Ugu District Municipality Consolidated
Consolidated Financial statements
for the year ended 30 June 2018

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	District Municipality
The following is included in the scope of operation	Municipality: Provide community within Ugu District with Water and Sanitation services. Municipal Entity: Ugu South Coast Tourism: Developing and promoting the Ugu district as tourism destination. Municipal Entity: Ugu South Coast Development Agency: Implementing economic growth and development.
Mayoral committee	
Mayor	Cllr MA Chiliza (Mayor)
	Cllr NH Gumede(Speaker)
Executive Council	Cllr LMR Ngcobo
	Cllr SP Mthethwa
	Cllr MA Manyoni
	Cllr PH Mthiyane
	Cllr MT Zwane
	Cllr SN Caluza
	Cllr L Mzimela
	Cllr AD Ngubo
	Cllr PT Nadue
	Cllr BE Machi
	Cllr M Qwabe
	Cllr IM Mavundla- Late (August 2017)
Grading of local authority	Grade 5
Chief Finance Officer (CFO)	Mr MS Dlamini (Appointed February 2018) Ms SP Ngilande (contract ended November 2017)
Accounting Officer	Mr DD Naidoo
Registered office	28 Connor Street Port Shepstone Kwazulu -Natal 4240
Business address	28 Connor Street Port Shepstone Kwazulu -Natal 4240
Postal address	PO Box 33 Port Shepstone Kwazulu -Natal 4240
Bankers	Primary Banker: ABSA Bank Limited; Secondary Bankers: Nedbank Bank Limited, Standard Bank Limited,First National Bank Limited, and Investec Limited
Auditors	Auditor General South Africa (AGSA)

General Information

	Registered Auditors
Website	www.ugu.gov.za

Index

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers
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)

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

The consolidated 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 financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 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 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated financial statements. The consolidated financial statements have been examined by the economic entity's external auditors and their report is presented on page 6.

The consolidated financial statements set out on pages 6 to 124, which have been prepared on the going concern basis, were approved by the accounting officer on 28 September 2018 and were signed on its behalf by:

Mr DD Naidoo
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four (4) times per annum as per its approved terms of reference. During the current year six (6) number of meetings were held.

Name of member	Number of meetings attended
Mr P Preston (Chairperson)	17
Mr B Dladla	13
Ms C Elliott	15
Ms B Jojo	16

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from Section 166(2)(a) to (e) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of consolidated financial statements

The audit committee has:

- reviewed and discussed the audited consolidated financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the consolidated financial statements, and are of the opinion that the audited consolidated financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the economic entity.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

____

Chairperson of the Audit Committee

Date: ______________________

Independent Auditor's Report

The Auditor General of South Africa submits his report for the year ended 30 June 2018.

Statement of Financial Position as at 30 June 2018

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017 Restated*	2018	2017 Restated*
Assets					
Current Assets					
Inventories	3	7 020 778	7 629 409	7 020 778	7 629 409
Current portion of long -term receivables	4	28 277	58 731	28 277	58 731
Operating lease asset	5	39 699	45 030	39 699	45 030
Receivables from non-exchange transactions	6	99 984 381	33 417 264	98 638 877	31 390 384
VAT receivable	7	145 610	18 986 697	-	18 815 787
Receivables from exchange transactions	8	114 660 679	85 461 715	112 479 454	84 753 808
Cash and cash equivalents	9	51 909 188	189 201 721	41 801 195	180 503 687
		273 788 612	**334 800 567**	**260 008 280**	**323 196 836**
Non-Current Assets					
Investment property	10	40 999 310	39 342 482	31 650 000	30 242 482
Property, plant and equipment	11	3 991 167 071	3 914 940 911	3 989 800 192	3 913 420 776
Intangible assets	12	12 822 933	16 318 420	12 774 560	16 267 434
Investments in controlled entities	13	-	-	200	200
Long -term portion of long -term receivables	4	80 510	30 812	80 510	30 812
		4 045 069 824	**3 970 632 625**	**4 034 305 462**	**3 959 961 704**
Total Assets		**4 318 858 436**	**4 305 433 192**	**4 294 313 742**	**4 283 158 540**
Liabilities					
Current Liabilities					
current portion of long term liabilities	14	22 472 666	21 590 802	22 472 666	21 590 802
Operating lease liability	5	103 483	142 388	58 328	56 760
Payables from exchange transactions	15	178 496 580	175 019 592	177 584 249	174 051 588
VAT payable	17	18 275 843	-	18 275 843	-
Consumer deposits	16	21 084 866	20 830 963	21 084 866	20 830 963
Unspent conditional grants and receipts	18	4 116 663	1 400 000	116 663	400 000
Provisions	19	32 350 542	28 781 752	30 864 013	27 755 890
Bank overdraft	9	-	150 443	-	150 443
		276 900 643	**247 915 940**	**270 456 628**	**244 836 446**
Non-Current Liabilities					
Non current portion of long term liabilities	14	84 026 339	104 930 511	84 026 339	104 930 511
Operating lease liability	5	30 878	-	-	-
Employee benefit obligation	20	17 583 366	16 002 157	17 583 366	16 002 157
Other long term employee benefits	21	16 444 569	15 456 907	16 444 569	15 456 907
		118 085 152	**136 389 575**	**118 054 274**	**136 389 575**
Total Liabilities		**394 985 795**	**384 305 515**	**388 510 902**	**381 226 021**
Net Assets		**3 923 872 641**	**3 921 127 677**	**3 905 802 840**	**3 901 932 519**
Accumulated surplus		3 923 872 641	3 921 127 677	3 905 802 839	3 901 932 519

* See Note 46

Ugu District Municipality Consolidated
(Registration number DC 21)
Consolidated Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	22	325 342 984	314 581 575	325 342 984	314 581 575
Rental of facilities and equipment	23	1 419 034	2 545 445	1 274 596	2 545 445
Other income	24	7 853 992	12 751 040	4 008 833	10 093 411
Interest received - investment	25	20 443 410	28 297 098	20 021 975	27 447 517
Total revenue from exchange transactions		**355 059 420**	**358 175 158**	**350 648 388**	**354 667 948**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	26	714 519 337	701 437 952	714 519 337	701 437 952
Public contributions and donations	27	5 385 729	7 377 878	-	-
Total revenue from non-exchange transactions		**719 905 066**	**708 815 830**	**714 519 337**	**701 437 952**
Total revenue	56	**1 074 964 486**	**1 066 990 988**	**1 065 167 725**	**1 056 105 900**
Expenditure					
Employee related costs	28	(382 993 608)	(340 948 143)	(371 001 546)	(330 968 190)
Remuneration of councillors	29	(9 019 533)	(9 234 331)	(9 019 533)	(8 323 243)
Depreciation and amortisation	30	(217 452 915)	(218 597 904)	(217 190 726)	(218 342 909)
Impairment loss/ Reversal of impairments	31	12 040 599	(36 134 000)	12 050 630	(36 127 337)
Finance costs	32	(10 382 874)	(10 627 487)	(10 382 874)	(10 625 404)
Lease rentals on operating lease	57	(5 531 176)	(4 855 987)	(5 531 176)	(3 781 614)
Bulk purchases	33	(94 489 718)	(77 790 321)	(94 489 718)	(77 790 321)
Contracted services	34	(170 534 411)	(123 161 079)	(170 534 411)	(123 002 185)
Transfers and Subsidies	35	(1 050 516)	(9 752 540)	(19 360 654)	(27 190 766)
General Expenses	36	(189 513 946)	(167 475 992)	(172 492 432)	(150 700 017)
Total expenditure		**(1 068 928 098)**	**(998 577 784)**	**(1 057 952 440)**	**(986 851 986)**
Gain or loss on disposal of assets and liabilities	11	635 337	502 707	635 337	502 707
Fair value adjustments	37	1 407 518	100 000	1 407 518	100 000
Gains/Loss from transfer of functions between entities not under common control	11	-	(30 512 574)	-	(30 512 574)
Inventories losses/write-downs	3	(5 318 861)	-	(5 318 861)	-
Gain or loss on receivables		(68 960)	-	(68 960)	-
Surplus for the year		**2 691 422**	**38 503 337**	**3 870 319**	**39 344 047**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2016	**3 882 624 340**	**3 882 624 340**
Changes in net assets		
Surplus for the year	38 503 337	38 503 337
Total changes	38 503 337	38 503 337
Restated* Balance at 01 July 2017	**3 921 181 217**	**3 921 181 217**
Changes in net assets		
Surplus for the year	2 691 424	2 691 424
Total changes	2 691 424	2 691 424
Balance at 30 June 2018	**3 923 872 641**	**3 923 872 641**
Note(s)		

Figures in Rand	Accumulated surplus	Total net assets
Controlling entity		
Balance at 01 July 2016	**3 862 588 472**	**3 862 588 472**
Changes in net assets		
Surplus for the year	39 344 047	39 344 047
Total changes	39 344 047	39 344 047
Restated* Balance at 01 July 2017	**3 901 932 520**	**3 901 932 520**
Changes in net assets		
Surplus for the year	3 870 319	3 870 319
Total changes	3 870 319	3 870 319
Balance at 30 June 2018	**3 905 802 839**	**3 905 802 839**
Note(s)		

* See Note 46

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2018	2017 Restated*	2018	2017 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		284 004 630	312 319 667	274 569 830	289 123 462
Grants		714 519 337	701 837 920	714 519 337	701 837 920
Interest income		20 443 410	28 297 098	15 776 673	27 447 517
		1 018 967 377	1 042 454 685	1 004 865 840	1 018 408 899
Payments					
Employee costs		(392 013 141)	(350 370 947)	(382 238 458)	(336 298 933)
Finance costs		(10 382 874)	(10 627 487)	(10 382 874)	(10 625 404)
Other payments		(440 583 329)	(434 890 082)	(438 452 698)	(410 539 166)
		(842 979 344)	(795 888 516)	(831 074 030)	(757 463 503)
Net cash flows from operating activities	39	**175 988 033**	**246 566 169**	**173 791 810**	**260 945 396**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(290 536 256)	(309 808 507)	(290 388 208)	(309 497 197)
Proceeds from sale of property, plant and equipment	11	716 895	1 166 299	675 919	(247 123)
Purchase of other intangible assets	12	(12 454)	(8 318 469)	-	(8 299 609)
Proceeds from sale of other intangible assets	12	3 159	230	-	-
Proceeds from sale of financial assets		-	(89 543)	-	26 842
Net cash flows from investing activities		**(289 847 900)**	**(317 049 990)**	**(289 731 533)**	**(318 017 087)**
Cash flows from financing activities					
Repayment of non current portion of long term liabilities		(20 692 205)	(19 031 925)	(20 022 308)	(19 031 925)
Movement in other long term employee benefits		(2 590 018)	-	(2 590 018)	-
Net cash flows from financing activities		**(23 282 223)**	**(19 031 925)**	**(22 612 326)**	**(19 031 925)**
Net increase/(decrease) in cash and cash equivalents		**(137 142 090)**	**(89 515 746)**	**(138 552 049)**	**(76 103 616)**
Cash and cash equivalents at the beginning of the year		189 051 278	278 567 024	180 353 244	256 456 860
Cash and cash equivalents at the end of the year	9	**51 909 188**	**189 051 278**	**41 801 195**	**180 353 244**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	429 071 000	(73 742 830)	**355 328 170**	325 342 984	**(29 985 186)**	
Rental of facilities and equipment	1 160 120	(43 658)	**1 116 462**	1 419 034	**302 572**	
Other income	15 143 713	(4 247 276)	**10 896 437**	7 853 992	**(3 042 445)**	
Interest received - investment	24 661 202	(21 660 926)	**3 000 276**	20 443 410	**17 443 134**	
Total revenue from exchange transactions	**470 036 035**	**(99 694 690)**	**370 341 345**	**355 059 420**	**(15 281 925)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	739 364 061	2 398 356	**741 762 417**	714 519 337	**(27 243 080)**	
Public contributions and donations	-	-	**-**	5 385 729	**5 385 729**	
Total revenue from non-exchange transactions	**739 364 061**	**2 398 356**	**741 762 417**	**719 905 066**	**(21 857 351)**	
Total revenue	**1 209 400 096**	**(97 296 334)**	**1 112 103 762**	**1 074 964 486**	**(37 139 276)**	
Expenditure						
Personnel	(350 378 794)	34 107 554	**(316 271 240)**	(385 210 978)	**(68 939 738)**	
Remuneration of councillors	(13 300 294)	4 099 793	**(9 200 501)**	(9 019 533)	**180 968**	
Depreciation and amortisation	(120 947 356)	-	**(120 947 356)**	(217 452 915)	**(96 505 559)**	
Impairment loss/ Reversal of impairments	(3 000 000)	-	**(3 000 000)**	12 040 599	**15 040 599**	
Finance costs	(9 770 664)	(9 843 737)	**(19 614 401)**	(10 382 874)	**9 231 527**	
Lease rentals on operating lease	-	-	**-**	(5 531 176)	**(5 531 176)**	
Bulk purchases	(76 033 572)	-	**(76 033 572)**	(94 489 718)	**(18 456 146)**	
Contracted Services	(35 515 043)	(109 994 679)	**(145 509 722)**	(170 534 411)	**(25 024 689)**	
Transfers and Subsidies	1	-	**1**	(1 050 516)	**(1 050 517)**	
General Expenses	(277 169 544)	115 612 481	**(161 557 063)**	(187 296 576)	**(25 739 513)**	
Total expenditure	**(886 115 266)**	**33 981 412**	**(852 133 854)**	**(1 068 928 098)**	**(216 794 244)**	
Operating surplus	**323 284 830**	**(63 314 922)**	**259 969 908**	**6 036 388**	**(253 933 520)**	
Gain on disposal of assets and liabilities	-	-	**-**	635 337	**635 337**	
Loss on receivables	-	-	**-**	(68 960)	**(68 960)**	
Fair value adjustments	-	-	**-**	1 407 518	**1 407 518**	
Inventories losses/write-downs	-	-	**-**	(5 318 861)	**(5 318 861)**	
	-	**-**	**-**	**(3 344 966)**	**(3 344 966)**	
Surplus before taxation	**323 284 830**	**(63 314 922)**	**259 969 908**	**2 691 422**	**(257 278 486)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**323 284 830**	**(63 314 922)**	**259 969 908**	**2 691 422**	**(257 278 486)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	20 475 000	-	**20 475 000**	7 020 778	**(13 454 222)**	
Current portion of long -term receivables	216 667	-	**216 667**	28 277	**(188 390)**	
Finance lease receivables	-	-	**-**	39 699	**39 699**	
Receivables from non-exchange transactions	18 670 380	3 446 010	**22 116 390**	99 984 381	**77 867 991**	
VAT receivable	-	-	**-**	145 610	**145 610**	
Consumer debtors	138 305 863	-	**138 305 863**	114 660 679	**(23 645 184)**	
Cash and cash equivalents	165 697 116	(870 000)	**164 827 116**	51 909 188	**(112 917 928)**	
	343 365 026	**2 576 010**	**345 941 036**	**273 788 612**	**(72 152 424)**	
Non-Current Assets						
Investment property	26 000 000	(9 349 310)	**16 650 690**	40 999 310	**24 348 620**	
Property, plant and equipment	4 040 189 590	-	**4 040 189 590**	3 991 167 071	**(49 022 519)**	
Intangible assets	9 520 912	-	**9 520 912**	12 822 933	**3 302 021**	
Current portion of long -term receivables	613 000	-	**613 000**	80 510	**(532 490)**	
	4 076 323 502	**(9 349 310)**	**4 066 974 192**	**4 045 069 824**	**(21 904 368)**	
Total Assets	**4 419 688 528**	**(6 773 300)**	**4 412 915 228**	**4 318 858 436**	**(94 056 792)**	
Liabilities						
Current Liabilities						
Non current portion of long term liabilities	20 714 000	(4 138 607)	**16 575 393**	3	**(16 575 390)**	
Operating lease liability	-	-	**-**	103 483	**103 483**	
Payables from exchange transactions	206 635 291	-	**206 635 291**	178 496 580	**(28 138 711)**	
VAT payable	-	-	**-**	18 275 843	**18 275 843**	
Consumer deposits	22 815 981	-	**22 815 981**	21 084 866	**(1 731 115)**	
Unspent conditional grants and receipts	-	-	**-**	4 116 663	**4 116 663**	
Provisions	23 115 198	(326 912)	**22 788 286**	32 350 542	**9 562 256**	
	273 280 470	**(4 465 519)**	**268 814 951**	**254 427 980**	**(14 386 971)**	
Non-Current Liabilities						
Non current portion of long term liabilities	83 333 000	-	**83 333 000**	84 026 339	**693 339**	
Operating lease liability	-	-	**-**	30 878	**30 878**	
Employee benefit obligation	-	-	**-**	17 583 366	**17 583 366**	
Provisions	32 418 000	-	**32 418 000**	-	**(32 418 000)**	
Other long term employee benefits	-	-	**-**	16 444 569	**16 444 569**	
	115 751 000	**-**	**115 751 000**	**118 085 152**	**2 334 152**	
Total Liabilities	**389 031 470**	**(4 465 519)**	**384 565 951**	**372 513 132**	**(12 052 819)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**4 030 657 058**	**(2 307 781)**	**4 028 349 277**	**3 946 345 304**	**(82 003 973)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	-	-	-	3 923 872 640	**3 923 872 640**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	300 350 012	(49 671 660)	**250 678 352**	304 195 207	**53 516 855**	
Grants	753 823 558	(265 329)	**753 558 229**	714 519 337	**(39 038 892)**	
Interest income	24 319 552	(20 638 422)	**3 681 130**	20 739 541	**17 058 411**	
	1 078 493 122	**(70 575 411)**	**1 007 917 711**	**1 039 454 085**	**31 536 374**	
Payments						
Employee costs	(348 244 963)	31 944 170	**(316 300 793)**	(394 230 987)	**(77 930 194)**	
Finance costs	(10 470 664)	(9 143 737)	**(19 614 401)**	(10 578 439)	**9 035 962**	
Other payments	(318 427 060)	(1 215 523)	**(319 642 583)**	(466 428 852)	**(146 786 269)**	
	(677 142 687)	**21 584 910**	**(655 557 777)**	**(871 238 278)**	**(215 680 501)**	
Net cash flows from operating activities	**401 350 435**	**(48 990 501)**	**352 359 934**	**168 215 807**	**(184 144 127)**	
Purchase of property, plant and equipment	(362 059 975)	16 130 201	**(345 929 774)**	(290 551 710)	**55 378 064**	
Proceeds from sale of property, plant and equipment	-	-	**-**	716 895	**716 895**	
Proceeds from sale of other intangible assets	-	-	**-**	3 159	**3 159**	
Proceeds from sale of financial assets	-	-	**-**	(19 244)	**(19 244)**	
Decrease in non current debtors	(310 549)	-	**(310 549)**	-	**310 549**	
Net cash flows from investing activities	**(362 370 524)**	**16 130 201**	**(346 240 323)**	**(289 850 900)**	**56 389 423**	
Net increase/(decrease) in cash and cash equivalents	38 979 911	(32 860 300)	**6 119 611**	(121 635 093)	**(127 754 704)**	
repayment of other financial liabities	(20 714 082)	-	**(20 714 082)**	(16 497 659)	**4 216 423**	
movements in other longterm employee benits	-	-	**-**	987 662	**987 662**	
Increase/(decrease) in consumer deposits	1 086 475	-	**1 086 475**	-	**(1 086 475)**	
Cash and cash equivalents at the end of the year	**19 352 304**	**(32 860 300)**	**(13 507 996)**	**(137 145 090)**	**(123 637 094)**	

