (received from) related parties

| | | |
|--|-----------|-----------|
| Yovo Trading Enterprise | - | 7,500 |
| Maliphathwe Trading | - | 37,170 |
| Wezi Gqiza | 52,525 | 13,185 |
| Izaphetha Trading & Projects | - | 18,400 |
| K2011115430 (Pty) Ltd | 3,900 | 3,590 |
| Hope Fountain Investment 268 CC | - | 97,475 |
| Phalethu 0513 Event Management | 40,000 | 9,000 |
| Bonelani Supplying Services CC | - | 17,900 |
| Somila Constructors CC | - | 372,671 |
| PP Joni Trans Enterprise T/A PP Joni | - | 16,860 |
| Lukhozi Consulting Engineers | - | 2,375,548 |
| Stopsina General Trading | - | 8,400 |
| Buyile No 88 Construction and Catering | 14,600 | - |
| Kokwenu Bed and Breakfast | 3,200 | - |
| Mduba General Trading | 8,250 | - |
| Mesilane Projects | 20,400 | - |
| Ubomi Civils Construction Services | 2,169,232 | - |

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|--|-----------------|------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 43. Related parties (continued) | | | | |
| Unako Fencing and Construction | | | 12,500 | - |
| Chris Hani Choral Music Association | | | 176,500 | - |
| Ntribo General Trading | | | 28,200 | - |
| Nqantiko Construction and Projects | | | 40,000 | - |
| Valotone 94 CC | | | 1,905,628 | - |
| Amagqika Trading Enterprise (Pty) Ltd | | | 7,825 | - |
| Keith Ngesi Media (Pty) Ltd | | | 29,350 | - |
| My Kyns Services and Suppliers | | | 8,000 | - |
| Ian S Development Services | | | 54,780 | - |
| Vodacom (Pty) Ltd | | | 281,197 | - |
| Mangwane na Maqwathi Holdings | | | 2,400 | - |
| Nonala Tose Productions | | | 30,000 | - |
| Likhamandla Trading | | | 11,940 | - |
| Ngcobo Multi Media Trading | | | 15,580 | - |
| Arcon Projects | | | 6,450 | - |
| | | | 4,922,457 | 2,977,699 |
| Transactions Conducted with Service Providers with family members in the service of the state | | | | |
| Qwati Tolo Farms | | | 695,760 | 417,240 |
| Amatola Irrigation and Civils | | | - | 122,875 |
| Nombeza | | | 13,350 | - |
| | | | 709,110 | 540,115 |

44. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | | |
|--|-----------------|-------------------------------|----------------------------|--------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | |
| 44. Prior period errors (continued) | | | | | |
| Controlling entity - 2018 | | | | | |
| | Note | As previously reported | Correction of error | Re-classification | Restated |
| Current assets | | | | | |
| Receivables from non-exchange | | 78,734,389 | - | (870,035) | 77,864,354 |
| VAT receivable/ (Payable) | | 95,992,115 | (33,103,738) | - | 62,888,377 |
| Receivables from exchange transactions | | 197,563,112 | (44,073,862) | 5,998,722 | 159,487,972 |
| Cash and cash equivalents | | 235,926,400 | - | (133,687) | 235,792,713 |
| | | 608,216,016 | (77,177,600) | 4,995,000 | 536,033,416 |
| Non-current assets | | | | | |
| | | As previously reported | Correction of error | Re-classification | Restated |
| Property, plant and equipment | | 4,018,874,596 | (52,994,723) | - | 3,965,879,873 |
| Intangible assets | | 5,462,248 | (1,573,627) | - | 3,888,621 |
| | | 4,024,336,844 | (54,568,350) | - | 3,969,768,494 |
| Current liabilities | | | | | |
| | | As previously reported | Correction of error | Reclassification | Total |
| Payables from exchange transactions | | 220,678,467 | 13,154,401 | - | 233,832,868 |
| Consumer deposits | | (212,588) | (2,372) | - | (214,960) |
| | | 220,465,879 | 13,152,029 | - | 233,617,908 |
| Non-current liabilities | | | | | |
| | | As previously reported | Correction of error | Reclassification | Total |
| Deferred tax | | 17,565 | 155,287 | - | 172,852 |
| Accumulated surplus | | 3,661,640,162 | 63,190,942 | - | 3,724,831,104 |

