

accordance with legal requirements and included most of the essential characteristics required.

3.2. Development of a performance management system (PMS)

The municipality had an approved and adopted development framework and process for its performance management system (PMS). Both the framework and the actual performance management policy complied with the essential output criteria included in the legislation and guidelines.

The municipality did review its framework for the PMS. It was however noted in the prior year that the PMS was not cascaded down to all the employees of Ekurhuleni Metropolitan Municipality. This was not yet rectified in the year under review.

3.3. Internal monitoring of performance measurements

Internal monitoring of the municipality's performance was conducted on a continuous basis including the performance of top management.

Since the monitoring framework of the municipality did not include a process for the collection and analysis of data for service providers' performance, the municipality did not monitor the performance of its service providers in terms of this criteria.

3.4. Internal control of the performance management system

The municipality's internal audit function did not perform any assessment of the municipality's performance.

3.5. Revision of strategies and objectives

Strategies and objectives were amended and an amended IDP was prepared for 2005/2006 taking into consideration various external factors, including national and provincial strategies, as well as the latest legislative requirements.

The SWOT-analysis (strengths, weaknesses, opportunities and threats) of the municipality in meeting all the KPI's (including national general KPI's) and performance targets was adopted and identified.

It was however noted in the prior year that the municipality had no documented process/framework of comparison by way of benchmarking. This was not yet rectified in the year under review.

4. STATEMENT

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures or had I performed an audit or review of the performance measurement in accordance with International Standards on Auditing or

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON PERFORMANCE
MEASUREMENT AT EKURHULENI METROPOLITAN MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2006**

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements as included on pagesto..... of the annual report and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

As required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) my responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system, my role is not to assess or comment on the municipality's actual performance.

2. NATURE AND SCOPE

I have performed the procedures agreed upon and described below regarding the performance measurement system of Ekurhuleni Metropolitan Municipality. The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed upon procedures engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the municipality's performance measurement system against the criteria set out in:

- chapter 6 of the Municipal Systems Act, 2000;
- the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796)

The procedures performed during my assignment were based on the high-level overview checklist completed by the accounting officer and included a review of the following aspects:

- (i) Development of an integrated development plan;
- (ii) Development of a performance management system;
- (iii) Development and implementation of key performance indicators;
- (iv) Setting of targets for key performance indicators;
- (v) Actual service delivery process;
- (vi) Internal monitoring of performance measurements;
- (vii) Internal control of the performance management system;
- (viii) Performance measurement and reporting; and
- (ix) Revision of strategies and objectives.

3. FACTUAL FINDINGS

I report my findings below:

3.1. Development of an integrated development plan

A formalised process was adopted for the development of the integrated development plan (IDP). The adoption, implementation and disclosure of the 2005-2006 IDP were in

arrangement could be presented for audit. This was due to a lack of sufficient control framework to perform independent checks as well as reconciliations.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

36. A separate report on the performance measurement at the Ekurhuleni Metropolitan Municipality was issued for the financial year ended 30 June 2006.
37. I could not audit the performance information of municipal entities due to the reason stated in paragraph 41 of this report.

Responsibility of the accounting officer

38. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

39. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).
40. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
41. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit finding

42. Due to inadequate management reporting systems on performance information, the municipality's entities did not submit performance information for audit.

APPRECIATION

43. The assistance rendered by the staff of the Ekurhuleni Metropolitan Municipality during the audit is sincerely appreciated.



B R Wheeler for Auditor-General

Johannesburg

21 September 2007



AUDITOR-GENERAL

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.

Basis for adverse opinion

Property, plant and equipment

9. The following accounting and disclosure inadequacies relating to property, plant and equipment were identified during the audit:
- As reported in the previous period, the requirements of GAMAP 17 were not complied with. Some assets could not be verified physically to confirm their existence.
 - As reported previously, the useful life of assets was not assessed. Therefore depreciation could be misstated, resulting in the misstatement of the asset value.
 - The requirements of GAMAP 17 were not complied with, as the plan for testing impairment of assets was not implemented and consequently the accuracy of the asset valuation could not be confirmed.

Management was in the process of appointing service providers to assist with the updating of the asset register in order to comply with GAMAP 17 requirements.

10. East Rand Water Care Company (ERWAT) did not comply with the requirements of International Accounting Standard (IAS) 16, since a periodic review of the useful life or residual values of fixed assets was not conducted during the current financial period. An annual assessment of asset impairment was also not conducted.

Revenue and receivables

11. The completeness and accuracy of rates and taxes, services and direct income revenue could not be verified due to the following:
- At year-end 12 198 properties were identified by management on which rates and taxes were not levied. The possible impact on revenue was not calculated by management and the revenue understated was not accrued for. Some properties on the valuation roll were incorrectly billed for rates and taxes.

The projected impact of unbilled properties and properties billed at incorrect rates indicated that rates and taxes revenue might be potentially understated by R29 million and R4 million, respectively.
 - Rates and taxes were charged based on old zonings and outdated land values instead of the new rezoned property at the current value. Sufficient appropriate

audit evidence could not be obtained for some transactions tested in the sample. The monetary value of the misstatement could not be quantified.

- Interest was not always charged to receivable accounts that were in arrears. The debtor accounts were marked as inactive for purposes of calculating interest on the system. A projection to determine the impact of the misstatement indicated that interest received on outstanding debtor accounts might be potentially understated by R21 million.
- At year-end, management identified 47 684 active consumption metres in existence which were not billed. Management did not determine the impact of the understatement on revenue. The projected impact indicated that services revenue might potentially be understated by R28 million.
- The electronic data files for third party cash receipts, the valuation roll and service meter readings that were requested in order to perform audit procedures could not be provided, resulting in a limitation of scope on the audit procedures to assess the completeness of revenue. It was not possible to perform alternative audit procedures to assess the completeness of the applicable revenues.

Management had identified the weaknesses and in responding to these issues, a consumer clean-up project was launched. At the date of this report, the project was still in progress. The impact of this project on revenue management and controls will be evaluated in the next financial period.

12. During the year under review indigent write-offs amounted to R794 million. Management was unable to provide appropriate supporting documentation for a number of debtors that were written off to support the indigent status as per the policy approved by council. Therefore the validity of the indigent debtors write-off could not be verified.

Housing development fund

13. The housing development fund was established in terms of the Housing Act, 1997 (Act No. 107 of 1997). In terms of this act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the fund. The fund can only be used for housing developments in accordance with the national housing policy. The municipality could not provide an analysis of the assets and liabilities underlying the fund amounting to R144 983 408 as at 30 June 2006. The completeness and accuracy of the revenue and expenditure as well as the valuation of the fund could therefore not be established.

Creditors

14. A difference of R64 863 542 was noted between the balance per the general ledger for trade creditors and the creditors listing at year-end. No supporting documentation could be provided for the difference. Management initiated the reconciliation process, subsequent to the audit, to address this difference. The impact will be evaluated in the next financial period.

Departure from GRAP, GAMAP and SA Generally Accepted Accounting Practice

15. IAS 39 (AC 133), Financial Instruments: Recognition and Measurement, requires that financial assets or financial liabilities should be measured at fair value or amortised cost by applying the effective interest rate, where applicable. EMM did not comply with this requirement since financial assets and financial liabilities were measured at historical cost. This resulted in the misstatement of long-term liabilities, non-current

to adopt a supply chain management policy with effect from 1 July 2005. A decision was taken by management to delay the implementation to fully prepare for the new requirements. This led to the adoption of the policy on 1 March 2006. However, approval for the delay beyond the extended deadline of 1 October 2005 was not obtained from the National Treasury.

28. The annual report for the 2005 financial year did not fully comply with the requirements of section 121(4) of the MFMA, as the report did not include the municipality's strategic objectives and performance against predetermined objectives.
29. In terms of section 126(3)(b) of the MFMA the audit report must be submitted to the accounting officer within three months of the receipt of the financial statements. The audit was delayed due to the late finalisation of the prior year audit as well as late submission of audit evidence.

Housing Rental Act

30. In terms of the Rental Housing Act, 1999 (Act No. 50 of 1999) the deposit paid by a tenant must be invested in an interest-bearing account, and such interest must be paid to the tenant subject to section 5(3)(g) of chapter 3 of the said Act. The municipality did not comply with this requirement as interest was not accrued on the housing rental deposits.

Basic conditions of employment

31. Overtime conditions as stipulated in the Basic Conditions of Employment Act were not complied with. This was evident in the emergency services division. A high rate of vacancies contributed to departure from legislative requirements.

Special investigations

32. As previously reported, an internal forensic investigation was launched by the municipality into possible irregularities at the municipality involving employees at the mechanical workshops. At the date of this report, the investigation had not been concluded, as it led to further investigations that were still underway.

Matters of governance

33. EMM entered into an agreement with its municipal entities to utilise the municipality's audit committee. However, during the year under review, the scope and focus of the audit committee was only directed at the parent municipality. Therefore, the audit committee did not oversee the financial affairs of its municipal entities as required by section 166(6) of the MFMA.
34. In terms of section 165(1) of the MFMA, each municipal entity must have an internal audit unit, subject to section 165(3). Section 165(3) stipulates that such internal audit function may be outsourced. Although the municipal entities of EMM utilised the internal audit function of the parent municipality for the year under review, the internal audit function did not prepare a risk-based audit plan for each of the municipal entities of EMM as required by section 165(2)(a) of the MFMA.
35. The credit control and debt collection policy of the municipality required that where services were disconnected or restricted, they would only be restored if the debtor paid the account in full or entered into an arrangement. Certain instances were identified where reconnections took place without evidence that the procedures outlined in the credit control policy were followed. In some instances no proof of payment or

provisions, consumer deposits, provisions, creditors, long-term receivables as well as consumer and other debtors. The impact of this error could not be quantified. Subsequent to year-end the Minister of Finance exempted municipalities from complying with certain accounting standards for the next two financial years, as per the provisions of *Government Notice 522* contained in *Government Gazette No. 30013 of 29 June 2007*.

16. Included in the capitalisation reserve was an amount of R214 million that originated in the books of ERWAT, a municipal entity of EMM, as a result of the transfer of various water care works and regional outfall sewers from the Ekurhuleni Metropolitan Council to ERWAT at no cost or at a reduced value. Property, plant and equipment were brought to account at existing market value at the date of transfer by crediting this reserve.

IAS 20 (AC 134), Accounting for Government Grants and Disclosure of Government Assistance, stipulates that government grants shall not be credited directly to shareholders' interests. Paragraph 26 of the said standard requires that the grant must be deferred and then recognised as income on a systematic basis over the useful life of the asset. This accounting treatment was not adopted by ERWAT. This resulted in the misclassification of the year-end balances in respect of deferred income and the capital replacement reserve.

17. The amount of the provision should be the best estimate of the expenditure required to settle the present obligation at reporting date. Contrary to this requirement, the municipality adopted an approach where a fixed percentage of income of the municipality was contributed to the provision. The provision balance of R14 964 446 as disclosed in note 3 to the financial statements was calculated at R5 per ton of waste disposed on the landfill sites of the municipality. The municipality did not review the provision at the reporting date, as required by GAMAP 19, to reflect the current best estimate of the landfill rehabilitation provision.

Adverse opinion

18. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements do not present fairly, in all material respects, the financial position of the group and the Ekurhuleni Metropolitan Municipality as at 30 June 2006 and its financial performance and cash flows for the year then ended in accordance with the identified basis of accounting and in the manner required by the MFMA.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Internal control

19. Due to the incomplete asset register and lack of detailed asset descriptions, the existence of assets could not be verified. Furthermore, lack of capacity resulted in non-compliance with GAMAP 17.
20. Weaknesses in the management of revenue and receivables were due to a lack of formal and coordinated risk management processes to ensure accurate and complete billing of services. Policies and procedures were not always adhered to.

21. Non-compliance with accounting standards was attributable to: lack of capacity, incorrect interpretation of accounting standards and late clarification of the applicable accounting framework.
22. Poor monitoring controls to ensure compliance with the provisions of the Housing Act, 1997 (Act No. 107 of 1997), proceeds from sales of houses and rental income were not ring-fenced as required in terms of the Act.
23. Lack of regular reconciliation and review by management resulted in an un-reconciled difference between the general ledger and the creditors listing.
24. A high rate of vacancies contributed to departure from the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997). As a result of emergency services to be rendered, staff had to work excessive overtime.
25. Inadequate monitoring controls resulted in non-compliance with rules and regulations.

Information system matters

26. As reported in the previous financial year, a number of weaknesses still existed in the IT general control environment. The following control weaknesses were identified:
 - A business continuity plan (BCP) and disaster recovery plan (DRP) did not exist.
 - A lack of segregation of duties within the Human Resource (HR) IT environment was identified and change control weaknesses were identified surrounding the HR and Payroll applications.
 - Certain general control weaknesses were identified on the Venus application.
 - Backup and recovery control weaknesses were identified on the HR application.

A follow-up audit of the network security was completed in January 2007 and the findings were brought to the attention of the accounting officer. The systems were found not to be adequately protected and contained a number of weaknesses that could seriously compromise the system of internal control and data integrity. The root cause of the weaknesses identified was the lack of standardised security procedures.

The following weaknesses were identified:

- There was still a lack of adequate, formally documented security standards to ensure effective security management.
- Certain security control weaknesses were identified on the Oracle databases.
- Application, database and operating system software were still not updated with the latest vendor updates to minimise the risk of unauthorised access to information on the systems.
- The wireless environment was unprotected, resulting in poor access controls.

Material non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

27. In terms of *Government Notice 1404* issued by the National Treasury in *Government Gazette No. 27044 of 1 December 2004*, all high-capacity municipalities were required

international Standards on Review Engagements other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to the financial statements of Ekurhuleni Metropolitan Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of Ekurhuleni Metropolitan Municipality during the assignment is sincerely appreciated.



B R Wheeler for Auditor General

Pretoria

21 September 2007



AUDITOR GENERAL

EKURHULENI METROPOLITAN MUNICIPALITY
Annual Report 2005-2006



Functional Service Delivery Reporting



Ekurhuleni
METROPOLITAN MUNICIPALITY

a partnership that works

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL
LEGISLATURE ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE EKURHULENI METROPOLITAN MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2006**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the Ekurhuleni Metropolitan Municipality (EMM) which comprise the consolidated and separate statement of financial position as at 30 June 2006, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 122(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 1512 of 2006*, issued in *Government Gazette No. 29326 of 27 October 2006*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

EKURHULENI METROPOLITAN MUNICIPALITY

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EKURHULENI METROPOLITAN MUNICIPALITY						
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006						
Budget		Actual				
2005 R	2006 R	Note	2006 R	2005 R		
		REVENUE				
1,395,399,196.00	1,417,780,460.00	Property rates	1,517,314,397.10	1,468,136,940.00		
29,200,000.00	30,660,000.00	Property rates - penalties imposed and collection	236,402,197.30	212,940,038.00		
4,431,807,778.00	4,882,982,361.00	Service charges	4,453,059,653.22	4,199,087,054.00		
424,000,000.00	416,720,000.00	Regional Services Levies - turnover	509,691,891.64	624,113,807.00		
150,300,000.00	154,809,000.00	Regional Services Levies - remuneration	181,598,416.77	218,203,755.00		
42,132,414.00	38,326,910.00	Rental of facilities and equipment	39,285,083.35	39,296,688.00		
47,961,989.00	120,051,600.00	Interest earned - external investments	241,411,632.84	244,846,958.00		
67,000,000.00	74,926,880.00	Interest earned - outstanding debtors	121,703,292.47	92,493,530.00		
		Dividends received		-		
110,236,882.00	103,091,727.00	Fines	104,822,591.74	90,823,083.00		
54,029,277.00	69,781,319.00	Licences and permits	64,577,275.23	20,329,086.00		
69,751,441.00	85,756,801.00	Income from agency services	93,638,808.25	107,341,446.00		
417,461,935.00	643,485,655.00	Government grants and	978,374,388.40	765,329,273.84		
18,236,368.00	18,921,315.00	Other income	88,657,920.52	87,006,830.00		
		Public contributions, donated and contributed property, plant and equipment				
		Gains on disposal of property, plant and equipment				
		Sale of land	5,049,242.00	3,423,515.00		
7,257,517,280.00	8,057,294,028.00	Total Revenue	14,544,359.87	8,209,742,102.84		
		EXPENDITURE				
2,209,509,612.00	2,389,202,445.00	Employee related costs	2,198,251,151.78	2,045,626,728.00		
43,646,595.00	46,265,387.00	Remuneration of council	44,085,340.72	41,142,508.00		
632,894,232.00	612,753,306.00	Bad debts	677,317,282.60	1,283,224,923.00		
37,808,327.00	35,894,095.00	Collection cost	26,322,206.89	14,121,535.00		
261,277,107.00	269,115,419.00	Depreciation	336,861,270.48	392,735,928.00		
407,422,910.00	534,809,482.00	Repairs and maintenance	445,345,645.57	397,537,958.00		
211,768,292.00	211,706,791.00	Interest paid	187,679,793.11	190,441,500.00		
2,582,560,509.00	2,844,719,483.00	Bulk purchases	2,689,319,875.69	2,545,041,868.00		
377,977,451.00	332,647,082.00	Contracted Services	314,237,161.39	301,678,706.00		
4,864,632.00	88,410,500.00	Grants and subsidies p	72,111,741.36	8,424,399.00		
480,771,898.00	556,733,485.00	General expenses	542,888,881.91	583,560,941.00		
		Contributions to/(transfers from) provisions				
		Loss on disposal of property, plant and equipment	5,760,068.43	160,871,729.00		
7,250,501,565.00	7,922,257,475.00	Total Expenditure	7,540,180,419.93	7,964,408,723.00		
7,015,715.00	135,036,553.00	NET SURPLUS/(DEFICIT) FOR THE YEAR	1,109,950,790.77	245,333,379.84		
		Share of surplus/(deficit) of entities accounted for under the equity method	12,657,242.00	8,894,319.00		
			1,122,607,972.77	254,227,698.84		
		Refer to Appendix E(1) for explanation of variances				

EKURHULENI METROPOLITAN MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	Pre-GAMAP Reserves and Funds	Self Insurance Reserve	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contributions	Valuation Reserve	Accumulated Surplus	Total Net Assets
2004										
Balance at 1 July 2003	1,810,222,834.00	135,911,669.00	142,707,841.00	-	-	-	-	-	551,052,503.00	2,639,894,847.00
Restated Balance	1,810,222,834.00	135,911,669.00	142,707,841.00	-	-	-	-	-	551,052,503.00	2,639,894,847.00
Net Surplus for the year										
Relocation of Contributions (note 28)	64,394,527.00								-64,394,527.00	
Relocation of Government Grants	87,484,685.00					313,249,059.00			-313,249,059.00	
Relocation of Interest (note 28)	183,049,002.00								-183,049,002.00	
Capital Charges (note 28)		22,000,000.00							-22,000,000.00	
Contribution to Insurance Reserve (note 28)		-12,446,271.00	10,817,195.00						12,446,271.00	
Insurance claims processed	50,426,984.00	2,503,984.00							-61,106,288.00	
Relocation of other income	-121,929.00								1,624,044.00	
Contribution to expenses									-	
Balance at 30 June 2005	2,195,456,103.00	147,969,382.00	153,525,036.00	-	-	313,249,059.00	-	-	756,108,505.00	3,566,308,085.00
2006										
Correction of error										
Change in accounting policy (note 28)										
Restated Balance : 30 June 2005	2,195,456,103.00	171,969,382.00	144,983,409.00	224,692,447.00	1,049,290,585.00	912,313,951.00	15,287,208.00	360,815,813.00	2,008,071,632.00	4,526,608,614.00
Accounting for net assets in Entities 2004/05										
Post balance sheet correction										
Post balance sheet correction: Reserves										
Correction of error - p/y restated										
Surplus/(deficit) for the year										
Transfer to Valuation Reserve										
Transfer from self insurance reserve		-181,969,382.00								
Transfer to CRR										
Property Plant and Equipment purchased										
Capital Grants used to purchase PPE										
Donated/contributed PPE										
Contributions to Insurance Reserve		10,000,000.00								
Insurance claims processed										
Transfer to Housing Development Fund										
Assets disposals			-32,855,261.25							
Offsetting of depreciation										
Balance at 30 June 2006	-	-	112,128,147.75	189,134,542.96	948,767,703.00	1,026,907,329.00	10,235,995.00	382,367,374.00	3,374,108,568.56	5,983,649,660.27

**EKURHULENI
METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

1 HOUSING DEVELOPMENT FUND

	2006 R	2005 R
Balance at beginning of the year	144,983,408.00	153,525,036.00
Income		
East	7,873,334.28	7,893,654.00
South	16,140,111.96	18,024,334.00
North	153,315.00	198,990.00
Less Expenditure		
East	-9,466,817.91	-6,134,297.00
South	-22,309,401.04	-18,687,737.00
North	-25,245,803.54	-9,836,572.00
Movement for the year	-32,855,261.25	-8,541,628.00
	112,128,146.75	144,983,408.00

Debtors	25,657,023.28
Assets	86,471,123.47
Total	112,128,146.75

2 LONG-TERM LIABILITIES

Local Registered Stock Loans	275,020,733.00
Long Term Loans	1,073,327,149.83
Sub-total	1,348,347,882.83
Less: Current portion transferred to current liabilities	-92,184,524.00
Local Registered Stock Loans	4,069,000.00
Long Term Loans	-48,739,043.00
Total External Loans	1,295,539,839.83

Refer to Appendix A for more detail on long-term liabilities

R 268 611 008 (2005: R 354 019 897) has been invested specifically for the repayment of long term liabilities.