Reconciliation

Ugu District Municipality Consolidated
(Registration number DC 21)
Consolidated Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	429 071 000	(73 742 830)	**355 328 170**	325 342 984	**(29 985 186)**	
Rental of facilities and equipment	1 160 120	(43 658)	**1 116 462**	1 274 596	**158 134**	
Other income - (rollup)	6 816 984	(812 431)	**6 004 553**	4 008 833	**(1 995 720)**	
Interest received - investment	23 848 348	(21 642 926)	**2 205 422**	20 021 975	**17 816 553**	
Total revenue from exchange transactions	**460 896 452**	**(96 241 845)**	**364 654 607**	**350 648 388**	**(14 006 219)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	713 631 880	(265 329)	**713 366 551**	714 519 337	**1 152 786**	
Total revenue	**1 174 528 332**	**(96 507 174)**	**1 078 021 158**	**1 065 167 725**	**(12 853 433)**	
Expenditure						
Personnel	(338 609 992)	34 072 000	**(304 537 992)**	(371 001 546)	**(66 463 554)**	
Remuneration of councillors	(11 812 495)	4 131 000	**(7 681 495)**	(9 019 533)	**(1 338 038)**	
Depreciation and amortisation	(120 657 656)	-	**(120 657 656)**	(217 190 726)	**(96 533 070)**	
Impairment loss/ Reversal of impairments	(3 000 000)	-	**(3 000 000)**	12 050 630	**15 050 630**	
Finance costs	(9 770 664)	(9 843 737)	**(19 614 401)**	(10 382 874)	**9 231 527**	
Lease rentals on operating lease	-	-	**-**	(5 531 176)	**(5 531 176)**	
Bulk purchases	(76 033 572)	-	**(76 033 572)**	(94 489 718)	**(18 456 146)**	
Contracted Services	(35 515 043)	(109 994 679)	**(145 509 722)**	(170 534 411)	**(25 024 689)**	
Transfers and Subsidies	-	-	**-**	(19 360 654)	**(19 360 654)**	
General Expenses	(255 174 030)	115 874 829	**(139 299 201)**	(172 492 432)	**(33 193 231)**	
Total expenditure	**(850 573 452)**	**34 239 413**	**(816 334 039)**	**(1 057 952 440)**	**(241 618 401)**	
Operating surplus	**323 954 880**	**(62 267 761)**	**261 687 119**	**7 215 285**	**(254 471 834)**	
Gain on disposal of assets and liabilities	-	-	**-**	635 337	**635 337**	
Loss on foreign exchange	-	-	**-**	(68 960)	**(68 960)**	
Fair value adjustments	-	-	**-**	1 407 518	**1 407 518**	
Inventories losses/write-downs	-	-	**-**	(5 318 861)	**(5 318 861)**	
	-	**-**	**-**	**(3 344 966)**	**(3 344 966)**	
Surplus before taxation	**323 954 880**	**(62 267 761)**	**261 687 119**	**3 870 319**	**(257 816 800)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**323 954 880**	**(62 267 761)**	**261 687 119**	**3 870 319**	**(257 816 800)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	20 475 000	-	**20 475 000**	7 020 778	**(13 454 222)**	
Current portion of long -term receivables	216 667	-	**216 667**	28 277	**(188 390)**	
Operating lease asset	-	-	**-**	39 699	**39 699**	
Receivables from non-exchange transactions	18 670 380	3 446 010	**22 116 390**	98 638 877	**76 522 487**	
Receivables from exchange transactions	138 305 863	-	**138 305 863**	112 479 454	**(25 826 409)**	
Cash and cash equivalents	165 697 116	(870 000)	**164 827 116**	41 801 195	**(123 025 921)**	
	343 365 026	**2 576 010**	**345 941 036**	**260 008 280**	**(85 932 756)**	
Non-Current Assets						
Investment property	26 000 000	(9 349 310)	**16 650 690**	31 650 000	**14 999 310**	
Property, plant and equipment	4 040 189 590	-	**4 040 189 590**	3 989 800 192	**(50 389 398)**	
Intangible assets	9 520 912	-	**9 520 912**	12 774 560	**3 253 648**	
Investments in controlled entities	-	-	**-**	200	**200**	
Current portion of long -term receivables	613 000	-	**613 000**	80 510	**(532 490)**	
	4 076 323 502	**(9 349 310)**	**4 066 974 192**	**4 034 305 462**	**(32 668 730)**	
Total Assets	**4 419 688 528**	**(6 773 300)**	**4 412 915 228**	**4 294 313 742**	**(118 601 486)**	
Liabilities						
Current Liabilities						
Non current portion of long term liabilities	20 714 000	(4 138 607)	**16 575 393**	22 472 666	**5 897 273**	
Operating lease liability	206 635 291	-	**206 635 291**	58 328	**(206 576 963)**	
Payables from exchange transactions	-	-	**-**	177 584 249	**177 584 249**	
VAT payable	-	-	**-**	18 275 843	**18 275 843**	
Consumer deposits	22 815 981	(22 815 981)	**-**	21 084 866	**21 084 866**	
Unspent conditional grants and receipts	-	-	**-**	116 663	**116 663**	
Provisions	23 115 198	(326 912)	**22 788 286**	30 864 013	**8 075 727**	
	273 280 470	**(27 281 500)**	**245 998 970**	**270 456 628**	**24 457 658**	
Non-Current Liabilities						
Non current portion of long term liabilities	83 333 000	-	**83 333 000**	84 026 339	**693 339**	
Employee benefit obligation	-	-	**-**	17 583 366	**17 583 366**	
Provisions	32 418 000	-	**32 418 000**	-	**(32 418 000)**	
Other long term employee benefits	-	-	**-**	16 444 569	**16 444 569**	
	115 751 000	**-**	**115 751 000**	**118 054 274**	**2 303 274**	
Total Liabilities	**389 031 470**	**(27 281 500)**	**361 749 970**	**388 510 902**	**26 760 932**	
Net Assets	**4 030 657 058**	**20 508 200**	**4 051 165 258**	**3 905 802 840**	**(145 362 418)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 030 657 058	20 508 200	**4 051 165 258**	3 905 802 840	**(145 362 418)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	300 350 012	(49 671 660)	**250 678 352**	227 379 007	**(23 299 345)**	
Grants	753 823 558	(265 329)	**753 558 229**	714 519 337	**(39 038 892)**	
Interest income	24 319 552	(20 638 422)	**3 681 130**	20 021 975	**16 340 845**	
Other receipts	18 297 230	(856 089)	**17 441 141**	-	**(17 441 141)**	
	1 096 790 352	**(71 431 500)**	**1 025 358 852**	**961 920 319**	**(63 438 533)**	
Payments						
Employee costs	(348 244 963)	31 944 170	**(316 300 793)**	(382 338 925)	**(66 038 132)**	
Finance costs	(10 470 664)	(9 143 737)	**(19 614 401)**	(103 782 875)	**(84 168 474)**	
Other payments	(381 427 060)	1 215 523	**(380 211 537)**	(447 003 581)	**(66 792 044)**	
	(740 142 687)	**24 015 956**	**(716 126 731)**	**(933 125 381)**	**(216 998 650)**	
Net cash flows from operating activities	**356 647 665**	**(47 415 544)**	**309 232 121**	**28 794 938**	**(280 437 183)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(362 059 975)	16 130 201	**(345 929 774)**	(291 812 342)	**54 117 432**	
Increase /(dercrease) in non current debtors	(310 549)	-	**(310 549)**	-	**310 549**	
Net cash flows from investing activities	**(362 370 524)**	**16 130 201**	**(346 240 323)**	**(291 812 342)**	**54 427 981**	
Cash flows from financing activities						
Repayment of non current portion of long term liabilities	20 714 082	-	**20 714 082**	(19 034 645)	**(39 748 727)**	
Net increase/(decrease) in cash and cash equivalents	14 991 223	(31 285 343)	**(16 294 120)**	(282 052 049)	**(265 757 929)**	
Cash and cash equivalents at the end of the year	**14 991 223**	**(31 285 343)**	**(16 294 120)**	**(282 052 049)**	**(265 757 929)**	
Reconciliation						

Ugu District Municipality Consolidated
(Registration number DC 21)
Consolidated Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2018											
Financial Performance											
Service charges	429 071 000	(73 742 830)	355 328 170	-		355 328 170	325 342 984		(29 985 186)	92 %	76 %
Investment revenue	24 661 202	(21 660 929)	3 000 273	-		3 000 273	20 443 410		17 443 137	681 %	83 %
Transfers recognised - operational	435 219 670	-	435 219 670	-		435 219 670	418 668 337		(16 551 333)	96 %	96 %
Other own revenue	16 916 687	(4 258 934)	12 657 753	-		12 657 753	11 315 881		(1 341 872)	89 %	67 %
Total revenue (excluding capital transfers and contributions)	**905 868 559**	**(99 662 693)**	**806 205 866**	**-**		**806 205 866**	**775 770 612**		**(30 435 254)**	**96 %**	**86 %**
Employee costs	(350 378 794)	34 107 554	(316 271 240)	-	-	(316 271 240)	(382 993 608)	-	(66 722 368)	121 %	109 %
Remuneration of councillors	(13 300 294)	-	(13 300 294)	-	-	(13 300 294)	(9 019 533)	-	4 280 761	68 %	68 %
Depreciation and asset impairment	(123 947 356)	-	(123 947 356)			(123 947 356)	(205 412 316)	-	(81 464 960)	166 %	166 %
Finance charges	(9 770 664)	(9 843 737)	(19 614 401)	-	-	(19 614 401)	(10 382 874)	-	9 231 527	53 %	106 %
Materials and bulk purchases	(76 033 572)	-	(76 033 572)	-	-	(76 033 572)	(94 489 718)	-	(18 456 146)	124 %	124 %
Transfers and grants	-	-	-	-	-	-	(1 050 516)	-	(1 050 516)	DIV/0 %	DIV/0 %
Other expenditure	(277 169 544)	115 612 481	(161 557 063)	-	-	(161 557 063)	(186 971 721)	-	(25 414 658)	116 %	67 %
Total expenditure	**(850 600 224)**	**139 876 298**	**(710 723 926)**	**-**	**-**	**(710 723 926)**	**(890 320 286)**	**-**	**(179 596 360)**	**125 %**	**105 %**
Surplus/(Deficit)	**55 268 335**	**40 213 605**	**95 481 940**	**-**		**95 481 940**	**(114 549 674)**		**(210 031 614)**	**(120)%**	**(120)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	278 412 210	-	278 412 210	-		278 412 210	295 851 000		17 438 790	106 %	106 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	5 385 729		5 385 729	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**333 680 545**	**40 213 605**	**373 894 150**	**-**		**373 894 150**	**186 687 055**		**(187 207 095)**	**50 %**	**56 %**
Surplus/(Deficit) for the year	**333 680 545**	**40 213 605**	**373 894 150**	**-**		**373 894 150**	**186 687 055**		**(187 207 095)**	**50 %**	**56 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Economic entity - 2017				
Financial Performance				
Service charges				314 581 575
Investment revenue				28 297 098
Transfers recognised - operational				391 139 000
Other own revenue				15 899 192
Total revenue (excluding capital transfers and contributions)				**749 916 865**
Employee costs	-	-	-	(340 948 143)
Remuneration of councillors	-	-	-	(9 234 331)
Depreciation and asset impairment	-	-	-	(254 731 904)
Finance charges	-	-	-	(10 627 487)
Materials and bulk purchases	-	-	-	(77 790 321)
Transfers and grants	-	-	-	(9 752 540)
Other expenditure	-	-	-	(295 493 058)
Total expenditure	**-**	**-**	**-**	**(998 577 784)**
Surplus/(Deficit)				**(248 660 919)**
Transfers recognised - capital				310 298 952
Contributions recognised - capital and contributed assets				7 377 878
Surplus (Deficit) after capital transfers and contributions				**69 015 911**
Surplus/(Deficit) for the year				**69 015 911**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2018											
Financial Performance											
Service charges	429 071 000	(73 742 830)	355 328 170	-		355 328 170	325 342 984		(29 985 186)	92 %	76 %
Investment revenue	24 661 202	(21 660 926)	3 000 276	-		3 000 276	20 021 975		17 021 699	667 %	81 %
Transfers recognised - operational	435 219 670	-	435 219 670	-		435 219 670	418 668 337		(16 551 333)	96 %	96 %
Other own revenue	16 916 687	4 258 934	21 175 621	-		21 175 621	7 326 284		(13 849 337)	35 %	43 %
Total revenue (excluding capital transfers and contributions)	**905 868 559**	**(91 144 822)**	**814 723 737**	**-**		**814 723 737**	**771 359 580**		**(43 364 157)**	**95 %**	**85 %**
Employee costs	(350 378 794)	34 067 144	(316 311 650)	-	-	(316 311 650)	(371 001 546)	-	(54 689 896)	117 %	106 %
Remuneration of councillors	(13 300 294)	4 099 793	(9 200 501)	-	-	(9 200 501)	(9 019 533)	-	180 968	98 %	68 %
Depreciation and asset impairment	(123 947 356)	-	(123 947 356)			(123 947 356)	(205 140 096)	-	(81 192 740)	166 %	166 %
Finance charges	(9 770 664)	(73 073)	(9 843 737)	-	-	(9 843 737)	(10 382 874)	-	(539 137)	105 %	106 %
Materials and bulk purchases	(76 033 572)	76 033 572	-	-	-	-	(94 489 718)	-	(94 489 718)	DIV/0 %	124 %
Transfers and grants	-	-	-	-	-	-	(19 360 654)	-	(19 360 654)	DIV/0 %	DIV/0 %
Other expenditure	(312 684 587)	42 199 210	(270 485 377)	-	-	(270 485 377)	(353 945 840)	-	(83 460 463)	131 %	113 %
Total expenditure	**(886 115 267)**	**156 326 646**	**(729 788 621)**	**-**	**-**	**(729 788 621)**	**(1 063 340 261)**	**-**	**(333 551 640)**	**146 %**	**120 %**
Surplus/(Deficit)	**19 753 292**	**65 181 824**	**84 935 116**	**-**		**84 935 116**	**(291 980 681)**		**(376 915 797)**	**(344)%**	**(1 478)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	278 412 210	-	278 412 210	-		278 412 210	295 851 000		17 438 790	106 %	106 %
Surplus (Deficit) after capital transfers and contributions	**298 165 502**	**65 181 824**	**363 347 326**	**-**		**363 347 326**	**3 870 319**		**(359 477 007)**	**1 %**	**1 %**
Surplus/(Deficit) for the year	**298 165 502**	**65 181 824**	**363 347 326**	**-**		**363 347 326**	**3 870 319**		**(359 477 007)**	**1 %**	**1 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Controlling entity - 2017				
Financial Performance				
Service charges				314 581 575
Investment revenue				27 447 517
Transfers recognised - operational				391 139 000
Other own revenue				13 241 563
Total revenue (excluding capital transfers and contributions)				**746 409 655**
Employee costs	-	-	-	(330 968 190)
Remuneration of councillors	-	-	-	(8 323 243)
Depreciation and asset impairment	-	-	-	(254 470 246)
Finance charges	-	-	-	(10 625 404)
Materials and bulk purchases	-	-	-	(77 790 321)
Transfers and grants	-	-	-	(27 190 766)
Other expenditure	-	-	-	(277 483 816)
Total expenditure	**-**	**-**	**-**	**(986 851 986)**
Surplus/(Deficit)				**(240 442 331)**
Transfers recognised - capital				310 298 952
Surplus (Deficit) after capital transfers and contributions				**69 856 621**
Surplus/(Deficit) for the year				**69 856 621**