Statement of financial performance

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|--|-----------------|-------------------------------|----------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 44. Prior period errors (continued) | | | | |
| Controlling entity - 2018 | | | | |
| | Note | As previously reported | Correction of error | Restated |
| Revenue from exchange transactions | | | | |
| Service charges | | 171,574,593 | 52,348,606 | 223,923,199 |
| Operating Income | | 93,758,401 | (91,185,229) | 2,573,172 |
| Interest received | | 37,255,372 | (934,034) | 36,321,338 |
| Debt impairment | | (44,875,963) | (132,279,658) | (177,155,621) |
| General expenses | | (224,998,499) | 346,001 | (224,652,498) |
| Employee related costs | | (245,075,313) | (3,928,898) | (249,004,211) |
| Depreciation and amortisation | | (119,620,519) | (1,742,290) | (121,362,809) |
| Actuarial gains/losses | | - | 6,097,546 | 6,097,546 |
| Loss on disposal of assets | | 903,809 | (12,654) | 891,155 |
| Deficit for the year | | (331,078,119) | (171,290,610) | (502,368,729) |

| Disclosures | As previously reported | Correction of error | Reclassification | Total |
|---------------------------|-------------------------------|----------------------------|-------------------------|----------------------|
| Irregular expenditure | 152,601,806 | 95,114,379 | - | 247,716,185 |
| Commitments | 580,209,178 | 233,186,842 | - | 813,396,020 |
| Water distribution losses | 47,962,670 | 62,772,769 | - | 110,735,439 |
| | 780,773,654 | 391,073,990 | - | 1,171,847,644 |

45. Risk management

Financial risk management

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

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

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

45. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The budget and treasury office monitors the cashflow requirements on a regular basis.

The municipality's cashflows consist of short term deposits and current accounts with notice periods of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the municipality's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only credit worthy counterparts.

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

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The existing trade receivables portfolio has historically been significantly impaired as a result of a number of contributing factors. Trade receivables are thus presented net of an allowance for impairment.

| Financial instrument | Economic entity - 2018 | Economic entity - 2017 | Controlling entity - 2018 | Controlling entity - 2017 |
|---------------------------------|------------------------|------------------------|---------------------------|---------------------------|
| Cash and Cash equivalents - FNB | 351,822,694 | 316,458,880 | 349,485,287 | 316,304,939 |

Market risk

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or 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.

Market risk consists primarily of interest rate risk

Interest rate risk is defined as the risk that the fair value of future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cashflow risk exposures on long term financing.

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

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures risk.

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| 46. Events after the reporting date | | | | |
| There were no non- adjusting events after the reporting date. | | | | |
| 47. Unauthorised expenditure | | | | |
| Opening balance | 619,064,041 | 665,860,717 | 619,064,041 | 665,860,717 |
| Unauthorised expenditure - current year | 657,381 | 136,644,026 | 657,381 | 136,644,026 |
| Unauthorised expenditure - written off | (3,037,340) | (183,440,702) | (3,037,340) | (183,440,702) |
| | 616,684,082 | 619,064,041 | 616,684,082 | 619,064,041 |

During 2017/18 financial year, the municipality tabled the adjusted budget for 2017/18 to council in addressing unauthorised expenditure for the 2016/17 financial year in terms of section 28(2)(g) of the MFMA read together with regulation 23(6)(b) of the MBRR. An adjustment budget contemplated in section 28(2)(g) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act.