3 NON-CURRENT PROVISIONS

Provision for reclamation of refuse landfill site	14,964,445.93
Provision for workmans compensation liabilities	40,488,646.38
	55,453,092.31

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

	30 June 2006	WCA
Balance at beginning of year	9,737,264.05	43,310,341.83
Contributions to provision	5,227,161.88	2,811,695.45
Expenditure incurred		
Transfer to current provisions		
Balance at end of year	14,964,445.93	40,498,646.38

	30 June 2005	WCA
Balance at beginning of year	11,669,897.07	46,344,440.04
Contributions to provision	3,781,272.41	1,978,796.02
Expenditure incurred	-5,713,905.43	-5,012,894.23
Increase in provision due to discounting		
Transfer to current provisions		
Balance at end of year	9,737,264.05	43,310,341.83

4 CONSUMER DEPOSITS

Electricity and Water	262,287,757.09
	240,079,422.94

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
Guarantees held in lieu of Electricity and water	73,348,558.90	69,939,910.71
5 PROVISIONS		
Staff leave	137,612,872.02	146,387,830.00
Staff bonus pro-rata	7,881,245.00	146,387,830.00
	<u>145,494,117.02</u>	
6 CREDITORS		
Trade creditors	858,356,193.35	668,317,031.00
Payments received in advance	284,098,053.56	180,741,207.00
Retentions	61,380,754.48	52,910,990.00
Other creditors	69,119,393.66	251,285,583.00
Total Creditors	<u>1,272,954,395.05</u>	<u>1,153,254,811.00</u>

The Ekurhuleni Metropolitan Municipality is administering the Metsweding distribution account, which is a ring-fenced account with a nil effect on the financial statements of the Metro

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Finance Management Grant	5,097,830.56	5,646,835.86
Transformation	19,999.70	466,183.78
Restructuring	13,035,343.96	21,401,004.28
Local Economic Development (LED) Grant	3,914,192.71	286,562.33
HIV/Aids Grant	5,732,634.95	2,766,818.24
Indigent Burials	515,116.62	691,967.60
Bontle Ke Botho	23,069.68	340,799.29
Environment & Tourism	1,386,416.97	1,430,066.49
Foreign Grant- HIV	-	92,073.97
Skills Development	10,642,730.98	2,470,124.83
City Development MSI Grant	-	290,000.00
Electricity	52,006.23	73,489.85
Vuna Awards	2,000,000.00	2,500,000.00
Impumelelo	-	20,000.00
Zonki Trust	725,180.70	725,180.70
Municipal Revenue Enhancement	-	2,378,502.63
International Council for Local Environment Initiatives (ICLEI)	177,396.74	-
Consolidated Metropolitan Transport Fund (CMTF)	3,699,081.18	-
Sport Recreation Arts & Culture	-	-
Department of Water Affairs & Forestry	1,763,436.54	-
Integrated National Electrification Programme (INEP)	2,175,977.04	-
Local Economic Development (LED) - Industrial Hives	1,000,000.00	-
Local Economic Development (LED) - Str Trading Facilities	3,300,000.00	-
Gaurans	-	-
Municipal Infrastructure Grant (MIG)	16,459,624.41	400,000.00
Provincial Housing Board (PHB)	-	25,066,346
Solid waste Methane Gas Plant	-4,206,293.30	-
Other	-	-
Total unspent grants	<u>67,513,945.67</u>	<u>67,249,945.75</u>

8 VAT

VAT receivable	64,017,073.72	49,130,854.00
VAT is payable on the payment basis.		

9 PROPERTY PLANT AND EQUIPMENT

	Infrastructure	Community	Heritage	Other	Total
30 June 2006					
Reconciliation of Carrying Value					

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006		2005	
	R	R	R	R
Carrying Value as at 1 July 2005				
Cost	2,254,806,883.29	486,093,429.89	415,779.31	850,858,761.35
Accumulated Depreciation	6,409,545,148.01	1,230,439,803.03	415,779.31	1,885,295,178.92
	-4,154,738,264.72	-744,346,373.14	0.00	-1,034,436,417.57
				-5,933,621,065.43
Acquisitions	461,161,912.93	38,031,925.93	300,000.00	247,411,801.93
Capital Under Construction	553,233.75	15,795,603.11	1,788,261.74	774,432.18
Depreciation Based on cost	-139,297,164.72	-34,580,483.82	0.00	-162,965,537.73
Carrying value of disposals	0.00	0.00	0.00	-18,084.55
Cost				-3,019,907.59
Accumulated Depreciation				3,001,823.04
Impairment Losses	0.00	0.00	0.00	0.00
Other movements	0.00	0.00	0.00	0.00
Carrying values at 30 June 2006				
Cost	6,871,260,294.69	1,284,267,332.07	2,504,041.05	2,133,481,413.03
Accumulated depreciation	-4,294,035,429.44	-778,926,856.96	0.00	-1,197,401,855.30
Total	2,577,224,865.25	505,340,475.11	2,504,041.05	936,079,457.73
				4,021,130,754.59

	2006		2005	
	R	R	R	R
30 June 2005				
Reconciliation of Carrying Value				
Carrying Value as at 1 July 2004				
Cost	2,062,650,278.92	468,047,522.80	415,779.31	866,775,762.11
Accumulated Depreciation	6,051,612,927.35	1,172,000,012.43	415,779.31	1,841,031,987.11
	-3,988,862,648.43	-710,962,489.63	0.00	-975,255,625.00
				-5,675,170,783.06
Acquisitions	465,969,090.00	53,445,092.00	0.00	210,006,654.00
Depreciation Based on cost	-179,552,963.00	-33,399,185.00	0.00	-179,783,780.00
Carrying value of disposals	94,259,522.29	0.00	0.00	67,551,119.00
Cost	108,036,869.00	5,301.82	0.00	188,154,102.00
Accumulated Depreciation	-13,777,346.71	-5,301.82	0.00	-120,602,883.00
				-134,385,691.53
Impairment Losses	0.00	0.00	0.00	0.00
Other movements	0.00	0.00	0.00	0.00
Carrying values at 30 June 2005				
Cost	6,409,545,148.01	1,230,439,803.03	415,779.31	1,885,295,178.92
Accumulated depreciation	-4,154,738,264.72	-744,346,373.14	0.00	-1,034,436,417.57
Total	2,254,806,883.29	486,093,429.89	415,779.31	850,858,761.35
				3,592,174,853.84

	Community	Heritage	Other	Total
Infrastructure				
Cost	2,062,650,278.92	415,779.31	866,775,762.11	3,394,889,343.14
Accumulated Depreciation	6,051,612,927.35	415,779.31	1,841,031,987.11	9,070,069,105.20
	-3,988,862,648.43	0.00	-975,255,625.00	-5,675,170,783.06
Acquisitions	465,969,090.00	0.00	210,006,654.00	729,420,836.00
Depreciation Based on cost	-179,552,963.00	0.00	-179,783,780.00	-392,735,928.00
Carrying value of disposals	94,259,522.29	0.00	67,551,119.00	161,810,641.29
Cost	108,036,869.00	5,301.82	188,154,102.00	296,196,272.82
Accumulated Depreciation	-13,777,346.71	-5,301.82	-120,602,883.00	-134,385,691.53
Impairment Losses	0.00	0.00	0.00	0.00
Other movements	0.00	0.00	0.00	0.00

10 INVESTMENT PROPERTY

No investment properties are held

11 INVESTMENTS

	2006	2005
	R	R
Listed		
Total Listed	435,726.00	435,726.00
Unlisted		
Long Term Deposits	300,738,735.00	393,109,095.00
Short Term Deposits	1,372,036,396.00	1,185,591,286.00
Call Deposits	359,169,998.00	141,998,423.00
Policies	25,992,659.00	11,807,035.00
Shareholding in unlisted company	4,000,000.00	4,000,000.00
Municipal Entities	100.00	100.00
Investment in entities	382,367,374.00	389,710,132.00
Total Unlisted	2,444,305,262.00	2,106,216,071.00
Total listed and unlisted	2,444,305,262.00	2,106,651,797.00
Less provision for non payment		-5,594,950.89

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Total investments	2006 R	2005 R
	<u>2,444,305,262.00</u>	<u>2,101,056,846.31</u>
Financial Instruments		
Fixed Deposits	1,672,775,131.00	1,578,700,381.00
Other Deposits	389,162,757.00	188,241,284.00
Investment in entities	382,367,374.00	389,710,132.00
Total Cash Investment	<u>2,444,305,262.00</u>	<u>2,106,651,797.00</u>
Less provision for non payment		-5,594,950.69
Total Investments	<u>2,444,305,262.00</u>	<u>2,101,056,846.31</u>
Investment terms		
Three months or less	1,659,206,394.00	1,306,212,828.00
Four months to twelve months	85,540,834.00	132,382,116.00
Longer than twelve months	317,190,660.00	292,751,770.22
Investment in entities	382,367,374.00	389,710,132.00
Total Investments	<u>2,444,305,262.00</u>	<u>2,101,056,846.22</u>
Market valuation of listed investments		435,726.00
Council's valuation of unlisted investments		
RSA Stock	300,738,735.00	393,109,095.00
Long Term Deposits	1,372,036,396.00	1,185,591,286.00
Short Term Deposits	355,169,698.00	141,989,423.00
Call Deposits	25,982,659.00	11,807,055.00
Policies	4,000,000.00	4,000,000.00
Shareholding in unlisted company	100.00	100.00
Municipal Entities	382,367,374.00	389,710,132.00
Investment in entities	<u>2,444,305,262.00</u>	<u>2,106,651,797.00</u>
Less provision for non payment		-5,594,950.69
		<u>2,101,056,846.31</u>

INSTITUTION	ENCUMBERED	LOAN AMOUNT	ADMIN UNIT
Standard Bank	15,313,086	29,000,000	Alberton
INCA	12,468,858	25,000,000	Benoni
STANLIB	48,995,480	73,319,100	Benoni
Rand Merchant Bank	16,416,282	31,000,000	Kempton Park
INCA	25,473,686	50,000,000	KWC
INCA	11,339,175	22,004,587	Kempton Park
Standard Bank	11,601,628	32,620,000	Brakpan
Investec Bank	8,805,793	11,000,000	Leitshabong
Sanlam Cap Markets	29,713,625	50,000,000	Kempton Park
DBSA	11,895,107	19,463,504	Kempton Park
WICA STANDARD BANK	64,551,892	238,831,736	Memo
NEDCOR COLLATERAL	12,000,000		
FIRST NATIONAL COLLATERAL	16,796		
	19,600		
TOTAL AMOUNT ENCUMBERED	288,611,008	582,228,927	

Longterm investments of R268 611 008 (R354 019 897: 2005) have been ring-fenced for the purpose of repaying long-term liabilities as set out in Note 29

Investment in Municipal Entities

The municipality has full control in the following companies where the value of the investments is considered to be zero and as there is no active market to trade the shares:

- East Rand Water Care Company (Section 21 Company)
- Leitshabong Housing Institute (Section 21 Company)
- Brakpan Bus Company (PTY)LTD
- Greater Germiston Inner City Housing Corporation (PTY) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006
R

In addition to the above the municipality has a 20% shareholding (R4 ml) in the Rand Airport Holdings (PTY) LTD where the value of the investment is carried at cost. The Ekurhuleni Metropolitan Municipality resolved to sell the shares in the Rand Airport Holdings (Pty) Ltd. After a market valuation of the shares, have been determined, it will be offered to the existing shareholders in terms of the shareholders agreement.

12 LONG-TERM RECEIVABLES

Consumer debtors	1,001,968,488.22	1,253,301,252.00
Housing	25,657,023.28	310,577,023.00
Staff loans	8,799,342.11	15,264,794.00
ERWAT	4,000,000.00	4,620,621.00
NRB	15,827,533.20	2,045,603.00
ERPM	3,880,600.59	
City of Johannesburg	41,125,355.22	41,125,355.00
Insurance	51,991,996.44	42,367,603.00
Property loans	299,998.26	4,245,893.00
	1,153,550,337.32	1,673,548,144.00
Less: current portion transferred to current receivables	20,592,894.95	24,050,099.00
Less: Provision for Bad Debt	776,854,582.05	1,348,754,694.00
Total	356,102,860.32	300,743,351.00

2005
R

An amount deposited with New Republic Bank (NRB) was disclosed as an investment in previous financial years, but due to the uncertainty with regards to the collectability of the investment, it has been re-classified as a long term debtor.

13 INVENTORY

Maintenance materials at cost:	
Electricity	43,234,787.56
Water	4,321,062.13
Refuse	2,840.43
Sewer	83,796.73
Consumable stores at cost	14,263,733.22
Total Inventory	61,906,220.07

	38,832,711.99
	5,559,375.24
	100,685.66
	99,429.18
	13,944,922.83
Total	58,537,125.00

14 CONSUMER DEBTORS

As at 30 June 2006

Service debtors	Gross Balances	Provision for Bad Debts	Net Balance
Rates	4,499,795,533.18	3,622,625,655.65	877,169,877.53
Electricity	1,575,513,870.80	1,315,120,022.41	260,393,848.39
Water	789,885,240.71	615,313,514.66	173,571,726.05
Refuse	1,291,840,658.69	1,029,546,705.10	262,293,953.59
Sewerage	473,378,177.93	378,654,470.56	94,723,707.37
Regional Service Levies	370,177,683.65	283,950,852.92	86,186,832.73
Housing rentals	115,595,951.51	115,595,951.51	-
Sundries / Other/interest	9,052,474.34	9,052,474.34	-
Total	1,602,841,486.41	1,304,232,837.37	298,608,649.04
	6,227,295,445.44	5,051,906,918.87	1,175,778,526.57

As at 30 June 2005

Service debtors	4,381,013,696.00	3,540,148,061.00	840,865,635.00
Rates	1,459,085,244.00	1,188,537,144.00	270,548,100.00
Electricity	1,008,609,818.00	783,065,745.00	215,544,073.00
Water	1,154,187,151.00	940,182,344.00	214,014,807.00
Refuse	363,135,061.00	295,801,434.00	67,333,627.00
Sewerage	395,986,422.00	322,561,394.00	73,425,028.00
Regional Service Levies	171,469,518.00	100,000,000.00	71,469,518.00
Housing rentals	55,421,602.00	55,421,602.00	-
Sundries / Other/interest	1,317,390,655.00	1,202,712,992.00	114,677,663.00
Total	5,925,295,471.00	4,898,282,655.00	1,027,012,816.00

Rates : Ageing

Current (<30days)

2006
R

2005
R

163,423,892.94

207,399,501.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
31-60 days	43,018,185.78	51,598,414.00
61-90 days	33,951,769.67	36,409,595.00
91 days and more	1,315,120,022.41	1,163,677,734.00
Total	1,575,513,870.80	1,459,085,244.00

Electricity, Water, Refuse and Sewerage : Ageing

Current (0-30days)	430,049,377.02	474,877,175.00
31-60 days	114,678,455.23	113,622,657.00
61-90 days	72,048,196.74	74,236,878.00
91 days and more	2,366,590,440.79	2,224,174,152.00
Total	2,883,366,469.78	2,886,910,862.00

Housing rentals / RSC Levies : Ageing

Current (0-30days)	24,161,246.55	-8,679,942.00
31-60 days	7,092,209.18	23,688,594.00
61-90 days	13,405,385.30	6,342,316.00
91 days and more	79,989,584.82	205,540,153.00
Total	124,648,425.85	226,891,121.00

Summary of debtors by customer classification

30 June 2006	Total	Residential	Industrial /Commercial	National and Provincial Gov.
	R	R	R	R
Current (0-30days)	927,815,786.62	656,475,252.95	259,353,131.38	11,987,402.29
31-60 days	207,887,192.72	149,535,173.56	45,437,898.48	12,914,120.68
61-90 days	178,623,719.43	142,240,706.81	30,545,745.23	5,837,267.39
91 days and more	5,049,514,501.63	4,537,132,363.96	422,589,534.70	89,792,602.87
Sub total : Balance to Total Debtors	6,363,841,200.40	5,485,383,497.28	757,926,309.79	120,331,393.33
Less:Provision for bad debts	5,192,591,726.27	4,536,590,238.70	424,817,768.00	
Total debtors by customer classification	1,171,249,474.13	948,793,258.58	333,108,541.79	120,331,393.33

Summary of debtors by customer classification

30 June 2005	Total	Residential	Industrial /Commercial	National and Provincial Gov.
	R	R	R	R
Current (0-30days)	673,586,733.00	455,460,629.00	206,815,469.00	11,320,634.00
31-60 days	188,909,665.00	112,105,352.00	69,793,015.00	7,011,288.00
61-90 days	116,988,789.00	82,057,534.00	30,523,547.00	4,407,708.00
91 days and more	4,910,782,894.00	4,226,955,902.00	587,221,303.00	96,605,488.00
Sub total : Balance to Total Debtors	5,890,277,881.00	4,876,579,417.00	894,353,334.00	119,345,128.00
Less:Provision for bad debts	4,898,282,655.00	4,600,000,000.00	298,282,655.00	
Total debtors by customer classification	991,995,226.00	276,579,417.00	596,070,679.00	119,345,128.00

15 OTHER DEBTORS

Total Other Debtors

16 CALL INVESTMENT DEPOSITS

Other Deposits

	85,540,834.02	132,382,116.00
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

17 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts

	2006 R	2005 R
ABSA	838,872.42	-1,022,766.72
Alberton income account	38,015.99	-132,822.95
Alberton direct banking account	2,318,201.91	977,539.01
Benoni income account	-1,389,260.45	160,640.48
Benoni direct banking account	6,504,794.37	1,315,735.89
Boksburg income account	-672,474.05	-377,615.90
Boksburg direct banking account KI	-888,635.10	-498,086.11
Boksburg direct banking account Bt	-980,577.30	-230,142.80
Brakpan income account	528.41	911,052.50
Germiston income account	1,979,774.96	4,988,241.70
Germiston direct banking account	-751,589.72	250.00
Kempton Park income account	1,731,506.50	454,208.04
Kempton direct banking account	-440,087.14	203,513.53
Leithabong direct banking account	1,499,350.59	259,492.83
Leithabong income account	-282,090.09	1,770,732.51
Nigel income account	385,661.59	188,023.20
Springs income account	1,258,095.26	-506,222.36
Springs direct banking account	-974,726.11	-
Springs Market account	-1,017,892.88	-1,193,303.60
RSC Levies account	-3,578,999.13	7,625,897.06
External Finance Fund account	64,897.60	61,807,593.28
Capital Replacement Reserve account	116,343,001.68	35,181,240.32
Primary bank account (Capital from revenue account)	248,509,557.59	143,561,118.50
Treasury account	6,054,696.58	13,864,190.88
Expenditure Imprest account	366,741,963.43	368,175,802.10
Crmp account (MIG)	104,663,482.84	156,507,730.18
Housing account	74,516,600.22	61,112,846.45
Solid Waste account	70,868,023.57	88,915,786.40
Debt/Other account	-514,132.52	-6,568,804.90
	-57,979,770.03	-326,563.77
Other		
Short Term deposits at various institutions with maturity dates within 3 months	1,658,206,394.00	1,306,212,828.49
Petty cash and floats	391,739.77	301,734.59
Cash book balance (overdraft) at beginning of the year -		
Cash book balance at beginning of the year -	2,243,510,869.03	1,699,282,526.00
Cash book balance (overdraft) at end of the year -		
Cash book balance at end of the year -	2,652,398,897.76	2,243,510,869.03
Bank statement balance (overdraft) at beginning of year -		
Bank statement balance at beginning of year -	1,047,354,511.92	1,056,702,637.44
Bank statement balance (overdraft) at end of year -		
Bank statement balance at end of year -	1,082,218,919.43	1,047,354,511.92

18 PROPERTY RATES

Actual

Residential	1,386,165,844.63	1,339,084,467.46
Commercial	609,682,966.73	615,555,453.96
State	46,879,683.36	46,760,622.39
Small holdings and Farms	8,306,468.31	807,245.70
Less: Income Foregone	532,700,595.93	534,070,850.00
Total Assessment Rates	1,917,314,937.10	1,466,156,939.51
Valuations		
Residential	12,205,790.00	11,540,147.00
Commercial	6,280,210.00	5,146,608.00
State	448,113.00	355,425.00
Municipal	2,071,089.00	807,785.00
Small holdings and Farms	1,634,376.00	983,946.00
Total Property Valuations	22,619,578.00	18,833,911.00

July 2004

R000's	11,540,147.00
	5,146,608.00
	355,425.00
	807,785.00
	983,946.00
Total	18,833,911.00

July 2003

R000's	11,540,147.00
	5,146,608.00
	355,425.00
	807,785.00
	983,946.00
Total	18,833,911.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
19 SERVICE CHARGES		
Sale of electricity	2,749,331,574.27	2,578,331,583.07
Sale of water	1,001,547,787.80	931,067,347.02
Solid Waste	326,036,722.49	303,188,448.92
Sewerage and sanitation charges	321,502,274.83	294,581,816.72
Fresh produce market	11,468,682.79	9,305,333.45
Minor Services	43,172,711.04	35,046,393.24
Total Service Charges	4,453,059,653.22	4,151,520,922.42

20 GOVERNMENT GRANTS AND SUBSIDIES		
Included in the following (2005) is an amount of R42 250 being assets donated by Carnival City		
Equitable share	460,057,953.00	296,534,605.00
National Government	17,515,686.97	31,407,873.39
Provincial Government	349,320,420.54	286,135,873.27
Provincial Health	62,694,409.35	58,390,663.63
Provincial Ambulance	75,688,846.57	83,853,454.69
Projects and campaigns	5,000.00	1,677,060.54
Nutritional scheme	13,092,071.97	374,461.36
SETA	6,955,281.96	6,955,281.96
Total Government Grants and Subsidies	978,374,388.40	765,328,273.84

EQUITABLE SHARE		
In terms of the constitution, Local Government is entitled to an equitable share of the nationally raised revenue.	460,057,953.00	296,534,605.00

NATIONAL GOVERNMENT FINANCE MANAGEMENT GRANT		
Balance unspent at beginning of year	5,846,835.86	3,953,647.04
Current year receipts	3,000,000.00	3,000,000.00
Conditions met - transferred to revenue	-3,749,005.30	-1,106,811.18
Conditions still to be met - transferred to liabilities	5,087,830.56	5,846,835.86

TRANSFORMATION GRANT		
Balance unspent at beginning of year	466,183.78	6,715,603.98
Current year receipts	-	-
Conditions met - transferred to revenue	-446,184.08	-6,249,420.20
Conditions still to be met - transferred to liabilities	19,989.70	466,183.78

RESTRUCTURING GRANT		
Balance unspent at beginning of year	21,401,004.28	33,831,891.72
Current year receipts	-	2,158,643.72
Conditions met - transferred to revenue	-8,365,460.32	-14,590,531.16
Conditions still to be met - transferred to liabilities	13,035,543.96	21,401,004.28

HIV/AIDS GRANT		
Balance unspent at beginning of year	2,768,818.24	325,529.24
Current year receipts	4,883,000.00	2,483,033.00
Conditions met - transferred to revenue	-1,919,183.29	-39,744.00
Conditions still to be met - transferred to liabilities	5,732,634.95	2,768,818.24

INDIGENT BURIALS		
Balance unspent at beginning of year	691,967.60	-
Current year receipts	342,826.08	691,967.60
Conditions met - transferred to revenue	-519,677.06	-
Conditions still to be met - transferred to liabilities	515,116.62	691,967.60