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated 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 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 financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These consolidated 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 Transfer of functions between entities not under common control

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The acquisition method

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

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

Identifying the acquirer

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

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

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

Determining the acquisition date

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

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

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

Recognition principle

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

Recognition conditions:

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

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

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

Operating leases:

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

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

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

Intangible assets:

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

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

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

Measurement principle

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

Non-controlling interest in an acquiree:

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

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

Assets with uncertain cash flows (valuation allowances):

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

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

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

Exceptions to the recognition principles

Contingent liabilities:

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

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

Exceptions to both the recognition and measurement principles

Employee benefits:

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

Indemnification assets:

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

Exceptions to the measurement principle

Reacquired rights:

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

Assets held for sale:

The economic entity as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current assets held for sale and Discontinued operations at fair value less costs to sell.

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

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

Consideration transferred

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

Contingent consideration:

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

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

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

A transfer of functions achieved in stages

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

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

Measurement period

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

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

Determining what is part of the transfer of functions transaction

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

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

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

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

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

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

Acquisition-related costs:

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

Subsequent measurement and accounting

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

Reacquired rights

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

Contingent liabilities

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

Indemnification assets

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

Contingent consideration

Accounting Policies

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 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.

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. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The economic entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will revise the depreciation charge where useful lives are different to 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 20.

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.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

1.5 Investment property (continued)

Fair value

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

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

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

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

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired 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.

1.6 Property, plant and equipment (continued)

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 straight line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 to 30 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other - Computer equipment	Straight line	3 to 10 years
Other - Furniture and fittings	Straight line	3 to 15 years
Other - Office equipment	Straight line	3 to 15 years
Other - Plant and equipment	Straight line	10 to 15 years
Other - Specialised vehicles	Straight line	5 to 15 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.

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.

1.6 Property, plant and equipment (continued)

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.

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:

1.7 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software	Straight line	2 to 5 years
Intangible assets under development	Straight line	Infinitive
Servitudes	Straight line	Infinitive

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

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

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

1.8 Investments in controlled entities

Economic entity consolidated financial statements

Investments in controlled entities are consolidated in the economic entity consolidated financial statements. Refer to the accounting policy on Consolidations (Note).

Controlling entity consolidated financial statements

In the economic entity's separate consolidated financial statements, investments in investments in controlled entities are carried at cost.

The economic entity applies the same accounting for each category of investment.

The economic entity recognises a dividend or similar distribution in surplus or deficit in its separate consolidated 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 financial statements, are accounted for in the same way in the controlling entity's separate consolidated 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.

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:

1.9 Financial instruments (continued)

- 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.

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:

Accounting Policies

1.9 Financial instruments (continued)

- 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 amortised cost
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
Annuity loans	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

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.

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.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

1.9 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.

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

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

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

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

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

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

Financial liabilities

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

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

1.9 Financial instruments (continued)

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 Tax

Value added tax

The economic entity and South Coast Development Agency accounts for value added tax on the payment basis in accordance with Section 15(2) of the Value Added Tax Act (Act No. 89 of 1991).

Ugu South Coast Tourism accounts for value added tax on the invoice basis in accordance with Section 15(2) of the Value Added Tax Act (Act No. 89 of 1991).

1.11 Leases

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

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

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

1.11 Leases (continued)

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.

1.12 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.

Consumable stores, maintenance stores, and water:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the economic entity expects to realise from the sale on inventory in the ordinary course of business). If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water inventory:

1.12 Inventories (continued)

Water is regarded as inventory when the economic entity purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the economic entity has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the economic entity but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the First In First Out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs

The carrying amount of Inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.13 Impairment of cash-generating assets

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

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

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

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

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

Depreciation (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.

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

1.13 Impairment of cash-generating assets (continued)

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.

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

1.13 Impairment of cash-generating assets (continued)

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.

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.

1.13 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.

1.14 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.

Accounting Policies

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

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

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

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

Useful life is 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 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.

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.

Restoration cost approach

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

1.14 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.

1.15 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.

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

1.16 Employee benefits (continued)

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The economic entity provides post-retirement health care benefits, 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 economic 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.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

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.

1.17 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the 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 44.

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.

1.18 Commitments (continued)

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

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.

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.19 Revenue from exchange transactions (continued)

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.

Service charges

Service charges are levied in terms of approved tariffs.

Service charges from water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional metre reading of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional metre reading of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by the Council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Finance income

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:

(i) Interest earned on unspent conditional grants is allocated directly to the creditor: Unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Tarrif charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

1.20 Revenue from non-exchange transactions

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Gifts and donations, including goods in-kind

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

1.20 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Grants in aid

The economic entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the economic entity does not:
- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The economic entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Conditional grants, donations and funding are recognised as revenue to the extent that the economic entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the economic entity with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the economic entity's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

1.20 Revenue from non-exchange transactions (continued)

Public contributions and donations received

Public contributions and donations received are recognised as revenue when:

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Revenue from recovery of unauthorised, irregular and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

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.

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.

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

1.26 Irregular expenditure (continued)

(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 accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

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

The consolidated 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.

The Statement of comparative and actual information has been included in the consolidated financial statements as the recommended disclosure when the consolidated financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

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.

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.

1.30 Consolidation

Basis of consolidation

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

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

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 results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

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

Accounting Policies

1.30 Consolidation (continued)

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a reporting 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 financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated 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.

Minority interests 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. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity’s net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority’s share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Entity combinations

1.30 Consolidation (continued)

The economic entity accounts for entity combinations using the acquisition method of accounting. The cost of the entity combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the entity combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of GRAP 107 Business combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the economic entity assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for economic entity purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from an entity combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual entity combination, and disclosed in the note for entity combinations.

In cases where the economic entity held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in surplus or deficit for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other net assets are recognised in surplus or deficit as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the economic entity at the end of each reporting period with the adjustment recognised in net assets.

Consolidated municipal entities

The economic entity exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

Ugu South Coast Development Agency, Ray Nkonyeni economic entity (former Hibiscus Coast Local economic entity) has entered in a Memorandum of Understanding to transfer of this company to Ugu District economic entity as from 01 July 2014.

All members serving on the board of directors of the municipal entities are nominated by the economic entity’s executive committee.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated	2018	2017 Restated

2. New standards and interpretations

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

3. Inventories

Consumable stores	11 744 811	7 134 523	11 744 811	7 134 523
Water	594 828	494 886	594 828	494 886
	12 339 639	7 629 409	12 339 639	7 629 409
Inventories (write-downs)	(5 318 861)	-	(5 318 861)	-
	7 020 778	**7 629 409**	**7 020 778**	**7 629 409**

The economic entity has identified and measured all inventory in terms of GRAP 12 for the financial year ended 30 June 2018.

The cost of water production for the year amounted to R2,20 per kilolitre (2017: R2.,08 per kilolitre).

No inventories have been pledged as collateral for liabilities of the economic entity.

4. Long-term receivables

At amortised cost				
Loans and receivables Sundry loans are made of recoveries that are receivable from employees as results of damages to economic entity belongings and employee has acknowledged the negligence. The sundry loans are not secured and are interest free. The average term of these loans 1 to 5 years.	236 496	217 252	236 496	217 252
	236 496	217 252	236 496	217 252
Impairments	(127 709)	(127 709)	(127 709)	(127 709)
	108 787	**89 543**	**108 787**	**89 543**
Non-current assets				
At amortised cost	80 510	30 812	80 510	30 812
Current assets				
At amortised cost	28 277	58 731	28 277	58 731

5. Operating lease asset (accrual)

Current assets	39 699	45 030	39 699	45 030
Non-current liabilities	(30 878)	-	-	-
Current liabilities	(103 483)	(142 388)	(58 328)	(56 760)
	(94 662)	**(97 358)**	**(18 629)**	**(11 730)**

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

5. Operating lease asset (accrual) (continued)

Operating lease asset				
Balance at beginning of year	45 030	46 289	45 030	46 289
Operating lease revenue recorded	235 948	383 220	235 948	383 220
Operating lease revenue from smoothing	(241 278)	(384 479)	(241 278)	(384 479)
	39 700	**45 030**	**39 700**	**45 030**

Leasing arrangements

The municipality as lessor:

Operating leases relate to property owned by the economic entity with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable under operating leases

At the reporting date the following minimum lease payments were receivable under non-cancellable operating leases for property, plant and equipment, which are receivable as follows:

Up to 1 year	235 948	235 948	235 948	235 948
2 to 5 years	157 299	393 247	157 299	393 247
	393 247	**629 195**	**393 247**	**629 195**

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a decrease in current year income of R39 700 (2017: R45 030).

The following restrictions (if any) have been imposed by the economic entity in terms of the (specify) lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

Operating lease accrual

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Balance at beginning of year	142 388	108 315	56 759	55 585
Operating lease expenses recorded	(4 189 994)	(3 700 542)	(3 658 740)	(2 682 872)
Operating lease payments from smoothing	4 181 967	3 734 615	3 660 308	2 684 046
	134 361	**142 388**	**58 327**	**56 759**

Leasing arrangements

The municipality as lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the economic entity exercises its option to renew. The economic entity does not have an option to purchase the leased asset at the expiry of the lease period.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

5. Operating lease asset (accrual) (continued)

Amounts payable under operating lease

At the reporting date the economic entity had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

Within one year	2 990 958	3 477 118	2 990 958	1 751 981
In the second to third years, inclusive	781 944	1 953 228	781 944	1 995 746
	3 772 902	**5 430 346**	**3 772 902**	**3 747 727**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	2 192 772	3 734 615	2 192 772	3 734 615

The economic entity has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office equipment

The following restrictions have been imposed on the economic entity in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor.

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

(iv) The economic entity is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

6. Receivables from non-exchange transactions

Payments made in advance	9 748 306	11 235 490	9 748 306	10 045 723
Ray Nkonyeni Municipality	570 000	836 413	-	-
Water availability charges	73 871 169	11 468 337	73 871 169	11 468 337
Sundry deposits	2 866 540	1 605 132	2 865 840	1 604 432
Sundry debtors	12 928 366	8 271 892	12 153 562	8 271 892
	99 984 381	**33 417 264**	**98 638 877**	**31 390 384**

The average credit period for government grants and subsidies is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the economic entity due to allocations made in the DORA or based on agreements between the economic entity and the relevant departments.

Insurance claims are amounts which are claimable in terms of the insurance contract entered into by the economic entity. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Sundry receivables are in respect of debits outstanding at year-end on normal business transactions entered into by the economic entity.

The average credit period for receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the economic entity's banker, plus one percent per annum on the outstanding balance. The economic entity strictly enforces its approved credit control policy to ensure the recovery of receivables.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

6. Receivables from non-exchange transactions (continued)

The economic entity does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the economic entity's financial liabilities.

The management of the economic entity is of the opinion that the carrying value of receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 7 292 474 (2017: R 5 800 875) were past due but not impaired.

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

3 months past due	7 292 474	5 800 875	5 800 875	5 230 875

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

Opening balance	3 275 845	3 275 845	3 275 845	3 275 845

The Provision for Impairment on receivables exists predominantly due to the possibility that these amounts may not be recovered. The receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a receivable, the economic entity considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to most of these being sundry in nature.

7. VAT receivable

VAT	145 610	18 986 697	-	18 815 787

VAT for economic entity and South Coast Development Agency is payable on the payments basis. Once cash has been received from customers/receivables, VAT is payable over to SARS. However Ugu South Coast Tourism VAT is payable on the invoice basis. When the invoice is raised an amount of VAT is payable to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The economic entity has financial risk policies in place to ensure that payments are effected before the due date.

