

**MINUTES**  
**EKURHULENI METROPOLITAN MUNICIPALITY**  
**1<sup>ST</sup> ORDINARY COUNCIL MEETING (2008)**

**2008.01.31**

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**Item A-F (05-2008)      FINANCE DEPARTMENT: ANNUAL REPORT: 2006/07  
FINANCIAL YEAR**

(FIN BUDGET) (2008/01/030) (5/1/2; 5/1/3)

**RESOLVED:**

- 1. That** the contents of the report regarding the Annual Report of the Ekurhuleni Metropolitan Municipality for the 2006/07 financial year, compiled in terms of section 121 of the Municipal Finance Management Act, Act 53 of 2003, **BE NOTED**.
- 2. That it BE NOTED** that the report of the Auditor-General for the 2006/07 financial year **HAS NOT YET BEEN ISSUED**, and that it **IS EXPECTED** to be issued during February 2008.
- 3. That** the Annual Report and the Report of the Auditor-General **BE REFERRED** to the February 2008 Council Meeting for discussion.
- 4. That** the Annual Report and the Report of the Auditor-General **BE REFERRED** to the Audit Committee and that their comments **BE INCLUDED** in the Oversight Report to be submitted to Council in terms of section 129 of the MFMA.

## ITEM A - 2008

### FINANCE DEPARTMENT: ANNUAL REPORT: 2006/07 FINANCIAL YEAR

#### PURPOSE OF REPORT

To submit the Annual Report for the 2006/07 financial year to Council.

#### RECOMMENDATIONS

1. **That** the Annual Report of the Ekurhuleni Metropolitan Municipality for the 2006/07 financial year, compiled in terms of section 121 of the Municipal Finance Management Act, Act 53 of 2003, **BE NOTED**.
2. **That** it **BE NOTED** that the report of the Auditor General for the 2006/07 financial year has not yet been issued, and that it is expected to be issued during February 2008.
3. **That** the Annual Report and the report of the Auditor General **BE REFERRED** to the February 2008 Council Meeting for discussion.
4. **That** the annual report and the report of the Auditor General **BE REFERRED** to the Audit Committee and that their comments be included in the oversight report to be submitted to Council in terms of Section 129 of the MFMA.

<b>Strategic Priority</b>	Good Governance
<b>Ward affected</b>	All wards
<b>IDP linkage</b>	Strategic Issue – Budget and Financial Management KPI – Compilation of Annual Financial Statements

#### BACKGROUND

Every municipality and municipal entity must prepare an annual report for each financial year in accordance with the Municipal Finance Management Act (MFMA), the Division of Revenue Act and the Municipal Systems Act 2000.

The purpose of the annual report is

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and budget implementation; and
- to promote accountability to the local community.

As a result, the annual report is essentially a “report card” for both the financial performance and the non-financial performance of the organization over the last year and includes explanations for how problems or challenges will be dealt with for the future.

Section 121 of the MFMA prescribes that every municipality must within nine months after the end of its financial year deal with the Annual report of the municipality.

The financial statements for the 2005/6 financial year were submitted to the Auditor General for auditing purposes by the Finance Department on 31 August 2007. The Auditor General’s report on the 2006/2007 financial year has not yet been issued, but the Office of the Auditor General indicated that it will be issued during February 2008.

The annual report as attached does not contain the complete set of financial information, as a result of the pending audit report. The report is, however, submitted to ensure compliance with the MFMA. In discussions with National Treasury, it was indicated by them that an Annual Report

without the report of the Auditor General is preferable to the non-submission on an Annual Report as per the legislative deadlines.

## **PROPOSED PROCESS**

It is proposed that the following process be followed for the consideration of the Annual Report:

1. Annual Report without the Report of the Auditor General be noted at the Council Meeting of the 31<sup>st</sup> January 2007.
2. Report be referred to the February Council meeting for discussion as the report have not yet been considered by the Portfolio Committee.
3. The Finance portfolio committees consider the annual report as well as the report of the Auditor General during February 2008. All MMC's and ED's will be invited to attend the meeting.
4. The Audit Committee consider the annual report as well as the report of the Auditor General during February 2008.
5. Council considers the Annual Report at the February Council Meeting.
6. The oversight process to be concluded during March 2008.
7. The oversight report be considered by Council at the end of March 2008 as per the MFMA.

The 2006/2007 EMM Annual Report, inclusive of its Entities, is attached as Annexure "A" and is submitted for consideration.

# ANNUAL REPORT

of the

## Ekurhuleni Metropolitan Municipality

2006 – 2007



Ekurhuleni  
METROPOLITAN MUNICIPALITY

a partnership that works  
[www.ekurhuleni.com](http://www.ekurhuleni.com)

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# General overview of Ekurhuleni



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## Ekurhuleni General Information

Ekurhuleni is spread over 15.6% of Gauteng's land mass, houses 5.4% of the country's population, and 29% of Gauteng's population. Migration into the area is a key challenge. This is visible in the number of informal settlements and informal trading activity. The national census records 787 040 households, this is likely to increase when taking migration into account. The area is extremely densely populated (959 people per square km) when compared with both Gauteng (521 people per square km) and the national economy (38 people per square km). The average annual population growth rate within the metro was 2.0 percent over the period 1996 to 2003. This exceeds both the national and Gauteng growth figures for this period.

Ekurhuleni has a resident population of approximately 2.5 million people, of which 53% is economically active. The area contributes approximately 7.6% to national production and has a share of approximately 7.1% of national employment. Over the period 1996 to 2003, Ekurhuleni's economy grew by an estimated average of 2.4% per annum. Ekurhuleni contributes approximately 21% to the total economic output of the Gauteng province. Current Gross Value Add (GVA) is at 3.4%. The main contributing areas are Kempton Park, Germiston and Boksburg within Ekurhuleni.

### Ekurhuleni key comparative statistics<sup>1</sup>

Key Statistics (2003 estimates)	Ekurhuleni	Gauteng	National
Region area (sq km)	2,642	16,975	1,221,246
Population	2,534,180	8,845,741	46,710,858
Population density (nr of people per sq km)	959	521	38
Economically active population (as % of total pop.)	53%	53%	39%
No of households	787,040	2,731,869	12,144,712
Average household income (Rand, current prices)	88,025	115,817	70,326
Annual per capita income (Rand, current prices)	27,338	35,768	18,284
Gini coefficient	0.57	0.60	0.64
Formal sector employment estimates	679,213	3,156,772	9,058,793
Informal sector employment estimates	84,249	362,647	1,699,327
Unemployment rate (expanded definition)	40%	35%	41%
Percentage of persons in poverty	27%	27%	46%
Poverty gap (R million)	974	3,251	32,960
Human development index (HDI)	0.67	0.69	0.59
Index of Buying power (IBP)	0.08	0.34	1.00
Economic output in 2003 (R' million current prices)	84,000	416,562	1,100,929
Share of economic output (GVA % of SA in current prices)	7.6%	37.8%	100%
Economic output in 2003 (R' million constant 1995 prices)	48,074	236,846	619,790
Share of Economic output (GVA % of SA in constant 1995 prices)	7.8%	38.2%	100%
Economic growth performance 1996-2003 (GVA % growth pa constant 1995 prices)	2.4	3.7	2.5

<sup>1</sup> Source: Global Insight Southern Africa - Regional Economic Focus estimates as quoted in the Ekurhuleni IDP 2006-2010



In 2003, economic output in Ekurhuleni came to R48.1 billion (in constant 1995 prices), contributing close to 8% of total production in South Africa. The metropolitan area's gross value added per capita was R20 899 (in constant 1995 prices), which compares favorably to the national average of R14 480 (in constant 1995 prices). A high growth in 2001 and 2002 was mainly due to the exchange rate movements of the South African rand and its effect on the mining and related industries. Construction, transport, trade and financial services also benefited from the depreciation of the rand and contributed to the exceptional growth over this period. The opposite holds true for 2003, when local currency strengths resulted in a slowdown of growth in the various economic sectors. This point serves to illustrate that the economy of Ekurhuleni is relatively sensitive to exchange rate movements.



## Performance of various sectors to the economy<sup>2</sup>

Sector	Ekurhuleni % share GVA	Ekurhuleni % share Employment	National % share GVA	National % share Employment
Agriculture	0.5	1.1	3.8	9.9
Mining	2.5	2.3	7.1	4.8
Manufacturing	27.6	22.4	18.9	13.9
Electricity	1.5	1.1	2.3	0.9
Construction	2.8	4.7	2.6	3.7
Trade	13.5	20.2	13.3	17
Transport	14	7.8	10.1	4.8
Finance	22.5	13.1	20.7	11
Community Service (including households)	15.2	27.3	21.1	34

Manufacturing in Ekurhuleni contributes 22.4% to overall employment in Ekurhuleni. One out of every five of the employed in Ekurhuleni works in the manufacturing sector. Nationally the figure for labour absorption in manufacturing is 13.9%. Manufacturing in Ekurhuleni, as nationally, has recovered strongly in recent years from the slump in the late 1990s. And, in Ekurhuleni the performance has been much better. The average annual growth of manufacturing output in Ekurhuleni was 7.3% per annum from 1999 to 2004, compared to 3.1% per annum nationally. Manufacturing employment grew at an average annual rate of 3.3% in Ekurhuleni over the five years compared with continued contraction nationally (-1.4% change per annum).<sup>3</sup> This is due to both a stronger recovery in Ekurhuleni and sustained growth into 2004 due to the greater orientation of Ekurhuleni industry to local demand.