BONTLE KE BOTLE		
Balance unspent at beginning of year	340,799.29	652,048.44
Current year receipts	320,000.00	30,000.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
Conditions met - transferred to revenue	-637,729.61	-341,249.15
Conditions still to be met - transferred to liabilities	23,069.68	340,799.29
ENVIRONMENT & TOURISM		
Balance unspent at beginning of year	1,430,056.49	443,160.49
Current year receipts	10,862.90	986,896.00
Conditions met - transferred to revenue	-54,502.42	-
Conditions still to be met - transferred to liabilities	-1,386,416.97	-1,430,056.49
FOREIGN GRANT - HIV		
Balance unspent at beginning of year	92,073.97	92,073.97
Current year receipts	-	-
Conditions met - transferred to revenue	-92,073.97	-
Conditions still to be met - transferred to liabilities	-	92,073.97
MUNICIPAL SYSTEMS IMPROVEMENT GRANT		
Balance unspent at beginning of year	290,000.00	2,790,000.00
Current year receipts	2,000,000.00	-
Conditions met - transferred to revenue	-2,290,000.00	-2,500,000.00
Conditions still to be met - transferred to liabilities	-	290,000.00
ELECTRICITY		
Balance unspent at beginning of year	73,489.85	73,489.85
Current year receipts	2,000,000.00	-
Conditions met - transferred to revenue	-2,021,483.62	-
Conditions still to be met - transferred to liabilities	62,006.23	73,489.85
VUNA AWARDS		
Balance unspent at beginning of year	2,500,000.00	2,000,000.00
Current year receipts	-	500,000.00
Conditions met - transferred to revenue	-500,000.00	-
Conditions still to be met - transferred to liabilities	2,000,000.00	2,500,000.00
ZONKI TRUST		
Balance unspent at beginning of year	725,180.70	725,180.70
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	725,180.70	725,180.70
LGSETA		
Balance unspent at beginning of year	2,470,124.83	8,890,917.09
Current year receipts	21,264,678.12	1,476,744.83
Conditions met - transferred to revenue	-13,092,071.97	-7,897,537.19
Conditions still to be met - transferred to liabilities	10,642,730.98	2,470,124.83
MUNICIPAL REVENUE ENHANCEMENT PROGRAMME		
Balance unspent at beginning of year	2,378,502.53	800,000.00
Current year receipts	-	2,000,000.00
Conditions met - transferred to revenue	-2,378,502.53	-421,497.47
Conditions still to be met - transferred to liabilities	-	2,378,502.53
PROVINCIAL HEALTH SUBSIDIES		
To subsidise services in terms of section 26 of the Health Act (Act 63 of 1977) to support the provision of primary health care.		
Balance unspent at beginning of year	62,694,409.35	58,390,664.00
Current year receipts	-	-
Conditions met - transferred to revenue	-62,694,409.35	-58,390,664.00
Conditions still to be met - transferred to liabilities	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
PROVINCIAL AMBULANCE SUBSIDIES		
To subsidise Emergency Medical and Ambulance Services		
Balance unspent at beginning of year	75,688,846.57	83,869,455.00
Current year receipts	-75,688,846.57	-83,869,455.00
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-
	<u> -</u>	<u> -</u>
PROVINCIAL NUTRITIONAL SCHEME		
To provide a feeding scheme for mainnutritional babies/toddlers		
Balance unspent at beginning of year	5,000.00	374,461.00
Current year receipts	-5,000.00	-374,461.00
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-
	<u> -</u>	<u> -</u>
IMPUMELELO GRANT		
The Impumelelo Grant was an award made to Council		
Balance unspent at beginning of year	20,000.00	20,000.00
Current year receipts	-20,000.00	-20,000.00
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-
	<u> -</u>	<u> -</u>
PROVINCIAL LED PROJECTS		
The Local Economic Development Grant is to be used for economic development initiatives by communities of Katshehong and Duduza.		
Balance unspent at beginning of year	286,562.33	1,215,162.33
Current year receipts	3,700,000.00	-
Conditions met - transferred to revenue	-72,369.62	-928,600.00
Conditions still to be met - transferred to liabilities	3,914,192.71	286,562.33
	<u> -</u>	<u> -</u>
SOLID WASTE METHANE GAS PLANT GRANT		
The Solid Waste Methane Gas Plant Grant to be utilised for waste management feasibility study		
Balance unspent at beginning of year	400,000.00	400,000.00
Current year receipts	-	-
Conditions met - transferred to revenue	-400,000.00	-
Conditions still to be met - transferred to liabilities	-	-
	<u> -</u>	<u> -</u>
CONSOLIDATED METROPOLITAN TRANSPORT FUND (CMTF)		
To be utilised for transport planning or transport implementation projects		
Balance unspent at beginning of year	4,510,630.00	-
Current year receipts	-	-
Conditions met - transferred to revenue	-811,548.82	-
Conditions still to be met - transferred to liabilities	3,699,081.18	-
	<u> -</u>	<u> -</u>
INTERNATIONAL COUNCIL FOR LOCAL ENVIRONMENT INITIATIVES (ICLEI)		
To implement a project which will reduce greenhouse gas emissions		
Balance unspent at beginning of year	333,882.08	-
Current year receipts	-156,463.34	-
Conditions met - transferred to revenue	177,396.74	-
Conditions still to be met - transferred to liabilities	-	-
	<u> -</u>	<u> -</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
To subsidise Sports, Recreation, Arts and Culture projects		
Balance unspent at beginning of year	985,392.71	
Current year receipts	2,936,000.00	
Conditions met - transferred to revenue	-4,142,281	
Conditions met - Transferred to Other Debtors	-220,888.29	
	<u>2,498,230.63</u>	
DWAF - DEPARTMENT OF WATER AFFAIRS AND FORESTRY		
To subsidise water schemes owned and/or operated by the Department or by other agencies on behalf of the department		
Balance unspent at beginning of year	2,498,230.63	
Current year receipts	-	
Conditions met - transferred to revenue	-734,794.09	
Conditions still to be met - transferred to liabilities	1,763,436.54	
	<u>2,498,230.63</u>	
INEP - INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME		
To address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure		
Balance unspent at beginning of year	2,443,762.21	
Current year receipts	3,000,000.00	
Conditions met - transferred to revenue	-3,287,785.17	
Conditions still to be met - transferred to liabilities	2,175,977.04	
	<u>2,175,977.04</u>	
INDUSTRIAL HIVES - LED		
To set up 10 Industrial Hives housing 25 Cooperatives		
Balance unspent at beginning of year	-	
Current year receipts	1,000,000.00	
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities	1,000,000.00	
	<u>1,000,000.00</u>	
STREET TRADING - LED		
Development of street trading facilities for the informal sector		
Balance unspent at beginning of year	-	
Current year receipts	3,300,000.00	
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities	3,300,000.00	
	<u>3,300,000.00</u>	
GAUTRANS GRANT		
To be utilised for transport infrastructure planning projects		
Balance unspent at beginning of year	690,249.97	3,559,708.00
Current year receipts	162,805.00	-
Conditions met - transferred to revenue	-2,155,223	-2,869,458.03
Conditions met - Transferred to Other Debtors	1,302,168.00	690,249.97
	<u>690,249.97</u>	<u>690,249.97</u>
MUNICIPAL INFRASTRUCTURE GRANT		
To fully subsidise the capital costs of providing basic services to poor households		
Balance unspent at beginning of year	22,439,075.82	18,123,038.00
Current year receipts	201,703,132.00	183,009,976.00
Conditions met - transferred to revenue	-226,445,443	-179,593,938.18
Conditions met - Transferred to Other Debtors	-2,303,233.39	22,439,073.82
	<u>22,439,075.82</u>	<u>22,439,073.82</u>
PROVINCIAL HOUSING BOARD - PHB		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
To provide adequate housing on a progressive basis to all inhabitants		
Balance unspent at beginning of year	51,701,541.47	222,966,045.83
Current year receipts	70,683,989.82	-
Conditions met - transferred to revenue	-105,985,906.88	-171,264,504.36
Conditions still to be met - transferred to liabilities	16,459,624.41	51,701,541.47
TOTAL UNSPENT GRANTS	71,720,238.37	124,870,837.96

The Unspent Grants are mainly due to capital projects being funded and finalised in phases running over more than one financial year.

In addition to this legislative requirements must be met before some project can be completed.

No significant decreases are expected in the level of Government Grants

Certain projects were completed without full Grant funding received. For these Debtors were raised and will be collected during the following financial period.

21 OTHER INCOME

Other income	93,707,162.52	87,006,830.23
Total Other income	93,707,162.52	87,006,830.23

22 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	1,567,088,666.76	1,488,620,860.00
Employee related costs - Contributions for UIF, pensions and medical aids	425,344,983.42	384,409,677.00
Travel, motor car, accommodation, subsistence and other allowances	1,710,881.84	3,429,283.00
Housing benefits and allowances	-	-
Overtime payments	196,295,118.84	162,612,833.00
Performance bonus	6,302,138.00	6,269,124.00
Long service awards	1,499,362.92	284,951.00
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	-	-
Total Employee related Costs	2,198,251,151.78	2,045,626,728.00

Remuneration of the Municipal Manager

Annual Package	983,360.00	954,960.00
Performance Bonuses	81,105.00	147,471.00
Total	1,064,465.00	1,102,431.00

Remuneration of the Strategic Executive Directors

Annual Package	674 100 to 808 248	674 100 to 751 730
Performance Bonuses	Maximum of 15% of package	Maximum of 15% of package

Remuneration of the Chief Financial Officer, Executive Directors, Regional Executive Directors and Strategic Project Managers

Annual Package	462 000 to 700 441	462 000 to 652 050
Performance Bonuses	Maximum of 15% of package	Maximum of 15% of package

23 REMUNERATION OF COUNCILLORS

Executive Mayor	588,779.00	554,772.00
Speaker	503,121.00	479,720.00
Mayoral Committee Members & Chief Whip	4,918,943.00	4,748,576.00
Councillors	34,353,191.00	31,890,219.00
Councillors' pension contribution	3,721,307.00	3,469,221.00
Total Councillors' Remuneration	44,065,341.00	41,142,508.00

In-kind Benefits

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2005
R

2006
R

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members that are full-time councillors - Each provided with an office and secretarial support at the cost of Council

24 INTEREST PAID

Long-term liabilities	187,679,793.11
Total interest on External Borrowings	187,679,793.11

	190,441,499.77
	190,441,499.77

25 BULK PURCHASES

Electricity	1,720,290,903.66
Water	806,954,563.03
Sewer purification	162,074,409.00
Total Bulk Purchases	2,689,319,875.69

	1,644,303,356.00
	748,136,317.50
	152,602,194.00
	2,545,041,867.50

26 GRANTS AND SUBSIDIES PAID

Free basic electricity	13,762,598.72
Grants general	44,913,166.71
Bursaries to staff - Paid to Educational Institutions	1,757,095.00
Grants to Social Organisations	2,837,350.00
Grants to Sport Organisations	2,900,000.00
Grants to SPCA	1,869,000.00
Bursaries to community members	4,072,550.50
Total Grants and Subsidies	72,111,741.33

	1,283,894.27
	2,720,000.00
	1,814,597.52
	2,005,306.89
	9,424,398.68

27 GENERAL EXPENSES

27.1 General expenses

Included in general expenses are the normal day to day expenditure needed to effectively administer the Municipality

27.2 Material losses

Robberies at Customer Care Centre's

27.3 Change in accounting estimate

During the year ended 30 June 2005 unspent grants were disclosed as creditors

The comparative amount has been restated as follows:

Correction of unspent grants
Creditors

Net effect on surplus for the year

	583,560,941.00
	376,442,55

Restated

	82,709,239.00
	-82,709,239.00

	-
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28 CASH GENERATED BY OPERATIONS

Net surplus for the year

Post balance sheet adj processed 2004/05 (Cr's)
Restatement of Previous year Expenditure & Revenue
Adjustment for:-
Investment in municipal entities equity accounted
Depreciation
Loss / (Gain) on disposal of property, plant and equipment
Contribution to provisions - non-current
Contribution to provisions - current
Contribution to bad debt provision
Equity accounted share of associate's surplus
Investment income - interest received

	1,122,607,972.77
	-35,277,058.23
	-12,657,242.00
	336,861,270.48
	-5,049,242.00
	5,760,068.43
	677,317,282.60
	-113,751,082.12

	245,333,378.00
	29,506,886.00
	-66,073,017.00
	392,735,930.00
	157,482,114.13
	-4,866,730.74
	-11,000,000.00
	1,283,224,923.00
	-337,340,488.14

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
Interest paid	187,679,793.11	190,441,499.77
Operating surplus before working capital:	2,163,491,763.04	1,879,310,595.02
Changes in working capital:		
(Increase)/decrease in inventories	-3,369,096.87	-4,977,081.13
(Increase)/decrease in debtors	-877,985,298.14	-1,742,872,158.00
(Increase) / (Decrease) in conditional grants and receipts	263,999.92	6,756,233.00
Increase / (Decrease) increase in creditors	119,689,584.05	-64,296,190.00
Increase / (Decrease) in provisions	-863,712.38	16,917,534.62
(Increase) / (Decrease) in VAT debtor	-14,866,219.49	-
Cash generated by/ utilised in) operations	1,386,321,019.53	90,838,933.51

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating the financial position:

Bank balances and cash	2,663,925,159.28	2,254,576,939.54
Bank overdraft	-11,526,261.52	-11,066,071.00
Total cash and cash equivalents	2,652,398,897.76	2,243,510,868.54

29 UTILISATION OF LONG-TERM LIABILITIES

Long term liabilities (see note 2)	1,348,347,882.83	1,533,665,623.17
Used to finance property, plant and equipment- at cost	1,330,595,415.00	1,515,913,155.00
Sub-total	17,752,467.83	17,752,468.17
Cash set aside for the repayment of long-term liabilities (See note 11)	268,611,008.00	354,019,897.00
Cash invested for repayment of long-term liabilities	286,363,475.83	371,772,365.17

Long-term liabilities have been utilized in accordance with the MFMA. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

1

30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

30.1 Unauthorised expenditure

None

30.2 Fruitless and wasteful expenditure

None

30.3 Irregular expenditure

Reconciliation on irregular expenditure

Opening balance	224,761.75	-
Irregular expenditure current year	-	-
Approved by Council or conditioned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident

Irregular extension of contract

Action Taken
Item submitted to Council.

31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

31.1 Contributions to or from local government

Opening balance	-	2,000,000.00
Council subscriptions	6,000,000.00	3,000,000.00
Amount paid - current year	6,000,000.00	3,000,000.00
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

31.2 Audit fees

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
Opening balance	-	-
Current year audit fee	5,954,208.54	4,376,180.00
Amount paid - current year	5,954,208.54	4,376,180.00
Balance unpaid (included in creditors)	-	-
31.3 PAYE and UIF		
Opening balance	20,014,864.53	20,457,111.24
Current year payroll deductions	297,449,716.00	277,443,935.00
Amount paid - current year	317,464,561.00	257,428,070.71
Amount paid - previous years	-	20,457,111.00
Balance unpaid (included in creditors)	-	20,014,864.53
31.4 Pension and Medical Aid Deductions		
Opening Balance	42,434,046	37,837,606
Current year payroll deductions and Council Contributions	525,668,299	488,593,502
Amount paid - current year	568,102,345	446,159,456
Amount paid - previous years	-	37,837,606
Balance unpaid (included in creditors)	-	42,434,046
31.5 Council arrear consumer accounts		

The following Councillors had arrear accounts outstanding for more than 90 days as at:-

	2006 R	2005 R	Outstanding less than 90 days	Outstanding more than 90 days	Highest Amount Outstanding	Ageing (months)
30th June 2005						
Total						
NKWANA KD	276.37		47.68	228.69		
SEPIRWA DA&HM	760.88		242.38	518.50		
(RIKHOZA BJ	711.85		93.99	617.86		
MORENA D	1,409.86		206.47	1,203.39		
DLAUBA NJ	35,307.11		435.12	34,871.99		
SITHOLE M	4,245.72		581.05	3,664.67		
NGOBESE A	1,723.68		164.54	1,559.14		
Total Councillor Arrear Consumer Accounts	44,435.47		1,771.23	42,664.24		
30 June 2006						
Total						
BALEKA G N	442.97		101.36	341.61		
CHINYA K	1,257.81		617.56	640.25		
KWILENTINI M L	1,582.36		28.61	1,553.75		
MGUNI N A	8,959.26		8,301.81	657.45		
MNGOMEZULU J M	476.39		277.95	198.44		
MOGALE E A	15,876.08		440.36	15,435.72		
NKUNJANA P	10,848.01		365.00	10,483.01		
SEBOLA T A	3,717.28		379.50	3,337.78		
VILAKAZI L B	13,819.43		662.36	13,157.07		
VON RONGE L	6,808.05		3,212.36	3,595.69		
Total Councillor arrear Consumer Accounts	63,787.64		14,386.87	49,400.77		
30 June 2005						
Total						
MOSEHLA Y D	35,307.11		435.12	34,871.99		
SITHOLE SM	4,245.72		581.05	3,664.67		
NGOBESE AK	1,723.68		164.54	1,559.14		
MORENA D	1,409.86		206.47	1,203.39		
SEPIRWA DA	760.88		242.38	518.50		
KHOZA BJ	711.85		93.99	617.86		
NKWANA KD	276.37		47.68	228.69		
Total Councillor arrear Consumer Accounts	44,435.47		1,771.23	42,664.24		

During the year the following Councillors had arrear accounts for more than 90 days

30 June 2005

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2005
R

14
18
18
6
4
4
4
4
13
5

Ageing (months)

2006
R

34,871.99
3,664.67
1,559.14
1,203.39
617.86
518.50
228.69
613.81
949.79

Highest Amount Outstanding

442.97
1,257.81
1,582.36
8,959.26
476.39
15,876.08
10,848.01
3,717.28
13,819.43
6,808.05

32 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for
Infrastructure
Community
Other

- Approved but not yet contracted for
Infrastructure
Community
Other

Total

18,911,530.78
18,911,530.78
1,203,601,126.00
794,682,606.00
230,743,598.00
178,174,922.00
1,020,562,989.00
843,157,989.00
99,935,000.00
77,450,000.00
1,020,562,989.00

This expenditure will be financed from:

- External Loans
- Capital Replacement Reserve
- Government Grants
- Own Resources

405,205,302.00
273,408,698.00
539,444,657.00
4,454,000.00
1,222,512,657.00
380,000,000.00
511,912,989.00
128,650,000.00
1,020,562,989.00

33 RETIREMENT BENEFIT INFORMATION

FUND NAME

Date of Actuarial Valuation	Defined Contribution/ Benefit	Calculated Contingent Liability
31-12-2004	Benefit	R76 million
30-06-2006	Contribution	No liability
29-02-2004	Benefit	No liability
30-06-2004	Contribution	No liability
01-07-2005	Benefit	R7 million
30-06-2004	Contribution	R61 million
30-06-2005	Contribution	No liability
No valuation	Contribution	No liability
30-06-2005	Contribution	No liability

JOINT MUNICIPAL PENSION FUND
MUNICIPAL GRATUITY FUND
MUNICIPAL EMPLOYEES PENSION FUND
SALA PROVIDENT FUND
SALA PENSION FUND
GERMISTON MUNICIPAL RETIREMENT FUND
SAMWU NATIONAL PROVIDENT FUND
GREATER BENONI PROVIDENT FUND
MEU
NATIONAL FUND FOR MUNICIPAL WORKERS

*Defined benefit accounting *is not applied to these funds as sufficient

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006
R

2005
R

1. Actuarial valuations have not been completed for the funds in question as at the reporting date.
2. Information as to the municipality's share of obligations, arising in respect of multi employer funds, is not available.

The municipality has based estimates of unfunded liabilities, in respect of these funds, on the latest available actuarial valuations. It has also taken into account the current level of contribution in relation to total contribution from all sources, and an estimate of the inherent risk which may apply.

Any unfunded liability which may arise, on the basis of applying the relevant policies, is the subject of increased contributions to meet future obligations. As the extent of these obligations cannot be reasonably assessed no additional contributions have been made in the current year nor have any amounts been provided for at the reporting date. On the basis of management's estimates the possible contingent liability is set out below. "

34 CONTINGENT LIABILITIES

Britt CC - claim for damages to clay mine resulting from engineering works conducted by EMM	Alberton	86,000,000.00	20,000,000.00
MEC Housing - claim for EMM to repay amount which was paid in respect of arrears assessment rates and charges for Greenfields	Alberton	-	3,800,000.00
NEWHCO	Boksburg	2,025,000.00	2,025,000.00
The Unlawful occupiers of the remaining extent of the farm Driefontein (Chris Barni)	Boksburg	545,272.00	545,272.00
Van Box Corf, Scott and Brebbiaro - damage to infrastructure due to flooding	Edenvale	875,000.00	875,000.00
Costann Investments CC - claim to set aside council resolution to alienate portion of land	Germiston	61,000,000.00	61,000,000.00
Germiston Retirement Fund - claim that EMM failed to meet its obligation to contribute to the Fund due to a drop in the interest rate	Germiston	3,682,291.00	3,000,000.00
Erwal - damage to infrastructure due to stormwater	Germiston	4,003,580.00	3,662,291.00
Standard Bank (Geomet) - claim for balance of rentals from an agreement which was cancelled	Germiston	2,200,362.00	4,003,580.00
Intoyethu CC - claim for damages due to construction before transfer was effected	Kempton Park	38,000,000.00	2,200,361.85
South African Rail Commuter Corporation Ltd - claim for damages due to derailment of passenger train	Kempton Park	600.00	38,000,000.00
Spano Investments - claim for breach of contract for refuse removal services	Metro	1,500,000.00	600.00
Gishen, Gilcrest & Reid Attorneys - guarantee provided for previous Nigel administration	Metro	7,871,633.00	1,500,000.00
SA Post Service	Metro	76,442,298.00	7,871,633.00
SALA Pension fund	Metro	2,500,000.00	76,442,298.00
JOINT MUNICIPAL PENSION FUND	Metro	500,000.00	2,500,000.00
Hentic (Pty) Ltd - Claim for remuneration for improvements on buildings in Pam Bink Stadium	Metro	861,757.11	500,000.00
Pam Bink Stadium	Other	778,487.00	861,757.11
Snyman & Robbertse - Disciplinary hearing	Other	1,000,000.00	778,487.00
Claims not exceeding R500 000	Metro	423,900.00	1,000,000.00
Malherbe Rigg & Ranwell Inc	Metro	8,400,000.00	423,900.00
Eskom Nipal	Metro	215,460.00	8,400,000.00
Attorneys : Yende Incorporated	Metro	22,625.00	215,460.00
Attorneys : Bham & Dabha	Metro	11,742.00	22,625.00
Attorneys: Botha Massyn & Thobajane	Metro	90,941.50	11,742.00
Victor & Partners	Metro	3,232,792.47	90,941.50
Messrs Du PLESSIS, De Heus & Van Wyk	Metro	417,207.53	3,232,792.47
Attorneys Knowles Husain Lindsay	Metro	3,950,000.00	417,207.53
ABSA BANK Recoveries	Metro	-	3,950,000.00
Attorneys Knowles Husain Lindsay	Metro	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

35 CONTINGENT ASSETS

Losses incurred by the Municipality as a result of dismissed employees' conduct
 Civil claims against former employee's conduct.
 Claim against Senior Business Brokers who failed to deposit moneys collected on behalf of EMMI
 Claim against Wallace Pleinair Properties who failed to procure the proclamation of a township
 Claims not exceeding R500 000
 Other matters

	2006 R	2005 R
	307,030,948.61	227,673,064.99
	4,000,000.00	4,000,000.00
	850,000.00	850,000.00
	1,734,776.00	1,400,000.00
	860,000.00	860,000.00
	546,990.89	-
	770,256.60	-
	8,762,023.19	7,110,000.00

36 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance.

Description
 Secondment of International Finance Advisor by National Treasury.