8. Receivables from exchange transactions

Gross balances				
Water	305 080 710	257 576 356	305 080 710	257 576 356
Sewerage	91 381 000	72 063 342	91 381 000	72 063 342
Other trade	6 371 462	7 425 630	4 190 237	6 717 723
	402 833 172	**337 065 328**	**400 651 947**	**336 357 421**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

8. Receivables from exchange transactions (continued)

Less: Allowance for impairment				
Water	(248 128 868)	(195 216 047)	(248 128 868)	(195 216 047)
Sewerage	(40 043 625)	(52 655 459)	(40 043 625)	(52 655 459)
Other trade	-	(3 732 107)	-	(3 732 107)
	(288 172 493)	**(251 603 613)**	**(288 172 493)**	**(251 603 613)**

Net balance				
Water	56 951 842	62 360 309	56 951 842	62 360 309
Sewerage	51 337 375	19 407 883	51 337 375	19 407 883
Other trade	6 371 462	3 693 523	4 190 237	2 985 616
	114 660 679	**85 461 715**	**112 479 454**	**84 753 808**

Water				
Current (0 -30 days)	41 639 308	21 929 950	41 639 308	21 929 950
31 - 60 days	22 569 370	9 237 905	22 569 370	9 237 905
61 - 90 days	20 418 095	7 848 675	20 418 095	7 848 675
91 - 120 days	9 692 444	3 844 026	9 692 444	3 844 026
121 - 365 days	81 720 631	8 905 984	81 720 631	8 905 984
> 365 days	210 402 667	14 967 643	210 402 667	14 967 643
	386 442 515	**66 734 183**	**386 442 515**	**66 734 183**

Sewerage				
Current (0 -30 days)	15 846 201	8 720 300	15 846 201	8 720 300
31 - 60 days	5 603 163	3 560 882	5 603 163	3 560 882
61 - 90 days	4 238 880	2 542 895	4 238 880	2 542 895
91-121 days	2 794 227	1 008 582	2 794 227	1 008 582
121 - 365 days	20 444 865	1 950 456	20 444 865	1 950 456
> 365 days	13 355 153	1 624 768	13 355 153	1 624 768
	62 282 489	**19 407 883**	**62 282 489**	**19 407 883**

Other (specify)				
Current (0 -30 days)	815 263	724 223	815 263	724 223
31 - 60 days	-	48 402	-	48 402
61-90 days	410 842	-	410 842	-
91 - 120 days	404 330	2 914 366	404 330	2 914 365
121- 360 days	807 844	6 532	807 844	6 532
	2 438 279	**3 693 523**	**2 438 279**	**3 693 522**

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

8. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Households				
Current (0 -30 days)	27 222 430	21 911 228	27 222 430	21 911 228
31 - 60 days	19 440 177	11 985 124	19 440 177	11 685 124
61-90 days	17 967 995	12 983 166	17 967 995	12 983 166
91 - 120 days	8 658 257	9 232 279	8 658 257	9 232 279
121 - 365 days	74 585 789	54 431 298	74 585 789	54 431 298
> 365 days	186 921 463	147 766 129	186 921 463	147 766 129
	334 796 111	258 309 224	334 796 111	258 009 224
Less: Allowance for impairment	(232 307 803)	(216 711 548)	(232 307 803)	(216 711 548)
	102 488 308	**41 597 676**	**102 488 308**	**41 297 676**
Industrial/ commercial				
Current (0 -30 days)	29 098 446	11 505 705	29 098 446	11 505 705
31 - 60 days	6 203 024	3 121 644	6 203 024	3 121 644
61 - 90 days	5 571 814	3 039 231	5 571 814	3 039 231
91 - 120 days	3 229 527	2 237 627	3 229 527	2 237 627
121 - 365 days	18 451 955	12 423 841	18 451 955	12 423 841
> 365 days	31 374 375	20 782 026	31 374 375	20 782 026
	93 929 141	53 110 074	93 929 141	53 110 074
Less: Allowance for impairment	(43 201 362)	(41 627 667)	(43 201 362)	(41 627 667)
	50 727 779	**11 482 407**	**50 727 779**	**11 482 407**
National and provincial government				
Current (0 -30 days)	1 979 896	6 834 118	1 979 896	6 834 118
31 - 60 days	2 529 332	1 342 572	2 529 332	1 342 572
61 - 90 days	1 525 011	1 159 574	1 528 011	1 159 574
91 - 120 days	1 003 218	778 548	1 003 218	778 548
121 - 365 days	9 936 595	6 347 466	9 936 595	6 347 466
> 365 days	5 761 982	3 177 091	5 761 982	3 177 091
	22 736 034	19 639 369	22 739 034	19 639 369
Less: Allowance for impairment	(12 663 326)	(12 768 275)	(12 663 326)	(12 768 275)
	10 072 708	**6 871 094**	**10 075 708**	**6 871 094**
Total				
Current (0 -30 days)	85 663 214	37 422 452	85 663 214	37 422 452
31 - 60 days	24 646 673	16 149 340	24 646 673	16 149 340
61 - 90 days	12 500 787	17 181 972	12 500 787	17 181 972
91 - 120 days	18 421 969	12 248 452	18 421 969	12 248 452
121 - 365 days	6 902 969	73 202 605	6 902 969	73 202 605
> 365 days	314 737 996	235 084 554	314 737 996	235 084 554
	462 873 608	391 289 375	462 873 608	391 289 375
Less: Allowance for impairment	(288 175 493)	(278 897 160)	(288 175 493)	(278 897 160)
	174 698 115	**112 392 215**	**174 698 115**	**112 392 215**
Less: Allowance for impairment				
Current (0 -30 days)	-	(5 845 049)	-	(5 845 049)
31 - 60 days	-	(3 295 050)	-	(3 295 050)
61 - 90 days	(1 290 012)	(6 788 428)	(1 290 012)	(6 788 428)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

8. Receivables from exchange transactions (continued)

91 - 120 days	(4 794 849)	(7 368 993)	(4 794 849)	(7 368 993)
121 - 365 days	(60 400 632)	(65 816 865)	(60 400 632)	(65 816 865)
> 365 days	(221 687 000)	(200 871 000)	(221 687 000)	(200 871 066)
	(288 172 493)	**(289 985 385)**	**(288 172 493)**	**(289 985 451)**

Reconciliation of allowance for impairment

Balance at beginning of the year	(278 897 160)	(266 277 254)	-	(266 277 254)
Contributions to allowance	12 901 243	(36 084 926)	-	(36 084 926)
Debt impairment written off against allowance	-	23 465 020	-	23 465 020
	(265 995 917)	**(278 897 160)**	**-**	**(278 897 160)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 085	3 029	-	-
Bank balances	26 549 417	14 220 880	16 777 746	6 750 639
Short-term deposits	25 349 736	174 971 908	25 020 499	173 750 098
Other cash and cash equivalents	2 950	5 904	2 950	2 950
Bank overdraft	-	(150 443)	-	(150 443)
	51 909 188	**189 051 278**	**41 801 195**	**180 353 244**

Current assets	51 909 188	189 201 721	41 801 195	180 503 687
Current liabilities	-	(150 443)	-	(150 443)
	51 909 188	**189 051 278**	**41 801 195**	**180 353 244**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

Long-term (AA+) Short-term (F1+)	42 010 219	14 462 797	42 010 219	14 462 797
Long-term (AA) Short-term (F1+)	-	45 736 436	-	45 736 436
Long-term (BB+) Short-term (F1)	-	75 000 000	-	75 000 000
Long-term (B) Short-term (F1)	-	45 151 061	-	45 151 061
	42 010 219	**180 350 294**	**42 010 219**	**180 350 294**

The economic entity did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
ABSA BANK - Port Shepstone - Account Number 406 668 6529 (Primary Bank Account):	10 043 395	544 163	726 453	10 043 395	(132 177)	456 884
ABSA BANK - Port Shepstone - Account Number 406 668 6472 (General Bank Account):	1 254 736	2 191 339	5 176 442	918 197	1 140 847	2 306 145
ABSA BANK - Port Shepstone - Account Number 406 668 6294 (Collection Account):	7 966	918 661	798 319	7 966	894 726	774 383
ABSA BANK - Port Shepstone - Account Number 406 671 0647 (Consumer Deposits Bank Account):	694 022	1 149 078	2 173 512	662 198	(18 266)	748 578
ABSA BANK - Port Shepstone - Account Number 406 660 3763 (Salaries Account):	63 210	195 614	118 612	57 880	195 614	118 612
ABSA BANK - Port Shepstone - Account Number 406 757 0977 (Sanlam Group Life Account):	4 730 823	4 468 607	4 243 781	4 730 824	4 468 607	4 243 781
ABSA BANK - Port Shepstone - Account Number 406 668 6367 (MIG Project Account):	50	50 896	50 896	50	50 896	50 896
ABSA BANK - Port Shepstone - Account Number 407 187 0797 (Disaster Account):	233	172 122	81 731	233	172 122	81 731
ABSA BANK - Port Shepstone - Account Number 407 755 1917 (Conditional Grants Account):	126 501	9	37 161 575	126 501	9	37 161 575
Account Number 406 757 0008 (ABSA Call Account):	230 048	7 690 000	50 102 543	230 048	7 690 000	50 102 543
Account Number 908 888 2297 (ABSA Notice Deposit):	454	454	-	454	479	479
Account Number 625 155 61357 (FNB Call Account):	20 500	19 320	18 578	20 500	19 320	18 578
Account Number 746 266 34832 (FNB Call Account):	10 000 000	45 131 741	65 000 000	10 000 000	45 131 741	65 000 000
Account Number 058 905 324 040 (Standard Bank Notice Deposit):	-	45 736 436	30 000 000	-	45 736 436	30 000 000
Account Number 764 855 2728 (Nedbank Fixed Deposit Account):	-	40 000 000	30 000 000	-	40 000 000	30 000 000
Account Number 1100 - 458627 (Investec Call Deposit):	15 000 000	35 000 000	40 000 000	15 000 000	35 000 000	40 000 000
Bank Accounts for Ugu South Coast Tourism	**Bank statement balances**			**Cash book balances**		
ABSA Bank - KZN Public Sector Branch Account Number: 407 403 6586	163 429	1 214 338	274 351	175 809	1 223 818	283 445
ABSA Bank - KZN Public Sector Branch Account Number: 923 286 9178	7 057 568	4 627 026	15 414 065	7 057 568	4 627 029	15 414 065

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

9. Cash and cash equivalents (continued)

ABSA Bank - KZN Public Sector Branch Account Number: 409 052 1454	71 888	1 554 515	-	71 888	1 554 515	-
ABSA Bank - Rental Guarantee, Account Number: 206 967 8591*	44 165	40 974	38 334	44 165	40 974	38 334
Account number / description	**Bank statement balances**			**Cash book balances**		
Investec Bank: Account Number 1100 4844 51450	-	-	1 407 931	-	-	1 407 931
Investec Bank: Account Number 1100 4844 51452	-	-	642 832	-	-	642 832
Investec Bank: Account Number 1100 4844 51499	-	-	2 000 000	-	-	2 000 000
ABSA Bank: Account Number 405 752 5673	2 422 241	23 904	8 485	2 422 241	23 905	8 484
ABSA Bank: Account Number 932 264 8008	314 237	1 221 810	-	314 237	1 221 810	-
Absa Bank- Account number:9340887696	15 000	-	-	15 000	-	-
Total	**52 260 466**	**191 951 007**	**285 438 440**	**51 899 154**	**189 042 405**	**280 859 276**

* The guarantee held by ABSA Bank is ceded to JHI Properties (Pty) Ltd, for a rental deposit for the Tourism Office in Shelly Centre. It is a 5 year lease which expires 31 October 2019. However, the guarantee is in place until 31 January 2020 (3 months after end of the lease).

10. Investment property

Economic entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	40 999 310	-	40 999 310	39 342 482	-	39 342 482

Controlling entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	31 650 000	-	31 650 000	30 242 482	-	30 242 482

Reconciliation of investment property - Economic entity - 2018

	Opening balance	**Fair value adjustments**	**Total**
Investment property	39 342 482	1 656 828	40 999 310

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

10. Investment property (continued)

Reconciliation of investment property - Economic entity - 2017

	Opening balance	Total
Investment property	39 342 482	39 342 482

Reconciliation of investment property - Controlling entity - 2018

	Opening balance	Fair value adjustments	Total
Investment property	30 242 482	1 407 518	31 650 000

Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Total
Investment property	30 242 482	30 242 482

Fair value of investment properties	39 550 282	29 500 000	30 242 482	29 500 000

The economic entity has classified the Ugu Fresh Produce Market, and Ugu Sports & Leisure Center, as investment property in terms of its asset management policy.

Ugu Fres Produce Market is situated at Bhobhoyi – in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85 000 square metres. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and plenty ablution facilities. The whole facility is secured with 24-hour security guards.

Ugu Sports and Leisure Center is situated on portion 7 of the Farm Burliegh ET 5100. The Sports and Leisure is consist of Main Building, Indoor Sports Hall and Sports Fields.

The economic entity uses the fair value model to value its investment properties. For the year ending 30 June 2016 a fair value assessment was undertaken by Pierre Rynners Valuers. The valuation methodology applied is the income capitalisation approach, were by the net rental income is capitalised at an appropriate rate, in order to arrive at an estimate of market value. A fair value adjustment has been affected in the financial statements valuation.

The acquisition of the R 9,991,792 Ifafa beach land, the land has been acquired for development projects. The land has been acquired by Ugu South Coast Development Agency for its development projects. For the year ending 30 June 2016 a fair value assessment was undertaken by Norman E. Maurice (Professional Valuer). The description of the property: The remainder of Portion 1 of the farm Elysium No 15582, situated in Umdoni Municipal Area, Redistration Division ET, in extent 92, 4433 hectares.

Pledged as security

No investment properties have been pledged as collateral for liabilities of the economic entity.

Revenue and expenditure disclosed in the Statement of Financial Performance include the following:				
Rental revenue earned from investment property	426 468	417 557	426 468	417 557
Direct operating expenses	140 730	(1 137 950)	140 730	(1 137 950)
	567 198	**(720 393)**	**567 198**	**(720 393)**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

11. 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**
Buildings	144 252 433	-	144 252 433	181 819 495	(38 309 670)	143 509 825
Infrastructure	7 098 470 749	(4 931 175 497)	2 167 295 252	7 051 971 585	(4 747 414 012)	2 304 557 573
Other property, plant and equipment	2 160 732	31 842 166	34 002 898	166 969 219	(127 993 729)	38 975 490
Capital Work in progress	1 645 616 488	-	1 645 616 488	1 427 898 023	-	1 427 898 023
Total	**8 890 500 402**	**(4 899 333 331)**	**3 991 167 071**	**8 828 658 322**	**(4 913 717 411)**	**3 914 940 911**

Controlling entity	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	144 252 433	-	144 252 433	181 819 495	(38 309 670)	143 509 825
Infrastructure	7 098 349 090	(4 931 135 291)	2 167 213 799	7 051 849 926	(4 747 381 907)	2 304 468 019
Other property, plant and equipment	-	32 717 472	32 717 472	164 781 461	(127 236 552)	37 544 909
Capital Work in progress	1 645 616 488	-	1 645 616 488	1 427 898 023	-	1 427 898 023
Total	**8 888 218 011**	**(4 898 417 819)**	**3 989 800 192**	**8 826 348 905**	**(4 912 928 129)**	**3 913 420 776**

11. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Buildings	143 509 825	-	-	3 341 578	(2 598 970)	-	144 252 433
Infrastructure	2 304 557 573	-	-	53 537 464	(189 949 172)	(850 613)	2 167 295 252
Other property, plant and equipment	38 975 490	15 938 749	(81 558)	-	(20 829 783)	-	34 002 898
Capital Work in progress	1 427 898 023	274 597 507	-	(56 879 042)	-	-	1 645 616 488
	3 914 940 911	**290 536 256**	**(81 558)**	**-**	**(213 377 925)**	**(850 613)**	**3 991 167 071**

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	144 060 353	1 991 877	-	-	-	(2 542 405)	-	143 509 825
Infrastructure	2 435 342 455	-	-	90 601 921	(30 512 574)	(190 874 229)	-	2 304 557 573
Other property, plant and equipment	46 339 596	14 217 712	(319 380)	-	-	(21 255 320)	(7 118)	38 975 490
Capital Work in progress	1 224 901 026	293 598 918	-	(90 601 921)	-	-	-	1 427 898 023
	3 850 643 430	**309 808 507**	**(319 380)**	**-**	**(30 512 574)**	**(214 671 954)**	**(7 118)**	**3 914 940 911**

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

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Buildings	143 509 825	-	-	3 341 578	(2 598 970)	-	144 252 433
Infrastructure	2 304 468 019	-	-	53 537 464	(189 941 071)	(850 613)	2 167 213 799
Other property, plant and equipment	37 544 909	15 790 700	(40 582)	-	(20 577 555)	-	32 717 472
Capital Work in progress	1 427 898 023	274 597 507	-	(56 879 042)	-	-	1 645 616 488
	3 913 420 776	**290 388 207**	**(40 582)**	**-**	**(213 117 596)**	**(850 613)**	**3 989 800 192**

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received	Transferred to entities not under common control	Depreciation	Impairment loss	Total
Buildings	144 060 353	1 991 877	-	-	-	(2 542 405)	-	143 509 825
Infrastructure	2 435 244 790	-	-	90 601 921	(30 512 574)	(190 866 118)	-	2 304 468 019
Other property, plant and equipment	45 001 047	13 906 402	(309 219)	-	-	(21 019 512)	(33 809)	37 544 909
Capital Work in progress	1 224 901 026	293 598 918	-	(90 601 921)	-	-	-	1 427 898 023
	3 849 207 216	**309 497 197**	**(309 219)**	**-**	**(30 512 574)**	**(214 428 035)**	**(33 809)**	**3 913 420 776**

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

11. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment have been pledged as collateral for liabilities of the economic entity.