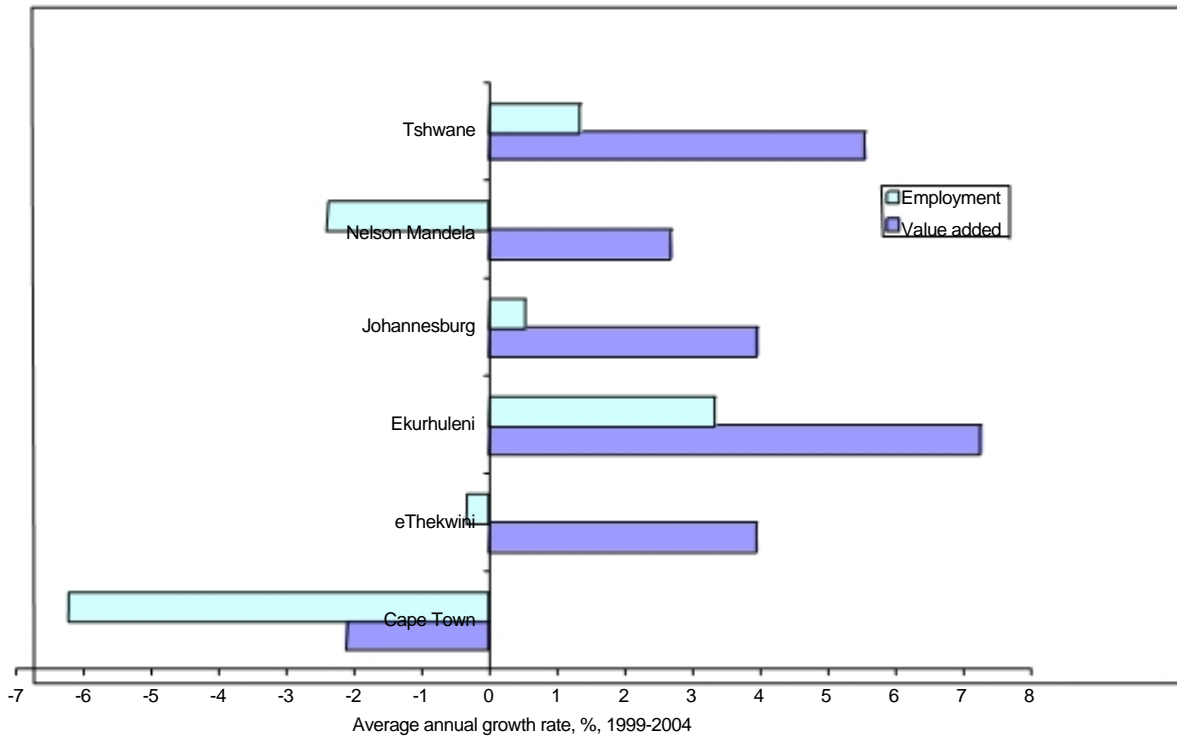
The Ekurhuleni economy has been steadily growing against the backdrop of the continued strong growth of local demand, and the significant capital spending planned by government and utilities. Ekurhuleni is by far the most important site for the manufacture of machinery and capital equipment for the power generation and transportation sectors. This is further reflected in a comparison of the relative performance of manufacturing in different metropolitan municipalities. On both manufacturing value-added and employment Ekurhuleni has recorded by far the highest growth rates of any Metro. The employment figure, in particular, reflects the more labour-intensive industries concentrated in Ekurhuleni, its inland location, the importance of growing local demand, and the rate of recovery of these industries from the mid-1990s slump. Long-term sustainable employment generation requires paying attention to these industries, and to what they need for ongoing improvements in their competitiveness.

### Manufacturing performance, by Metro, 1999-2004<sup>4</sup>

<sup>2</sup> Source: Global Insight Southern Africa - Regional Economic Focus estimates as quoted in the Ekurhuleni IDP 2006-2010

<sup>3</sup> This was computed from the firms surveys carried out by CSID - Wits, 2003, 2004 and 2005. Revised updates of national economic indicators are likely to reflect this increase in official figures. (from the Ekurhuleni IDP 2006-2010)

<sup>4</sup> Source: Global Insight Southern Africa - Regional Economic Focus estimates



In terms of employment, the labour-intensive sub-sectors of metals and of chemicals (especially the plastic products sub-sector) have underpinned job creation. Both of these sectors have recorded employment increases in recent years with the fuel, chemical, rubber and plastics sector recording annual average growth of 4.2% per annum from 1999 to 2004. The best performers are, however, the furniture and other manufacturing and the wood and wood products sectors with average employment growth of 9.8% and 7.3% per annum respectively over the same period.

Against this backdrop of a thriving formal economy, Ekurhuleni has become an attractive place for people seeking opportunities and has inherited massive backlogs linked to the former dormitory townships, which housed the labour force needed in urban areas. In the post 1990 period densification of the urban areas has led to Ekurhuleni being a highly concentrated urban complex.

A critical programme in the municipality is Local Economic Development (LED) which has a strategic role in fostering economic growth. This links to encouraging economic empowerment and bringing about social transformation through various projects. The unfolding of the Accelerated and Shared Growth Initiative (ASGI), the national spatial development perspective as well as the provincial iteration of the growth and development strategy is about LED and sustainable human settlements being realised at a local level. Service Delivery of almost every department in the municipality impacts on economic indicators. Service delivery is linked to growth, investment, poverty reduction and job creation.

It is with this background that the metro spatial development framework and the regional macro economic strategy were adopted in 2003. Detailed assessments of the state of industry and the regional economy as well as the need for housing, transport and infrastructure conducted have spurred a set of catalytic projects to bring about social economic development. These interventions are about improving the quality of life whilst facilitating an environment for participation in the economy and society. The interventions in the Ekurhuleni Economic Strategy focus on the core of the region's economy, in particular the aspects that will bring about growth and development of local economy. The comparative advantage of the locality as well as the competitive advantage of the sector informs the interventions.

These choices are also informed by a balanced approach to developing the local economy taking both the first and the second economy into account.

In November 2002 a medium term economic sustainability plan was developed. This was informed by a regional macro economic strategy, a Local Economic Development (LED) policy adopted in May 2002 and research on the local economy.

In 2003 the Implementation framework for the Ekurhuleni Economic Strategy and LED policy was adopted in response to the need to align and integrate all the economic plans of strategies of the nine towns and two administrations, which constituted the metropole.

A macro economic strategy is a medium term plan and has relevance for 10 to 15 years. The macro economic strategy for Ekurhuleni considered the following:

1. The dual nature of the economy
2. The dominance of the metal industry in manufacturing
3. Unemployment and Informal Sector of the economy
4. The results of mining
5. Protecting the high yielding agricultural land and sensitive areas
6. HIV and Aids
7. Gender and the economy

In 2005 a process to bring about additional integration was embarked on and an Ekurhuleni Growth and Development Strategy 2025 was adopted. The following agenda issues are contained in the economic focus area of the Ekurhuleni GDS 2025:

- A diversified local economy able to meet local needs, support sustainable development and adapt to changes in accordance with global demands and shifts
- Labour Absorption and Job Creation - Unemployment to be reduced by half in 2014 and by half again in 2025 based on 2004 unemployment figures
- A skilled community exhibiting capabilities in self reliance, innovation and continued reskilling to meet the needs of a growing economy
- To promote the economy of the region, create jobs and a safe and secure environment, by establishing a tourism destination of choice
- Increased inward investment in skills and technology, property and sustainable development
- Broad Based Economic Transformation - An inclusive wealth Generating economy

The social focus area in the Ekurhuleni Growth and Development strategy has an impact on the economy and contains the follow agenda for 2025:

- In line with the national objective, the aim is to halve poverty in the next 10 years up to 2015, and to halve it again in the following 10 years, up to 2025.
- All people in Ekurhuleni to be housed in integrated and functional sustainable human settlements
- Equitable health care and facilities across all sectors of society - substantially reduced rates of poverty-related disease.
- A high level of safety and security - a drastically reduced crime rate
- Ekurhuleni to have world-class parks, sports and recreational facilities

Physical focus area in the Ekurhuleni Growth and Development strategy is the backbone and infrastructure needed to develop the local economy. The following are agenda issues to be realised by 2025:

- An integrated and equitable city.
- High quality, integrated and well-maintained transportation infrastructure, integrated public transport systems, ensuring a high degree of mobility and choices to commuters.
- High quality and well-maintained services, equitable services throughout the urban areas.
- A substantial increase in the general quality of the environment.
- A well-developed and vibrant core economic area, which imparts a unique character and identity to Ekurhuleni.
- Functional, sustainable, and attractive urban areas
- Productive and resourceful application of ICT.