37 EVENTS AFTER THE REPORTING DATE

RESTRUCTURING OF THE ELECTRICITY DISTRIBUTION INDUSTRY

During the 2005/06 financial year Council commenced with a project to ringfence the electricity business in Council, with the intention of establishing a municipal entity as envisaged in section 78 of the Municipal Systems Act. After the approval of the section 78(1) process, Council approved the establishment of the separate municipal entity, as defined in section 47(3) of the Municipal Systems Act. Resulting from the Council's decision to form a separate municipal entity for electricity, Council had to comply with section 84 of the MFMA. In line with the Cabinet's decision of 14 September 2005, Council has engaged with negotiations on various platforms with Eskom to integrate the distribution business of Eskom into the new entity to be formed. Considering all the various facts of which the compensation model (determining values for transfer of assets and liabilities), personnel transfers, completion of service level agreements, etc, it is likely to expect that the entity will start to operate as a separate municipal entity as from 1 July 2007.

RSC LEVIES

Section 52 (6) of the Local Government Municipal Structures Act (Act 117 of 1998), which enables district and metropolitan municipalities to levy and claim a regional services levy and a regional establishment levy referred to in section 129(1)(e) of the Regional Services Council Act, 1985, were repealed by section 59 of the Small Business Tax Amnesty and Amendment of Taxation Laws Act, 2006. As a result of this, the Ekurhuleni Metropolitan Municipality will not levy any RSC levies with effect from 1 July 2006. The Ekurhuleni Metropolitan Municipality will collect outstanding RSC levies that accrued up to 30 June 2006, up to 30 June 2008. National Treasury has gazetted an increase in the Equitable Share Grant payable to municipalities for the next three financial years to compensate municipalities for the loss in income due to the abolishment of RSC levies.

38 PROVISION FOR BAD DEBTS

Balance at beginning of the year
 Contributions during the year
 Expenditure during the year
 Balance at end of the year

	6,247,037,348.70	4,964,114,510.00
	67,317,282.60	1,283,224,923.00
	1,095,993,130.38	302,084.30
	5,926,361,500.92	6,247,037,348.70

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2005
R

2006
R

39 AWARDS TO CLOSE FAMILY MEMBERS IN TERMS OF SECTION 45 OF THE SUPPLY CHAIN MANAGEMENT POLICY

Name of person :	Ms P M Leikgwathi
Capacity in which the person is in service :	Senior clerk, Income section
Amount of the award :	R 2,807,471
Successful tender:	Setletje Construction and Management

40 DEVIATIONS IN TERMS OF SECTION 36 OF THE SUPPLY CHAIN MANAGEMENT POLICY

The following contracts were approved in terms of paragraph 36 of the supply chain management regulations

NAME OF SUPPLIER	AMOUNT
Julia Law	673,382.00
List of library media suppliers	As and when
Landis & Gyr (Pty) Ltd	498,015.00
Bula Mahlo Construction (PTY) LTD.	4,268,531.00
Samenya Furumele Consulting Newton Landscape Architects: 20% extension	570,310.00

**EKURHULENI
METROPOLITAN MUNICIPALITY**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		8,728,987,791.61	6,150,113,745
Cash paid to suppliers and employees		-7,176,292,589.52	-6,059,274,812
Cash generated from/(utilised in) operations	28	<u>1,386,321,019.53</u>	<u>90,838,933</u>
Interest received		113,751,082.12	337,340,488
Interest paid		-187,679,793.11	-190,441,500
NET CASH FROM OPERATING ACTIVITIES		<u>1,312,392,308.54</u>	<u>237,737,921</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-765,817,171.57	-729,413,637
Proceeds on disposal of fixed assets		3,019,907.59	4,362,424
(Increase) / Decrease in non-current receivables			724,402,035
Increase in investment properties			-7,199
(Increase) / Decrease in investments		22,402,392.22	-43,405,363
NET CASH FROM INVESTING ACTIVITIES		<u>-740,394,871.76</u>	<u>-44,061,740</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		-185,317,739.84	339,463,234
Increase in consumer deposits		22,208,334.06	18,106,099
Decrease in short-term loans			-
NET CASH FROM FINANCING ACTIVITIES		<u>-163,109,405.78</u>	<u>357,569,333</u>
TOTAL NET CASH FROM ACTIVITIES		<u>408,888,029.04</u>	<u>551,245,512</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>408,888,028.73</u>	<u>551,245,512</u>
Cash and cash equivalents at the beginning of the year		2,243,510,869.03	1,692,265,357
Cash and cash equivalents at the end of the year		<u>2,652,398,897.76</u>	<u>2,243,510,869</u>

**EKURHULENI
METROPOLITAN MUNICIPALITY**

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/05	Received during the period	Redeemed written off during the period	Balance at 30/06/06	Carrying value of property, plant and equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R
STOCK LOANS								
Stock loan @17.3%	146	2005.12.31	1,000,000	-	1,000,000	-	567,522	-
Stock loan @17.3%	173	2005.12.31	1,000,000	-	1,000,000	-	622,146	-
Stock loan @10%	40	2005.12.31	30,000	-	30,000	-	19,340	-
Stock loan @10%	41	2006.03.31	10,000	-	10,000	-	7,747	-
Stock loan @16.5%	177	2006.06.30	3,000,000	-	3,000,000	-	1,848,326	-
Stock loan @16.75%	74	2006.06.30	20,000,000	-	20,000,000	-	12,369,862	-
Stock loan @16.75%	73	2006.06.30	20,000,000	-	20,000,000	-	12,693,954	-
Stock loan @13.3%	90	2006.06.30	10,000,000	-	10,000,000	-	5,991,040	-
Stock loan @10%	43	2006.09.30	8,000	-	8,000	8,000	5,988	-
Stock loan @10%	46	2007.03.31	13,500	-	13,500	13,500	6,987	-
Stock loan @10%	47	2007.03.31	2,000	-	2,000	2,000	963	-
Stock loan @16.5%	107	2007.06.30	4,000,000	-	4,000,000	4,000,000	2,761,130	-
Stock loan @10%	49	2007.06.30	8,000	-	8,000	8,000	4,687	-
Stock loan @10%	50	2007.06.30	37,500	-	37,500	37,500	37,203	-
Stock loan @10%	51	2007.09.30	5,000	-	5,000	5,000	3,998	-
Stock loan @10%	52	2007.09.30	5,400	-	5,400	5,400	1,689	-
Stock loan @10%	44	2007.12.30	73,500	-	73,500	73,500	44,709	-
Stock loan @14.4%	88	2008.12.31	5,000,000	-	5,000,000	5,000,000	1,523,391	-
Stock loan @10%	53	2008.12.31	8,000	-	8,000	8,000	6,398	-
Stock loan @10%	56	2008.12.31	25,000	-	25,000	25,000	19,998	-
Stock loan @10%	57	2008.12.31	6,000	-	6,000	6,000	4,400	-
Stock loan @10%	59	2008.12.31	15,000	-	15,000	15,000	10,999	-
Stock loan @10%	60	2009.06.30	15,000	-	15,000	15,000	9,996	-
Stock loan @10%	61	2009.06.30	7,300	-	7,300	7,300	4,213	-
Stock loan @10%	62	2009.06.30	6,500	-	6,500	6,500	3,972	-
Stock loan @10%	63	2009.06.30	1,000	-	1,000	1,000	278	-
Stock loan @10%	64	2009.06.30	20,000	-	20,000	20,000	11,984	-
Stock loan @10%	66	2010.06.30	18,000	-	18,000	18,000	10,785	-
Stock loan @10%	67	2010.09.30	10,000	-	10,000	10,000	6,146	-
Total carried forward			64,324,700	-	55,040,000	9,284,700	38,599,850	-

APPENDIX A (cont)
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/05	Received during the period	Redeemed written off during the period	Balance at 30/06/06	Carrying value of property plant and equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R
STOCK LOANS								
Total brought forward			64,324,700	-	55,040,000	9,284,700	38,599,850	-
Stock loan @10%	68 2010.12.31		5,000			5,000	2,249	-
Stock loan @10%	69 2011.03.31		45,000			45,000	27,030	-
Stock loan @10%	70 2011.03.31		10,000			10,000	5,831	-
Stock loan @15.8%	405 2011.06.30		29,000,000			29,000,000	9,331,394	-
Stock loan @16.3%	75 2011.06.30		25,000,000			25,000,000	15,158,545	-
Stock loan @16.5%	76 2011.06.30		2,400,000			2,400,000	1,655,492	-
Stock loan @16.5%	77 2011.06.30		73,319,100			73,319,100	45,343,448	-
Stock loan @10%	73 2011.06.30		32,000			32,000	19,176	-
Stock loan @15.8%	96 2011.06.30		31,000,000			31,000,000	19,324,590	-
Stock loan @15.65%	2 2011.06.30		50,000,000			50,000,000	30,881,918	-
Stock loan @16.7%	97 2011.06.30		22,004,587			22,004,587	12,924,225	-
Stock loan @10%	74 2011.09.30		14,333			14,333	4,512	-
Stock loan @10%	75 2011.12.31		60,000			60,000	36,062	-
Stock loan @15.3%	1 2005.12.31		60,000,000		60,000,000	-	37,047,334	-
Stock loan @10%	77 2012.06.30		5,257			5,257	3,010	-
Stock loan @10%	78 2012.06.30		9,000			9,000	4,721	-
Stock loan @10%	81 2013.03.31		10,000			10,000	3,678	-
Stock loan @10%	80 2013.06.30		1,190			1,190	926	-
Stock loan @10%	82 2013.06.30		18,733			18,733	10,427	-
Stock loan @10%	83 2013.06.30		20,000			20,000	6,013	-
Stock loan @10%	84 2013.06.30		5,000			5,000	4,005	-
Stock loan @10%	87 2013.09.30		13,333			13,333	9,119	-
Stock loan @10%	89 2013.12.31		7,000			7,000	5,600	-
Stock loan @14.2%	26 2014.06.30		32,620,000			32,620,000	28,952,630	-
Stock loan @10%	91 2014.09.30		69,000			69,000	51,686	-
Stock loan @10%	92 2014.12.31		26,666			26,666	26,654	-
Stock loan @10%	93 2014.12.31		16,667			16,667	10,848	-
Stock loan @10%	94 2015.06.30		4,167			4,167	1,542	-
Stock loan @10%	95 2015.06.30		20,000			20,000	6,350	-
TOTAL STOCK LOANS			390,060,733	-	115,040,000	275,020,733	239,458,866	-
LONG TERM LOANS								
INCA @ 16.5%		2006.06.30	30,000,000		30,000,000	-	18,658,771	-
INCA @ 15.7%		2008.04.30	11,448,497		3,800,212	7,648,285	9,119,479	-
INCA @ 16.95%		2009.02.23	11,000,000			11,000,000	6,664,378	-
ABSA @ 15.9%		2009.12.31	50,000,000			50,000,000	32,159,894	-
INCA @ 16.5%		2011.06.30	19,453,504			19,453,504	11,309,872	-
City of Joburg		2011.06.30	28,746,023	3,251,063		31,997,086	17,647,422	-
Total carried forward			150,648,024	3,251,063	33,800,212	120,098,875	95,559,817	-

APPENDIX A (cont)
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/05	Received during the period	Redeemed written off during the period	Balance at 30/06/06	Carrying value of property, plant and equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LOANS								
Total brought forward			150,648,024	3,251,063	33,800,212	120,098,875	95,559,817	-
City of Joburg NRB	2011.06.30		5,861,689			5,861,689	4,201,721	-
INCA @ 12.25%	2011.12.31		117,050,386		12,680,335	104,370,051	113,250,102	-
DBSA NO 2 @ 12.2%	2013.03.31		140,085,627		11,169,650	128,915,977	69,656,672	-
DBSA NO 1 @ 13.5%	2014.06.30		254,710,342		15,878,606	238,831,736	133,690,334	-
ABSA	2014.06.30		400,000,000			400,000,000	217,310,887	-
TOTAL LONG TERM LOANS			1,068,356,068	3,251,063	73,528,803	998,078,328	633,669,533	-
ESKOM								
Eskom Liability			75,248,822			75,248,822		
TOTAL EXTERNAL LOANS			1,533,665,623	3,251,063	188,568,803	1,348,347,883	873,128,399	-

EKURHULENI
METROPOLITAN MUNICIPALITY

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost / Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
INFRASTRUCTURE	6,409,545,148.01	461,161,912.93	555,233.75	6,871,260,294.69	4,154,738,264.72	139,297,164.72	0.00	4,294,035,429.44	2,577,224,865.25
POWER STATIONS	6,025,183.48	2,542,673.60	-	8,567,857.08	20,650.76	207,805.76	-	228,456.52	8,339,400.56
COOLING TOWERS	0.00	-	-	0.00	0.00	-	-	0.00	0.00
TRANSFORMER KIOSKS	1,024,642.33	-	-	1,024,642.33	113,203.76	34,154.76	-	147,358.52	877,283.81
ELECTRICITY METERS	9,371,163.94	-	-	9,371,163.94	6,097,241.57	254,894.75	-	6,352,136.32	3,019,027.62
LOAD CONTROL EQUIPMENT	2,610,719.45	-	-	2,610,719.45	1,612,945.80	57,849.66	-	1,670,795.26	939,924.19
SWITCHGEAR EQUIPMENT	650.00	-	-	650.00	271.43	26.02	-	297.45	352.55
ELECTRICITY SUPPLY AND RETICULATION	1,180,044,934.20	37,431,148.50	-	1,217,476,082.70	1,016,301,024.03	11,079,984.50	-	1,026,381,008.53	191,095,074.17
ELECTRICITY MAINS	43,212,957.27	19,847,654.17	-	63,060,611.44	24,287,811.96	1,307,792.73	-	25,595,604.69	37,464,706.75
SUBSTATIONS AND SWITCHGEAR	177,772,236.55	17,850,271.29	-	195,622,507.84	123,968,745.34	3,974,309.04	-	127,943,054.38	67,679,453.46
TRANSFORMERS AND MINISUBS	26,757,009.80	-	-	26,757,009.80	9,507,259.08	1,164,328.66	-	10,671,587.74	16,085,422.06
MOTORWAYS	18,601,612.96	118,272,074.06	-	136,873,687.02	828,826.96	1,886,173.61	-	2,717,000.57	134,156,686.45
ROADS OTHER	796,262,443.43	80,429,040.64	-	876,691,484.27	668,451,149.55	25,867,139.14	-	694,318,288.69	282,373,195.59
TRAFFIC ISLANDS	448,929.54	2,064,879.01	-	2,513,808.55	293,813.96	34,303.84	-	328,117.80	2,185,690.75
TRAFFIC LIGHTS	24,263,860.98	2,799,844.95	-	27,063,705.93	13,894,507.56	783,917.89	-	14,678,425.45	12,385,280.48
STREET LIGHTING	102,335,468.80	4,077,700.05	-	106,413,168.85	59,721,536.27	2,413,178.81	-	62,134,715.08	44,278,453.77
OVERHEAD BRIDGES	75,355,428.54	-	-	75,355,428.54	27,855,132.32	2,488,025.29	-	30,344,157.61	45,011,270.93
STORMWATER DRAINS	33,883,854.40	8,325,000.00	-	42,208,854.40	134,607.12	1,728,465.10	-	1,863,072.22	40,345,842.18
BRIDGES SUBWAYS AND CULVERTS	49,287,084.28	11,376,524.74	-	60,663,609.02	20,718,396.69	1,318,748.33	-	22,037,145.02	38,626,464.00
CAR PARKS	1,151,703.39	151,196.77	-	1,302,900.16	581,291.60	29,255.69	-	610,547.29	692,352.87
BUS TERMINALS	5,521,362.66	1,936,200.09	-	7,457,562.75	4,591,622.34	103,159.97	-	4,694,782.31	2,762,780.44
PARKING AND INTERMODAL TRANSFER	29,259,033.54	-	-	29,259,033.54	17,650,046.13	1,018,260.93	-	18,668,307.06	10,590,726.48
TAXI RANKS	87,245,135.59	4,007,724.06	-	91,252,859.65	34,083,305.38	3,676,066.50	-	37,769,371.88	53,483,487.77
PUBLIC TRANSPORT FACILITIES	8,655,851.85	1,257,479.41	-	9,913,331.26	10,113,331.26	299,337.05	-	4,663,985.43	5,449,356.83
ROADS GRAVEL	105,991,524.75	749,720.22	-	106,741,244.97	50,907,132.17	3,479,136.10	-	54,386,268.27	52,344,976.70
TRAFFIC SIGNS AND STREET NAME	58,727,121.29	3,142,783.45	-	61,869,904.74	4,801,653.99	340,888.99	-	5,142,542.98	8,379,146.18
STORMWATER CHANNELS	168,677,063.68	16,787,575.94	-	185,464,639.62	90,168,495.10	5,485,088.31	-	95,653,583.41	32,762,386.68
STORMWATER PIPES	953,361,548.74	28,201,958.72	-	981,563,507.46	730,184,937.92	15,925,807.80	-	746,110,745.72	235,472,761.74
TARRED ROADS	41,347,351.78	2,701,868.33	-	44,049,220.11	30,069,941.10	1,236,801.19	-	31,306,742.28	12,742,467.83
WATER METERS	2,169,499.72	-	-	2,169,499.72	21,611.83	108,474.99	-	130,086.82	2,039,412.90
WATER MAINS	0.00	-	-	0.00	-	-	-	0.00	0.00
WATER RIGHTS	88,850,320.11	27,916,186.31	-	116,766,506.42	4,501,018.39	4,532,725.82	-	9,033,744.21	107,732,762.21
WATER SUPPLY AND RETICULATION	0.00	-	-	0.00	0.00	-	-	0.00	0.00
WATER RESERVOIRS AND TANKS	9,444,318.47	271,226.57	-	9,715,545.04	6,470,140.01	298,935.33	-	5,769,075.34	3,946,469.70
WATER TOWERS	86,379,221.33	-	-	86,379,221.33	48,164,910.64	3,029,409.47	-	51,194,320.11	35,184,901.22
RESERVOIR	6,729,073.25	-	-	6,729,073.25	4,648,138.38	162,353.65	-	4,810,492.03	1,918,581.22
WATER PUMP STATIONS	144,444,764.82	389,548.69	-	144,834,313.51	70,129,283.34	4,976,391.29	-	75,105,674.63	69,728,636.88
BULK WATER PIPES	319,525,699.26	217,300.25	-	319,743,000.00	144,834,313.51	6,415,914.35	-	239,092,918.55	80,649,980.96
WATER RETICULATION PIPES < 20	72,133,194.67	4,788.00	-	72,137,982.67	102,626,545.63	719,037.75	-	103,345,583.38	19,740,425.84
RAND WATER CONNECTIONS AND BU	110,395,097.43	-	-	110,395,097.43	53,514,227.22	779,144.08	-	46,721,945.60	6,792,281.62
ZONE CONTROL METERS	53,514,227.22	-	-	53,514,227.22	0.00	-	-	0.00	0.00
PRESSURE REDUCING/REFLEE VAL	0.00	-	-	0.00	0.00	-	-	0.00	0.00
GAS METERS	0.00	-	-	0.00	0.00	-	-	0.00	0.00
GAS MAINS	0.00	-	-	0.00	0.00	-	-	0.00	0.00

EKURHULENI
METROPOLITAN MUNICIPALITY

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

COMMUNITY ASSETS	1,885,295,178.92	247,411,801.93	774,432.18	-3,019,907.59	2,130,461,505.44	1,034,436,417.57	162,965,537.73	-3,001,823.04	1,194,400,132.26	936,061,373.18	3,980,000
GOLF COURSES	56,754,479.02	-	-	-	56,754,479.02	16,424,716.88	2,475,536.31	-	18,900,253.31	37,854,225.71	
LIJKSEI PITCHES	266,889.22	-	-	-	266,889.22	239,893.00	24,910.37	-	241,978.85	24,910.37	
OUTDOOR SPORTS FACILITIES	158,450,726.82	362,953.20	1,336,070.23	-	160,789,750.25	119,980,102.72	2,724,236.13	-	122,704,308.85	38,065,441.40	5,296,612
ORGAN AND CASE	7,646.52	-	-	-	7,646.52	2,695.56	3,077.86	-	3,077.86	4,588.68	
LAKES AND DAMS	9,376,871.15	1,721,775.79	21,000.00	-	11,119,446.94	6,039,930.62	236,209.26	-	6,276,139.88	4,843,307.06	690,000
FOUNTAINS	7,507,145.98	-	-	-	7,507,145.98	4,229,993.86	2,847.68	-	4,482,883.19	33,175.46	
FLOODLIGHTING	1,404,532.03	-	-	-	1,404,532.03	463,061.58	46,409.95	-	509,471.53	895,060.50	400,000
NURSERIES	11,664,340.22	-	-	-	11,664,340.22	3,371,355.06	388,042.71	-	3,759,397.77	7,904,942.45	
OLD AGE HOMES	415,779.31	300,000.00	1,788,261.74	-	2,504,041.05	0.00	0.00	0.00	0.00	2,504,041.05	
HERITAGE ASSETS	7,943.78	0.00	0.00	-	7,943.78	0.00	0.00	-	0.00	7,943.78	
PUBLIC STATUES	407,835.53	300,000.00	1,788,261.74	-	2,496,097.27	0.00	0.00	-	0.00	2,496,097.27	300,000
HISTORICAL BUILDINGS AND STRU											
OTHER ASSETS	1,885,295,178.92	247,411,801.93	774,432.18	-3,019,907.59	2,130,461,505.44	1,034,436,417.57	162,965,537.73	-3,001,823.04	1,194,400,132.26	936,061,373.18	3,980,000
AIRPORTS	2,690,617.74	2,653,106.11	-	-	5,343,723.85	1,009,835.68	145,434.01	-	1,155,269.69	4,188,454.16	
APRONS	0.00	-	-	-	0.00	0.00	0.00	-	0.00	0.00	
RUNWAYS	6,193,084.24	-	-	-	6,193,084.24	4,085,739.56	162,735.06	-	4,248,474.62	1,944,609.62	
TAXIWAYS	0.00	499,999.87	-	-	499,999.87	0.00	2,054.79	-	2,054.79	497,945.08	600,000
RADIO BEACONS	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	
FENCING	27,092,733.48	549,724.32	-	-	27,642,457.80	22,089,778.42	2,491,272.28	-	24,581,050.70	3,061,407.10	5,933,850
ACCESS CONTROL	36,500,842.13	2,407,314.64	-	-	38,908,156.77	26,111,100.19	2,340,089.11	-	28,451,189.30	10,456,967.47	3,636,000
AQUARIUMS	7,539,132.12	100,869.50	-	-	7,640,001.62	1,543,502.88	1,239,272.79	-	2,782,775.67	4,857,225.95	1,029,100
BEACH DEVELOPMENTS	0.00	-	-	-	0.00	0.00	-	-	0.00	0.00	
CIVIC THEATRES	1,526,334.38	-	-	-	1,526,334.38	1,290,795.76	48,774.53	-	1,339,570.29	186,764.09	
ABATTOIRS	213,776.51	-	-	-	213,776.51	192,758.38	7,125.94	-	199,884.32	13,892.19	
CARAVAN PARKS	12,488.68	-	-	-	12,488.68	6,131.04	277.04	-	6,408.08	6,080.60	
CINEMAS	1,546,555.61	-	-	-	1,546,555.61	708,612.24	51,495.03	-	760,107.27	786,447.84	
KILNS	98,485.10	-	-	-	98,485.10	3,455.64	3,282.81	-	6,718.45	91,764.65	
LABORATORIES	2,153,595.13	-	-	-	2,153,595.13	102,812.29	71,739.79	-	174,552.08	1,979,043.05	
MARKETS	61,300,093.35	1,127,551.79	-	-	62,427,645.14	14,466,628.68	2,043,463.34	-	16,510,092.02	45,917,553.12	
OFFICE BUILDINGS	477,333,851.93	25,268,588.84	103,721.18	-	502,706,161.95	230,879,948.69	13,768,857.66	-	244,648,806.35	258,057,355.60	
TRAINING CENTRES	8,281,781.21	6,506,912.37	-	-	14,788,693.58	3,419,495.17	286,948.28	-	3,706,443.45	11,082,250.13	
WORKSHOPS AND DEPOTS	216,322,930.36	4,264,758.82	670,711.00	-	221,258,400.18	142,562,051.47	6,089,051.19	-	148,651,102.66	72,607,297.52	
RAIL SIDINGS	2,363,862.16	-	-	-	2,363,862.16	1,109,995.33	73,838.11	-	1,183,833.44	1,200,028.72	
COMPUTER SOFTWARE	141,927,837.52	38,247,077.52	-	(11,254.14)	180,163,660.90	74,907,600.32	22,869,104.64	(2,367.94)	97,774,337.02	38,889,323.88	270,000
OFFICE MACHINES	56,629,052.42	8,343,220.47	-	-	64,972,272.89	13,081,599.02	4,161,423.10	-	17,243,022.72	13,445,072.11	
AIR CONDITIONERS	2,350,944.26	2,405,642.64	-	(19,484.45)	4,756,486.90	42,676,095.99	7,776,136.46	(10,647.76)	50,441,584.69	14,511,203.79	
CHAIRS	22,613,466.38	1,364,825.53	-	-	23,978,291.91	11,221,413.10	2,534,219.04	-	13,756,632.14	10,222,679.77	1,510,800
TABLES AND DESKS	28,602,551.61	1,829,189.19	-	-	30,431,740.80	14,161,234.81	3,317,869.38	-	17,479,044.19	12,952,636.61	1,885,800
CABINETS AND CUPBOARDS	29,271,421.55	1,607,087.19	-	-	30,878,508.74	14,714,027.75	3,258,582.86	-	17,972,610.61	12,905,898.13	
FURNITURE AND FITTINGS OTHER	106,761,821.48	10,476,830.34	-	(650.00)	117,237,001.82	58,280,153.56	12,301,713.00	(288.34)	67,981,578.22	49,655,423.60	
HOUSEHOLD REFUSE BINS	29,014.62	-	-	-	29,014.62	12,895.79	5,645.20	-	18,540.99	10,473.63	
BULK CONTAINERS	15,716,510.67	187,473.29	-	-	15,903,983.96	175,609.88	1,573,183.38	-	1,748,793.26	14,155,190.70	