Depreciation rates

Land	Straight line	Indefinite
Buildings	Straight line	5 to 30 years
Furniture and fixtures	Straight line	3 to 15 years
Motor vehicles	Straight line	4 to 15 years
Office equipment	Straight line	3 to 15 years
IT equipment	Straight line	3 to 10 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other property, plant and equipment	Straight line	2 to 15 years
Other assets	Straight line	5 to 30 years
Sport Facilities	Straight line	5 to 30 years
Other facilities	Straight line	5 to 30 years
Specialised vehicles	Straight line	10 to 15 years

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.

12. Intangible assets

Economic entity	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Website and software	57 067	(8 694)	48 373	111 054	(60 068)	50 986
Sevitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Computer software	10 115 400	-	10 115 400	13 608 274	-	13 608 274
Total	**12 831 627**	**(8 694)**	**12 822 933**	**16 378 488**	**(60 068)**	**16 318 420**

Controlling entity	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Computer software	10 115 400	-	10 115 400	13 608 274	-	13 608 274
Total	**12 774 560**	**-**	**12 774 560**	**16 267 434**	**-**	**16 267 434**

Reconciliation of intangible assets - Economic entity - 2018

12. Intangible assets (continued)

	Opening balance	Additions	Disposals	Amortisation	Total
Website and software	50 986	12 454	(3 159)	(11 908)	48 373
Computer software	13 608 274	-	-	(833 714)	12 774 560
Servitudes	2 659 160	-	-	(2 659 160)	-
	16 318 420	**12 454**	**(3 159)**	**(3 504 782)**	**12 822 933**

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Website and software	43 431	18 860	(230)	(11 075)	50 986
Servitudes	2 659 160	-	-	-	2 659 160
Computer Software	8 801 539	8 299 609	-	(3 492 874)	13 608 274
	11 504 130	**8 318 469**	**(230)**	**(3 503 949)**	**16 318 420**

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Amortisation	Total
Computer software	13 608 274	(3 492 874)	10 115 400
Servitudes	2 659 160	-	2 659 160
	16 267 434	**(3 492 874)**	**12 774 560**

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	8 801 539	8 299 609	(3 492 874)	13 608 274
Servitudes	2 659 160	-	-	2 659 160
	11 460 699	**8 299 609**	**(3 492 874)**	**16 267 434**

The amortisation expense has been included in the line item “Depreciation and amortisation” in the Statement of Financial Performance (see note 31)

Pledged as security

No intangible assets have been pledged as security for any liabilities of economic entity.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

12. Intangible assets (continued)

Restrictions

The following restrictions apply to Intangible Assets:

- Financial Software:

(i) The system is non-assignable, non-transferable, and the economic entity has no exclusive rights to use the system

(ii) The system may be used on only one database at any one time.

(iii) The economic entity, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.

(iv) The economic entity has no intellectual property rights to the system.

Refer to Appendix "B" for more detail on Intangible Assets.

Other information

A brief description of significant intangible assets controlled by the economic entity but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

Intangible assets with indefinite lives:

Carrying value of servitudes: sewerage reticulation	1 486 723	1 486 723	1 486 723	1 486 723
Carrying value of servitudes: water reticulation	1 172 437	1 172 437	1 172 437	1 172 437
	2 659 160	**2 659 160**	**2 659 160**	**2 659 160**

Servitudes are regarded as having indefinite useful lives as they are registered permanently, the agreements not having a maturing date.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

13. Investments in controlled entities

Name of company	Held by	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Ugu South Coast Tourism (Pty) Ltd	Ugu District Municipality	100.00 %	100.00 %	100	100
Ugu South Coast Development Agency NPC	Ugu District Municipality	100.00 %	100.00 %	100	100
				200	**200**

Grants allocated to the entities:				
Ugu South Coast Tourism (Pty) Ltd	-	-	12 522 012	11 925 726
South Coast Development Agency NPC	-	-	5 788 128	5 512 500
	-	**-**	**18 310 140**	**17 438 226**

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

The economic entity exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

Ugu South Coast Development Agency, Ray Nkonyeni economic entity (former Hibiscus Coast Local economic entity) has entered in a Memorandum of Understanding to transfer of this company to Ugu District economic entity as from 01 July 2014.

All members serving on the board of directors of the municipal entity are nominated by the economic entity's executive committee.

14. Long-term liabilities

At amortised cost				
Annuity Loans The average annuity loans period varying from 1 to 13 (2017: 1 to 13) years and at interest rates varying from 2,65% to 11,51% (2017: 2,65% to 11,5%) per annum. Annuity loans are not secured.	106 499 005	126 521 313	106 499 005	126 521 313

Refer to Appendix "A" for more detail on external loans.

Non-current liabilities				
At amortised cost	84 026 339	104 930 511	84 026 339	104 930 511
Current liabilities				
At amortised cost	22 472 666	21 590 802	22 472 666	21 590 802

15. Payables from exchange transactions

Trade payables	49 342 403	29 282 269	48 430 072	28 314 265
Other creditors	50 659 905	83 183 043	50 659 905	83 183 043
Retention	64 575 452	50 498 720	64 575 452	50 498 720
Staff bonuses	13 918 820	12 055 560	13 918 820	12 055 560
	178 496 580	**175 019 592**	**177 584 249**	**174 051 588**

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

16. Consumer deposits

Water	21 084 866	20 830 963	21 084 866	20 830 963

Guarantees held in lieu of water deposits	481 980	495 780	481 980	495 780

No interest is paid on customer the water deposits held.

17. VAT payable

VAT payables to SARS	18 275 843	-	18 275 843	-

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Provincial government grants	4 000 000	1 000 000	-	-
Other spheres of government	-	400 000	-	400 000
Growth Development summit	116 663	-	116 663	-
	4 116 663	**1 400 000**	**116 663**	**400 000**

Movement during the year

Balance at the beginning of the year	1 400 000	8 729 920	400 000	8 729 920
Additions during the year	718 236 000	700 250 451	714 236 000	693 108 032
Income recognition during the year	(715 519 337)	(707 580 371)	(714 519 337)	(701 437 952)
	4 116 663	**1 400 000**	**116 663**	**400 000**

The nature and extent of government grants recognised in the consolidated financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

19. Provisions

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Current portion op post-retirement medical aid benefits liability	1 032 392	58 290	-	-	1 090 682
Current portion of long service awards	1 557 626	1 096 605	-	-	2 654 231
Perfomance bonus provision	1 340 912	568 919	(226 152)	(149 434)	1 534 245
Leave pay provision	24 850 822	2 892 484	(599 103)	(72 819)	27 071 384
	28 781 752	**4 616 298**	**(825 255)**	**(222 253)**	**32 350 542**

Reconciliation of provisions - Economic entity - 2017

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Current portion op post-retirement medical aid benefits liability	1 026 636	5 756	1 032 392
Current portion of long service awards	2 381 593	(823 967)	1 557 626
Perfomance bonus provision	1 137 882	203 030	1 340 912
Leave pay provision	21 169 502	3 681 320	24 850 822
	25 715 613	**3 066 139**	**28 781 752**

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Reversed during the year	Total
Current portion op post-retirement medical aid benefits liability	1 032 392	58 290	-	1 090 682
Current portion of long service awards	1 557 626	1 096 605	-	2 654 231
Perfomance bonus provision	890 077	-	(149 433)	740 644
Leave pay provision	24 275 795	2 102 661	-	26 378 456
	27 755 890	**3 257 556**	**(149 433)**	**30 864 013**

Reconciliation of provisions - Controlling entity - 2017

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Current portion op post-retirement medical aid benefits liability	1 026 636	5 756	-	1 032 392
Current portion of long service awards	2 381 593	-	(823 967)	1 557 626
Perfomance bonus provision	839 695	50 382	-	890 077
Leave pay provision	20 909 413	3 366 382	-	24 275 795
	25 157 337	**3 422 520**	**(823 967)**	**27 755 890**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

20. Retirement benefit liabilities

Defined benefit plan

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

20. Retirement benefit liabilities (continued)

Post-retirement health care benefits liability

Balance at beginning of year	17 034 549	15 571 785	17 034 549	15 571 785
Contributions to provision	1 639 499	2 133 131	1 639 499	2 133 326
Balance at end of year	18 674 048	17 704 916	18 674 048	17 705 111
Transfer to current provisions	(1 090 682)	(1 032 392)	(1 090 682)	(1 032 392)
Actuarial loss/(gain)	(425 938)	(670 562)	(425 938)	3
	17 157 428	**16 001 962**	**17 157 428**	**16 672 722**

The economic entity provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the economic entity. According to the rules of the medical aid funds, with which the economic entity is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the economic entity is liable for a certain portion of the medical aid membership fee. The economic entity operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

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 Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	583	540	583	540
Continuation members	56	53	56	53
	639	**593**	**639**	**593**

The unfunded liability in respect of past service has been estimated as follows:

In-service members (employees)	9 960 300	8 697 510	9 960 300	8 697 510
Continuation members	8 713 748	8 337 039	8 713 748	8 337 039
	18 674 048	**17 034 549**	**18 674 048**	**17 034 549**

The current-service cost for the year ending 30 June 2018 is estimated to be R 733 733, whereas the cost for the ensuing year is estimated to be R781 002 (30 June 2017: R692 810 and R733 733 respectively).

Key assumptions used

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

Discount rates	9.26%	9.15%	9.26%	9.15%
Health care cost inflation	7.15%	7.49%	7.15%	7.49%
Net effective discount rate	1.97%	1.55%	1.97%	1.55%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	17 034 549	16 598 421	17 034 549	16 598 421

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
20. Retirement benefit liabilities (continued)				
Current services costs	733 733	692 810	733 733	692 810
interest costs	1 512 220	1 440 516	1 512 220	1 440 516
Benefits paid	(1 032 392)	(1 026 636)	(1 032 392)	(1 206 636)
	18 248 110	17 705 111	18 248 110	17 525 111
Actuarial loss/(gain)	425 938	(670 562)	425 938	(670 562)
	18 674 048	**17 034 549**	**18 674 048**	**16 854 549**

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

Current service cost	733 733	692 810	733 733	692 810
Interest cost	1 512 220	1 440 516	1 512 220	1 440 516
Actuarial losses/(gains)	425 938	(670 532)	425 938	(670 532)
	2 671 891	**1 462 794**	**2 671 891**	**1 462 794**

The history of experienced adjustments is as follows:

	2018	2017	2016	2015	2014	2013
Present value of defined benefit obligation	18 674 000	17 035 000	16 598 421	16 194 781	14 405 969	22 229 850
Deficit	18 674 000	17 035 000	16 598 421	16 194 781	14 405 969	22 229 850
Experienced adjustments on plan liabilities	(660 000)	(288 000)	(550 000)	729 000	(583 000)	(488 790)
	18 014 000	**16 747 000**	**16 048 421**	**16 923 781**	**13 822 969**	**21 741 060**

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

2018	Once percentage point increase	One percentage point decrease	Once percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	(2 249)	(2 241)	(2 249)	(2 241)
Effect on defined benefit obligation	(89 000)	104 500	(89 000)	104 500
	(91 249)	**102 259**	**(91 249)**	**102 259**

2017	Once percentage point increase	One percentage point decrease	Once percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	3 500	(4 400)	3 500	(4 400)
Effect on defined benefit obligation	(89 000)	104 000	(89 000)	104 000
	(85 500)	**99 600**	**(85 500)**	**99 600**

The economic entity expects to make contribution of R2,245 million (2016: R2,133 million) to the defined benefit plans during the
next financial year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

21. Other long-term employee benefits

Provision for long service awards	19 098 800	15 456 907	19 098 800	15 456 907

The movement in non-current provisions are reconciled as follows:

Long-term service				
Balance at beginning of year	15 456 907	14 010 102	15 456 907	14 010 102
Contributions to provision	3 641 893	3 004 431	3 641 893	3 004 431
	19 098 800	17 014 533	19 098 800	17 014 533
Transfer to provisions	(2 654 231)	(1 557 626)	(2 654 231)	(1 554 626)
Balance at end of year	**16 444 569**	**15 456 907**	**16 444 569**	**15 459 907**

A long-service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

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 Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 911 (2017: 900) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2018 is estimated to be R1 714 384, whereas the cost for the ensuing year is estimated to be R1 744 843 (30 June 2017: R1 676 614 and R1 714 384 respectively).

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

Discount rates used	8,52%	8,57%	8,52%	8,57%
Cost inflation rate	6,34%	7,22%	6,34%	7,22%
Net effective discount rate	2,05%	1,26%	2,05%	1,26%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	17 014 533	16 391 695	17 014 533	16 391 695
Current service costs	1 714 384	1 676 614	1 714 384	1 676 614
Interest cost	1 384 733	1 304 094	1 384 733	1 304 094
Benefits paid	(1 557 626)	(2 381 593)	(1 557 626)	(2 381 593)
Actuarial losses/(gains)	542 776	23 723	542 776	23 723
	19 098 800	**17 014 533**	**19 098 800**	**17 014 533**

The history of experienced adjustments is as follows:

	2018	2017	2016	2015	2014	2013
Present value of defined benefit obligation	19 098 800	17 014 533	16 391 695	14 105 372	11 670 683	9 150 868
Deficit	19 098 800	17 014 533	16 391 695	14 105 372	11 670 683	9 150 868

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

21. Other long-term employee benefits (continued)

Experienced adjustments on plan liabilities	815 469	999 274	904 695	910 954	1 671 011	1 664 673
	19 914 269	**18 013 807**	**17 296 390**	**15 016 326**	**13 341 694**	**10 815 541**

In accordance with transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

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

2018	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	3 344 200	(2 879 100)	3 344 200	(2 879 100)
Effect on defined benefit obligation	70 600	(76 800)	70 600	(76 800)
	3 414 800	**(2 955 900)**	**3 414 800**	**(2 955 900)**

2017	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	225 600	(201 200)	243 300	217 500
Effect on defined benefit obligation	(69 100)	75 400	70 600	(76 800)
	156 500	**(125 800)**	**313 900**	**140 700**

The economic entity expects to make a contribution of R3 099 117 (2016: R2 980 708) to the defined benefit plans during the next
financial year.

22. Service charges

Sale of water	197 819 144	208 618 541	197 819 144	208 618 541
Sewerage and sanitation charges	127 523 840	105 963 034	127 523 840	105 963 034
	325 342 984	**314 581 575**	**325 342 984**	**314 581 575**

23. Rental of facilities and equipment

Premises				
Premises	1 419 034	2 545 445	1 274 596	2 545 445

Included in the above rentals are operating lease rentals at straight-lined amounts of R 3 641 893 (2017: R 3 099 117).