Ekurhuleni is popularly known as the “Gold Axis”. Over 100 years of mining activity developed the comparative advantage of the well-developed transport linkages in Ekurhuleni. Mining also spurred the development of manufacturing. Today Ekurhuleni has become the industrial workshop. The perception of better opportunities has led to increased migration into the region and a number of informal settlements have come about due to a housing shortage. With the slow down in the formal economy and manufacturing during the early 90’s a number of new entrants into the region find themselves surviving in the informal sector. Including all who live in the area in the social life of the city and in the economy is the key strategic focus for Ekurhuleni.

## Legislative Requirements in terms of the Municipal Finance Management Act

This annual report is presented in terms of Section 121 of the Municipal Finance Management Act, read with Section 46 of the Municipal Systems Act.

The following information is included in the annual report:

Section of the MFMA	Requirement	Legislative provision
121 (3) (a)	Annual Report with consolidated financial statements	Annual financial statements of the municipality and, in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1)
121 (3) (b)	Auditor-General's audit report	Auditor-General's audit report in terms of section 126(3) on those financial statements
121 (3) (c)	Annual performance report	Annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act
121 (3) (d)	Auditor-General's performance Report	Auditor-General's audit report in terms of section 45(b) of the Municipal audit report Systems Act
121 (3) (e)	Accounting Officer's assessment on arrears	Assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges
121 (3) (f)	Accounting Officer's assessment of performance on each vote of the budget	Assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for each vote in the municipality's approved budget for the relevant financial year
121 (3) (g)	Audit corrective actions	Particulars of any corrective

		action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)
121(3)(h)	Explanations to clarify financial statements	Explanations that may be necessary to clarify issues in connection with the financial statements
121(3)(i)	Other information	Information as determined by the municipality
121(3)(j)	Audit Committee recommendations	Recommendations of the municipality's Audit Committee
121(3)(k)	Other prescribed information	Other information as may be prescribed

# Performance Highlights



## **PERFORMANCE HIGHLIGHTS OF THE MUNICIPALITY**

On 5 December 2000, nine towns (Alberton, Benoni, Boksburg, Brakpan, Edenvale, Germiston, Kempton Park, Nigel and Springs) and two administrations in the Eastern region of Gauteng were amalgamated and conferred metropolitan status. These towns were in fierce competition with each other to access resources and promote development. From 2000 to 2005 during the phase of stabilisation and consolidation of municipalities, the following was achieved by Ekurhuleni:

- The rates and taxes of the nine towns were integrated and a uniform rates and tariff structure was adopted. In-built in the tariff structure is a percentage for infrastructure refurbishment
- The By-laws of the nine different towns were consolidated with the integration of the various functions and a uniform sets of by-laws per function is in place
- 11 financial systems were consolidated. By 2003 a consolidated balance sheet was in place.
- 11 HR systems were consolidated and 11 payrolls were integrated
- 1 common billing and metering system was implemented
- A uniform budgeting model was adopted. A metro wide SDF was adopted and an IDP was developed from 2002 onwards
- The ward committee system was set up in 88 wards during 2001 and participatory approaches to governance were put into place
- Free Basic services have been instituted even in areas that are serviced by Eskom and the bucket system has been eradicated.
- All informal settlements have been tagged and recorded. 112 informal settlements have been counted and 8 have been eradicated with flagship projects on the People's Housing Project, which is now Comprehensive Sustainable Human Settlement.
- The hostels in the area have been assessed and some will be decanted.
- All mine dumps in the area have been tagged and a programme to unlock the land has been instituted
- An Environmental Management Plan as well as an Air Quality plan has been adopted
- The fundamentally undemocratic workplace was reconstituted and from 2001 onwards a more democratic workplace was instituted. The workforce was integrated and consultative and participatory methods to change the rule-based processes were adopted.
- New functions such as Local Economic Development, Housing, Tourism and Metro Police were established and capacitated
- A total of 13 650 staff from the 11 entities were placed. A structure was adopted in July 2002. By December 2003 the placement was completed. 1500 disputes were recorded in this process. By 2004 90% of the disputes were resolved.
- In 2000 the workforce constituted 35% women, by 2005 this figure has been brought to around 50%



Despite these strides there are a number of challenges still facing the municipality

- The racial stratification of the workforce being white male at upper and middle management as per the old apartheid patterns remains
- The consolidation of old township schemes remains a challenge and this hampers
- development applications from the private sector
- The protection of agricultural land and sensitive environmental areas is still to be achieved
- Acquisition of land for human settlements and the infrastructure development for public housing programmes remains an ongoing challenge
- Public transport planning and implementation to ensure mobility of people is still to be achieved
- Project management of capital projects linked to infrastructure development requires additional skilling and capacity
- Development of a center for administration, one identity for the region as well as accessibility of services closer to communities remains a key challenge

The area is still challenged by racial and cultural integration. A number of towns in the metropole are more than a 100 years old with an aging infrastructure, which has to be upgraded, maintained and extended.

## **INSTITUTIONAL TRANSFORMATION AND GOVERNANCE**

- Finalisation of the organisational structure based on the institutional review conducted in 2005;
- Appointment of senior management;
- Establishment of 88 Ward Committees;
- Development and approval of a Growth and Development Strategy 2025;
- Approval of Integrated Development Plans; and
- Approval of Credit Control and Indigent Policies.

## **HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT**

Recruitment and selection of employees and their compensation and benefits are the core functions of this department.

It is also responsible for employee and labour relations; human resources development and employees' well-being. Other functions include the management of the organisation; employment equity and transformation, as well as employee performance management.

During the 2006-2007 financial year, HRM & D submitted a Workplace Skills Plan (WSP) and Annual Training Report, which will enable the municipality to receive 50% of the Mandatory Grant from the LGSETA, all in furtherance of education, training and development. The WSP will guide the municipality in terms of what training is required to capacitate employees.

A total of 113 learners were placed in five learnership programmes while the metro's new Community Bursary Policy was approved and 150 bursaries awarded.

An exchange programme policy was approved and will benefit employees in acquiring skills and expertise that will contribute towards effective service delivery by the municipality while the approved RPL (recognition of prior learning) policy will give employees performing duties for some years without having certified qualifications an opportunity to be assessed and certificated.

In terms of provisioning and maintenance, a consultant was appointed to finalise 270 outstanding job descriptions to speed up the job evaluation process and to reduce the number of enquiries regarding functions related to positions.

The additional positions created to capacitate the HR Information Section are aimed at enhancing productivity and the effective utilisation of the HR Information System (PEELOW). The added capacity will also enable the implementation of the Leave Module.

The approval of the Recruitment and Selection Policy will standardise the recruitment and selection processes in the metro.

The approval of the Disability Policy fulfills this department's mandatory requirements in terms of the Employment Equity Act and will serve to guide the implementers in the provision of support of employees who are disabled within the EMM.

The training of all stakeholders in the implementation of the EE targets will accelerate transformation and provide an understanding of the implementation and calculation of the metro's EE targets.

The Employment Equity report was submitted to the Department of Labour, fulfilling the mandatory requirements of the Employment Equity Act. The approval of the Employment Equity Policy by the EMM will guide the implementation of the metro's EE programmes.

The successful completion of the CCMA Training initiative will create a pool of practitioners to address matters referred to the CCMA, to further reduce costs of engaging external service providers (attorneys) to deal with labour relations issues.

The approval of the time-off arrangement will standardise how time-off is to be taken within the metro and the approval of the Uniform Attendance Register will serve to standardise all the attendance registers within the metro.

The approval of the Disciplinary and Grievance procedures will standardise the modus operandi for the handling of grievances and disciplinary procedures within the metro.

The training of 52 presenting and presiding officers will create a pool of employees to handle disciplinary cases, to further reduce costs of engaging external service providers (attorneys).

Organisation management was served with the finalisation of the top structure for the EMM and the abolishment of all unfunded vacancies that will prevent the appointment of employees in unfunded positions.

The implementation of the new top structure on the organisational schedules will form a base for post module for PEELow.

Employee Wellbeing has been addressed with the establishment of a Wellness Centre to provide medical surveillance and biological monitoring programmes. The centres will also address the HIV and Aids programme in the metro.

Audio metric tests were conducted with a view to establishing whether employees were losing hearing because of operational reasons and the results of the tests will be used to establish protective mechanisms.

The increased number of HIV/Aids support groups will enable the EMM to provide food supplements and immune boosters to more people and the appointment of Occupational Health and Safety committee members will ensure a healthy and safe environment.

## **RESEARCH AND DEVELOPMENT**

Research and Development provides the metro with wide research that assists in the planning process by carrying out impact studies to identify where the metro is lacking and areas and where resources are mostly needed - in essence, the strengthening of governance and service delivery within the Ekurhuleni metro.

Studies conducted between 2005 and 2006 included a Customer Satisfaction Survey for the Customer Care Centres; Environmental Education and Awareness; a Call Centre Survey; Ekurhuleni Population Statistic Update for June 2007; the IDP, Budget, SDBIP; PMS Survey and a Library Study Customer Satisfaction Survey.

Annually, the directorate also updates the socio-economic profile of Ekurhuleni. The process is done by looking at different studies conducted by Statistics South Africa and aligning them to the EMM.

## **COMMUNICATIONS AND MARKETING**

During the 2006-2007 financial year the Communications and Marketing department has delivered on its mandate to provide and maintain excellent marketing and communications services to external and internal stakeholders and to profile and position EMM as an investment destination of choice.