EKURHULENI
METROPOLITAN MUNICIPALITY

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost			Accumulated Depreciation			This Year	Disposals	Closing Balance	Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Disposals				
POLITICAL OFFICE	348,402.57	330,293.66	-	678,696.23	229,946.71	-	53,529.86	283,476.57	395,219.66	
CITY MANAGERS OFFICE	1,333,550.19	772,243.13	-	2,105,793.32	804,087.14	-	243,174.31	1,047,261.45	1,068,531.87	
Mt - ELECTRICITY	719,924,675.08	94,463,337.10	-	814,122,777.38	109,644,768.98	-	51,548,997.87	161,734,851.29	652,987,926.09	
- SOLID WASTE	7,517,626.03	74,445,930.89	-	82,537,790.67	3,972,940.59	-	2,058,646.17	6,031,586.76	76,506,203.91	
- WATER SERVICES	37,780,007.00	52,950,660.61	574,233.75	90,730,667.61	13,139,776.65	-	5,346,864.41	18,486,641.06	72,244,026.55	
ROADS TRANSPORT & CIVIL WORKS	79,348,262.56	313,211,311.42	-	391,101,351.38	32,249,151.06	-	12,491,383.08	43,282,311.54	347,819,039.84	
HEALTH & SOCIAL DEVELOPMENT	38,512,215.75	23,810,600.66	-	62,226,810.16	22,391,958.20	-	5,343,566.60	27,642,397.66	34,584,412.50	
PUBLIC SAFETY	69,145,779.50	24,786,249.72	-	93,846,251.42	44,003,466.92	-	10,175,916.72	54,093,634.84	39,762,616.58	
SPORT RECREATION ART & CULTURE	273,576,729.10	33,780,310.33	18,337,297.03	325,332,916.06	154,613,636.45	-	30,887,068.93	185,139,284.98	140,193,631.08	
HOUSING	6,938,911.61	45,324,058.63	-	52,262,970.24	3,024,501.98	-	1,239,046.33	4,263,548.31	47,999,421.93	
FINANCE	226,755,905.71	9,582,427.16	-	236,187,369.73	149,362,606.04	-	30,598,769.90	179,817,847.76	56,389,521.97	
HUMAN RESOURCES	10,705,576.78	1,319,120.18	-	12,024,696.96	5,131,710.04	-	1,594,045.30	6,725,755.34	5,298,941.62	
INFORMATION TECHNOLOGY	18,720,947.86	50,313,103.98	-	69,032,213.84	9,502,678.86	-	4,078,015.16	13,580,307.26	55,451,906.58	
CORPORATE AND LEGAL	8,035,087,319.53	21,815,993.32	-	8,056,302,868.25	5,385,249,796.81	-	181,184,161.63	5,565,833,513.84	2,490,469,354.41	
TOTAL	9,525,695,909.27	746,905,640.79	18,911,530.78	10,288,493,173.25	5,933,521,055.43	3,019,907.59	336,843,186.27	6,267,362,418.66	4,021,130,754.59	

**EKURHULENI
METROPOLITAN MUNICIPALITY**

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

	2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R
	172,500.00	54,136,893.72	-53,964,393.72	POLITICAL OFFICE	36,061,949.11	106,316,625.34	-70,254,676.23
	64,520,287.00	142,753,975.00	-78,233,688.00	CITY MANAGERS OFFICE	108,987,574.07	278,142,566.45	-169,154,992.38
	2,871,725,754.93	2,576,802,070.81	294,923,684.12	MI - ELECTRICITY	2,895,495,699.04	2,487,470,215.59	408,025,483.45
	426,279,863.43	515,663,996.16	-89,384,132.73	- SOLID WASTE	404,210,626.63	434,033,458.22	-29,822,831.59
	2,192,174,638.90	2,318,991,929.80	-126,817,290.90	- WATER AND SANITATION	1,443,336,775.54	1,492,222,975.24	-48,886,199.70
	173,992,834.16	637,496,777.36	-463,503,943.20	ROADS TRANSPORT & CIVIL WORKS	330,729,869.99	664,427,351.04	-333,697,481.05
	59,567,820.59	259,004,318.35	-199,436,497.76	HEALTH & SOCIAL DEVELOPMENT	68,018,158.96	272,690,739.52	-204,672,580.56
	266,847,589.05	736,964,181.78	-470,116,592.73	PUBLIC SAFETY	335,154,391.34	771,205,709.79	-436,051,318.45
	65,134,914.58	436,608,110.53	-371,473,195.95	SPORT RECREATION ART & CULTURE	50,486,938.52	495,433,689.86	-444,946,751.34
	175,969,254.53	273,864,096.45	-97,894,841.92	HOUSING	130,749,760.49	229,879,866.64	-99,130,106.15
	3,383,723,389.58	1,007,794,673.13	2,375,928,716.45	FINANCE	3,605,870,158.81	981,293,986.96	2,624,576,171.85
	6,963,565.20	78,288,144.88	-71,324,579.68	HUMAN RESOURCES	58,171,923.65	80,407,837.69	-22,235,914.04
	2,493.08	71,901,025.74	-71,898,532.66	INFORMATION TECHNOLOGY	71,115,398.12	71,461,474.83	-346,076.71
	9,644,193.21	243,692,789.28	-234,048,596.07	CORPORATE AND LEGAL	33,602,893.42	228,315,472.22	-194,712,578.80
		144,095,235.00	-144,095,235.00	Post balance sheet adjustments			-
	9,696,719,098.24	9,498,058,217.99	198,660,880.25	Sub Total	9,571,992,117.69	8,593,301,969.39	978,690,148.30
	1,534,543,127.40	1,523,290,409.99	11,252,717.41	Less Inter- Departmental Charges	921,860,966.99	912,036,742.45	9,824,224.54
	8,162,175,970.84	7,974,767,808.00	187,408,162.84	Total	8,650,131,150.70	7,681,265,226.94	968,865,923.76

**EKURHULENI
METROPOLITAN MUNICIPALITY
APPENDIX E(1)**

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 R Actual	2006 R Budget	2006 R Amended Budget	2006 R Amended Variance	2006 Amended Variance (%)	Explanation of Significant Variances greater than 10 % versus budget
REVENUE						
Property rates	1,517,314,397.10	1,417,780,460.00	1,417,280,460.00	100,033,937.10	7%	
Property rates - penalties imposed and collection charges	236,402,197.30	30,660,000.00	220,000,000.00	16,402,197.30	7%	Higher income due to recognition of cash amounts received without declarations as income and not payments in advance.
Service charges	4,453,059,653.22	4,882,982,361.00	4,888,393,666.00	-435,334,012.78	-9%	Higher income due to recognition of cash amounts received without declarations as income and not payments in advance.
Regional Services Leases - turnover	509,691,891.64	416,720,000.00	416,720,000.00	92,971,891.64	22%	Higher income due to recognition of cash amounts received without declarations as income and not payments in advance.
Regional Services Leases - remuneration	181,598,416.77	154,809,000.00	154,809,000.00	26,789,416.77	17%	Higher income due to recognition of cash amounts received without declarations as income and not payments in advance.
Rental of facilities and equipment	39,285,083.35	38,326,910.00	38,326,910.00	958,173.35	3%	
Interest earned - external investments	241,411,632.84	120,051,600.00	120,051,600.00	121,360,032.84	101%	Higher cash balances than anticipated due to lower spending level on budget. As a direct result, interest income exceeded the budget.
Interest earned - outstanding debtors	121,703,292.47	74,926,880.00	91,700,003.00	30,003,289.47	33%	Interest accrued on outstanding debtor balances in excess of budget.
Dividends received	104,822,691.74	103,091,727.00	103,091,727.00	1,730,964.74	2%	
Fines	64,577,275.23	69,781,319.00	69,781,319.00	-5,204,043.77	-7%	
Licences and permits	93,636,806.25	85,756,801.00	85,756,801.00	7,880,005.25	9%	
Income from agency services	978,374,366.40	64,348,655.00	702,216,738.00	276,157,650.40	39%	Additional capital grants received.
Government grants and subsidies						
Other income	108,251,522.39	18,921,315.00	22,429,554.00	85,821,968.39	383%	Unforeseen sundry income exceeded budget.
Public contributions, donated and contributed property, plant and equipment						
Gains on disposal of property, plant and equipment						
Total Revenue	8,650,131,150.70	8,057,294,028.00	8,330,557,778.00	381,197,572.80		

**EKURHULENI
METROPOLITAN MUNICIPALITY
APPENDIX E(1)**

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 R Actual	2006 R Budget	2006 R Amended Budget	2006 R Amended Variance	2006 Amended Variance (%)	Explanation of Significant Variances greater than 10 % versus budget
EXPENDITURE						
Employee related costs	2,198,251,151.78	2,389,202,445.00	2,342,343,386.00	-91,099,114.57	-4%	
Remuneration of councillors	44,085,340.72	46,285,387.00	47,981,726.00	-3,896,385.28	-8%	
Bad debts	677,317,282.60	612,753,306.00	818,886,429.00	-464,339.39	0%	New Tenders were called for a panel of debt collectors. Tenders were awarded during the year.
Collection costs	26,322,206.89	35,894,095.00	35,129,860.00	-8,807,653.11	-25%	
Depreciation	336,861,270.48	269,115,419.00	328,675,147.00	-7.35	0%	New vehicles reduced maintenance cost previously incurred on old vehicles especially specialized vehicles
Repairs and maintenance	445,345,645.57	534,809,482.00	523,863,677.00	-78,518,031.12	-15%	
Interest paid	187,679,793.11	211,706,791.00	191,706,791.00	-4,026,997.89	-2%	
Bulk purchases	2,889,319,875.69	2,844,719,483.00	2,835,862,624.00	-146,542,748.31	-5%	The metro is reaping economies-of-scale benefits due to a number of small contracts which are now combined resulting in competitive tender prices.
Contracted Services	314,237,161.39	332,647,082.00	370,792,882.00	-56,555,720.61	-15%	Lower than anticipated spending rate on a project implemented by one of the Municipal Entities and funded by MIG via the EMM.
Grants and subsidies paid	72,111,741.36	86,410,500.00	89,706,350.00	-17,594,608.64	-20%	
General expenses	548,648,950.34	556,733,485.00	671,377,587.00	-122,728,636.66	-18%	Savings on general overhead costs.
Contributions to (transfers from) provisions						
Loss on disposal of property, plant and equipment						
Total Expenditure	7,540,180,419.93	7,922,287,475.00	8,255,306,458.00	-50,234,243.23		
NET SURPLUS (DEFICIT) FOR THE YEAR	1,109,950,730.77	135,036,553.00	74,251,319.00	911,431,816.03		

EKURHULENI
METROPOLITAN MUNICIPALITY
APPENDIX E(2)

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance %	2006 Amended Budget	2006 Amended Variance %	Explanation of Significant Variances greater than 5 % versus budget
	R	R	R	R	R	%	R	%	
INFRASTRUCTURE	461,161,913	553,234	461,715,147	703,734,469	242,019,322	-34%	540,154,356	85%	Adjustments budget approved due to
POWER STATIONS	2,542,674	-	2,542,674	500,000	-2,042,674	509%	2,570,000	99%	non-availability of external grant funding budgeted for.
COOLING TOWERS	-	-	-	-	-	-	-	-	-
TRANSFORMER KIOSKS	-	-	-	-	-	-	-	-	-
ELECTRICITY METERS	-	-	-	-	-	-	-	-	Capacity constraints in the implementation of the capital budget.
LOAD CONTROL EQUIPMENT	-	-	-	-	-	-	-	-	-
SWITCHGEAR EQUIPMENT	-	-	-	-	-	-	-	-	-
ELECTRICITY SUPPLY AND RETICUL	37,431,149	-	37,431,149	22,126,500	-15,304,649	169%	37,398,333	100%	-
ELECTRICITY MAINS	19,847,654	-	19,847,654	14,350,000	-5,497,654	138%	12,065,078	165%	-
SUBSTATIONS AND SWITCHGEAR	17,850,271	-	17,850,271	26,373,500	8,523,229	68%	15,377,364	116%	-
TRANSFORMERS AND MINISUBS	-	-	-	-	-	-	-	-	-
MOTORWAYS	118,272,074	-	118,272,074	110,227,418	-8,044,656	107%	127,729,487	93%	-
ROADS OTHER	80,429,041	-	80,429,041	44,661,869	-35,767,172	180%	81,818,703	98%	-
TRAFFIC ISLANDS	2,064,879	-	2,064,879	2,265,000	200,121	91%	2,307,000	90%	-
TRAFFIC LIGHTS	2,799,845	-	2,799,845	4,784,000	1,984,155	59%	5,916,000	47%	-
STREET LIGHTING	4,077,700	-	4,077,700	1,769,555	-2,308,145	230%	7,920,955	51%	-
OVERHEAD BRIDGES	-	-	-	-	-	-	-	-	-
STORMWATER DRAINS	8,325,000	-	8,325,000	13,283,846	4,958,846	63%	9,329,270	89%	-
BRIDGES SUBWAYS AND CULVERTS	11,378,525	-	11,378,525	7,110,000	-4,268,525	160%	11,797,742	96%	-
CAR PARKS	151,197	-	151,197	1,400,000	1,248,803	11%	200,000	76%	-
BUS TERMINALS	1,936,200	-	1,936,200	898,000	-1,038,200	216%	3,191,438	61%	-
PARKING AND INTERMODAL TRANSF	-	-	-	-	-	-	-	-	-
TAXI RANKS	4,007,724	-	4,007,724	10,848,380	6,840,656	37%	6,920,385	58%	-
PUBLIC TRANSPORT FACILITIES	1,257,479	-	1,257,479	15,500,000	14,242,521	8%	1,373,400	92%	-
ROADS GRAVEL	749,720	-	749,720	790,000	280	100%	750,000	100%	-
TRAFFIC SIGNS AND STREET NAME	3,431,271	-	3,431,271	4,275,018	843,747	80%	3,368,018	102%	-
STORMWATER CHANNELS	3,142,783	-	3,142,783	10,180,000	7,037,217	31%	4,390,000	72%	-
STORMWATER PIPES	16,787,576	-	16,787,576	20,785,068	3,997,492	81%	26,352,652	64%	-
TARRED ROADS	28,201,959	-	28,201,959	20,487,850	-7,714,109	138%	30,454,277	93%	-
WATER METERS	2,701,858	-	2,701,858	3,200,000	498,142	84%	3,550,000	76%	-
WATER MAINS	-	-	-	-	-	-	-	-	-
WATER RIGHTS	-	-	-	25,420,000	25,420,000	0%	-	-	-
WATER SUPPLY AND RETICULATION	27,916,186	-	27,916,186	1,090,000	-26,826,186	2561%	30,681,170	91%	-
WATER RESERVOIRS AND TANKS	271,227	-	271,227	-	-271,227	-	1,090,000	25%	-
WATER TOWERS	-	-	-	-	-	-	-	-	-
RESEVOIR	-	-	-	2,000,000	2,000,000	0%	2,000,000	0%	-
WATER PUMP STATIONS	-	-	-	12,610,000	12,610,000	0%	1,450,000	0%	-
BULK WATER PIPES	389,547	-	389,547	-	-389,547	-	3,737,000	10%	-
WATER RETICULATION PIPES < 20	217,300	-	217,300	-	-217,300	-	550,000	40%	-
RAND WATER CONNECTIONS AND BU	-	-	-	1,260,000	1,260,000	0%	-	-	-

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APPENDIX E(2)

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance %	2006 Amended Budget	2006 Amended Variance %	Explanation of Significant Variances greater than 5 % versus budget
	R	R	R	R	R	%	R	%	
ZONE CONTROL METERS	4,788	-	4,788	-	-4,788	-	1,260,000	0%	
PRESSURE REDUCING/RELIEF VAL	-	-	-	-	-	-	-	-	
GAS METERS	-	-	-	-	-	-	-	-	
GAS MAINS	-	-	-	-	-	-	-	-	
GAS STORAGE TANKS	2,691,242	-	2,691,242	28,200,000	25,508,758	10%	-	-	
GAS SUPPLY AND RETICULATION	10,690,053	-	10,690,053	16,512,000	5,821,947	65%	10,662,800	100%	
SEWERS	4,583,440	-	4,583,440	2,000,000	-2,583,440	229%	8,981,192	51%	
OUTFALL SEWERS	48,880	-	48,880	-	-48,880	-	417,906	12%	
PURIFICATION WORKS	81,905	-	81,905	-	-81,905	-	-	-	
SEWERAGE PUMPS	-	-	-	-	-	-	-	-	
SEWERAGE SLUDGE MACHINES	-	-	-	-	-	-	-	-	
SEWER PIPES < 200MM	-	-	-	-	-	-	-	-	
RIISING MAINS	-	-	-	200,000	200,000	0%	-	-	
SEWERAGE PUMP STATIONS	1,046,151	-	1,046,151	-	-1,046,151	-	1,050,000	100%	
MANHOLES	-	-	-	4,769,135	4,769,135	0%	-	-	
FOOTWAYS	281,205	-	281,205	-	-281,205	-	731,206	38%	
KERBING	-	-	-	-	-	-	-	-	
PAVING	-	-	-	500,000	500,000	0%	-	-	
FOOTWAYS AND BICYCLE PATHS	812,807	-	812,807	-	-812,807	-	650,000	125%	
ASPHALT PLANT	-	-	-	-	-	-	-	-	
CABLE STATIONS	-	-	-	-	-	-	-	-	
COMPACTING STATIONS	-	-	-	-	-	-	-	-	
HOSTELS - PUBLIC AND TOURIST	8,229,941	-	8,229,941	8,167,000	-62,941	101%	1,460,000	564%	
HOSTELS WORKERS	-	-	-	171,130,330	171,130,330	0%	28,702,980	0%	
HOUSING SCHEMES	7,774,538	100,903	7,875,441	1,100,000	-6,775,441	716%	700,000	1125%	
QUARRIES	19,793,820	452,331	20,246,151	93,000,000	72,753,849	22%	53,260,000	38%	
TIP SITES	197,148	-	197,148	-	-197,148	-	-	-	
TRANSPORT FACILITIES	88,130	-	88,130	-	-88,130	-	-	-	
FLATS BLOCK	8,657,024	-	8,657,024	-	-8,657,024	-	-	-	
HOUSES	-	-	-	-	-	-	-	-	
CABLE CARS	-	-	-	-	-	-	-	-	
HOUSING: SELLING SCHEMES	-	-	-	-	-	-	-	-	
COMMUNITY ASSETS	36,031,926	15,795,603	53,827,529	94,286,010	-40,458,481	-4291%	62,672,397		
AMBULANCE STATIONS	-	-	-	-	-	-	-	-	
CARE CENTRES	2,870,020	-	2,870,020	8,300,000	5,429,980	35%	675,000	425%	
CEMETERIES	2,698,669	105,692	2,804,361	11,699,000	8,894,639	24%	3,367,515	83%	
CLINICS AND HOSPITALS	13,400,702	-	13,400,702	20,417,010	7,016,308	66%	15,559,865	86%	
COMMUNITY CENTRES	-	-	-	5,010,000	5,010,000	0%	3,960,000	0%	
FIRE STATIONS	485,503	-	485,503	500,000	14,497	97%	500,000	97%	
GAME RESERVES AND REST CAMPS	-	-	-	-	-	-	-	-	
INDOOR SPORTS FACILITIES	-	-	-	-	-	-	-	-	
LIBRARIES	3,060,807	290,076	3,350,884	5,600,000	2,249,116	60%	4,002,400	84%	