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

24. Other income

Membership fees	258 027	165 226	-	-
Administration fees	46 948	29 500	46 948	29 500
Building plan fees	49 821	123 460	49 821	123 460
Connection fees	1 447 009	1 551 129	1 447 009	1 551 129
Other revenue	4 139 526	3 380 266	552 394	887 863
Amospheric emissions licenses	178 170	553 834	178 170	553 834
Reconnection fees	93 554	549 036	93 554	549 036
Tender deposits	249 077	313 650	249 077	313 650
Water rates certificates	1 055 471	1 009 857	1 055 471	1 009 857
Developers fees	336 389	5 075 082	336 389	5 075 082
	7 853 992	**12 751 040**	**4 008 833**	**10 093 411**

25. Investment revenue

Interest revenue				
Unlisted financial assets	9 633 421	1 853 184	9 633 421	1 853 184
Bank	6 564 687	22 422 727	6 143 252	21 573 146
Interest charged on trade and other receivables	4 245 302	4 021 187	4 245 302	4 021 187
	20 443 410	**28 297 098**	**20 021 975**	**27 447 517**

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

26. Government grants and subsidies

Operating grants				
Equitable share	411 676 000	312 458 000	411 676 000	312 458 000
Levies replacement	-	63 873 000	-	63 873 000
Drought Relief Emergency (COGTA)	-	5 000 000	-	5 000 000
Finance Management Grant (FMG)	1 795 000	1 460 000	1 795 000	1 460 000
DWAF : Refurbish Rural Water Schemes	-	3 650 000	-	3 650 000
Expanded Public Works Programme	1 956 000	1 788 000	1 956 000	1 788 000
Development Planning Shared Services Support	400 000	400 000	400 000	400 000
Rural Transport Services	2 658 000	2 510 000	2 658 000	2 510 000
Growth development Summit	183 337	-	183 337	-
	418 668 337	**391 139 000**	**418 668 337**	**391 139 000**

Capital grants				
Municipal Infrastructure Grant (MIG)	245 479 000	233 873 000	245 479 000	233 873 000
Disaster Management Centre (DMC) Grant	-	5 000 000	-	5 000 000
Mhlabatshane Bulk Scheme	-	12 776 000	-	12 776 000
Universal Access to water - Umdoni	-	79 952	-	79 952
Water Services Infrastructure Grant	50 372 000	58 570 000	50 372 000	58 570 000
	295 851 000	**310 298 952**	**295 851 000**	**310 298 952**
	714 519 337	**701 437 952**	**714 519 337**	**701 437 952**

National: equitable share

The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the economic entity by National Treasury.

Current-year receipts	411 676 000	376 331 000	411 676 000	376 331 000
Conditions met - transferred to revenue: operating expenses	(411 676 000)	(376 331 000)	(411 676 000)	(376 331 000)
	-	**-**	**-**	**-**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 214 (2017: R 209), which is funded from the grant.

Drought Relief Emergency (COGTA)

Current-year receipts	-	5 000 000	-	5 000 000
Conditions met - transferred to revenue: operating expenses	-	(5 000 000)	-	(5 000 000)
	-	**-**	**-**	**-**

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

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery

Finance Management Grant (FMG)

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

26. Government grants and subsidies (continued)

Current-year receipts	1 795 000	1 460 000	1 795 000	1 460 000
Conditions met - transferred to revenue: operating expenses	(1 795 000)	(1 460 000)	(1 795 000)	(1 460 000)
	-	-	-	-

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

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

DWAF : Refurbish Rural Water Schemes

Balance unspent at beginning of year	-	3 650 000	-	3 650 000
Conditions met - transferred to revenue: operating expenses	-	(3 650 000)	-	(3 650 000)
	-	-	-	-

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

DWAF grants are aimed at supplementing municipal budgets to assist with the refurbishment of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan.

Expanded Public Works Programme

Current-year receipts	1 956 000	1 788 000	1 956 000	1 788 000
Conditions met - transferred to revenue: operating expenses	(1 956 000)	(1 788 000)	(1 956 000)	(1 788 000)
	-	-	-	-

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

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

Provincial Government Grants

Balance unspent at beginning of year	1 000 000	1 000 000	-	-
Current-year receipts	3 000 000	-	-	-
	4 000 000	**1 000 000**	-	-

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

The purpose of this grant was to enhance rural economic development and broad-based community information dissemination and empowerment.

Development Planning Shared Services Support

Current-year receipts	-	400 000	-	400 000
Conditions met - transferred to revenue: operating expenses	-	(400 000)	-	(400 000)
	-	-	-	-

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

26. Government grants and subsidies (continued)

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

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Municipal Disaster Recovery (Cogta)

Balance unspent at beginning of year	-	5 000 000	-	5 000 000
Conditions met - transferred to revenue: operating expenses	-	(5 000 000)	-	(5 000 000)
	-	-	-	-

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

Municipal Disaster Recovery is a grant from Department of Cooperative Government and Traditional Affairs, made availabe to economic entity to provide recovery whenever there is a disaster.

Rural Transport Services

Current-year receipts	2 658 000	2 510 000	2 658 000	2 510 000
Conditions met - transferred to revenue: operating expenses	(2 658 000)	(2 510 000)	(2 658 000)	(2 510 000)
	-	-	-	-

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

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were transferred to the economic entity for the year under review.

Municipal Infrastructure Grant (MIG)

Current-year receipts	245 873 000	233 873 000	245 479 000	233 873 000
Conditions met - transferred to revenue: capital expenses	(245 873 000)	(233 873 000)	(245 479 000)	(233 873 000)
	-	-	-	-

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

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

Disaster Management - DMC

Current-year receipts	-	5 000 000	-	5 000 000
Conditions met - transferred to revenue: capital expenses	-	(5 000 000)	-	(5 000 000)
	-	-	-	-

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

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

26. Government grants and subsidies (continued)

The Disaster Management Centre Grant is for the establishment of second phase of Ugu District Disaster Management Centre

Mhlabatshane Bulk Scheme

Current-year receipts	-	-	-	12 776 000
Conditions met - transferred to revenue: capital expenses	-	-	-	(12 776 000)
	-	-	-	-

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

Mhlabatshane Bulk Scheme is to develop new, refurbish, upgrade and replace ageing water and wastewater infrastructure of regional significance that connect water resources to infrastructure serving extensive areas across municipal boundariesor large regional bulk infrastructure serving numerious communities over a large area within a economic entity, to pilot regional water conservation and water demand management projector facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructre requirements.

Drought Intervention Programme - Springs

Balance unspent at beginning of year	-	3 444 878	-	3 444 878
Conditions met - transferred to revenue: capital expenses	-	(3 444 878)	-	(3 444 878)
	-	-	-	-

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

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery.

Universal Access to Water - Umdoni

Balance unspent at beginning of year	-	79 952	-	79 952
Conditions met - transferred to revenue: capital expenses	-	(79 952)	-	(79 952)
	-	-	-	-

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

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	50 372 000	58 570 000	50 372 000	58 570 000
Conditions met - transferred to revenue: capital expenses	(50 372 000)	(58 570 000)	(50 372 000)	(58 570 000)
	-	-	-	-

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

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

26. Government grants and subsidies (continued)

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equiping of borehole; provide on site sanitation solutions; support the existing bucket eradication programme intervention informal residential areas; support drought relief projects in affected municipalities.

Preparation of a Spatial Development Framework

Balance unspent at beginning of year	400 000	-	400 000	-
Current-year receipts	-	400 000	-	400 000
Conditions met - transferred to revenue: capital expenses	(400 000)	-	(400 000)	-
	-	**400 000**	**-**	**400 000**

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

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. The grant allocation is for 2017/2018 financial period, however funds were received during 2016/2017 financial period.

27. Public contributions and donations

Ray Nkonyeni Municipality	2 765 731	5 295 108	-	-
Umdoni Municipality	1 644 385	(59 000)	-	-
Umzumbe Municipality	973 529	927 170	-	-
Umuziwabantu Municipality	354 277	1 214 600	-	-
	5 737 922	**7 377 878**	**-**	**-**

Reconciliation of conditional contributions				
Current-year receipts	5 737 922	7 377 878	-	-
Conditions met - transferred to revenue	(5 737 922)	(7 377 878)	-	-
	-	-	-	-

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

28. Employee related costs

Basic	230 258 880	192 884 428	220 507 257	185 095 287
Commissions	6 863 138	9 074 842	6 863 138	9 074 842
Bonus	18 347 607	13 857 588	17 851 307	13 244 992
Medical aid - company contributions	17 358 589	14 371 202	17 149 780	14 161 267
UIF	1 810 201	1 585 936	1 657 700	1 541 438
SDL	3 122 636	2 691 688	3 059 291	2 599 389
Leave pay provision charge	3 993 975	6 218 809	3 928 869	6 117 117
Contribution long-service benefits	2 263 341	3 192 483	2 084 267	3 004 431
Other short term costs	690 496	86 260	7 226	77 760
Defined contribution plans	40 292 823	44 390 355	39 987 917	44 093 674
Travel, motor car, accommodation, subsistence and other allowances	1 749 498	2 207 897	1 749 498	1 646 811
Overtime payments	38 769 732	32 839 166	38 769 732	32 839 166
Long-service awards	1 994 389	458 748	1 994 389	443 748
Acting allowances	1 564 543	2 615 211	1 564 543	2 615 211
Car allowance	10 604 714	12 709 399	10 604 714	12 709 399
Housing benefits and allowances	3 221 918	1 723 658	3 221 918	1 703 658
Share-based payment	87 128	40 473	-	-
	382 993 608	**340 948 143**	**371 001 546**	**330 968 190**

Remuneration of municipal manager

Annual Remuneration	1 289 387	1 174 830	1 289 387	1 174 830
Car, entertainment, housing, subsistence and other allowances	508 784	282 325	508 784	282 325
Performance Bonuses	-	150 909	-	150 909
Contributions to UIF, Medical and Pension Funds	30 693	267 578	30 693	247 299
	1 828 864	**1 875 642**	**1 828 864**	**1 855 363**

Remuneration of chief finance officer

Annual Remuneration	852 959	761 592	852 959	761 592
Car, entertainment, housing, subsistence and other allowances	343 945	410 801	343 945	3
Performance Bonuses	-	100 997	-	100 997
Contributions to UIF, Medical and Pension Funds	30 693	53 821	30 693	53 821
	1 227 597	**1 327 211**	**1 227 597**	**916 413**

Remuneration of general manager: corporate services

Annual Remuneration	724 906	607 175	724 906	607 175
Car, entertainment, housing, subsistence and other allowances	499 391	573 321	499 391	573 321
Performance Bonuses	-	100 997	-	100 997
Contributions to UIF, Medical and Pension Funds	43 581	38 961	43 581	38 961
	1 267 878	**1 320 454**	**1 267 878**	**1 320 454**

Remuneration of general manager: infrastructure and economic development

Annual Remuneration	949 184	899 149	949 181	899 149
Car, entertainment, housing, subsistence and other allowances	282 861	311 413	282 861	311 413

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
28. Employee related costs (continued)				
Performance Bonuses	-	89 775	-	89 775
Contributions to UIF, Medical and Pension Funds	13 451	14 199	13 451	14 199
	1 245 496	**1 314 536**	**1 245 493**	**1 314 536**

Remuneration of general manager: water services

Annual Remuneration	611 891	568 819	611 891	568 819
Car, entertainment, housing, subsistence and other allowances	559 657	501 849	559 657	501 849
Performance Bonuses	-	89 775	-	89 775
Contributions to UIF, Medical and Pension Funds	133 935	132 430	133 935	132 430
	1 305 483	**1 292 873**	**1 305 483**	**1 292 873**

Remuneration of chief executive officer (Ugu South Coast Tourism)

Annual Remuneration	1 041 299	981 894	-	-
Car, entertainment, housing, subsistence and other allowances	21 097	19 804	-	-
Performance Bonuses	137 465	130 200	-	-
Contributions to UIF, Medical and Pension Funds	13 697	12 905	-	-
	1 213 558	**1 144 803**	**-**	**-**

Remuneration of general manager: finance and human resources (Ugu South Coast Tourism)

Annual Remuneration	671 806	633 480	-	-
Car, entertainment, housing, subsistence and other allowances	20 716	19 534	-	-
Performance Bonuses	88 687	84 000	-	-
Contributions to UIF, Medical and Pension Funds	9 168	8 737	-	-
Long service award	-	5 000	-	-
	790 377	**750 751**	**-**	**-**

Remuneration of general manager: Development (Ugu South Coast Tourism) (Appointed: 01 April 2017)

Annual Remuneration	671 806	158 370	-	-
Car, entertainment, housing, subsistence and other allowances	15 271	3 600	-	-
Contributions to UIF, Medical and Pension Funds	8 492	2 006	-	-
	695 569	**163 976**	**-**	**-**

Remuneration of general manager: marketing and events (Ugu South Coast Tourism)(Appointed: 01 January 2017)

Annual Remuneration	671 806	316 740	-	-
Car, entertainment, housing, subsistence and other allowances	15 271	7 200	-	-
Contributions to UIF, Medical and Pension Funds	5 196	5 196	-	-
	692 273	**329 136**	**-**	**-**

Remuneration of chief executive officer (Acting) (South Coast Development Agency)(Resigned: 30 September 2016)

Annual Remuneration	-	290 000	-	-

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
28. Employee related costs (continued)				
Performance Bonuses	107 734	-	-	-
Contributions to UIF, Medical and Pension Funds	-	4 449	-	-
	107 734	**294 449**	**-**	**-**

Remuneration of chief executive officer (South Coast Development Agency)(Appointed: 01 October 2016)

Annual Remuneration	1 060 320	328 000	-	-
Car, entertainment, housing, subsistence and other allowances	255 423	72 000	-	-
Contributions to UIF, Medical and Pension Funds	-	5 046	-	-
	1 315 743	**405 046**	**-**	**-**

Remuneration of general manager: finance and human resources (South Coast Development Agency)

Annual Remuneration	403 578	473 882	-	-
Car, entertainment, housing, subsistence and other allowances	59 511	137 237	-	-
Contributions to UIF, Medical and Pension Funds	-	71 730	-	-
Leave pay	47 298	-	-	-
	510 387	**682 849**	**-**	**-**

Remuneration of general manager: projects (South Coast Development Agency)

Annual Remuneration	504 255	465 588	-	-
Car, entertainment, housing, subsistence and other allowances	183 844	137 237	-	-
Performance Bonuses	5 357	-	-	-
Contributions to UIF, Medical and Pension Funds	-	72 401	-	-
	693 456	**675 226**	**-**	**-**

29. Remuneration of councillors

Mayor	741 734	541 623	541 623	541 623
Deputy Mayor	-	227 977	227 977	227 977
Executive Committee Members	2 321 586	2 346 130	2 346 130	2 346 130
Speaker	595 379	518 131	518 131	518 131
Councillors/ board members	2 456 060	2 996 114	2 456 064	1 896 553
Company contributions to UIF, medical and pension funds	74 076	71 053	71 053	71 053
Other allowances (Cellphones, housing, transport etc.)	2 904 771	2 721 776	2 721 776	2 721 776
	9 093 606	**9 422 804**	**8 882 754**	**8 323 243**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

29. Remuneration of councillors (continued)

In-kind benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the economic entity serve in a full-time capacity. Each is provided with an office and secretarial support at the cost of the Council in order to enable them to perform their official duties.

The Councillors may utilise official council transportation when engaged in official duties.

The Mayor has one full-time bodyguard and one full-time driver.

The Deputy Mayor has one full-time aide, fulfilling various personal duties.

The Speaker has one full-time driver.