Internal communication efforts have included the production of weekly email bulletins, an internal communications audit (third phase), compilation and distribution of an EMM internal year planner, initiation of an EMM staff induction pack, preparations for the annual Employee Excellence Awards hosted by HR and compilation of internal communication strategies on the institutional review, Ekurhuleni Games and HIV and Aids, the Soccer Ball Challenge and the EMM Excellence Awards.

External Communication efforts have included campaigns centering around Dolomite Awareness, a Refuse Removal Crisis Communication Plan for Tembisa, the Services Awareness Campaign (Siyakhokha Siyakhusela for 2006), launch of the Vosloorus Multi-purpose Community Centre, a consumer guide in cooperation with the Revenue Enhancement Special Projects Office and departmental IDP projects for the development of Departmental Publicity Plans.

Other communications projects supported, included the Reproductive Health Month, the Ekurhuleni Schools Debate on HIV and AIDS, the Licensing Campaign, the Garden Competition and Water Week, as well as the induction of new Ward Committee Members (Public Participation).

Media interaction included the FIFA Business Conference Media briefing as hosting partner, development of terms of reference for a Media Advisory Committee and a Crisis Communication Plan, and facilitation of media coverage for council meetings and numerous other events, including the sod turning ceremony for the new Tsakane stadium and the funeral of the late Mama Tambo.

A media liaison function was provided to departments, council and the mayor's office on a regular basis, especially where dealing with crisis communication and potentially damaging media issues such as the electricity crisis in Boksburg, Bedfordview and other areas and refuse removal in Tembisa.

Some eight million corporate publications were produced and distributed, including a monthly external newsletter distributed with municipal accounts, internal newsletter to all staff and the annual Budget, IDP and SDBIP documents in cooperation with finance and other departments. The corporate website was updated on a regular basis and initiatives for its complete re-design taken.

Event planning and execution took place for numerous projects, including the memorial service and funeral arrangements of the late Adelaide Tambo, hosting of international delegations, the Mayoral Golf Day, 2010 FIFA business conference and 2010 Business Conference Mayoral Gala Event as well as various Mayoral Breakfast Initiatives with business, youth and labour.

Marketing strategies and campaigns were developed and assistance rendered for numerous projects, including the collection of traffic fines, an entrepreneurship workshop and the population statistics 2007 project.

Investment marketing initiatives involved with, included the ABSA International Trade Bureau launch, a quarterly business newsletter, exporter liaison, audit of call centre potential in Alberton, Gilloolys Investment Projects, tourism development and the R21 corridor.

## **GEOGRAPHIC INFORMATION SYSTEMS**

The development of a GIS and spatial databases entails the capturing and maintenance of spatially referenced and associated tabular attribute data, Integration of all spatially related data and the dissemination of spatial and spatially related data. The GIS assist with projects and analysis for complex research, planning and management problems.

During 2006-2007 a standardised Venus code was implemented on the cadastre dataset to link with the financial system, the first phase of Vacant Land Audit completed and assistance provided with the alignment of the new Customer Care Areas using GIS.

Street addresses on GIS neared completion to assist the WEMM (water and electricity meter management) System, while new Ortho-photos (aerial photography) for EMM were in process, the RSDF (regional spatial development framework) maps were being finalised and GDS (growth and development strategy) project mapping for all departments was undertaken.



## **ELECTRICITY AND ENERGY**

Service delivery highlights and achievements for Electricity and Energy 2006/7 include the 100% expenditure of budget in terms of addressing backlogs as well as the provision of service connections and reticulation in the electrification of the townships in Ekurhuleni. All the achievements were realised by June 2007.

This department is responsible for electrical connections to domestic, commercial and industrial customers and the maintenance and operations on the metro's electrical networks, as well as the installation of new networks and substations and refurbishment of existing networks.

It is also responsible for the installation and maintenance of street and area (high mast) lighting and conducts safety awareness campaigns in the community, provides pre-payment vending solutions and customer education.

The department reached all its targets in the provision of electrical service connections as part of addressing the backlog in infrastructure and poverty-alleviation. It spent 80% of the funds received from the DME for this purpose. It also addressed the targeted backlog in the provision of electrical service connections and reticulation.

In order to create a safe and secure environment in the local communities, street lights were upgraded and installed as part of the metro's urban renewal plan and public participation was enlisted in the high mast light projects. In both instances 80% of the funding requested from MIG was utilised.

Funding for INEP projects was received from MIG for the provision of electrical service connections and reticulation to address backlogs in the previously disadvantaged areas. The erection of street and highmast lights were done following public participation to create a safer environment in local communities.

Protective structures and high voltage substations were installed and bulk supplies improved as part of urban renewal, while meeting NRS 047 requirements and standards in terms of quality.

Upgrading and installation and replacing of high voltage transformer substations and the replacement of switchgear took place with NRS 047 requirements being met in terms of standards and quality supply.

A total of 8 795 new connections were made with expansion to an additional 20 000 anticipated. The estimated backlog in the provision of basic electrical services is approximately 105 000 dwelling units at a cost of R785 million.

## **WATER AND SEWERAGE**

The Water Services Division draws off potable water from 151 Rand Water distribution metered points and stores bulk in 63 bulk water reservoirs, excluding water towers. It also distributes water to the end user/consumer along 8 261km of pipeline.

The municipality has a mandate to provide, maintain and operate water infrastructure within its areas of jurisdiction. By cross-border arrangements with its neighbouring municipalities, Ekurhuleni metro delivers a similar service to those communities.

The strategic objectives include rendering an affordable, equitable and sustainable water service to all our customers.

The key issues for 2006/7 were to supply 6kl of basic free water to all; reduce water losses, curb illegal water connections; implement market-related price structures and to ensure corrective and efficient metering.

## **ROADS AND TRANSPORT**

This department is responsible for providing infrastructure to all the metro's customers, which include informal settlements, residential suburbs, business, commercial and industrial areas.

In the informal settlements, access roads have been provided with link roads for public transport and the provision of storm water infrastructure to prevent flooding and loss of life.

In residential areas, a backlog of 1 800km of gravel tertiary roads have been tarred in the past 10 years. The storm water infrastructure which results in flood-prone areas, have also been significantly reduced.

Road rehabilitation and maintenance has been carried out to reduce the number of roads in poor condition by 20% and storm water drainage systems upgraded and maintained to prevent flooding.

These services have been extended to include sustainable human settlements such as housing projects, within the jurisdiction of provincial government.

The municipality also has a mandate to address the backlog in previously disadvantaged areas; to provide access roads for new housing projects/human settlements and to reduce the risk of flooding which results in loss of life and damage to property.

The strategic objectives include providing equitable roads and storm water infrastructure; implementing an effective maintenance management plan and providing an effective catchments management service to the metro.

Other responsibilities of this department include the effective and efficient management and maintenance of dams, road and storm water infrastructure and assets.

The key targets for 2006/7 were to reduce backlogs; provide access roads for new projects and human settlements; reduce the risk of flooding and efficient and effective management of the metro's roads infrastructure.

Other priorities included the re-gravelling of roads; the development and approval of a Storm water Master Plan as well as 100% compliance with DWAF requirements. Staff will be given seven days to investigate complaints; 14 days to react to letters and all other correspondence.

Targets include eliminating the poor conditioned roads and a day-to-day monitoring of the maintenance budget and 100% expenditure of the allocated maintenance budget.

## **EKURHULENI METRO POLICE DEPARTMENT**

In respect of safety and security, the department has a mandate to perform traffic policing; crime prevention and law enforcement.

It employs 898 uniformed members at a cost of R94million; 164 clerical and administration staff at a cost of R24million and 321 security officers at a cost of R26million.

During the past financial year, the department issued Section 341 notices to the value of R94,2million and Section 56 notices to the value of R71,4million and warrants of arrest for outstanding fines totaling R165,7million.

The operating expenditure of police and traffic functions, excluding salaries, totaled R23,5million.

The department recruited 300 new officers to reduce serious and violent crime and achieved its targets in terms of procuring equipment per its capital expenditure budget.

At least 12 social crime-prevention programmes were implemented in the past financial year, which are ongoing.

The department embarked on by-law enforcement campaigns as part of an ongoing community education initiative and established an inter-departmental by-law committee which held regular meetings.

The EMPD obtained Council approval to develop a policy on confiscated goods and is in the process of ironing out the legal aspects in this regard.

One of its objectives was to establish a Training Academy in Ekurhuleni for which it has attained provisional accreditation for most facilitators from SASETA and LGSETA.

Two workshops were held with councillors to familiarise them with the workings of the SAPS Act and temporary nurses were appointed to draw blood at drunk driving law-enforcement actions.

Traffic law-enforcement programmes are ongoing and a Warrant of Arrest Unit has been established.

The EMPD has also implemented an Integrated Development Plan for holistic service delivery which is ongoing.

An effective and ongoing HIV-Aids programme has been developed and put in place in conjunction with the metro's Human Resources Department.