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ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual		2006 Under Construction		2006 Total Additions		2006 Budget		2006 Variance		2006 Variance		2006 Amended Budget		2006 Amended Variance		Explanation of Significant Variances greater than 5 % versus budget	
	R	%	R	%	R	%	R	%	R	%	R	%	R	%	R	%		
MUSEUMS AND ART GALLERIES	2,597,552		2,615,679		5,213,231		7,860,000		2,646,769	66%	4,600,000	113%	4,600,000					
PARKS	6,167,317		9,364,725		15,532,042		12,900,000		-2,632,042	120%	15,050,000	103%	15,050,000					
PUBLIC CONVENIENCES AND BATHHO	1,415,854		-		1,415,854		400,000		-1,015,854	354%	631,505	224%	631,505					
RECREATION CENTRES	1,687,503		-		1,687,503		5,000,000		3,312,497	34%	2,438,889	69%	2,438,889					
STADIUMS	943,270		2,062,360		3,005,630		11,000,000		7,994,370	27%	5,333,115	56%	5,333,115					
ZOOS	-		-		-		-		-		-		-					
CLINICS ANIMAL	-		-		-		-		-		-		-					
BOWLING GREENS	-		-		-		-		-		-		-					
TENNIS COURTS	-		-		-		-		-		-		-					
SWIMMING POOLS	-		-		-		100,000		100,000	0%	167,496	0%	167,496					
GOLF COURSES	-		-		-		-		-		-		-					
JUKSKEI PITCHES	-		-		-		-		-		-		-					
OUTDOOR SPORTS FACILITIES	982,953		1,336,070		2,319,023		5,000,000		2,680,977	46%	5,296,612	44%	5,296,612					
ORGAN AND CASE	-		-		-		-		-		-		-					
LAKES AND DAMS	1,721,776		21,000		1,742,776		500,000		-1,242,776	349%	690,000	253%	690,000					
FOUNTAINS	-		-		-		-		-		-		-					
FLOODLIGHTING	-		-		-		-		-		-		-					
NURSERIES	-		-		-		-		-		-		-					
OLDSAGE HOMES	-		-		-		-		-		-		-					
INVESTMENT PROPERTIES	-		-		-		-		-		-		-					
LAND MAIN INVESTMENT	-		-		-		-		-		-		-					
FARMS	-		-		-		-		-		-		-					
MINERAL RIGHTS	-		-		-		-		-		-		-					
SHOPPING CENTRES	-		-		-		-		-		-		-					
MINERAL RIGHTS	-		-		-		-		-		-		-					
HERITAGE ASSETS	300,000		1,788,262		-		1,600,000		-		300,000	0%	300,000					
PUBLIC STATUES	-		-		-		-		-		-		-					
HISTORICAL BUILDINGS AND STRU	300,000		1,788,262		-		1,600,000		1,600,000	0%	300,000	0%	300,000					
OTHER ASSETS	247,411,802		774,432		248,186,234		268,872,990		-20,686,756	-8%	349,817,375		349,817,375					
AIRPORTS	2,653,106		-		2,653,106		1,180,000		1,473,106	225%	3,980,000	67%	3,980,000					
APRONS	-		-		-		-		-		-		-					
RUNWAYS	-		-		-		-		-		-		-					
TAXIWAYS	500,000		-		500,000		600,000		-100,000	83%	600,000	83%	600,000					
RADIO BEACONS	-		-		-		-		-		-		-					
FENCING	549,724		-		549,724		1,875,000		-1,325,276	29%	5,933,850	9%	5,933,850					
SECURITY SYSTEMS	2,407,315		-		2,407,315		3,700,000		-1,292,685	65%	3,636,000	66%	3,636,000					
ACCESS CONTROL	100,870		-		100,870		377,000		-276,131	27%	1,029,100	10%	1,029,100					
AQUARIUMS	-		-		-		-		-		-		-					
BEACH DEVELOPMENTS	-		-		-		-		-		-		-					
CMVC THEATRES	-		-		-		-		-		-		-					
ABATOIRS	-		-		-		-		-		-		-					
CARAVAN PARKS	-		-		-		-		-		-		-					

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APPENDIX E(2)

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual		2006 Under Construction		2006 Total Additions		2006 Budget		2006 Variance		2006 Variance		2006 Amended Budget		2006 Amended Variance		Explanation of Significant Variances greater than 5 % versus budget
	R	%	R	%	R	%	R	%	R	%	R	%	R	%	R	%	
CINEMAS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
KILNS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LABORATORIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
MARKETS	1,127,552	-	-	-	1,127,552	-	-	-	1,127,552	-	-	-	-	-	-	-	
OFFICE BUILDINGS	25,268,589	-	103,721	-	25,372,310	-	27,060,000	-	-1,687,690	94%	-	-	31,342,504	81%	-	-	
TRAINING CENTRES	6,506,912	-	-	-	6,506,912	-	2,989,990	-	3,516,922	218%	-	-	2,483,590	262%	-	-	
WORKSHOPS AND DEPOTS	4,264,759	-	670,711	-	4,935,470	-	12,400,000	-	-7,464,530	40%	-	-	13,613,986	36%	-	-	
RAIL SIDINGS	-	-	-	-	-	-	150,000	-	-150,000	0%	-	-	270,000	0%	-	-	
COMPUTER HARDWARE	38,247,078	-	-	-	38,247,078	-	22,739,500	-	15,507,578	168%	-	-	38,892,856	98%	-	-	
COMPUTER SOFTWARE	5,929,958	-	-	-	5,929,958	-	22,370,000	-	-16,440,042	27%	-	-	36,768,821	16%	-	-	
OFFICE MACHINES	8,343,220	-	-	-	8,343,220	-	57,979,000	-	-49,635,780	14%	-	-	9,717,765	86%	-	-	
AIR CONDITIONERS	2,405,643	-	-	-	2,405,643	-	551,000	-	1,854,643	437%	-	-	839,950	286%	-	-	
CHAIRS	1,384,826	-	-	-	1,384,826	-	1,112,500	-	252,326	123%	-	-	1,510,800	90%	-	-	
TABLES AND DESKS	1,829,189	-	-	-	1,829,189	-	1,410,000	-	419,189	130%	-	-	1,885,800	97%	-	-	
CABINETS AND CUPBOARDS	1,607,087	-	-	-	1,607,087	-	1,742,000	-	-134,913	92%	-	-	1,672,718	96%	-	-	
FURNITURE AND FITTINGS OTHER	10,475,830	-	-	-	10,475,830	-	12,062,000	-	-1,586,170	87%	-	-	13,761,674	76%	-	-	
HOUSEHOLD REFUSE BINS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
BUCK CONTAINERS	187,473	-	-	-	187,473	-	15,000,000	-	-14,812,527	1%	-	-	300,000	62%	-	-	
FIRE EQUIPMENT	15,057	-	-	-	15,057	-	500,000	-	-484,943	3%	-	-	1,540,374	1%	-	-	
AMBULANCE EQUIPMENT	283,573	-	-	-	283,573	-	300,000	-	-6,427	98%	-	-	2,310,000	13%	-	-	
FIRE HOSES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
EMERGENCY LIGHTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
FIRE ENGINES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
BUSES	7,712,355	-	-	-	7,712,355	-	2,700,000	-	5,012,355	286%	-	-	33,461,880	23%	-	-	
MOTOR VEHICLES	21,713,872	-	-	-	21,713,872	-	32,395,000	-	-10,681,128	67%	-	-	20,701,039	105%	-	-	
MOTOR CYCLES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TRUCKS AND BAKKIES	54,988,293	-	-	-	54,988,293	-	12,130,000	-	42,868,293	453%	-	-	55,602,577	99%	-	-	
AIRCRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
WATERCRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GRADERS	453,720	-	-	-	453,720	-	1,000,000	-	-546,280	45%	-	-	948,500	48%	-	-	
TRACTORS	2,102,653	-	-	-	2,102,653	-	-	-	2,102,653	-	-	-	200,000	1051%	-	-	
MECHANICAL HORSES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
FARM EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LAWNMOWERS	69,900	-	-	-	69,900	-	-	-	69,900	-	-	-	-	-	-	-	
COMPRESSORS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LABORATORY EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
RADIO EQUIPMENT	1,692,218	-	-	-	1,692,218	-	-	-	1,692,218	-	-	-	-	-	-	-	
FIRE ARMS	363,318	-	-	-	363,318	-	363,318	-	-	-	-	-	363,318	-	-	-	
TELECOMMUNICATION EQUIPMENT	7,355,704	-	-	-	7,355,704	-	500,000	-	6,855,704	1471%	-	-	850,000	865%	-	-	
PLANT AND EQUIPMENT GENERAL	19,269,901	-	-	-	19,269,901	-	17,950,000	-	1,319,901	107%	-	-	18,054,850	107%	-	-	
IRRIGATION SYSTEMS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CREMATORS	951,866	-	-	-	951,866	-	1,500,000	-	-548,134	63%	-	-	1,000,000	95%	-	-	

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METROPOLITAN MUNICIPALITY
APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, ACT 56 OF 2003

Name of Grants	Name of origin of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June			
Operating Grants																
Finance Management Grant	NT	3,000,000.00				232,123.00	706,852.00	346,890.00	2,463,140.30						Yes	
Transformation Grant	NT					0.00	16,404.00	94,225.00	355,955.00						Yes	
Restructuring Grant	NT					4,362,477.00	681,467.79	1,161,871.32	1,161,871.32						Yes	
Local Economic Development Grant	DPEA			3,700,000.00			72,370.00								Yes	
PLW/ADs Grant	DPLG			4,893,000.00		389,768.00	607,900.00	557,165.00	536,404.00						Yes	
Private Sector & Tourism	DPLG			3,000,000.00		37,741.00	132,245.00	173,917.00	230,202.00						Yes	
Entrepreneurship	GD&E			10,883.00					54,501.00						Yes	
Skills Development Grant	DPLG	1,948,706.00	94,737.00	18,543,534.00	677,701.00	2,155,568.01	3,309,988.00	3,397,974.00	4,228,541.00						Yes	
Vuna Awards	DPLG															
Zonk! Trust	GDPW															
Municipal Revenue Enhancement Programme	NT														Yes	
Consolidated Metropolitan Transport Fund	GAUTRANS	125,950.00	84,282.00	123,650.00				125,456.00	811,549.00						Yes	
International Council for Local Environment Initiatives	FOREIGN	1,000,000.00		1,000,000.00				2,000,000.00	2,790,000.00						Yes	
Municipal Systems Improvement Grant	NT														Yes	
Total Operating Grants		6,074,656.00	179,019.00	28,581,047.00	677,701.00	7,117,697.01	5,527,226.79	6,697,227.00	13,083,319.62	0	0	0	0	0		
Capital Grants																
SRAC	GFG														Yes	
Roads Transport & Civil Works	GFG			2,936,000.00		464,617.00	79,146.00	365,870.00	1,974,377.00						Yes	
Water And Sanitation	D/WAF				162,805.00			162,805.00	1,992,418.00						Yes	
Local Economic Development	DPEA			4,300,000.00		35,464.00	546,467.00	102,435.00	50,491.00						Yes	
Integrated National Electrification Programme	Dept of ME			3,000,000.00		375,065.00	843,516.00	979,973.00	1,069,829.00						Yes	
Total Capital Grants		0.00	0.00	10,236,000.00	162,805.00	875,166.00	1,469,131.00	1,610,481.00	5,087,115.00	0	0	0	0	0		
MIG Grants																
	DPLG	33,821,655.00	80,818,701.00	76,973,853.00	10,088,921.00	8,698,729.00	37,700,807.11	41,013,065.42	139,032,842.13						Yes	
Total MIG Grants		33,821,655.00	80,818,701.00	76,973,853.00	10,088,921.00	8,698,729.00	37,700,807.11	41,013,065.42	139,032,842.13	0	0	0	0	0		

EKURHULENI METROPOLITAN MUNICIPALITY
Annual Report 2005-2006



Reports of Entities



Ekurhuleni
METROPOLITAN MUNICIPALITY

a partnership that works

**ANNUAL REPORTS AND ANNUAL FINANCIAL
STATEMENTS OF MUNICIPAL ENTITIES**

ERWAT

DRAFT

ERWAT ANNUAL REPORT

JULY 2005 TO
JUNE 2006

PREPARED FOR THE EKURHULENI
METROPOLITAN MUNICIPALITY



Our Vision

To create and enhance shareholder wealth by pursuing and capitalising on business opportunities in the wastewater industry.

ERWAT ANNUAL REPORT 2006

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Chairperson's Review

It is a pleasure to report that ERWAT has once again achieved excellent results in the 2005/06 financial year, never deviating from its endeavour to provide an excellent service at an affordable rate and to effectuate significant savings to clients and members.

Good progress has been made with regards to the dissolving of the ERWAT Group, to adhere to legislation as contained in the Municipal Systems Amendment Act of 2004.

The company also looks back on another year of further consolidation in which close and constructive relations have been cultivated with the parent municipality, the Ekurhuleni Metropolitan Municipality.

Construction of another 50 megalitre extension at the Waterval wastewater care works as well as the upgrading of the Hartebeestfontein wastewater care works is well under way. The successful completion of these two projects will ensure that ERWAT complies with the new standards set by the Department of Water Affairs and Forestry (DWAF) and will further provide for rapid growth within these two areas.

A loan of R90 million was taken up to contribute towards the financing of these projects. With the assistance of the Ekurhuleni Metropolitan Municipality, ERWAT secured some R117 million from the Municipal Infrastructure Grant towards the completion of the fourth module at Waterval.

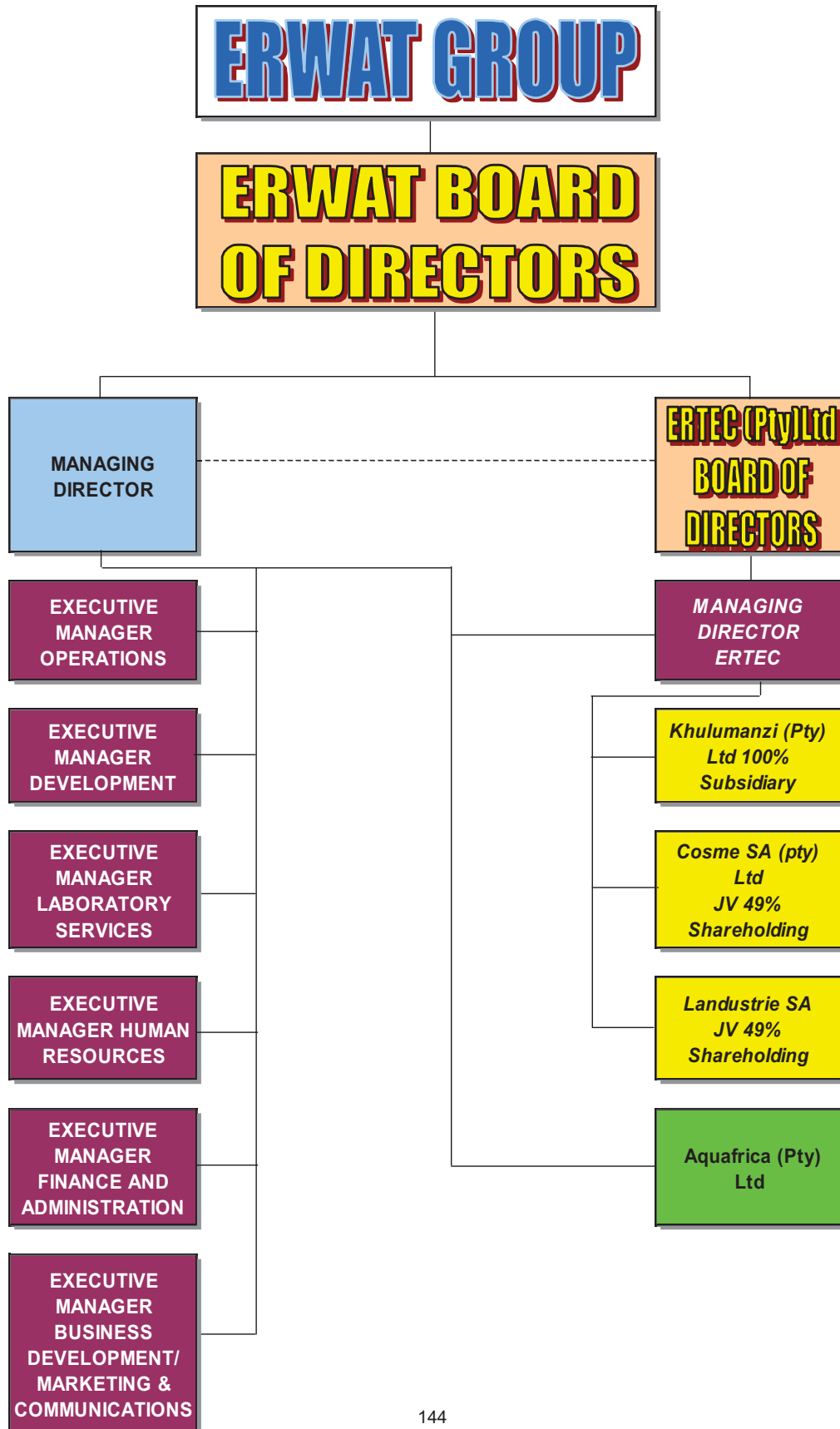
During the year ahead we look forward to the completion of the upgradings at the Hartebeestfontein wastewater care works, as well as significant progress with the building of Module 4 at Waterval wastewater care works.

The ERWAT Board of Directors continued to function optimally. I thank my co-directors for their unwavering support and for the constructive manner in which decision-making took place in meetings. The Managing Director, Mr Pat Twala, has also contributed to the success of the company through his dedicated leadership, supported by a dynamic team of executive managers and very capable employees.

During the past year we have again benefited from the support of all our stakeholders, such as employees, consultants, banks, our regulators, contractors and suppliers. I thank them all.

Sheilagh Marx
Chairperson

Executive Management Structure



Managing Director's Review

Introduction

In this report, ERWAT accounts for another year in which the company continued to function in an innovative and cost-effective manner, despite being faced with ever increasing demands for capacity and the consequential financial challenges.

The progress made with regard to the extension of Waterval wastewater care works and the upgrading of the Hartebeestfontein wastewater care is testimony to ERWAT's commitment to meet current and future demands.

Structures and procedures in the company are well established to uphold sound corporate governance practices.

The company also remains strongly committed to continuous service improvement and focuses strongly on training and empowerment to ensure excellent service to all clients.

Group results

GROUP RESULTS		
RAND MILLIONS		
	2005	2006
Total Income	211.9	202.2
Expenditure	207.8	196.0
Retained earnings	4.2	6.2
Depreciation	11.4	12.9
Net surplus/(deficit)	(7.2)	(6.7)
Net surplus for the year	4.2	6.2

Financial results

The 2005/06 achievement

The Group achieved positive net income results. Accumulated funds increased by R6.2 million, to a new total of R144.9 million.

The company's strategies continue to include initiatives to exploit opportunities in the larger water market in South Africa with the view to improving the ratio of external income to internal income, thus reducing total dependency on municipal income and thus positively influencing sustainability in the long term.

Funding plan

The funding required for the major developments at the Waterval and Hartebeestfontein wastewater care works will continue to put strain on the working capital resources of the company. The fact that ERWAT has managed to obtain a Municipal Infrastructure Grant of R117 million with the assistance of the Ekurhuleni Metropolitan Municipality, will however ease the burden significantly.

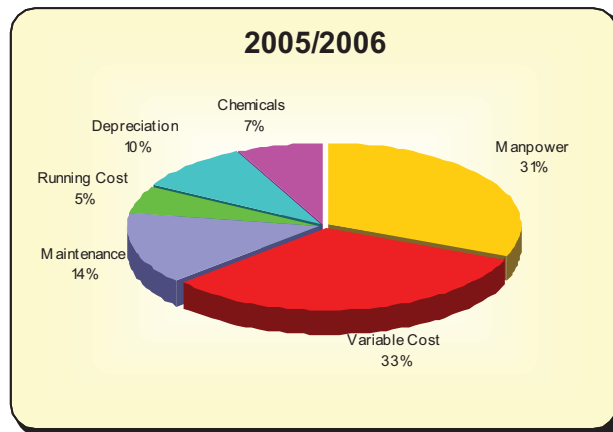
The ERWAT funding plan incorporates the identification of capacity needs, using a facilities development plan, which enables the company to determine with a reasonable degree of accuracy when and where facilities are needed. This information is used in conjunction with a long-term financial model indicating the impact of large projects on cash flows and tariffs for the Company. The optimal timing of these projects coupled to negotiating the best possible terms and conditions on long term loan funding and careful cash management has enabled ERWAT to keep tariffs to a minimum over the thirteen years of its existence.

Tariffs

The establishment of ERWAT at the end of 1992 has benefited the region greatly in terms of the cost of wastewater purification. In 1992/93 (at the establishment of ERWAT) the average tariff of wastewater treated was 51.52 cents per kilolitre (c/kl). If the cost of wastewater treatment had risen with the average consumer price index over the past thirteen years, the treatment cost for the 2005/06 year would have been 123.30 cents per kilolitres (c/kl). Instead, as a result of ERWAT and the economies of scale we have achieved, in 2005/06 the average tariff was 85.25 cents per kilolitre (c/kl), which reflects an average increase over the period of only 3.7 percent per year. This represents a saving for the members of approximately R568 million over the past thirteen years.

The water business

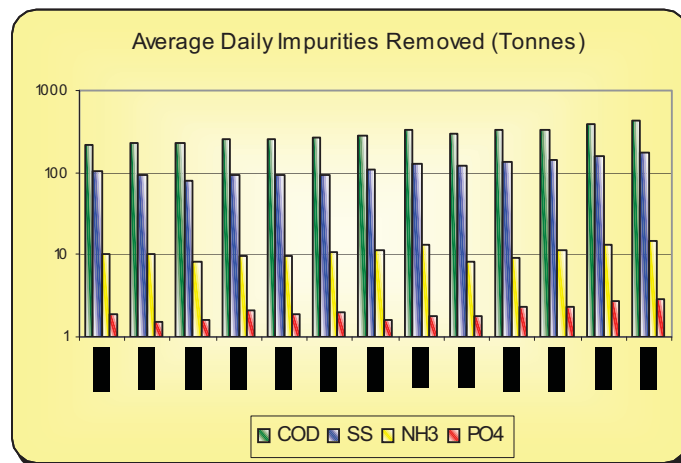
2005/2006 Breakdown of budget



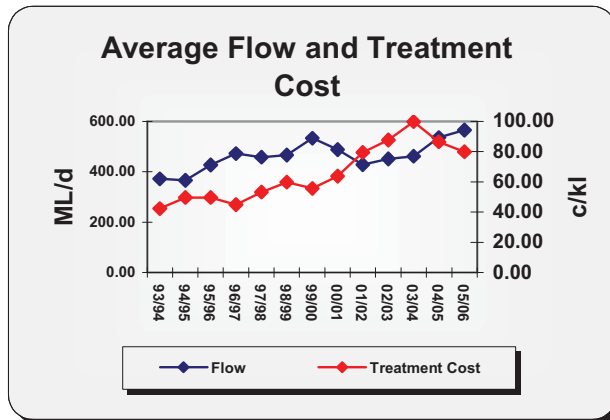
In the highly industrialized areas that ERWAT serves, effluent treatment has become increasingly complex and so have the wastewater care works. To operate these plants, well trained operators and managers are needed to ensure the smooth running and compliance with all legislative requirements. The 20 wastewater treatment plants operated by ERWAT, covers a wide range of treatment processes, from the older biological filters to the latest biological nutrient removal activated sludge processes.