48. Fruitless and wasteful expenditure

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Opening balance | 3,597,638 | 3,062,710 | 3,597,638 | 3,062,710 |
| Fruitless and wasteful expenditure - Current year: CHDM | 257,016 | 534,928 | 257,016 | 534,928 |
| Fruitless and wasteful expenditure - Current year: CHDA | 166,225 | 38,596 | - | - |
| Less amount recovered from staff - CHDA | (6,615) | - | - | - |
| Less amount recovered from staff - CHDA | (19,631) | (38,596) | - | - |
| | 3,994,633 | 3,597,638 | 3,854,654 | 3,597,638 |

Investigations for Fruitless and wasteful expenditure is in progress.

The fruitless and wasteful expenditure for the municipality is made up of Finance costs (R117,085.00), Repudiated Insurance claims - Laptops (R71,656.00) and workshop not attended for job architecture by Directorate (R68,275.00)

49. Irregular expenditure

| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| Opening balance | 1,247,716,185 | 1,204,892,781 | 1,247,716,185 | 1,204,892,781 |
| Add: Irregular Expenditure - current year | 134,357,288 | 41,607,571 | 134,357,288 | 41,607,571 |
| Write-off of prior year amount | - | (93,898,546) | - | (93,898,546) |
| Add: Irregular Expenditure - prior year (adjustment) | - | 74,477,246 | - | 74,477,246 |
| Add: Adjustment to 2015/16 irregular expenditure | - | 20,527,659 | - | 20,527,659 |
| Write-off of prior year amount | - | 109,474 | - | 109,474 |
| | 1,382,073,473 | 1,247,716,185 | 1,382,073,473 | 1,247,716,185 |

Analysis of expenditure awaiting condonation per age classification

| | | | | |
|--------------|----------------------|----------------------|----------------------|----------------------|
| Current year | 134,357,288 | 22,295,745 | 134,357,288 | 22,295,745 |
| Prior years | 1,247,716,185 | 1,225,420,440 | 1,247,716,185 | 1,225,420,440 |
| | 1,382,073,473 | 1,247,716,185 | 1,382,073,473 | 1,247,716,185 |

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|
| Current year subscription / fee | 2,838,641 | 2,758,640 | 2,838,641 | 2,758,640 |
| Amount paid - current year | (2,838,641) | (2,758,640) | (2,838,641) | (2,758,640) |
| | - | - | - | - |

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Notes to the Consolidated Annual Financial Statements

| Figures in Rand | Economic entity | | Controlling entity | |
|---|------------------|-------------------|--------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| 50. Additional disclosure in terms of Municipal Finance Management Act (continued) | | | | |
| Audit fees | | | | |
| Current year subscription / fee | 7,678,867 | 7,255,193 | 5,878,066 | 5,611,139 |
| Amount paid - current year | (7,678,867) | (7,255,193) | (5,878,066) | (5,611,139) |
| | - | - | - | - |
| PAYE and UIF | | | | |
| Opening balance | 201,606 | - | - | - |
| Current year subscription / fee | 45,169,537 | 40,160,737 | 41,852,636 | 37,388,790 |
| Amount paid - current year | (45,169,537) | (39,959,131) | (41,852,636) | (37,388,790) |
| Amount paid - previous years | (201,606) | - | - | - |
| | - | 201,606 | - | - |
| Pension and Medical Aid Deductions | | | | |
| Current year subscription / fee | 41,061,129 | 33,291,603 | 41,061,129 | 33,291,603 |
| Amount paid - current year | (41,061,129) | (33,291,603) | (41,061,129) | (33,291,603) |
| | - | - | - | - |
| VAT | | | | |
| VAT receivable | - | 63,144,642 | - | - |
| VAT payable | 3,995,435 | - | - | - |
| | 3,995,435 | 63,144,642 | - | - |

VAT output payables and VAT input receivables are shown in note .