## **ENVIRONMENTAL DEVELOPMENT DEPARTMENT**

### **Metro Parks**

A total of 2 400 fruit trees were planted per region and 1 100 ornamental trees. Ten community members were trained per region and 10 parks fenced for safety and security. All the metro's parks and cemeteries are accessible to the disabled with three outstanding facilities upgraded this year.

Three multi-purpose parks were developed in previously disadvantaged areas as part of urban-greening and landscaping. A grass-cutting strategy was approved and a turn-around strategy for cemeteries is being formulated. A norms and standard document is in the process of being drafted and a heroes' acre policy has been presented to the portfolio committee, as was a livestock policy document.

Urban-greening and community-based urban-forestry policy documents are in the process of being drafted while the arboriculture policy document is scheduled for completion by June 30, 2009 as per the IDP. The drafting of a conservation policy is in progress.

The turn-around strategy for cemeteries and the community-based urban forestry and conservation policy were still outstanding, which impacted negatively on service delivery. Progress on several capital projects was delayed due to non-performance of contractors and vacant, unfunded posts as well as low-productivity of aging staff members were among the challenges faced this year.

Eighty percent of the existing OPEX budget is salary-related, leaving 20% of the budget for operational costs. Unrealistic focus on new developments while maintenance of existing facilities is lacking and the absence of a clear replacement policy with regard to vehicles and equipment resulted in an increase in downtime.

A shortage of staff, specifically trained officials, hampered by-law and policy implementation (i.e. Green Scorpions). Staff shortages also resulted in projects not being managed adequately. The appointment of staff and identifying existing staff to be trained as Green Scorpions to enforce by-laws is receiving attention and a project management section within the metro's parks department, has been established to take control of all the capital projects.

Addressing capacity deficiencies included identifying critical positions during the restructuring of metro parks and ensuring that they are filled; reducing staff on lower-levels through natural attrition; outsourcing grass-cutting through annual tenders; training existing staff and appointing new staff where necessary to address other metro parks core functions.

Increased productivity by utilising annual tenders should reduce the salary component on the OPEX budget shortfall and ensuring a high standard of maintenance of existing facilities and a replacement policy for all vehicles and equipment, should ease the vehicle maintenance problems.

## **Environmental Resource Management**

A combined undertaking by Environment and Tourism and the SRAC departments to establish an Environmental Education Centre as well as a Cultural Precinct in the Southern Region, was completed and approved.

The first implementation phase of the project for the earthworks on the Leeuwpan site and the building of the OR Tambo Memorial structure and upgrading of OR Tambo Cemetery, commenced and is nearing completion.

The Environmental Management Framework (EMF) for the Southern and Eastern Regions has been developed and combined with the approved Northern Region EMF, in order to compile a complete EMF for the whole of Ekurhuleni. This EMF will be approved in the 2007/8 financial year.

A total of 409 applications were received from within the EMM's City Development division pertaining to consent use, township establishment, rezoning, subdivision and removal of restrictions; the Corporate and Legal division for purchase/alienation, lease, restriction of access; and external applications from GDACE (listed activities in terms of NEMA; the DME for mining permits applications in terms of MPRDA and environmental consultants.

The number of applications commented on totalled 143, which was an average of 34%.

Challenges in this section included no proper management system of incoming and outgoing documents and that documents, including those generated in this section, cannot be traced back. The backlog on applications is increasing and there is only one official in the section.

Deadlines cannot be met and the section is reactive i.e. giving preference to applications with reminders or those for which developers are phoning to ask for comments. It is difficult to provide the number of applications received and those commented on.

Two additional Ambient Air Quality Monitoring stations have been commissioned in Thokoza and Bedfordview, bringing the number of stations to eight out of a target of nine stations.

The rehabilitation of Plot 38 in Bullfrog Pan was commenced with to protect the endangered bullfrog species at Bullfrog pan in Benoni.

An Integrated Strategic Water Resource Management Plan has been developed to strike the right balance between development and service delivery for maintenance of human health and well-being and maintenance of environmental integrity in terms of stormwater management, pollution control and resource conservation.

An identified part of the Springs Civic Centre has been retrofitted as part of the department's energy-saving project which looks at replacing high-energy consuming equipment with low-energy equipment such as light bulbs and geysers.

The management of the metro's open spaces and industrial noise has improved and the plan is to have developed an electronic emission inventory by mid-2010 with a service provider appointed to do the electronic inventory.

Monitoring the quality of water courses is ongoing and a strategy in this regard has been completed. Promoting the development of integrated waste-management strategy is to be finalised in June 2007 in collaboration with the waste department.

To improve environmental quality control within the EMM, an Environment Management System (EMS) has been developed within EMM to develop ongoing programmes to raise EMS awareness among employees until 2010. EMS reps have been trained and questionnaires circulated to assess the understanding of EMS.

Audits have been conducted and EMS programmes developed for municipal buildings and waste-transfer stations throughout the metro.

The metro won R270 000 to spend in its wards and R135 000 for schools in the Bontle ke Botho campaign and was awarded bronze at the 2006 Livcom Awards. LivCom is the benchmark for livable communities and expectations across the globe are high, irrespective of financial and social backgrounds.

Services provided by solid waste management during this period include round collection refuse removal, the bulk container service, litterpicking in commercial and industrial areas, operation and development of disposal facilities, provision and the management of mini garden disposal sites and waste transfer facilities.

It also addressed the rehabilitation, closure and monitoring of closed waste sites, clearing of illegal dumping, animal carcass removal and management of medical, toxic and objectionable waste.

## **CITY DEVELOPMENT**

The 2006/07 financial year kicked off with the approval of the Albertina Sisulu (R21) Corridor as part of the Local Spatial Development Framework (LSDF).

The significance of the LSDF is that the success and future of the restructuring of the spatial fabric of the metro relies on two pillars in the Ekurhuleni Growth and Development Strategy (GDS) 2025, which includes city identity and spatial development.

The corridor reinforces the strategic objectives of the GDS as well as the Gautrain project; the growth of OR Tambo International Airport (ORTIA) and the associated international development zone (IDZ), as well as the rejuvenation of the Kempton Park central business district as an approved urban development zone (UDZ).

The ORTIA Masterplan was supported in principle by the joint portfolios towards the end of the financial year, giving credence to the growth and development of the whole area covering the Albertina Sisulu Corridor, the Gautrain route, the East Rand Mall area, the IDZ as well the Rhodesfield/Kempton Park UDZ area.

These developments are all in support of the World Cup 2010 and part of the city identity object, which is a major priority for Ekurhuleni.

The other project directly linked to City Identity is the development of Germiston as the institutional hub of the metro. The Germiston LSDF though not finalised in the past financial year, was initiated with the intent of achieving both the city identity objective and spatial development as restructuring and transformational element.

The Germiston LSDF was initiated with the purpose of promoting good governance in the light of local government being dispersed throughout the metropolitan area. Further, the LSDF is an attempt to consolidate all the planning frameworks for Germiston, which include the Germiston UDZ and the CBD development; Germiston station; the taxi rank redevelopment; the Germiston Lake development; the governance (civic) precinct development and the Economic Regeneration Strategy for the Germiston area.

The Germiston LSDF and the planning around the Albertina Sisulu Corridor (incorporating ORTIA, Gautrain, IDZ and Kempton UDZ, start to strengthen the western leg of the three pillars of the core economic development triangle, identified for city identity in the metropolitan spatial development framework.

The challenge is to start planning for the third anchor of the triangle which is Benoni and linking the southern and northern legs of the triangle.

While the corridors and the core economic development triangle begin to define the direction of growth, the previously developed predominantly African areas have remained undeveloped.



While the council adopted the compilation of wall-to-wall local spatial development frameworks, and the fact that the department is earnestly and keenly pursuing the formulation of all 103 LSDFs as delineated, it remains a major challenge to come up with principles and guidelines that genuinely integrate these marginalised areas with the developed areas in the metro.

This is also reflected in the development applications received by the council in the past financial year.

In the townships these applications are for the alienation of land for retail development, which could not be addressed because of the outstanding land audit and the absence of an empowering tender process and alienation policy currently.

# TOWN PLANNING APPLICATIONS

<b>Applications Outstanding 1 July 2006</b>	<b>Category</b>	<b>Number of new applications received 2006/2007</b>	<b>Total in system</b>	<b>Applications outstanding 30 June 2007</b>	<b>Finalised 2006 to 2007</b>
1096	Residential	865	1961	1270	691
243	Retail	198	441	316	125
57	Commercial	41	98	81	17
61	Industrial	50	111	78	33
	Other (specify)		0	0	
239	Agric	169	408	270	138
3	Office	7	10	7	3
	Public Garage		0		1
	Institutional	2	2	0	2
1699		1332	3031	2022	1010

## **HOUSING DEPARTMENT**

The housing backlog in Ekurhuleni is one of the major challenges in the region and has been further exacerbated by the high concentration of burgeoning informal settlements.

The backlog required this department to take urgent steps to address the provision of adequate housing in Ekurhuleni. A strategy was formulated for accelerated delivery in the face of huge challenges in attaining the metro's mission to facilitate, provide and encourage integrated, habitable, stable, public and private subsidised residential developments.

The objective was to create viable communities through effective, efficient and accessible service delivery-levels and to find ways to achieve these goals.