ERWAT has adopted the strategy to train and educate its employees in order to have the best-qualified personnel. This can be seen by the quality of effluent produced at very competitive costs, a feat only accomplished by capable employees.

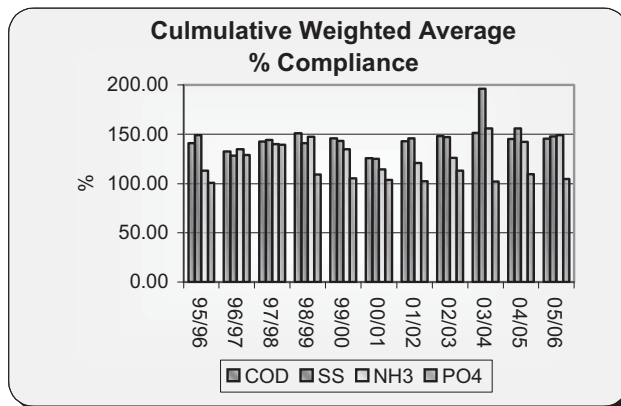
During 2005/06 over 3 million people and over 2000 industries discharged over 600 million litres of effluent daily to the 20 waste water treatment plants where 65 000 tons of pollutants were removed during the 2005/2006 financial year.



Due to an above average growth in load and volume, some major upgrading and extensions took place to meet the demand. With the increase in load an increase in sludge production was imminent and more that 170 tons of dried bio-solids was removed daily. ERWAT remains in constant collaboration with industries and other customers to reduce the metal content of their effluent so that bio-solids can be recycled.



Notwithstanding ERWAT's high level of quality, performance failures do occasionally occur. Most of these are due to unexpected industrial effluent pollution and power failures.



The retrofitting of plants to comply to the new 2010 water standards set by the Department of Water Affairs and Forestry (DWAF), as well as the construction of new plants to cope with the increasing loads, is progressing well.

Changes made to the process and operational detail due to constant research and development is now proving to benefit ERWAT not only in a cost saving manner but also making the operation of plants more user friendly.

Upgrading of Hartebeestfontein Wastewater Care Works

The Hartebeestfontein WCW has been going through an upgrade as from 2005. Most of the critical work on the upgrade has been completed and the project is expected to be completed by the end of May 2007. The process has dramatically improved and positive effluent results have already been recorded. The effluent produced at the moment meets the current effluent discharge standards and it is expected that the plant will meet the 2010 standards once the upgrade is completed.



Hartebeestfontein WCW being upgraded

The upgrade includes the automation of the plant with a computerized SCADA control system. This system allows for better process control, better maintenance and allows for remote control of the plant. The upgrade also includes an incorporation of an off-line balancing dam, which minimizes the negative effects caused by daily peaks on the process.



The new off-line balancing dam at Hartebeestfontein WCW

Sludge handling facilities at the plant are also improved. An odour control system is introduced to minimize odours from the raw sludge pump station.



Odour Control System at Hartebeestfontein WCW

All these improvements at **Hartebeestfontein WCW** will benefit the plant and will continue to do so in years to come in terms of effluent quality, cost saving, better sludge handling and extended equipment lifespan.

At **Olifantsfontein WCW** a fully automated sludge settling meter was developed by ERWAT and a private company. The instrument was used during the experimental stage of a Water Research Commission project. The meter was tested at full-scale, proving its robustness and low maintenance demands. Sludge settling parameters are logged in electronic format to provide a comprehensive settle-ability profile. A private company is upgrading the present unit for a range of applications. ERWAT will use this meter in future at different plants for process optimization.



Olifantsfontein WCW: Fully automated sludge settling meter

The bypass sewer from the Vlakplaats WWCW to Waterval WWCW has been completed. This bypass will add a further option of diverting excess flow to the Waterval plant, in line with ERWAT's strategy of creating capacity in future only at the Waterval regional WWCW once the other plants reach full capacity.



The new 50MI/day Waterval WWCW module 4 is currently under construction with expected completion date November 2007.



Development

New module for Waterval WCW

During May 2005, Group 5 was appointed as the main civil contractor for the 50MI/d extension to the Waterval Regional Water Care Works, with a project value of R165 million, and a construction period of 30 months. Progress with the project is on schedule and on completion. This plant will be the largest regional WcW operated by ERWAT, serving the South-Western area of Ekurhuleni. (Rietspruit drainage area)



Grinaker LTA was appointed as the main Contractor for the upgrading and changing of the process configuration of this 45MI/d plant, that serves the greater part of Kempton Park (including the industrial areas) in Ekurhuleni. This project is due for completion by the end 2006 at an expected total cost of R65 million. The project consists of the construction of a flow and load balancing facility, the upgrading and reconfiguration of three 10 MI/d and one 15 MI/d modules to also extend the retention time and oxygenation capacity of the plant.



Vlakplaats WCW – bypass sewer

The construction of the 1100m, 600 – 750 mm diameter bypass sewer at Vlakplaats was finished in May 2006 at a cost of R4 million. This project was necessitated by development in the catchment area and to link the plant with the regional works at Waterval.

The Rhodes BioSURE Process

The Rhodes BioSURE Process® technology was launched in January 2005 at ERWAT Ancor WCW. A plant has subsequently been established at Ancor to treat 10 MI/d of water from Grootvlei Mine, mainly to remove sulphates from the water, but using sewage sludge as energy source for the biological process. With the operation of the plant, sulphate reduction levels of up to 85% are achieved.

Research and development

The research and development drive in ERWAT serves as a strategic vehicle to ensure continued improvement in water discharge quality, sludge handling methods and the development of technology to deal with various environmental issues. ERWAT collaborates extensively with the Environmental Biotechnology Research Unit (EBRU) at Rhodes University, the University of Pretoria, the Water Research Commission and other role players.

The Chair in Wastewater Management in the Department of Chemical Engineering at the University of Pretoria is in its second five-year term and is fulfilling its contractual obligations and expectations.

R & D projects are identified, evaluated and co-ordinate by the R & D Forum that operates within ERWAT. Current focus of the projects is on sludge management technologies and the required compliance with the new sludge guidelines that is in the process of development. These projects include:

- The Rhodes BioSURE Process
- Beneficial usage and application of sludge for productive farming – in co-operation with Agricultural Department of UP.
- The influence of sludge conditions on the soil conditioning properties of sewage sludge.
- Evaluation of a South African clinoptilolite, for ammonia –nitrogen removal from secondary effluent.



The beneficial usage and application of sludge for productive farming is researched in co-operation with the Agricultural Department of Pretoria University

What makes the ERWAT laboratory so successful is the fact that it receives about 5 000 samples per month and some 50 000 analyses are carried out on these samples per month.

Human Capital Development and Relations

Employee Relations

The respectful relationship between ERWAT and all unions continues to provide stability to the company, with no man-days lost due to strike action in the past year.

Talent Management

ERWAT's talent management strategy, which has been rolled out over the last five years, forms part of the strategic business planning process and is a joint effort between line managers and the Department of Human Resources. Succession-planning models were created to gain comprehensive understanding of future needs.

Remuneration Strategy

ERWAT's reward strategy complements the objectives of ERWAT by attracting and retaining highly skilled achievement-oriented individuals to meet business needs, retaining value-adding individuals through market-related and performance driven remuneration and encouraging the development of skills and competencies required to meet current and future business needs.

This is accomplished through:

- Rewarding performance and competencies, differentially based on the market
- Securing the commitment of the employees to ERWAT's business strategy through the optimum mix of financial and non-financial benefits.
- Regularly reviewing guaranteed pay through market surveys.
- Linking increments in guaranteed pay to both competency and performance levels.
- Providing incentives bonuses, which appropriately reward for value created by individuals.

Training and development

The company continued with ongoing training initiatives, such as Adult Basic Education and Training (ABET), learnerships, WEFTEC wastewater treatment

training for international candidates, as well as external training for some occupational groups.

Marketing and communication

ERWAT develops various marketing and communication strategies every year to ensure the visibility of ERWAT in the market, to communicate with all its target markets and to reach current and potential clients.

These strategies involve advertisements in trade magazines, exhibition stands at major trade shows, promotions, sponsorships, publicity in local and national media, an interactive webpage and various publications.

ERWAT also takes its social responsibility role seriously and launches numerous campaigns in various communities every year.

These campaigns are held to establish and raise awareness about the group amongst its communities and organisations such as corporate companies, secondary and high schools, youth organisations, NGO's and welfare organisations. ERWAT also participates in a number of national events like National Water Week, National Sanitation Week and National Youth Day.

The company also often partners with other role-players in various community projects. ERWAT is one of the full sponsors of the "Masidlaleni" (*Let's Play*) Sport Development Programme initiated by the Mayor of the Ekurhuleni Metropolitan Municipality and the Mayoral Golf Day and equally supports many other initiatives by the Metro.

Acknowledgement

The excellent results would never have been achieved without a dedicated Board of Directors, visionary management and a hardworking staff complement. Thank you for your commitment to excellence and for always putting the company's interests first.

A hearty word of thanks is also extended to our business partners, shareholders and valued customers for their continued support to ERWAT.

Pat Twala
Managing Director

Corporate Governance

Introduction

Sound Corporate governance structures are in operation at ERWAT, referring to the set of processes, customs, policies, laws and institutions affecting the way in which the company is directed, administered and controlled.

ERWAT supports the concept of more transparent and accountable corporate governance, as contained in the King Committee Report.

The Board of Directors

The Board of four non-executive Directors and the Managing Director meet once a month under the chairmanship of Ms Sheilagh Marx to consider issues, make resolutions and take note of departmental activities. The Directors are normally appointed for a period of 36 months.

Audit Committee

In terms of the Local Government Municipal Finance Management Act, ERWAT falls under the jurisdiction of the Ekurhuleni Metropolitan Municipality's Audit Committee.

Remuneration Committee

The Remuneration Committee consists of the Managing Director, Mr Pat Twala, ERWAT Director Mr George Ratswana, Executive Manager Human Resources, Mr Rodney Barnes, who attends the meetings and acts as secretary for the meeting as well as Mr Dario Bettoni, representing Ertec (Pty) Ltd. This committee reviews remuneration policies and practices in the company and determines levels of remuneration and terms and conditions of employment of senior executives.

Code of ethics

ERWAT is committed to a strong set of values, which is shared, known and supported by everyone in the company. ERWAT strives to conduct its business in an ethical manner, and has adopted a set of values dealing with beliefs, norms, standards, people, traditions and customs.

These values are vision, integrity, excellence, enablement and customer orientation.

Financial statements

The Directors assume responsibility for preparing financial statements that fairly present the financial position of the Group at the end of each financial year and the result of its operations and cash flows for that year. The external auditors are responsible for independent reviews and reporting on those financial statements.

The financial statements set out in the report have been prepared by management in accordance with generally accepted and appropriate accounting practice. These accounting policies have been consistently applied, and are supported by reasonable and prudent judgements and estimates.

Internal control

The Group's internal accounting controls and systems are designed to provide reasonable assurance regarding the integrity and reliability of its financial information and to safeguard its assets. These controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties. They are monitored throughout the Group and all employees are required to act with integrity under all circumstances. The internal audit function is now performed by the Internal Audit Department of the Ekurhuleni Metropolitan Municipality.

Going concern

The Directors have no reason to believe the Company or the Group will not be entering the foreseeable future based on forecast and available cash resources. The viability of the Company and the Group is supported by the financial statements.

Board of Directors

The directors of the company during the year under review and at the date of this report were:

Ms S C Marx (Chairperson)
N P Twala (Managing)
Mr Arie Korf
Mr George Ratswana
Ms Thobile Msomi

Observers:

Mr M G H Akoon
Mr J Vorster

Secretary
G A Mashaba

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NORKEM PARK
1631

BUSINESS ADDRESS

Bapsfontein Road
KEMPTON PARK

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL
LEGISLATURE ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE EAST RAND WATER CARE COMPANY (PROPRIETARY)
LIMITED (ERWAT) FOR THE YEAR ENDED 30 JUNE 2006**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of ERWAT which comprise the consolidated and separate statement of financial position as at * 30 June 2006, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 122(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 1973 (Act No. 61 of 1973), where applicable.

This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), section 126(3) of the MFMA and section 300 of the Companies Act of South Africa, 1973 (Act No. 61 of 1973), where applicable, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 1512 of 2006*, issued in *Government Gazette No. 29326 of 27 October 2006*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The municipal entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in note 1 to the financial statements.

Basis for qualified opinion

9. **Departure from SA Generally Accepted Accounting Practice**

The company did not comply with the following requirements of International Accounting Standards (IAS):

(i) Property, plant and equipment, IAS 16

(a) In terms of ERWAT's accounting policy in respect of property, plant and equipment, civil work structures were not depreciated. This was contrary to IAS 16, paragraph 58, which states that only land has an unlimited useful life and therefore civil work structures are considered to be depreciable assets, as a result depreciation was misstated.

(b) Taking into account the nature of the non-civil work structures, an exercise was not performed to determine whether each part of an item of property, plant and equipment with a cost that was significant in relation to the total cost of the item, had been depreciated separately in terms of IAS16, paragraph 43.

(c) An annual impairment test was not performed and therefore the fair value of assets could be misstated.

(d) The periodic review of the useful life of assets and the assessment of the asset residual values was not conducted during the current financial period.

(ii) Capital reserve

Note 15 to the financial statements reflected that the capital reserve was created as a result of the transfer of various water care works and regional outfall servers from the Ekurhuleni Metropolitan Council to ERWAT at no cost or at a reduced value. These land and buildings were brought to account at existing market value at the date of transfer by crediting this reserve.

Paragraph 12 of IAS20, Accounting for government grants and disclosure of government assistance, stipulates that government grants shall not be credited directly to

shareholders' interests. Paragraph 26 of mentioned statement requires that a grant set up as deferred income should be recognised as income on a systematic basis over the useful life of the asset. This accounting treatment was not adopted by ERWAT. This resulted in the misclassification of the year-end balances in respect of Deferred Income and Capital Reserve.

Qualified opinion

10. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of ERWAT and group as at 30 June 2006 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the annual financial statements, and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

Emphasis of matters

I draw attention to the following matter:

11. Significant uncertainty

Investments in subsidiaries

Investments in subsidiaries were not accounted for in terms of consolidated and separate financial statements, IAS 27, as a result of unavailability of the financial information of Aquafrica (Proprietary) Limited (Aquafrica). This entity was dormant and therefore the investment in the subsidiary of R68 000 as disclosed in the financial statements could be impaired.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

12. Material non-compliance with applicable legislation

(a) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

Section 166(1) of the MFMA, prescribes that each municipality and each municipal entity must have an audit committee. ERWAT entered into an agreement with its parent municipality, Ekurhuleni Metropolitan Municipality (EMM), to share the services of the audit committee. However, the audit committee did not consider the affairs of the company during the year.

Furthermore, the internal audit department did not prepare a risk based audit plan as required by section 165(2) of the MFMA.

(b) Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

Section 93K of the MSA, prohibits a municipal entity from the establishment of and acquisition of interests in corporate bodies. Contrary to this ERWAT held a 100% interest in both ERTEC (Proprietary) Limited and Aquafrica.

In line with good governance, the board should have regularised the transaction to ensure it was in line with the MSA and appropriately accounted for.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

Responsibility of the accounting officer

13. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

Responsibility of the Auditor-General

14. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

17. The required performance information report was not prepared and could therefore not be audited.

APPRECIATION

18. The assistance rendered by the staff of ERWAT during the audit is sincerely appreciated.



Ms MA Masemola for Auditor-General

Johannesburg

5 July 2007



A U D I T O R - G E N E R A L

East Rand Water Care Company (ERWAT)

**(an association incorporated in terms
of section 21 of the Companies Act)
(Registration number 1992/005753/08)**

**Annual financial statements
for the year ended 30 June 2006**

The directors are responsible for the preparation , integrity and fair presentation of the financial statements of East Rand Water Care Company (ERWAT) and its subsidiaries. The financial statements presented on pages 6 to 27 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice , and include amounts based on judgements and estimates made by management.

.....
Financial Manager

.....
Date

.....
Chief Finance Officer

.....
Date

EAST RAND WATER CARE COMPANY (ERWAT)
(an association incorporated in terms of section 21 of the Companies Act)
(Registration number 1992/005753/08)

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2006

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EAST RAND WATER CARE COMPANY (ERWAT)
(an association incorporated in terms of section 21 of the Companies Act)
(Registration number 1992/005753/08)

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
for the year ended 30 June 2006

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of East Rand Water Care Company (ERWAT) and its subsidiaries. The financial statements presented on pages 6 to 29 have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice, and include amounts based on judgments and estimates made by management.

The going concern basis has been adopted in preparing the financial statements. Due to the requirements of the Municipal Systems Amendment Act the Group is in a process of unbundling, the effect of which is that some Group companies may be deregistered in the 2007 financial year.
These financial statements support the viability of the group and the company.

The financial statements have been audited by the independent auditors, Auditor General, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of Auditor General is presented on page 2.

The financial statements were approved by the board of directors on 28 March 2007 and signed on its behalf .

Chairperson
S Marx

Managing Director
P Twala

CERTIFICATE BY CHIEF FINANCIAL OFFICER
for the year ended 30 June 2006

In my opinion as Chief Financial Officer , I hereby confirm, in terms of the Municipal Finance Management Act, that for the year ended 30 June 2006, the Municipal Entity has lodged with the Municipal Manager all such returns as are required of a Municipal Entity in terms of this Act and that all such returns are true, correct and up to date.

W I Louw
Chief Financial Officer

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST RAND WATER CARE COMPANY

We have audited the annual financial statements and group annual financial statements of East Rand Water Care Company set out on pages 3 to 29 for the year ended 30 June 2006. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with South African Municipal Annual Financial Statements of Generally Recognised Accounting Practice, and in the manner required by the Municipal Finance Management Act in South Africa.

Auditor General

EAST RAND WATER CARE COMPANY (ERWAT)
(an association incorporated in terms of section 21 of the Companies Act)
(Registration number 1992/005753/08)

DIRECTORS' REPORT
for the year ended 30 June 2006

The directors present their report which forms part of the audited annual financial statements of the company and the group for the year ended 30 June 2006.

PRINCIPAL ACTIVITY OF THE GROUP AND COMPANY

The principal activity of the company and the group is the conveyance and treatment of waste water, and the provision of related engineering services and products.

FINANCIAL RESULTS

The net profit of the group for the year was R6 170 000 (2005: R4 154 000), after adding (deducting) taxation of R NIL (2005: (R 181 000)). Full details of the financial results are set out on pages 6 to 29 of the annual financial statements.

SHARE CAPITAL

The company does not have share capital since it is a section 21 company.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The directors are not aware of any matter or circumstances arising since the end of the financial year, other than the unbundling of the Group referred to in the statement of responsibility to comply with the requirements of the Municipal Systems Amendment Act, not otherwise dealt with in the annual financial statements, that would significantly affect the operations of the company or the group or the results of those operations.

EAST RAND WATER CARE COMPANY (ERWAT)
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DIRECTORS' REPORT (continued)
for the year ended 30 June 2006

SUBSIDIARIES AND JOINT VENTURES

Interest in subsidiaries

The following information relates to the company's financial interest in its subsidiaries:

Ertec (Pty) Ltd and Aquafrica (Pty) Ltd were wholly owned subsidiaries of the company throughout the year. The nature of the companies businesses are the engineering, construction and maintenance in the water services industry, and in the operation and maintenance of bulk and retail water utilities respectively. Details of the holding company's interest in these subsidiaries are set out in note 7 of the financial statements.

The holding company's interest in the aggregate loss incurred after taxation by these subsidiaries, amounted to (R2 341 000) (2005: R 6 488 000).

Details of holding company's interest

	<u>Issued share capital and proportion held</u>	<u>Shares at cost</u>					<u>Indebtedness</u>	
		No. of shares	%	2006	2005	2006	2005	
				R'000	R'000	R'000	R'000	
COMPANY								
Ertec (Pty) Ltd	2,000							
- ordinary shares of R1 each		100	2,000	2,000	5,104	5,061		
Aquafrica (Pty) Ltd	98							
- ordinary shares of R1 each		100	251	251	429	429		
GROUP								
Khulumanzi Control Systems (Pty) Ltd	4,000							
- ordinary shares of R1 each	156,000	100	4	4	-	-		
- redeemable preferential shares of R1 each		100	156	156	-	-		

Investment in joint ventures

The group has a 49% interest in both Cosme South Africa (Pty) Ltd and Landustrie South Africa (Pty) Ltd. These joint ventures are engaged in the trading and manufacturing of wastewater treatment equipment. Details of the assets, liabilities, revenue and expenditure of the joint ventures that are included in the consolidated income statement and balance sheet are set out in note 8 to the annual financial statements.