For services as directors				
Ugu South Coast Tourism				
EJ Crutchfield	141 879	41 500	-	-
HR Kelly	87 751	35 275	-	-
PT Jeffreys	54 962	14 525	-	-
J Harris	52 886	22 825	-	-
ZP Ngubane	48 477	29 050	-	-
C Davenhill	59 375	18 675	-	-
WV Mzulwini	58 475	18 675	-	-
Ugu South Coast Development Agency				
SJ Nzimande	93 734	146 605	-	-
SD Dlomo	164 919	173 070	-	-
EJ Crutchfield	120 473	73 312	-	-
VK Naidoo	87 948	124 271	-	-
ZP Mthuli	100 619	105 266	-	-
LG Shezi	151 677	128 266	-	-
EM Zungu	74 094	82 153	-	-
B Zulu	53 121	76 340	-	-
	1 350 390	**1 089 808**	**-**	**-**

In terms of Section 124(1) of the Municipal Finance Act (Act No. 56 of 2003), the accounting officer certifies that the salaries, allowances and benefits of the directors as disclosed in this note within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

30. Depreciation and amortisation

Property, plant and equipment	213 957 166	214 397 089	213 697 852	214 164 244
Intangible assets	3 495 749	4 200 815	3 492 874	4 178 665
	217 452 915	**218 597 904**	**217 190 726**	**218 342 909**

31. Impairment of assets

Impairments				
Property, plant and equipment	860 644	35 041	850 613	28 378
Trade and other receivables	(12 901 243)	36 098 959	(12 901 243)	36 098 959
	(12 040 599)	**36 134 000**	**(12 050 630)**	**36 127 337**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

32. Finance costs

Non-current borrowings	8 496 041	9 961 255	8 496 041	9 959 172
Other interest paid	1 886 833	666 232	1 886 833	666 232
	10 382 874	**10 627 487**	**10 382 874**	**10 625 404**

33. Bulk purchases

Water	94 489 718	77 790 321	94 489 718	77 790 321

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Bulk water is purchased from Umgeni Water Board and Ethekwini Municapality

34. Contracted services

Information Technology Services	-	1 115 944	-	996 346
Specialist Services	125 925 352	57 851 005	125 925 352	57 811 709
Other Contractors	44 609 059	64 194 130	44 609 059	64 194 130
	170 534 411	**123 161 079**	**170 534 411**	**123 002 185**

Contracted services are as follows:				
Contractors				
Artists and performers	192 224	-	192 224	-
Buildings	896 958	-	896 958	-
Catering Services	1 668 703	-	1 668 703	-
Cleaning Services	2 382 809	2 297 748	2 382 809	2 297 748
Gardening Services	126 868	1 069 232	126 868	1 069 232
Grafic designers	76 631	-	76 631	-
Event promoters	2 556 783	7 452 667	2 556 783	7 452 667
Houlage	15 162 588	12 458 470	15 162 588	12 458 470
Relief Drivers	1 672 803	69 090	16 272 803	69 090
Maintenance of Equipment	35 766 413	25 636 143	35 766 413	25 636 143
Maintenance of unspecified assets	26 790 380	52 963 629	26 790 380	52 963 629
Sewerage services	35 539 469	-	35 539 469	-
Sport and recreation	459 386	3 073 421	459 386	5 782 027
Transportation	355 000	-	355 000	-
Relief Drivers	27 593 150	-	12 993 144	-
Safeguard and Security	19 294 252	15 273 179	19 294 252	15 273 179
	170 534 417	**120 293 579**	**170 534 411**	**123 002 185**

35. Transfers and subsidies

Grants paid to ME's				
Ugu South Coast Development Agency	-	-	5 788 125	5 512 493
Tourism Development	-	-	6 958 134	5 298 936
Tourism Marketing	-	-	5 563 879	6 626 797
	-	**-**	**18 310 138**	**17 438 226**

Other subsidies				
Grants in Aid	1 050 516	9 752 540	1 050 516	9 752 540
	1 050 516	**9 752 540**	**19 360 654**	**27 190 766**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

35. Transfers and subsidies (continued)

Conditional grants paid is in respect of projects undertaken by municipalities within the economic entity's area of jurisdiction and funded by Ugu District economic entity.

Community projects consist primarily of ventilated pit latrines constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the economic entity's sanitation backlog programme as funded through the Municipal Infrastructure Grant.

The low income subsidy is in respect of providing basic service levels to indigent households.

Notes to the Consolidated Financial Statements

36. General expenses

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
Accounting fees	-	86 450	-	-
Advertising	6 387 881	3 741 487	4 252 137	1 543 618
Assessment rates & municipal charges	6 324 695	-	-	-
Auditors remuneration	4 082 091	3 740 678	3 730 746	3 210 454
Bank charges	801 431	740 786	718 136	656 708
Cleaning	-	11 270	-	-
Commission paid	1 337 487	2 365 947	1 071 397	2 023 806
Computer expenses	496 685	473 034	-	-
Consulting and professional fees	-	1 759 110	-	1 758 848
Consumables	17 392 437	11 399 542	17 392 437	11 399 542
Debt collection	151 521	-	-	-
Delivery expenses	16 510	-	-	-
Flowers	62 490	-	-	-
Gifts	2 947 044	17 731	-	-
Hire	4 828 513	18 948 068	4 828 513	18 912 650
Insurance	2 504 646	1 868 898	2 431 700	1 759 785
IT expenses	260	428	-	-
Incorporation costs	78 829	83 604	-	-
Marketing	-	294 739	-	-
Magazines, books and periodicals	14 291	21 052	-	-
Medical expenses	44 135	10 392	-	-
Motor vehicle expenses	30 511	30 868	-	-
Packaging	65 903	94 762	-	-
Fuel and oil	24 297 616	19 884 743	24 297 616	19 884 743
Placement fees	63 552	60 526	-	-
Postage and courier	1 528 467	1 397 327	1 528 457	1 392 967
Printing and stationery	922 654	2 082 672	838 511	1 910 330
Promotions	257 091	-	-	-
Protective clothing	588 320	-	-	-
Repairs and maintenance	66 667	153 646	-	-
Research and development costs	1 353 372	180 525	-	-
Security (Guarding of municipal property)	45 588	-	-	-
Staff welfare	337 415	322 432	-	-
Subscriptions and membership fees	5 268 058	3 958 918	5 253 471	3 936 184
Telephone and fax	3 784 879	4 126 853	3 568 998	3 849 243
Training	489 059	3 751 430	489 059	3 751 430
Travel - local	126 690	382 790	-	-
Travel - overseas	36 064	47 760	-	-
Electricity	88 316 735	64 217 206	88 316 735	64 149 627
Uniforms	194 080	2 892 870	194 080	2 892 870
Other general expenses	111 363	723 765	-	-
Licenses	8 644 073	5 604 132	8 626 118	5 584 880
Vehicles tracking	1 336 951	1 263 496	1 336 951	1 263 496
Events and programmes	66 050	9 570 769	-	-
Gardening services	71 494	73 155	-	-
Sports and recreation	422 978	273 295	-	-
Workmens compensation insurance	3 617 370	818 836	3 617 370	818 836
	189 513 946	**167 475 992**	**172 492 432**	**150 700 017**

37. Fair value adjustments

Investment property (Fair value model)	1 407 518	100 000	1 407 518	100 000

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

38. Auditors' remuneration

Fees	4 082 091	3 740 678	3 730 746	3 210 454

39. Cash generated from operations

Surplus	2 691 422	38 503 337	3 870 319	39 344 047
Adjustments for:				
Depreciation and amortisation	217 452 915	218 597 904	217 190 726	218 342 909
Loss on sale of assets and liabilities	(635 337)	(502 707)	(635 337)	(502 707)
Loss from transfer of functions between entities not under common control	-	-	-	30 512 574
Loss on foreign exchange	68 960	-	68 960	-
Fair value adjustments	(1 407 518)	(100 000)	(1 407 518)	(100 000)
Impairment (reversals) loss	(12 040 599)	36 134 000	(12 050 630)	36 127 337
Movements in operating lease assets and accruals	(2 696)	32 814	5 331	2 434
Movements in retirement benefit assets and liabilities	1 581 209	430 372	1 581 209	430 372
Movements in provisions- Current	3 568 790	(3 066 139)	3 108 123	394 312
Movement to provisions - Non current	-	-	-	1 446 805
Changes in working capital:				
Inventories	608 631	3 894 646	608 631	3 894 678
Receivables from exchange transactions	(29 198 964)	(25 342 452)	(27 769 544)	(74 816 661)
Other receivables from non-exchange transactions	(66 567 117)	(6 285 438)	(67 248 491)	7 193 336
Payables from exchange transactions	3 476 988	2 127 940	3 576 558	(4 513 837)
VAT	53 420 783	(10 752 544)	52 922 907	11 295 361
Unspent conditional grants and receipts	2 716 663	(7 329 920)	(283 337)	(8 329 920)
Consumer deposits	253 903	224 356	253 903	224 356
	175 988 033	**246 566 169**	**173 791 810**	**260 945 396**

40. Transfer of functions between entities not under common control

In terms of Section 12 of the Local Government Municipal Structures Act, No 117 of 1998; 3,5 wards were transferred to Ethekwini economic entity and Harry Gwala District economic entity respectively. The effective date of the transfer is 10th August 2016.

The assets that were transferred are immovable assts, which are infrastructure complete and under construction.

The details of assets transferred are as follows

Assets transferred to other municipalities	Ethekwini	Total
Cost	48 166 698	48 166 698
Accumulated depreciation	(17 654 124)	(17 654 124)
	30 512 574	**30 512 574**

There was no consideration received or receivable from a transfer of assets, as result a loss of carrying amount of assets transferred was incurred, which amounts to R0 (2017: R30 512 574)

41. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2018

Financial assets

41. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Long-term receivables	-	-	-
- Sundry loans	-	30 812	30 812
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	19 407 883	19 407 883
- Other trade receivables	-	3 693 523	3 693 523
- Water	-	66 734 183	66 734 183
- Water rates	-	11 468 337	11 468 337
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	11 235 490	11 235 490
- Ray Nkonyeni Municipality	-	836 413	836 413
- Sundry deposits	-	1 605 132	1 605 132
- Sundry debtors	-	8 271 892	8 271 892
Cash and Cash Equivalents	-	-	-
- Call deposits	9 971 908	-	9 971 908
- Notice deposits	-	165 000 000	165 000 000
- Bank balances	14 220 880	-	14 220 880
- Cash floats and advances	8 933	-	8 933
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	58 731	58 731
	24 201 721	**288 342 396**	**312 544 117**

Financial liabilities

	At amortised cost	Total
Compound instruments	-	-
-Annuity loans	126 521 313	126 521 313
Other financial liabilities	-	-
- Trade and other payables from exchange transactions	172 851 370	172 851 370
- Bank overdraft	150 443	150 443
	299 523 126	**299 523 126**

Economic entity - 2017

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	251 734	251 734
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 821 087	1 821 087
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 786 685	15 786 685
Cash and Cash Equivalents	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	61 045 657	-	61 045 657

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

41. Financial instruments disclosure (continued)

- Cash floats and advances	11 692	-	11 692
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	11 594	11 594
	111 242 101	**288 014 027**	**399 256 128**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	177 147 532	177 147 532
- Bank overdraft	2 306 145	-	2 306 145
	2 306 145	**322 700 770**	**325 006 915**

Controlling entity - 2018

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	30 812	30 812
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	9 924 784	9 924 784
- Other trade receivables	-	2 985 616	2 985 616
- Water	-	31 941 960	31 941 960
- Water rates	-	103 070	103 070
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	10 045 723	10 045 723
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	8 949 947	8 949 947
Cash and Cash Equivalents	-	-	-
- Call deposits	7 881 921	-	7 881 921
- Notice deposits	-	165 000 000	165 000 000
- Bank balances	6 750 640	-	6 750 640
- Cash floats and advances	4 967	-	4 967
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	58 731	58 731
	14 637 528	**230 645 075**	**245 282 603**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	126 789 518	126 789 518
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	147 638 363	147 638 363
- Bank overdraft	150 443	-	150 443
	150 443	**274 427 881**	**274 578 324**

41. Financial instruments disclosure (continued)

Controlling entity - 2017

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry deposits	-	240 668	240 668
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 821 087	1 821 087
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 770 685	15 770 685
Cash and Cash Equivalents	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	43 554 709	-	43 554 709
- Cash floats and advances	4 967	-	4 967
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	11 594	11 594
	93 744 428	**287 986 961**	**381 731 389**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	176 397 203	176 397 203
- Bank overdraft	2 306 145	-	2 306 145
	2 306 145	**321 950 441**	**324 256 586**

Fair value

41. Financial instruments disclosure (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate such value:

Cash and short-term investments

The carrying amount approximates the fair value because of the short maturity of these instruments.

Long-term investments

The fair value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables

The management of the economic entity is of the opinion that the carrying value of trade and other receivables recorded at amortised cost in the annual financial statements approximate their fair values. The fair value of trade receivables were determined after considering the standard terms and conditions of agreements entered into between the economic entity and other parties as well as the current payment ratio's of the economic entity's debtors.

Other financial assets and liabilities

The fair value of other financial assets and financial liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term liabilities

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the annual financial statements to approximate their fair values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No financial instruments of the economic entity were reclassified during the year

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

41. Financial instruments disclosure (continued)

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument

Capital risk management

The economic entity manages its capital to ensure that the economic entity will be able to continue as a going concern while delivering
sustainable services to consumers through the optimisation of the debt and equity balance. The economic entity's overall strategy
remains unchanged from 2011.

The capital structure of the economic entity consists of debt, which includes the Long-term Liabilities disclosed in note 14, bank, cash and cash equivalents and equity, comprising accumulated Surplus as disclosed and the statement of changes in net assets.

Gearing Ratio

In terms of the economic entity's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the economic entity. Some of the borrowings are below market related rates.

The gearing ratio at the year-end was as follows:				
Debt	136 657 781	155 407 428	136 657 781	155 407 428
Cash and cash equivalents	(189 051 278)	(276 260 879)	(180 353 244)	(256 456 861)
	(52 393 497)	**(120 853 451)**	**(43 695 463)**	**(101 049 433)**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

41. Financial instruments disclosure (continued)

Equity	3 943 427 802	3 889 145 624	3 923 012 838	3 868 889 950
Net debt to equity ratio	1.33 %	3.11 %	1.11 %	2.61 %

Debt is defined as long-term and short-term liabilities, as detailed in Note 14.

Equity includes all funds and reserves of the economic entity, disclosed as net assets in the statement of financial performance and net debt as described above.

Financial risk management objectives

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

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the Grap Standards mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the economic entity in undertaking its activities.

The directorate: Treasury 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. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The economic entity 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 quarterly to the economic entity's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

Significant risks

It is the policy of the economic entity to disclose information that enables the user of its annual financial. It is the policy of the economic entity to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from financial instruments to which the economic entity is exposed on the reporting date. The economic entity has exposure to the following risks from its operations in financial instruments.

1. Credit risk
2. Liquidity risk; and
3. Market risk

Risks and exposures are disclosed as follows:

Market risk

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

41. Financial instruments disclosure (continued)

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the economic entity’s income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit risk is the risk of financial loss to the economic entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the economic entity’s receivables from customers and investment securities.

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The economic entity’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the economic entity’s reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the economic entity’s short, medium and long term funding and liquidity management requirements. The economic entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the economic entity has at its disposal to further reduce liquidity risk.

42. Multi-employer retirement benefit information

The economic entity makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up of the Retirement, Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the economic entity with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the economic entity are reduced by the amount of forfeited contributions.

Defined benefits schemes

Retirement fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

42. Multi-employer retirement benefit information (continued)

The statutory actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,5 (31 March 2011: shortfall of R382,3) million, with a funding level of 82,0%(31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 15,85% (Total employer contribution of 34,22%) and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 15,85% with effect from 1 July 2012 for an indefinite period of time. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% of pensionable salaries to meet the shortfall within the 8 year period provided for in the scheme. It was expected that the deficit will be fully funded by 2020.

This surcharge is payable until 31 March 2020. It is necessary that the basic employer contribution be increased by 3,63% to 21,63% and the surcharge be increased to 9,5% and extended by a further 8 years to 31 March 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for an indefinite period of time.

It is intended that the fund merge with the retirement fund in the near future.

Defined contributions schemes

Municipal councillors pension fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2012.

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 446,8) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the actuaries, the fund was in a sound financial condition as at 30 June 2017.