Finding ways to ensure that everybody living in Ekurhuleni has access to adequate shelter is an enormous challenge. Many proactive steps have been taken with the purpose of creating an environment that lends itself to ensuring that this can be achieved in the shortest possible time.

The Housing Department's aims is to form a Partnership for Sustainable Housing Delivery with communities and it will continue to strive to realise this objective through active participation in the community, with other government departments, organisations, funding organisations and those who can contribute, not only to the building of houses, but to the building of communities.

The housing department developed a Sustainable Human Settlements Strategic Framework and a Sustainable Human Settlements Integrated Development Plan 2006 – 2025, both of which were approved by the council.

The comprehensive plan made provision for a total package of infrastructure and addressed key aspects in relation to the policy shift from the delivery of houses to the development of sustainable settlements and quality housing.

The plan also sought to address the creation of sustainable settlements through integration of housing typologies and income bands, with provision of adequate standards of social and engineering services to create an equal opportunity living-area for all in Ekurhuleni.

The housing department devised an operational plan to expedite the upgrading of informal settlements and to develop human settlements. The core of the operational plan was to eradicate the water and sanitation backlog as well as the provision of adequate shelter.

The council approved an amount of R180-million per annum over three years, for the roll-out of the MIG programme. By doing this, it took over the responsibility from the Gauteng Department of Housing for the provision of services to informal settlements.

The Housing Mitigation Plan was reviewed to address the backlog on the waiting list, informal settlements and hostels, as well as mixed-income housing pockets on council-owned land. A tender was put out to address the overflow from the informal settlements which did not qualify for subsidised housing.

The Mitigation Plan captured the backlog in terms of the housing and informal settlements and provided the links to land and projects for development. It also formed the basis for project applications for subsidies, housing land acquisition, in line with Integrated Development Plan and the budget.

The Housing MEC announced Chief Albert Luthuli Extension 6 as a flagship project for delivery in May 2007, as part of the Breaking New Ground Policy.

A total of 6 373 houses were constructed versus 5 000 planned in the 2006/2007 financial year through the Community Builder and Special Project Programmes and 5 897 stands were serviced versus 5 700 planned through the MIG programme.

The Leeuwpoort land development was also announced as a flagship project by the Housing MEC in May 2007. In support of a holistic upgrading and renewal of disadvantaged areas in Ekurhuleni, eight applications were received for the Neighbourhood Development Partnership Grant approved by the National Treasury, of which four projects went out to tender and were awarded in June 2007.

The level-one pre-accreditation business plan was considered by the National Department of Housing which was also in the process of drafting a Quality Management Plan due for completion in April 2008, leading to the process for ISO 9001 certification.

The council has approved land for inclusionary or mixed-income housing development to support the creation of sustainable human settlements, spatial restructuring, densification of nodal areas as well as areas of racial integration. The 17 portions of land approved for this will cater for the Banking Charter Development programme.

Precinct and Development Plans for Kwatsaduza, Greater Mayfield, Greater Palm Ridge, the Mining Belt which includes Germiston/Boksburg, Benoni/Nigel and Clayville/Tswelopele, were developed.

The metro approved the Higher Density Residential Development Guideline Document which allows for choice in housing typology and lifestyle.

The department is in the process of developing an urban renewal regeneration upgrading plan for previously disadvantaged areas, with the first phases commencing in Reiger Park and Actonville.

The "Upgrading for Growth" programme in conjunction with Cities Alliance and funding from the World Bank, linking the Comprehensive Sustainable Human Settlements Plan to local economic development and human settlement development, got under way.

An ongoing Community Outreach Programme has been followed by the department to keep communities involved and informed with regard to the housing policies and proposed development of their areas.

Challenges faced by this department included capacity constraints, land invasion, the acquisition of suitable land and budget alignment as well as the non-delivery of social housing.

## **HEALTH SERVICES**

Ekurhuleni's health services are planned according to the Primary Health Care Package for South Africa and renders comprehensive integrated primary health care services at a total of 85 clinics.

The services include women's reproductive health, maternal health services, child, adolescent and youth health services, immunisation, management of communicable diseases, integrated mental health services, and management of acute, curative and chronic diseases.

An intensive HAST (HIV, Aids, Sexually Transmitted Infections and Tuberculosis) programme focused on prevention, treatment, care, support, research, monitoring and evaluation, and human rights.

The clinics also embarked on an information, education and communication programme, focused on integrated nutrition, sought community participation and rendered a pharmaceutical service.

In rendering this service, there was close association with the Gauteng Department of Health, Wits Reproductive Health Research Unit and Love Life, Health Insite, the Diabetic Association as well as Wits Mental Health.

The department's 620 personnel treated in excess of 3.6million patients during the 2006-2007 financial year.

## **SPORT, RECREATION, ARTS & CULTURE**

The mandate of this department is to render sport, recreation, arts, culture and heritage services to the community.

During the 2006-2007 financial year it executed this mandate addressing the key issues of facility development (new and upgrading), heritage services, rendering of high-impact sport, recreational and cultural programmes, and skills development and educational programmes.

It manages in excess of 520 facilities with a staff complement of 1 797 personnel, and served close on 1.8 million visitors during this period.

Three informal sports fields were grassed, irrigated and fenced and it was commenced with refurbishment of 22 community halls and the upgrading of the Daveyton golf course.

Four international and national sports events were hosted.

Arts and culture was served with the development of two memorial structures (Oliver Tambo and Thami Mnyele) and great progress made with a fully-fledged arts centre, upgrading of the Old Post Office and Springs theatres, and upgrading of museums and cultural parks.

The hosting of high impact cultural programmes reached a total of 27 while four popular productions and six cultural activities were presented at the Springs Civic Theatre. Cultural services also presented 19 skills development and educational programmes.

One new library and information service point was constructed and five existing libraries in previously disadvantaged areas upgraded.

As per the department's plans, the required media items were purchased and processed, skills development programmes presented, the required Government information corners established and a library web page developed.

In line with the Top 20 townships initiative, 10 identified libraries had media collections upgraded and 10 received improved electronic access.

# Functional Performance Reporting



Ekurhuleni  
METROPOLITAN MUNICIPALITY

2006/2007 SDBIP: MEASURABLE PERFORMANCE INDICATORS

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
<b>Vote : MI- Electricity</b>								
New electrical connections made to low cost housing developments (INEP Funds)	No. of new connections	Safe and secure environment, Provision of electricity	3171			785	229	Buhle Park contractors on site. Winnie Mandela tenders need to be issued for third time, however most of the material has already been delivered. Funds not used have been transferred to be used for service connections in Langaville.
New Street Lighting (MIG Funds)	No. of street lights	Safe and secure environment, Provision of electricity	220	193	0	140	313	Council bridging funds used as MIG approvals outstanding
New High Mast Lights (MIG Funds)	No. of high masts	Safe and secure environment, Provision of electricity	42	0	0	30	82	Council bridging funds used as MIG approvals outstanding
Protective Enclosures	New protective structures installed	Safe and secure environment, Provision of electricity	180	48	210	311	114	Structures delivered in previous financial year now installed.
Percentage of electricity losses	%KWh billed / KWh purchased	Good Governance	6,93%	6,8%	6,8%	6,9%	6,90%	
Percentage of downtime for electricity service	%KWh lost	Good Governance	< 1%	0,20%	0,20%	0,15%	0,12% (end of May 07)	
<b>Vote: IS- Water Services: Water Provision</b>								
Upgrade Building	No. of buildings	affordable, equitable and sustainable water/waste water services to all	4	0	0	2	3	Planning process by R,T&CW took longer than anticipated
Replace Water Meters	No. of meter connections replaced	affordable, equitable and sustainable water/waste water services to all	2000	180	500	820	2103	The balance of these projects have been transferred to Operations
Replace Midblock Water mains	Length of pipe relocated in meters	affordable, equitable and sustainable water/waste water services to all	30000	3500	8500	18871	29543	Portions of the projects which could not be completed will be concluded in 2007/2008
Upgrade Reservoir	No. of reservoirs upgraded	affordable, equitable and sustainable water/waste water services to all	3	0	0	2	2	The remaining tender had to be re-advertised as no tenders were received
New and Upgrade Water Bulk Mains	Length of pipe in meters	affordable, equitable and sustainable water/waste water services to all	15000	300	650	1590	4232	Eight tenders (R18m) have been approved. The contractors must obtain sureties before they can start. Five tenders (R6.6) are being considered. Three projects delayed due to non approval of EIA.
Network Renewals	Length of pipe in meters	affordable, equitable and sustainable water/waste water services to all	16000	50	150	5600	11700	Approvals for annual tenders has been delayed due to staff shortages in the Regions
Unaccounted for Water (UAW)	% reduced	affordable, equitable and sustainable water/waste water services to all	19%	21%	20,5%	20%	20%	Audited reconciliation not yet received and/or done (norm = 2 months after year end)
<b>Vote: IS- Water Services: Waste Water Provision</b>								
New and Upgrade Outfall Sewer	Length of pipe in meters	affordable, equitable and sustainable water/waste water services to all	34000	200	700	10560	16710	Five tenders (R14m) have been approved and the contractors are arranging for sureties. Seven projects (R5,1m) are in the tender adjudication stage. Three projects delayed by EIA approvals. The projections should be reached once the contractors are on site.



Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
New and Upgrade Pump Station	No. of P/stations	affordable, equitable and sustainable water/waste water services to all	7	0	0	0	7	One tender was approved in June 2007. Smaller upgrades done by the Regions.
New and Upgrade Reticulation	Length of pipe in meters	affordable, equitable and sustainable water/waste water services to all	14000	500	1500	4160	9810	Delays due to contractors having cash flow problems and EIA approvals. The budget was adjusted and the target has to be adjusted accordingly. Appointment of consultants also contribute to the delays
Sanitation System	Units installed	affordable, equitable and sustainable water/waste water services to all	200	0	0	0	0	Policy decision required from Council. Item to serve during August 2007 at Council.
Extend Water Care Works Vote: <b>RTCW</b>	% complete of scheduling	affordable, equitable and sustainable water/waste water services to all	100%	30%	60%	80%	85%	Project is on schedule
Provision of Public Transport Facilities	No. of Public Transport Facilities provided	Infrastructure Backlog	2	0	1	1	2	
Replacement of Municipal Bus Fleet	No. of Municipal Busses Replaced	Good Governance	15	0	11	11	15	
Provision of Equitable Roads Infrastructure Services	Km of gravel tertiary roads to be tarred	Infrastructure Backlog	180	15	30	70	60	
Provision of access roads for new housing	No. of New Housing stands provided per annum	Infrastructure Backlog	30 000	0	0	0	0	
Completion of a Strategic Road Network to support the Spatial Development Framework in three years	Years to completion	Infrastructure Backlog	3	0	0	0	0	
Budget to be allocated for Job Creation	Percentage of budget spent on Job Creation	Job Creation	15%	2%	5%	10%	15%	
Budget expenditure on identified EPWP projects	Percentage expenditure on identified EPWP Projects	Job Creation	100%	100%	40%	0	100%	
Provision of Equitable Stormwater Infrastructure Services	No. of flood prone areas reduced per annum	Infrastructure Backlog	2	0	1	0	0	
Provision of stormwater network for new housing	No. of New Housing stands provided per annum	Infrastructure Backlog	30 000	0	0	0	0	
Provision and Upgrading of Traffic Signals and Road Signage	Average Travel Times	Infrastructure Backlog	Reduce Travel Times	0	0	0	0	
Synchronisation of Traffic Signals	Percentage of Synchronised Traffic Signals	Infrastructure Backlog	20%	5%	5%	0	11%	
Reduction in time delays for recovery of incidents on road	Percentage reduction in time delays for recovery of incidents	Infrastructure Backlog	10%	2%	5%	0	0	
Provision of Facilities for Non Motorized Transport	No. of facilities for Non Motorised Transport	Infrastructure Backlog	3	0	1	0	2	
Upgrading of existing Intersections and Interchanges	No. of Intersections and Interchange Upgrades per annum	Infrastructure Backlog	2	0	0	0	2	
Road Rehabilitation of damaged roads	No of Damaged Roads rehabilitated	Infrastructure Backlog	3	1	1	1	1	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Effective and efficient management and maintenance of Bridges	Number of Bridges inspected and maintained per annum	Good Governance/Urban Renewal	100% compliance with NDOT	100%	100%	3%	5%	Bridge management System not in place
Efficient and Effective Management of Roads Infrastructure	Km of Existing Tarred Roads	Good Governance/Urban Renewal	Maintaining roads to acceptable 2.5% of asset capitalisation	2.50%	2.50%	1%	2%	
Regravelling of roads	No. of Roads Regravelled	Good Governance	All roads regraveled once per annum	25% of all roads Graveled	50% of all roads graveled	5%	6%	
Elimination of Poor Conditioned Tarred Roads	Percentage elimination of Poor Conditioned Roads	Good Governance/Urban Renewal	20%	5%	10%		3%	
Acceptable Maintainance Expenditure on Road Infrastructure	Percentage expenditure of Maintenance Budget	Good Governance/Urban Renewal	100%	100%	50%	45%	95%	
Efficient and Effective Management of Stormwater Infrastructure	Maintianing Stormwater Infrastructure	Good Governance		100%	100%	30%	50%	
Maintenance of Retention Dams	Number of Retention Dams inspected and maintained per annum	Good Governance	100% compliance with DWAF	100%	100%		50%	
Efficient management and maintenance of railway sidings	Percentage Compliance with Railway Agency Agreement	Good Governance	100%	100%	100%		90%	
Effective and Efficient management and maintenance of Road Signs, Road Furniture and Road Markings	Number of Road Signs, Markings and Funiture inspected and maintained per annum	Good Governance	100% compliance with NDOT	100%	100%	20%	50%	Lack of funds and capacity. Contract now in place
Efficient and Effective Management of Traffic Management Systems	Percentage approved priority lists and implementaton Plans	Good Governance	100%	20%	40%		100%	
Process time for correspondence of all traffic complaints	Days	Good Governance	15	21	21	21	33	Vacancies and lack of qualified & experienced applicants
Process time for correspondence to all requests for traffic signals	Days	Good Governance	90	180	180	180	135	Vacancies and lack of qualified & experienced applicants
Process time for correspondence to all requests for traffic calming	Days	Good Governance	30	30	30	30	55	Investigations
Process time for evaluation of all developer/township applications	Days	Good Governance	30	21	21	60	55	Vacancies and lack of qualified & experienced applicants
Process time for evaluation of all Site Development Plans/Building Plans	Days	Good Governance	5	5	5	30	52	Vacancies and lack of qualified & experienced applicants
Develop an Integrated Transportation Plan (ITP).	Percentage Completion of ITP	Good Governance	30%	30%	30%	30%	30%	
Establishment of a Transport Authority	Years to completion	Good Governance	3	4	4	4	4	
Travel Demand Management								
100% awareness of the dolomite risks with officials, communities, councillors and developers in all areas underlaign by dolomite	Number of awareness initiatives per year		4	4	4	4	4	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
To provide new municipal buildings and facilities for owner departments	Percentage completion of the buildings on the CAPEX budget within the budget year		To spend 90% of the funds allocated for buildings on the budget	15%	45%	20%	90%	
Ensure energy efficiency in all municipal buildings	One existing building per region to be converted to comply and all newly constructed buildings to comply		100 % compliance on new buildings.Existing buildings as funding allows.	100%	100%	100%	100%	
To ensure access to municipal buildings for people with disabilities	One existing building per region to be converted to comply and all newly constructed buildings to comply		100 % compliance on new buildings.Existing buildings as funding allows.	100%	100%	100%	100%	
To develop, procure and impliment an dolomite risk zoning map and establish an dolomite database and to develop dolomite by laws for implimentation and enforcement with new township developments	Years to completion		2	2	2	2	2	
To develop and implement a comprehensive IT based Building Maintenance Management System for the EMM to properly manage and control the building assets	Years to completion		2	2	2	2	2	
Effective and pro active expenditure of OPEX funds provided for building maintenance of council owned building on an annual basis	% expenditure as per annual budget		100%	15%	30%	60%	90%	
Develop by laws for building control and impliment	Years to completion		2			2	2	
Develop skills and train all building inspectors with the required skills to do proper law enforcement	Years to completion		2	2	2	3	2	
full compliance with the outdoor advertising policy and by laws, do audit of illegal signs on council land and inniciate legal action.	Years to completion		2	2	2	2	2	
<b>Vote: Housing</b>								
<b>1. Infrastructure and Services</b>								
The provision of 5000 houses	Number of houses	Poverty alleviation /job creation	5000	1606	2668	3606	6373	Target met
The provision of 5700 serviced stands	Number of serviced stands	Poverty alleviation /job creation	5700	700	1834	1834	5897	Target met
<b>2. Financial Management</b>								
Implement Council's 5 year CAPEX through 80% spending	% of CAPEX spent	Good governance	80%	1,2%	4%	4%	85%	Will reach 85% - present 17% - no roads turnkeys
Implement GDOH 5 year CAPEX through 80% spending	% of CAPEX spent	Good governance	80%	6,5%	30,73%	53%	84%	Will reach 84% - present 77%
<b>3. Socio and Economic Development</b>								
Submit reviewed IDP document	Document submitted	Good governance	100%	50%	90%	100%	100%	doc. Submitted in Feb. 07
Update Informal settlement Program	Document submitted	Poverty alleviation /Urban renewal	100%	60%	60%	100%	100%	completed
Increase finalisation of flat lease agreements	Report	Good governance	95%	50%	60%	70%	95%	Target met 95% has renewed their agreements
<b>Vote: Health and Social Development</b>								
<b>FAMILY HEALTH</b>								
<b>COMMUNICABLE DISEASE CONTROL:</b>								
<b>TUBERCULOSIS CONTROL</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Increase awareness and knowledge on the prevention and treatment of Tuberculosis in the community	Number of awareness campaigns		5	4	4	10	13	<b>Target exceeded:</b> Increased focus on TB awareness due to the XDR TB. Three (3) Campaigns held during the 4th Quarter 2007
Increase in the Tuberculosis Cure Rate	Increase in the TB cure rate		63%	*68,9%	*69,9%	*73%	72,4%	<b>Target exceeded:</b> *Targets for previous quarters were also updated as changes occur in the Electronic TB Database Register as data is updated after the reporting date.
Reduce the Tuberculosis Interruption Rate	Reduction in the TB Interruption Rate		9%	8%	4,9%	4,8%	5,4%	<b>Target exceeded:</b> All defaulters traced during Intensified XDR TB Awareness Campaigns.
Increase the percentage of facilities with a sustainable drug supply of TB Drugs	Percentage of facilities with a sustainable supply of TB Drugs		90%	*98,94%	*99,67%	*99,31%	93%	<b>Target exceeded:</b> Drug Supply Management strategy strengthened. *There is a change in the targets for previous quarters as the decimal points were not indicated.
<b>COMMUNICABLE DISEASE CONTROL: HIV/AIDS CONTROL</b>								
Increase in the number of awareness campaigns undertaken and Behavior Change Modification projects for target groups per identified needs	Number of Awareness Campaigns on HIV & AIDs		3	2	2	3	7	<b>Target exceeded:</b> STI Awareness Campaigns held during February 2007. Four (4) Candle Lighting Ceremonies held during June 2007
Ensure the quality of the VCT program	Number of supervisory visits done		3	3	3	3	3	<b>Target achieved.</b>
Ensure effective treatment of co-infections of HIV and Tuberculosis	Percentage of facilities rendering TB & HIV collaboration services		100%	100%	100%	100%	100%	<b>Target achieved:</b> Implemented the TB & HIV Collaboration strategy. Intensified monitoring of the TB strategy.
Increase in the percentage (%) of facilities with a HAST Support System	% of facilities with HAST System		90%	90%	90%	100%	89%	<b>Target not achieved:</b> Community Health Workers doing DOT support withdrew their services because their stipends were not paid by GDoH.
Increase in the number of HIV & AIDS Support Groups per Sub-District	Number of HIV & AIDS Support Groups per Sub-District		4	6	6	6	6	<b>Target exceeded:</b> Constant motivation and monitoring of support groups
Increase knowledge about HIV, AIDS, TB & STI amongst employees	Number of awareness campaigns in workplace		3	0	0	0	4	<b>Target achieved:</b> Three (3) Candle Lighting Ceremonies held in the workplace during June 2007. Workshop held with Health Insite on 27 June 2007
<b>COMMUNICABLE DISEASE CONTROL (EXPANDED PROGRAMME ON IMMUNISATION)</b>								
Reduce infant and child morbidity and mortality due to communicable diseases	immunisation coverage for children under one (1) year		84%	85%	95%	105%	*94,1%	<b>Target exceeded:</b> The immunisation Coverage that was above 100% during the 3rd Quarter is related to the under 5 year population figures as well as migration. Awareness campaigns were conducted in Aug & Sept 2006. (*Immunisation Coverage calculated for March to May)
Increase in the percentage (%) of facilities with Minus 40°C fridges	% of Facilities with Minus 40°C Fridges:		60%	65%	65%	65%	65%	<b>Target exceeded.</b> 6 x Minus 40 Fridges purchased in 2006/2007 financial year
<b>HEALTH AWARENESS, INFORMATION AND COMMUNICATION</b>								
Improve Education, Information and Awareness on healthy life styles for all age groups	Health Awareness Campaigns		15	4	8	12	15	<b>Target achieved:</b> Three (3) Youth Health Awareness Campaigns held in June 2007
Create awareness on Batho Pele Principles and Patients and Health Workers Rights in health providers and the community	Awareness session in Quality Assurance/ Batho Pele/Patients Rights		1	0	0	0	3	<b>Target exceeded:</b> Batho Pele & Complaints Mechanism Workshop held on 22, 25 & 29 June 2007
Increase the number of fully functional Youth Friendly services (proportion)	Increase in the Number of Youth Friendly Services Launched per SDR		3	0	0	0	2	<b>Target not achieved:</b> Two (2) Youth Friendly Service Initiatives launched. Launch at Reiger Park Clinic postponed by the community. One (1) new container purchased for Dan Kubheka Clinic. Fifteen (15) YFS initiatives in place