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

51. Deviation from supply chain management regulations

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

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

Incident

| | | | | |
|-----------------------------------|---|------------------|---|---|
| Emergency pipeline repairs | - | 130,375 | - | - |
| Information technology upgrade | - | 882,119 | - | - |
| Upgrading of electricity services | - | 59,403 | - | - |
| | - | 1,071,897 | - | - |

52. Water Distribution Losses

| | | | | |
|--------------|-------------|-------------|-------------|-------------|
| Water losses | 119,259,745 | 110,735,439 | 119,259,745 | 110,735,439 |
|--------------|-------------|-------------|-------------|-------------|

The municipality incurred water distribution losses in the current year estimated at the average of 59%. This results to a total loss of R110 259 745.

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|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

52. Water Distribution Losses (continued)

The municipality incurred water distribution losses in the prior year estimated at the average of 55%. This results to a total loss of R110 753 439.

53. Deferred tax

Heading

| | | | | |
|-------------------------------|--------|---------|---|---|
| Property, plant and equipment | 17,565 | 177,565 | - | - |
|-------------------------------|--------|---------|---|---|

54. Taxation

Tax paid

| | | | | |
|-----------------------------|---|------------------|---|---|
| SA Normal tax: Current | - | 2,881,362 | - | - |
| SA Normal tax: Deferred tax | - | 14,283 | - | - |
| | - | 2,895,645 | - | - |

Taxation reconciliation

| | | | | |
|-------------------|---|------------|---|---|
| Accounting profit | - | 10,302,995 | - | - |
|-------------------|---|------------|---|---|

Heading

| | | | | |
|--|---|------------------|---|---|
| Taxation @ 28% | - | 2,884,839 | - | - |
| Tax effects on non deductible/ non taxable items: SARS penalties and interest | - | 10,806 | - | - |
| | - | 2,895,645 | - | - |

55. Budget differences

Material differences between budget and actual amounts

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2018 | 2017 | 2018 | 2017 |

55. Budget differences (continued)

Revenue:

1. Services charges: The increase on billing is caused by the back dating of billing for the accounts that were not in linked in the for 17/18 and previous years.

2. Other Income: The decrease is caused by the VAT on conditional grants that had been double counted and corrected after investigations.

3. Interest received - Investment: The municipality has invested more during the financial year;

4. Interest received - Debtors: The municipality started charging interest in the 2017/18 financial year.

5. Government Grants and subsidies: This amount includes capital grants.

Expenditure

1. Personnel: Under – expenditure arose due to certain vacant position that were budgeted for were not filled earlier in the financial year or not filled at all.

2. Remuneration of Councillors: The overspending is caused by the back pay of Councillors which was underpaid for their sittings in the council meetings.

3. Depreciation and amortization: CHDM did accommodate the adjusted budget, however the actual depreciation decrease was caused by the review of asset infrastructure after the full verification of infrastructure assets.

4. Finance cost: There was an improvement in the payment of service providers hence the reduction in interest.

5. Bulk purchase: The decrease is caused by the April to June invoice that is not yet received by the municipality after several request from the department.

6. Contracted service: The increase on contracted service is caused by the reclassification of repairs and maintenance and other contracted services.

7. Transfers and subsidies: Under – expenditure was as a result of projects under equitable share that could not been completed and the rollover was requested for 2018/19.

8. General expense: Under expenditure was due to the budget that was allocated , however the municipality paid less than the budgeted amount as the projects moved over to 2018/19.

9. Debt impairment: The variance in debt impairment was caused by the increase in the provision to be made versus the current debt book in line with the credit control policy and the previous calculation was also adjusted.

10. Bad debts written off: the variance is due to indigent debtors that have been written off during the financial year as per council resolution.

Differences between budget and actual amounts basis of preparation and presentation

Changes from the approved budget to the final budget.

The changes between the final and adjusted budget are consequence of changes in the municipal performance and additional funding receipts from states institutions. For details on these changes please refer to the annual report.