EAST RAND WATER CARE COMPANY (ERWAT)
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DIRECTORS' REPORT (continued)
for the year ended 30 June 2006

Details of holding company's interest

	No of shares	%	<u>Shares at cost</u>		<u>Indebtedness</u>	
			2006 R'000	2005 R'000	2006 R'000	2005 R'000
Cosme South Africa (Pty) Ltd - ordinary shares of R1 each	980	49	1	1	49	49
Landustrie South Africa (Pty) Ltd - ordinary shares of R200 each	1,000	49	196	196	1,807	1,807

DIRECTORS

The directors of the company during the year under review and at the date of this report were:

P Twala (Managing)
 SC Marx (Chairperson)
 AW Korf
 G Ratswana
 TN Magerman (Msomi)

The secretary of the company is W I Louw, whose postal and business addresses are:

PO Box 13106
 NORKEM PARK
 1631

Bapsfontein Road
 KEMPTON PARK

AUDITORS

The Auditor General is the auditor of the group in terms of the requirements of the Municipal Finance Management Act

EAST RAND WATER CARE COMPANY (ERWAT)
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STATEMENT OF FINANCIAL POSITION
at 30 June 2006

	Notes	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
NET ASSETS AND LIABILITIES					
Net assets		360,573	353,917	364,174	355,176
Capitalisation reserve	16	214,110	214,110	214,110	214,110
Available for sale revaluation reserve	15	1,534	1,048	1,534	1,048
Accumulated surplus	14	144,930	138,760	148,531	140,019
Non-current liabilities		149,715	87,201	149,715	87,201
Long - term borrowings	17	90,895	73,294	90,895	73,294
Deferred income	25	58,820	13,907	58,820	13,907
Deferred taxation	18	-	-	-	-
Current liabilities		56,793	46,751	55,368	39,292
Trade and other payables	19	33,091	24,571	31,996	17,483
Current portion of long - term borrowings	17	14,870	13,450	14,870	13,450
Provisions	19	8,831	8,730	8,501	8,358
Total Net Assets and Liabilities		567,081	487,869	569,257	481,669
ASSETS					
Non-current assets		531,336	432,764	538,316	439,500
Property, plant and equipment	5	529,537	431,470	529,348	431,079
Investment in subsidiaries	7	-	-	7,172	7,130
Investment in joint ventures	8	-	-	-	-
Available for sale investments	9	1,796	1,291	1,796	1,291
Intangibles	6	3	3	-	-
Current assets		35,745	55,105	30,941	42,169
Debtors	11	33,139	17,120	28,568	6,997
Bank balances and cash	13	980	34,909	2,373	35,172
Taxation prepaid		664	-	-	-
Embedded derivative Asset	12	-	791	-	-
Amounts due from customers	10	962	2,285	-	-
Total Assets		567,081	487,869	569,257	481,669

EAST RAND WATER CARE COMPANY (ERWAT)
(Registration number 1992/005753/08)

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2006

	Notes	Actual Group 2006 R'000	Actual Group 2005 R'000	Actual Company 2006 R'000	Actual Company 2005 R'000
REVENUE					
Dividend received		45	51	45	51
Interest received - investments		1	170	1	170
Interest received - other		834	1,448	802	1,232
User charges		164,599	156,694	164,599	156,694
Other income		36,720	53,419	24,099	21,519
Gains on disposal of property , plant and equipment		-	161	-	126
Total Revenue	2	202,199	211,943	189,546	179,792
EXPENDITURE					
Employee related costs		68,754	69,080	63,912	61,245
Remuneration of Directors		290	255	244	219
Depreciation		13,823	11,922	13,621	11,675
Repairs and maintenance		18,970	21,404	19,084	20,639
Interest paid	3	9,447	8,359	9,270	8,359
Bulk purchases		47,404	43,921	47,404	43,921
General expenses		37,272	53,029	27,431	23,086
Loss on disposal of property , plant and equipment		69	-	69	-
Total Expenditure		196,029	207,970	181,035	169,144
SURPLUS/(DEFICIT)		6,170	3,973	8,511	10,648
Taxation	4	-	(181)	-	-
Surplus/(deficit) from ordinary activities		6,170	4,154	8,511	10,648
Attributable surplus/(deficit) of joint ventures		-	-	-	-
NET SURPLUS/(DEFICIT)		6,170	4,154	8,511	10,648

EAST RAND WATER CARE COMPANY (ERWAT)
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STATEMENT OF CHANGES IN NET ASSETS
 for the year ended 30 June 2006

COMPANY	Accumulated Surplus/(Deficit) R'000	Capitalisation reserve R'000	Investment Fair Value Adjustment reserve R'000	Total R'000
Balance at 30 June 2004	129,371	214,110	665	344,146
Available for sale revaluation reserve	-	-	383	383
Net surplus/(deficit) for the year	10,648	-	-	10,648
Balance at 30 June 2005	140,019	214,110	1,048	355,177
Available for sale revaluation reserve	-	-	486	486
Net surplus/(deficit) for the year	8,511	-	-	8,511
Balance at 30 June 2006	148,531	214,110	1,534	364,174
GROUP				
Balance at 30 June 2004	134,606	214,110	665	349,380
Available for sale revaluation reserve	-	-	383	383
Net surplus/(deficit) for the year	4,154	-	-	4,154
Balance at 30 June 2005	138,760	214,110	1,048	353,917
Available for sale revaluation reserve	-	-	486	486
Net surplus/(deficit) for the year	6,170	-	-	6,170
Balance at 30 June 2006	144,930	214,110	1,534	360,573

EAST RAND WATER CARE COMPANY (ERWAT)
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CASH FLOW STATEMENT
for the year ended 30 June 2006

	Notes	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		188,496	208,032	169,845	178,042
Cash paid to suppliers and employees		(166,091)	(185,696)	(147,078)	(150,480)
Cash generated from operations	20.1	22,405	22,336	22,767	27,562
Grant received from MIG		44,913	13,907	44,913	13,907
Interest received		836	1,618	804	1,402
Interest paid		(9,447)	(8,359)	(9,270)	(8,359)
Dividends received		45	51	45	51
Normal tax paid		(665)	-	-	-
Net cash inflow from operating activities		58,087	29,554	59,259	34,564
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(111,018)	(34,416)	(111,017)	(34,406)
Increase in other investments		(19)	(28)	(19)	(28)
(Increase)/decrease in interest in subsidiaries		-	-	(43)	(5,016)
(Increase)/Decrease in interest in joint venture		-	(510)	-	-
Proceeds from disposal of property, plant & equipment		-	147	-	80
Net cash outflow from investing activities		(111,037)	(34,807)	(111,079)	(39,369)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in Long term borrowings		19,021	6,634	19,021	6,634
Net cash inflow from financing activities		19,021	6,634	19,021	6,634
Net increase in cash and cash equivalents		(33,929)	1,381	(32,799)	1,829
Cash and cash equivalents at beginning of period		34,909	33,528	35,172	33,343
CASH AND CASH EQUIVALENTS AT END OF PERIOD		980	34,909	2,373	35,172

EAST RAND WATER CARE COMPANY (ERWAT)
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1. ACCOUNTING POLICIES

The principal accounting policies of the group adopted in the preparation of these consolidated financial statements are set out below and are consistent with those applied in the previous year and comply with South African Municipal Annual Financial Statements of Generally Recognised Accounting Practice.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally accepted accounting Practises (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

STANDARD OF GRAP	REPLACED STATEMENT OF GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1,2, &3 has resulted in the following significant changes in the presentation of the financial statements:

1 Terminology differences

STANDARD OF GRAP	REPLACED STATEMENT OF GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit for the period	Profit / loss for the period
Accumulated surplus / deficit	Retained earnings
Contributions from owners	Share capital
Distribution to owners	Dividends
Reporting date	Balance sheet date

2 The cash flow statement can only be prepared in accordance with the direct method.

3 Specific information such as:

- a. Receivables from non exchange transactions, including taxes and transfers,
- b. Taxes and transfers payable,
- c. Trade and other payables from non exchange transactions, must be presented separately on the statement of financial position.

4 The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 -15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non disclosure will not affect fair presentation.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

CONSOLIDATION

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between the group companies have been eliminated. Separate disclosure is made of minority interests.

A listing of the group's subsidiaries is set out in note 7 to the annual financial statements.

JOINT VENTURES

Investments in jointly controlled entities are accounted for by the equity method. Further details about the joint ventures are shown in note 8 to the annual financial statements.

INVESTMENTS IN FINANCIAL INSTRUMENTS

The company has classified its Investment in Old Mutual Unit Trusts as Available for Sale Investments. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

BORROWING COSTS

Interest costs are charged against income in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate. The deferred income relating to government grants are recognised on the following basis:

- Capital contributions on plant and equipment over the estimated useful life of of plant and equipment.
- Income-related grants subsidising expenses: credited the related expense items as recovery of costs

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset (less its residual value) over its estimated useful life as follows:

Implements and machinery	20%
Water care works	6.67%
Motor vehicles	25%
Furniture and equipment	10-33%

Land and buildings are not depreciated.

Monitoring stations are written off as an expense in the year of purchase.

Replacement costs of machinery and equipment that form an integral part of water care works are written off as an expense in the year of purchase and are shown as renewal expenditure.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

LEASED ASSETS: RIGHT OF USE

The company has exclusive rights to use certain leased water care works for specified periods in return for a series of payments. These rights are capitalised and are depreciated over the repayment period of the loan. Lease charges are amortised over the duration of the loan agreement by the effective interest rate method, which takes into account the effective interest charge on the lease.

INTANGIBLES

Expenditure on licenses is capitalised and amortised using the straight-line method over its useful life of five years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of net assets of the acquired subsidiary at the date of acquisition. Goodwill is amortised using the straight-line method over its useful life of five years. The carrying amount of goodwill is reviewed annually and adjusted for impairment where it is considered necessary.

CONTRACTS IN PROGRESS

Profits or losses in respect of long term contracts are recognised on the stage of completion method. The stage of completion is determined on the basis of the proportion of costs incurred for work performed on the contract at the balance sheet date to the estimated total costs of the contract. Anticipated losses on incomplete contracts are fully provided for as soon as the loss is foreseen and includes any loss related to future work on the contract. Contracts in progress are stated at cost plus profit taken to date less any provision for losses.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash includes cash on hand and deposits held on call with banks.

DEFERRED TAXATION

Deferred taxation liabilities are recognised for all taxable temporary differences. Deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

EAST RAND WATER CARE COMPANY (ERWAT)
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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

REVENUE

Revenue comprises the invoiced value of services rendered in respect of water purification, laboratory services by products sold, and maintenance of purification installations, as well as rent received and the value of certified work on long term contracts as at balance sheet date. It excludes investment and other non-operating income and value added taxation. Consolidated revenue excludes sales to group companies. Revenue arising from rent received is recognised on an accrual basis.

RESEARCH AND DEVELOPMENT

Research costs are written off as incurred. Development costs are written off as incurred unless the costs are considered recoverable from probable future cost savings or sales revenue. Where development costs are deferred, they are written off on the straight-line basis over the life of the process or product, subject to a maximum of five years. The amortisation begins from the commencement of the commercial production of the product or use of the process to which they relate.

RETIREMENT BENEFIT INFORMATION

The ERWAT group operates two defined contribution plans, the assets of which are held in separate trustee-administered funds. The defined contribution plans are funded by payments from employees and the relevant group companies, taking account of the recommendations of independent qualified actuaries. The group's contributions to the defined contribution plans are charged to the income statement in the year to which they relate.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, available for sale investments, receivables, trade creditors and borrowings. These instruments are generally carried at their estimated fair value. For example, receivables are carried net of the estimated doubtful receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

AVAILABLE FOR SALE REVALUATION RESERVE

Available for sale financial assets are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in equity prices. Unrealised gains or losses arising from the changes in the fair value of AFS assets are recognised in equity. On disposal of AFS assets, the fair value of adjustments accumulated in equity are recognised in the statement of financial performance.

CAPITAL RESERVE

The transfer of various water care works and regional outfall sewers from the Ekurhuleni Metropolitan Council to ERWAT at no cost or at a reduced value are recognised in Capital reserve at fair value on the date of transfer. These land and buildings are brought to account at existing market value at the date of transfer by crediting this reserve.

EAST RAND WATER CARE COMPANY (ERWAT)
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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
2. SURPLUS FROM OPERATIONS				
Operating profit is arrived at after taking into account the following:				
Revenue from				
- Rendering of services	164,599	156,694	164,599	156,694
- Laboratory income	15,477	10,993	15,477	10,993
- Sundry income	21,287	42,638	8,667	10,703
- Interest received	836	1,618	804	1,402
	<u>202,199</u>	<u>211,943</u>	<u>189,547</u>	<u>179,792</u>
Auditor's remuneration				
- Audit fee				
- Current year	585	325	332	265
	<u>585</u>	<u>325</u>	<u>332</u>	<u>265</u>
Depreciation				
- Furniture and equipment	538	721	538	659
- Implements and machinery	2,436	2,342	2,366	2,321
- Motor vehicles	759	1,127	627	963
- Water care works: owned	9,135	7,111	9,135	7,111
- Water care works: right of use	15	18	15	18
	<u>12,883</u>	<u>11,318</u>	<u>12,681</u>	<u>11,071</u>
Net (loss)/ profit on disposal of property plant and equipment	69	(91)	69	(126)
Directors' remuneration				
	Total	Remuneration	Allowances	Contributions Pension & Medical
	R'000	R'000	R'000	R'000
Executive directors				
MP Twala	1,032	783	120	129
Non-executive directors				
SC Marx	70	68	2	-
S Ratswana	58	56	2	-
AW Korf	57	56	1	-
TN Magerman (Msomi)	57	56	1	-
	<u>242</u>	<u>236</u>	<u>6</u>	<u>-</u>
Operating leases - equipment	873	754	836	662
Foreign exchange loss	234	257	-	-
Fair Value Gain on Embedded Derivative	791	803	-	-
Impairment of Investments in Joint Venture	-	510	-	-

EAST RAND WATER CARE COMPANY (ERWAT)
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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
2. SURPLUS FROM OPERATIONS (continued)				
Staff costs				
- Salaries, wages, benefits and allowances	65,827	65,325	61,085	57,334
- Incentive reward scheme	3,077	4,156	2,827	3,911
	<u>68,904</u>	<u>69,481</u>	<u>63,912</u>	<u>61,245</u>
Number of persons employed by the group during the year				
- Full time	384	403	370	383
- Part time	66	62	48	50
	<u>450</u>	<u>465</u>	<u>418</u>	<u>433</u>
Research and development costs expended	898	1,209	898	1,209
Income from investments:				
- Dividend income: listed investments	46	51	46	51
- Interest income: interest received	834	1,618	802	1,402
	<u>880</u>	<u>1,670</u>	<u>848</u>	<u>1,454</u>
3. FINANCING COSTS				
Interest paid: Borrowings	9,447	8,143	9,270	8,359
4. TAXATION				
S A Normal tax	-	(181)	-	-
Current tax	-	-	-	-
Prior year	-	289	-	-
- current year	-	-	-	-
Deferred taxation	-	-	-	-
- current year	-	(470)	-	-
- prior year	-	-	-	-
Tax reconciliation				
Accounting Profit(Loss)	6,170	3,973	8,511	10,648
Tax rate adjustment	-	(16)	-	-
Taxation at 32.9%(2004 30%)	1,789	1,152	2,468	3,088
Prior year adjustment	-	289	-	-
Tax loss not provided for	679	1,844	-	-
Non taxable income	(2,468)	(3,088)	(2,468)	(3,088)
Taxation expense	-	181	-	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

5. PROPERTY, PLANT AND EQUIPMENT

COMPANY	Land and buildings	Implements and machinery	Water care works: owned	Water care works: right of use	Motor Vehicles	Furniture & Equipment	Total
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Year ended 30 June 2006							
Opening net carrying amount	342,167	7,765	77,834	40	1,316	1,957	431,079
Gross carrying amount	342,167	19,637	140,338	10,604	6,086	7,265	526,097
Accumulated depreciation	-	(11,872)	(62,504)	(10,564)	(4,770)	(5,308)	(95,018)
Additions	346,430	1,384	1,382	-	621	1,214	351,032
Disposal / Transfers	(239,416)	(304)	(14)	-	(33)	(316)	(240,083)
Depreciation charge	-	(2,366)	(9,135)	(15)	(627)	(538)	(12,681)
Closing net carrying amount	449,181	6,480	70,068	25	1,277	2,316	529,348
Gross carrying amount	449,181	20,718	141,707	10,604	6,674	8,162	637,046
Accumulated depreciation	-	(14,238)	(71,639)	(10,579)	(5,397)	(5,846)	(107,699)
Year ended 30 June 2005							
Opening net carrying amount	342,489	7,981	52,795	58	2,250	2,126	407,699
Gross carrying amount	342,489	17,532	108,188	10,604	6,057	6,775	491,645
Accumulated depreciation	-	(9,552)	(55,393)	(10,546)	(3,807)	(4,649)	(83,947)
Additions	224,740	2,258	32,150	-	67	745	259,960
Disposal / Transfers	(225,062)	(153)	-	-	(38)	(255)	(225,508)
Depreciation charge	-	(2,321)	(7,111)	(18)	(963)	(659)	(11,072)
Closing net carrying amount	342,167	7,765	77,834	40	1,316	1,957	431,079
Gross carrying amount	342,167	19,637	140,338	10,604	6,086	7,265	526,097
Accumulated depreciation	-	(11,872)	(62,504)	(10,564)	(4,770)	(5,308)	(95,018)
GROUP							
Year ended 30 June 2006							
Opening net carrying amount	342,167	7,804	77,834	40	1,559	2,066	431,470
Gross carrying amount	342,167	20,169	140,338	10,604	7,279	7,652	528,209
Accumulated depreciation	-	(12,365)	(62,504)	(10,564)	(5,720)	(5,586)	(96,739)
Additions	346,430	1,384	1,382	-	621	1,215	351,033
Disposal / Transfers	(239,416)	(304)	(14)	-	(33)	(316)	(240,083)
Depreciation charge	-	(2,383)	(9,135)	(15)	(761)	(589)	(12,883)
Closing net carrying amount	449,181	6,502	70,068	25	1,386	2,376	529,538
Gross carrying amount	449,181	21,250	141,707	10,604	7,867	8,551	639,159
Accumulated depreciation	-	(14,748)	(71,639)	(10,579)	(6,481)	(6,175)	(109,622)
Year ended 30 June 2005							
Opening net carrying amount	342,489	8,041	52,795	58	2,689	2,287	408,359
Gross carrying amount	342,489	18,064	108,188	10,604	7,282	7,152	493,779
Accumulated depreciation	-	(10,023)	(55,393)	(10,546)	(4,593)	(4,865)	(85,420)
Additions	224,740	2,258	32,150	-	67	755	259,970
Disposal / Transfers	(225,062)	(153)	-	-	(70)	(255)	(225,540)
Depreciation charge	-	(2,342)	(7,111)	(18)	(1,127)	(721)	(11,319)
Closing net carrying amount	342,167	7,804	77,834	40	1,559	2,066	431,470
Gross carrying amount	342,167	20,169	140,338	10,604	7,279	7,652	528,209
Accumulated depreciation	-	(12,365)	(62,504)	(10,564)	(5,720)	(5,586)	(96,739)

EAST RAND WATER CARE COMPANY (ERWAT)
(an association incorporated in terms of section 21 of the Companies Act)
(Registration number 1992/005753/08)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2006

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
6. INTANGIBLES				
Goodwill				
Opening net carrying amount	3	3	-	-
-Gross carrying amount	3	3	-	-
-Accumulated depreciation	93	93	-	-
Additions	-	-	-	-
Amortisation for the year	-	-	-	-
Closing net carrying amount	3	3	-	-
-Gross carrying amount	96	96	-	-
-Accumulated depreciation	93	93	-	-

7. INVESTMENT IN SUBSIDIARIES

Ertec (Pty) Ltd

Shares at cost	-	-	2,000	2,000
Loan owing by subsidiaries	-	-	5,104	5,061
	-	-	7,104	7,061

Aquafrica (Pty) Ltd

Shares at cost	-	-	251	251
Loan owing by subsidiaries	-	-	429	429
Share of accumulated loss at acquisition	-	-	(431)	(431)
Provision of write down of loan on acquisition of sub.	-	-	(180)	(180)
	-	-	68	69

Total investment in Subsidiaries

	-	-	7,172	7,130
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The company has subordinated its right to claim payment of debts R 434 000 owing by Aquafrica (Pty) Ltd, a subsidiary, until the assets of Aquafrica (Pty) Ltd, fairly valued, exceeded its liabilities. At 30 June 2006, there was a shortfall in assets, after being valued, of R 434 000 (2005: R 434 000)

Kulumanzi Control Systems (Pty) Ltd

Shares at cost	160	160	-	-
Share of accumulated loss at acquisition	(187)	(187)	-	-
Share of retained earnings since acquisition	121	121	-	-
Impairment	(46)	(46)	-	-
	48	48	-	-

EAST RAND WATER CARE COMPANY (ERWAT)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
 for the year ended 30 June 2006

	Group	Group	Company	Company
	2006	2005	2006	2005
	R ' 000	R ' 000	R ' 000	R ' 000
8. INVESTMENT IN JOINT VENTURES				
8.1 Cosme South Africa (Pty) Ltd				
Loan owing by Joint venture	49	49	-	-
Ordinary shares at cost	1	1	-	-
	<u>50</u>	<u>50</u>	-	-
Prior Year Recognised Loss	(50)	(50)	-	-
Current Year Recognised Profit	-	-	-	-
Carrying Value	<u>37</u>	<u>37</u>	-	-
Impairment	(37)	(37)	-	-
	<u>-</u>	<u>-</u>	-	-

Cosme South Africa (Pty) Ltd

Ertec (Pty) Ltd has a 49% interest in Cosme South Africa (Pty) Ltd, a company that trades in wastewater treatment equipment.

Below is the summary annual financial statements of Cosme South Africa (Pty) Ltd for the year ended 30 June 2005.

Income Statement

Revenue	-	-	-	-
Expenses	-	(37)	-	-
Loss before taxation	-	(37)	-	-
Taxation	-	-	-	-
Net loss for the year	-	(37)	-	-

Balance Sheet

Property, plant and equipment	-	-	-	-
Current assets	36	36	-	-
Current Liabilities	-	-	-	-
Shareholders' long term liabilities	(97)	(97)	-	-
	<u>(61)</u>	<u>(61)</u>	-	-

Comprising:

Capital and Accumulated deficit	(61)	(61)	-	-
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8.2 Landustrie South Africa (Pty) Ltd

Loan owing by Joint venture	1,807	1,807	-	-
Ordinary shares at cost	200	200	-	-
	<u>2,007</u>	<u>2,007</u>	-	-
Prior Year Recognised Loss	(1,115)	(1,115)	-	-
Current Year Recognised(Loss)	-	-	-	-
Prior Year Unrecognised loss recognised in the current year	-	-	-	-
Carrying Value	<u>892</u>	<u>892</u>	-	-
Current year impairment	-	(548)	-	-
Impairment	(892)	(344)	-	-
	<u>-</u>	<u>-</u>	-	-

Ertec has a 49% interest in Landustrie South Africa (Pty) Ltd, a company that manufactures wastewater treatment equipment.

Below is the summarised financial information from the management accounts, for the period from 1 January 2005 to 30 June 2005 of Landustrie South Africa (Pty) Ltd.

Income Statement

Revenue	-	102	-	-
Expenses	(127)	(1,298)	-	-
Loss before taxation	(127)	(1,196)	-	-
Taxation	-	-	-	-
Net loss for the year	(127)	(1,196)	-	-

Balance Sheet

Property, plant and equipment	283	311	-	-
Current assets	277	312	-	-
Current Liabilities	(446)	(589)	-	-
Long term liability	(75)	(34)	-	-
Shareholders' long term liabilities	(3,093)	(3,057)	-	-
	<u>(3,054)</u>	<u>(3,057)</u>	-	-

Comprising:

Capital and Accumulated deficit	(3,054)	(3,057)	-	-
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EAST RAND WATER CARE COMPANY (ERWAT)
(an association incorporated in terms of section 21 of the Companies Act)
(Registration number 1992/005753/08)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 30 June 2006

	Group 2006 R ' 000	Group 2005 R ' 000	Company 2006 R ' 000	Company 2005 R ' 000
9. AVAILABLE FOR SALE INVESTMENTS				
Unit trusts, at fair value				
Old Mutual	1,796	1,291	1,796	1,291

10. AMOUNTS DUE (TO) FROM CUSTOMERS

Costs incurred to date	35,533	50,055	-	-
Less: (Loss)/Profit recognised to date	2,689	(1,434)	-	-
	38,222	48,621	-	-
Less: Work certified to date	(37,260)	(46,336)	-	-
Amounts due (to)/ from customers	962	2,285	-	-

11. DEBTORS

Trade debtors	34,361	13,008	30,061	4,422
Prepayments	510	850	510	850
Retention debtors	895	1,480	-	-
Other receivables	1,739	2,974	1,739	2,594
	37,505	18,312	32,310	7,866
Less: Provision for doubtful debts	(4,356)	(1,192)	(3,742)	(869)
	33,149	17,120	28,568	6,997