Provident fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

42. Multi-employer retirement benefit information (continued)

The statutory actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 293,4 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

43. Commitments

Authorised capital expenditure

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
Already contracted for but not provided for				
• Property, plant and equipment	494 381 645	496 569 431	494 381 645	496 569 431
• Other	57 955 007	65 441 871	57 955 007	65 441 871
	552 336 652	**562 011 302**	**552 336 652**	**562 011 302**
Not yet contracted for and authorised by accounting officer				
• Property, plant and equipment	16 213 756	98 368 201	16 213 756	98 368 201
Total capital commitments				
Already contracted for but not provided for	552 336 652	562 011 302	552 336 652	562 011 302
Not yet contracted for and authorised by accounting officer	16 213 756	98 368 201	16 213 756	98 368 201
	568 550 408	**660 379 503**	**568 550 408**	**660 379 503**

Authorised operational expenditure

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
Already contracted for but not provided for				
• Ugu South Coast Tourism - Operating expenditure	470 749	1 626 857	-	-
• South Coast Development Agency - Operating expenses	750 343	4 358 820	-	-
	1 221 092	**5 985 677**	**-**	**-**
Total operational commitments				
Already contracted for but not provided for	1 221 092	5 985 677	-	-

Total commitments

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*
Total commitments				
Authorised capital expenditure	568 550 408	660 379 503	568 550 408	660 379 503
Authorised operational expenditure	1 221 092	5 985 677	-	-
	569 771 500	**666 365 180**	**568 550 408**	**660 379 503**

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

44. Contingent assets and contigent liabilities

i)F Muller/ Ugu District economic entity: economic entity discharging wastewater effluent onto farmland, resulting in donga being
formed across farmland and rendering portion of farmland unfarmable.There are internal negotiations being conducted.

ii) MZ Mahlawe, MZ Mahlawe / Umuziwabantu economic entity and Ugu District economic entity :The economic entity is jointly and severally
sued with Umuziwabantu economic entity for about R2 300 000.00 for allegedly leaving a sewage infrastructure in Harding that was
left uncovered, which led to the death of the Plaintiffs grandson. The economic entity is currently having internal negiotiations with
the plaintiffs attorneys.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

45. Related parties

Relationships

Ugu South Coast Tourism (Pty) Ltd	Ugu South Coast Tourism (Pty) Ltd
Ugu South Coast Development Agency	Ugu South Coast Development Agency

Related party transactions

Grants and tranfers from /(to) related parties		
Ugu South Coast Tourism (Pty) Ltd	14 306 400	12 175 726
Ugu South Coast Development Agency NPC	9 598 463	5 512 500
	-	-
	23 904 863	**17 688 226**

Transactions with key management personnel (Ugu District Municipality)		
Councillors	-	8 323 243
Municipal Manager and Section 57 personnel	-	7 130 716
	-	**15 453 959**

Transactions with key management personnel (Ugu South Coast Tourism)		
Board of directors	-	180 525
Senior management	-	2 388 667
	-	**2 569 192**

Transactions with key management personnel (Ugu South Coast Development Agency)		
Board of directors	-	909 282
Senior management	-	3 086 317
	-	**3 995 599**

The transactions were concluded in full compliance with the economic entity's Supply Chain Management Policy and the transactions are considered to be at arm's length.

In terms of GRAP 20 para 35 remuneration paid by Ugu District economic entity to councillors and Municipal Manager and section 57 personnel respectively is a related party transaction.

- The economic entity did not conduct any business with any service provider that can be considered a related party.
- The economic entity did not trade with service providers that are I the employment nor blacklisted by Treasury.
- The disclosure in relation to paragraph 35 of GRAP 20, remuneration paid by UGU District economic entity to councillors and Municipal Manager and section 57.
- Key Management and Councillors have direct or indirect significant control over the economic entity.
- No transactions with related parties other than that key management and councils were identified during 2016/17.

46. Prior period errors

Corrections were made during the previous financial years. Details of the corrections are described below:

Receivables from exchange transactions				
Report Amount	-	100 596 019	-	100 596 019
Correction of error	-	(4 373 874)	-	(4 373 874)
Reclasification of water rates	-	(11 468 337)	-	(11 468 337)
	-	**84 753 808**	**-**	**84 753 808**

		Economic entity		Controlling entity	
Figures in Rand		2018	2017 Restated*	2018	2017 Restated*

46. Prior period errors (continued)

Property, plant and equipment					
Reported Amount		-	3 929 693 061	-	3 928 199 617
Correction of error		-	(14 778 841)	-	(14 778 841)
		-	**3 914 914 220**	**-**	**3 913 420 776**
Payables from exchange transactions					
Report Amount		-	172 851 370	-	171 883 366
Correction of error		-	1 986 963	-	2 168 222
		-	**174 838 333**	**-**	**174 051 588**

During the current financial period it was noted that some of the Infrastrcuture (Work-in-progress) projects were identified to be slow moving or abondoned with various reasons. After assessment the projects were to be impaired in the prior year.

Accumulated Surplus					
Reported Amount	-	-	3 923 012 838	-	3 923 012 838
Correction of error	-	-	(21 281 297)	-	(21 080 319)
	-	**-**	**3 901 731 541**	**-**	**3 901 932 519**
Operating lease liability					
Reported Amount	-	-	92 187	-	56 760
Correction of error	-	-	2 275	-	-
	-	**-**	**94 462**	**-**	**56 760**
Vat receivable					
Reported Amount		-	18 743 266	-	18 575 169
Correction of error		-	243 431	-	240 618
		-	**18 986 697**	**-**	**18 815 787**
Statement of financial position					
Property, plant and equipment		-	(14 778 841)	-	(14 778 841)
Receivables from exchange transactions		-	(4 373 874)	-	(4 373 874)
Vat Receivable		-	243 431	-	240 618
Payables from exchange transaction		-	(2 168 222)	-	(2 168 222)
Operating lease liability		-	2 275	-	-
Accumulated Surplus or Deficit		-	21 077 506	-	21 080 319
		-	**2 275**	**-**	**-**

Other Disclosure

Commitments

During the current financial period the capital commitments has been restated as result of mistatements noted from the prior year balances. The prior year balances of capital commitments was re-stated. Refer to note 43.

Commitments reported					
Reported Amount		-	711 119 425	-	711 119 425
Restated amount		-	689 377 160	-	689 377 160
Commitments Adjustment		**-**	**247 682 539**	**-**	**247 682 539**

47. Comparative figures

The comparative figures were restated as a result of effect of prior period errors.

48. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
The assessment of the going concern was performed as at 30 June 2018. The following factors and observations were taken into account during the assessment, whereby the going concern was threatened as follows:
Liquidity status
The current assets and current liabilities were compared and observed that current liabilities exceeded current liabilities as follows:
Total current assets R273,788,612
Less: Total current liabilities (R276,900,643)
Net current liability position (R3,112,031)
Cash and Cash Equivalents movements
The cash and cash equivalents has been decreased significantly as follows:
Current year’s cash and cash equivalents R51,909,,188
Less prior year’s cash and cash equivalents (R189,201,721)
Net cash and cash equivalents decrease (R137,292,533)
Operating deficit
During the year under review, the municipality has operated at a surplus of R 2,691,424
Compliance with contractual obligations
During the year under review, the municipality has been unable to settle all its obligations as they become due because of the negative cash flow within the municipality.
CORRECTIVE MEASURES

In order to correct the negative impact on going concern per above analysis, the municipality engaged on the following:
Comprehensive Financial Management Turnaround Strategy which was adopted by Council;
Revenue Collection Strategy or Plan to improve cash collections;
Development and implementation of costs containment measures;
Expenditure Control and Payments Policy;
Reassessments of the municipality’s budget and cash flow projections; etc.

49. Events after the reporting date

There has been no non-adjusting events after the reporting date.

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity 2018	Economic entity 2017 Restated*	Controlling entity 2018	Controlling entity 2017 Restated*

50. Unauthorised expenditure

Opening balance	275 144 882	310 376 720	275 144 882	113 949 531
Unauthorised expenditure for period	243 819 267	113 949 531	243 819 267	161 195 351
Unauthorised expenditure written-off during the period	(275 144 882)	-	(275 144 882)	-
	243 819 267	**424 326 251**	**243 819 267**	**275 144 882**

Incident

Budgeted amounts exceeded:

Disciplinary steps/ criminal proceedings: Investigations are being conducted by the internal audit.

Cash line items				
Personnel (Employee costs)	68 680 954	-	68 680 954	19 532
Renumeration of councillors	1 338 742	-	1 338 742	-
Lease rentals on operating lease	-	1 563 216	-	1 563 216
Contracted services	25 024 695	-	25 024 695	-
Bulk purchases	1 905 290	6 932 181	1 905 290	6 932 181
Grants and subsidies	19 360 652	-	19 360 652	-
Other expenditure	30 975 864	-	30 975 864	-
Non-cash line items				
Depreciation and amortisation	96 533 070	74 997 103	96 533 070	74 997 103
Impairment loss	-	40 098 251	-	40 098 251
Bad debts written-off	-	37 585 068	-	37 585 068
	243 819 267	**161 175 819**	**243 819 267**	**161 195 351**

51. Fruitless and wasteful expenditure

Opening balance	2 016 607	1 143 836	2 016 607	1 141 608
Penalty on vehicle licence fee	-	83	-	83
Other Fruitless and wasteful expenditure - Interest on late payment	141 495	252 913	-	252 913
Fruitless and wasteful expenditure - trafic fine	-	379	-	379
Fruitless and wasteful expenditure - Umgeni Interest	177 952	-	177 952	-
Fruitless and wasteful expenditure - Eskom	10 164	-	10 164	-
Fruitless and wasteful expenditure - SARS Penalties	815 106	619 068	815 106	619 068
Fruitless and wasteful expenditure - SARS Interest	-	4 784	-	4 784
Fruitless and wasteful expenditure - late cancellations	-	1 706	-	1 706
Fruitless and wasteful expenditure written-off	(202 156)	(6 162)	(200 450)	(3 934)
	2 959 168	**2 016 607**	**2 819 379**	**2 016 607**

Disciplinary steps/criminal proceedings:

Investigations are being conducted by internal audit on the "fruitless and wasteful expenditure" for the current year.

Disciplinary action is in progress for the prior year's fruitless and wasteful.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

52. Irregular expenditure

Opening balance	170 214 972	142 857 798	158 391 656	142 471 834
Add: Irregular Expenditure - current year	132 532 856	29 244 462	131 307 670	15 919 822
Less: Amounts written-off	(31 466 387)	(1 887 288)	(18 646 325)	-
	271 281 441	**170 214 972**	**271 053 001**	**158 391 656**

53. Water losses

Water losses

Unaccounted water losses	30 496 739	29 588 217	30 496 739	29 588 217

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tempered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

A five-year strategic non-revenue water reduction was adopted and implemented by the Executive Committee in May 2014. The below-mentioned technical information was derived at as part of the implementation plan:

Volumes in ML/year:	2018 ML/Year	2017 ML/Year	2018 ML/Year	2017 ML/Year
System input volume	45 067	45 067	45 778	45 067
Billed authorised consumption	33 304	33 304	30 905	33 304
Unbilled authorised consumption	411	411	411	411
Apparent losses	3 208	3 599	3 208	3 599
Real losses	8 295	7 998	8 295	7 998
Estimated non-revenue water	26 638	11 765	26 638	11 765
	116 923	**102 144**	**115 235**	**102 144**

Number of connections	43 388	60 987	43 388	60 987

Real losses %	25.17 %	17.75 %	25.17 %	17.75 %
Water losses %	25.42 %	25.42 %	25.42 %	25.19 %
Non-revenue water %	32.50 %	38.39 %	32.50 %	26.10 %
	- %	**- %**	**- %**	**- %**

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 675 661	2 673 470	3 366 984	3 675 661
Amount paid - current year	(3 675 661)	(2 673 470)	(3 366 984)	(3 675 661)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	-	24 661	-	-
Current year subscription / fee	4 619 846	3 740 676	3 730 746	3 210 452
Amount paid - current year	(4 550 357)	(3 740 676)	(3 730 746)	(3 210 452)
Amount paid - previous years	-	(24 661)	-	-
	69 489	**-**	**-**	**-**

No amounts were outstanding at the end of the financial year.

PAYE and UIF

Opening balance	-	3 482 779	-	3 482 779
Current year subscription / fee	63 213 496	56 684 217	60 547 096	54 988 222
Amount paid - current year	(58 823 552)	56 684 217	(56 152 980)	(54 988 222)
Amount paid - previous years	-	(3 482 779)	-	(3 482 779)
	4 389 944	**113 368 434**	**4 394 116**	**-**

No amounts were outstanding at the end of the financial year.

Pension and Medical Aid Deductions

Current year subscription / fee	61 989 255	77 383 848	61 297 483	77 049 520
Amount paid - current year	(61 989 255)	(77 383 848)	(61 297 483)	(77 049 520)
	-	**-**	**-**	**-**

No amounts were outstanding at the end of the financial year.

VAT

VAT receivable	145 610	18 986 697	-	18 815 787
VAT payable	18 275 843	-	18 275 843	-
	18 421 453	**18 986 697**	**18 275 843**	**18 815 787**

VAT output payables and VAT input receivables are shown in note 7.

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

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor SA Khawula	1 295	920	2 215
Councillor MA Manyoni	338	31 404	31 742
Councillor NH Gumede	3 693	11 590	15 283
Councillor TB Cele	285	2 120	2 405
	5 611	**46 034**	**51 645**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor IM Mavundla	125	52	177
Councillor MA Manyoni	251	27 002	27 253
Councillor GD & JE Henderson	747	1 346	2 093
Councillor MA & ZP Chiliza	2 846	2 397	5 243
Councillor NH Gumede	2 492	2 956	5 448
Councillor TB Cele	125	1 489	1 614
	6 586	**35 242**	**41 828**

Non-compliance

In terms on Section 125 (2) (e) of Municipal Finance Management Act 2003, there were no non-compliance were identified during the financial period.

55. S36 Deviation from supply chain management regulations

Section 36 Deviations	279 061 738	38 683 768	278 827 097	34 976 804

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

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

Deviations from the tender stipulations in terms of the economic entity's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2018	2017 Restated*	2018	2017 Restated*

56. Revenue

Service charges	325 342 984	314 581 575	325 342 984	314 581 575
Rental of facilities and equipment	1 419 034	2 545 445	1 274 596	2 545 445
Other income - (rollup)	7 853 992	12 751 040	4 008 833	10 093 411
Interest received - investment	20 443 410	28 297 098	20 021 975	27 447 517
Government grants & subsidies	714 519 337	701 437 952	714 519 337	701 437 952
Public contributions and donations	5 385 729	7 377 878	-	-
	1 074 964 486	**1 066 990 988**	**1 065 167 725**	**1 056 105 900**

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	325 342 984	314 581 575	325 342 984	314 581 575
Rental of facilities and equipment	1 419 034	2 545 445	1 274 596	2 545 445
Other income - (rollup)	7 853 992	12 751 040	4 008 833	10 093 411
Interest received - investment	20 443 410	28 297 098	20 021 975	27 447 517
	355 059 420	**358 175 158**	**350 648 388**	**354 667 948**

The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Government grants & subsidies	714 519 337	701 437 952	714 519 337	701 437 952
Public contributions and donations	5 385 729	7 377 878	-	-
	719 905 066	**708 815 830**	**714 519 337**	**701 437 952**

57. Lease rentals on operating lease

Premises				
Contractual amounts	134 558	2 269 522	134 558	1 195 149
Plant and equipment				
Contractual amounts	5 396 618	2 453 847	5 396 618	2 453 847
Lease rentals on operating lease - Other				
Contractual amounts	-	132 618	-	132 618
	5 531 176	**4 855 987**	**5 531 176**	**3 781 614**

58. Other revenue

Other income - (rollup)	7 853 992	12 751 040	4 008 833	10 093 411