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
<b>Quality Assurance Management</b>								
Ensure the implementation of an effective patients' Complaints System at all facilities	% of facilities with a Complaints Management System		100%	100%	100%	100%	100%	<b>Target achieved:</b> Monthly Quality Assurance meetings held
Increase in the percentage (%) of health facilities with an accessible Suggestion Box	% of facilities with Suggestion Boxes		100%	98%	100%	100%	100%	<b>Target achieved:</b> Monthly Quality Assurance meetings held
The number of client satisfaction surveys conducted	Client Satisfaction Survey		1	0	0	0	1	<b>Target achieved:</b> Client satisfaction survey conducted during May & June 2007.
Ensure the equitable distribution of resources in Regions	Audit of equipment at facilities		1	0	0	0	1	<b>Target achieved:</b> Equipment Audit conducted
Facilitate an annual innovation / award ceremony	Number of Family Health Innovation/Performance Awards per year		1	0	1	1	1	<b>Target achieved:</b> Performance Award held in Nov 2006
<b>Maternal Health</b>								
To reduce the preventable causes of maternal deaths	% increase of fixed health facilities implementing 5 day Antenatal services		2% increase	0%	8%	8%	8%	<b>Target exceeded:</b> Ante-natal care services implemented at 2 additional fixed health facilities during 2006/2007
To improve early detection and intervention of breast and cervical cancer	% of women age 30-59 screened for breast and cervical cancer		8% increase	0%	3%	5%	8%	<b>Target achieved:</b> Intensified Cervical Cancer Screening strategy
<b>Curative Care</b>								
Ensure prevention, diagnosis and effective management of Chronic Diseases	Percentage (%) of health facilities that implement the National guidelines and protocols		100%	100%	100%	100%	100%	<b>Target achieved:</b>
Ensure prevention, diagnosis and effective management of Chronic Diseases	Number of awareness campaigns		3	0	3	3	9	<b>Target exceeded:</b> Chronic Diseases Campaign conducted in Nov 2006. Vuka for Health during May 2007. Mental Health campaigns conducted May/June 2007
	Number of support groups		3	0	0	0	4	<b>Target exceeded:</b> Sustenance of support groups is a challenge
<b>Child health</b>								
To improve the health and wellbeing of children under five years of age	Number of fixed health facilities implementing the Integrated Management of Childhood Illnesses (IMCI) case management		2	0	1	1	2	<b>Target achieved:</b> 2 additional fixed health facilities implemented IMCI strategy
To improve the nutritional status of children under five years of age	Number of breastfeeding awareness campaigns		3	29	29	29	29	<b>Target exceeded:</b> Baby competitions & awareness on breastfeeding was held at selected facilities.
To identify children under 5 years of age with abnormal height for age (stunted growth)	Number of children under 5 years of age with abnormal height for age		8	Data not collected routinely	Data not collected routinely	Data not collected routinely	Data not collected routinely	Data not routinely collected at health facilities
<b>Mental Health</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
To ensure integration of mental health care into Primary Health Care (PHC) services	% increase in the number of fixed health facilities implementing integrated mental health care (PHC) services		2%	0%	0%	4%	5%	<b>Target exceeded:</b> Four (4) additional facilities implemented integrated mental health care services
To promote the wellbeing and support for mental health care users	Number of active support groups		3	0	1	2	3	<b>Target achieved.</b>
	Number of awareness campaigns (Mental Health)		3	2	2	2	5	<b>Target exceeded:</b> Intensified awareness campaigns on mental health
	Number of Day Care Centers per sub-district		1	0	0	0	0	<b>Target not achieved:</b> Provision of Day Care Centres is a competency of Province.
<b>Ward based Primary Health Care</b>								
Ensure the implementation and sustenance of Ward-Based Primary Health Care (WBPHC)	Number of wards implementing Ward-based Primary Health Care		8	0	3	8	8	<b>Target achieved:</b> Workshop conducted for officials during June 2007. Ongoing joint meetings held between officials and the community.
<b>Community Participation</b>								
To ensure community participation in health care and social development delivery	Number of wards that have launched the Ward Health Sub-Committees		21	0	2	2	0	<b>Target not achieved:</b> Launch of Ward Health Sub-Committees delayed due to re-elections of Ward Committees during February to April 2007. Training of Health representatives scheduled for June 2007 postponed due to the Provincial strike
	Number of Religious Groups participating in the Ekurhuleni Religious Forum		8	4	7	8	21	<b>Target exceeded</b> due to intensified engagement of all religious sectors
	Number of health and social development programmes conducted by EKREF		1 Additional programme	2	2	2	2	<b>Target exceeded:</b> Due to active participation of the EKREF
Re-establish the participation of Traditional Healers in health care and social development delivery	Number of active Traditional Health Practitioner (THP) Fora		1	0	3	3	3	<b>Target achieved:</b> Three (3) THP Fora established (1 per SDR)
	Number of Traditional Health Practitioner (THP) trained in health and social development programmes		30	0	0	0	45	<b>Target exceeded.</b> More THP's came forward for training , including Trainers.
<b>Pharmaceutical Services</b>								
To ensure compliance with the amended Pharmacy and Medicine Control Acts	Number of PHC /CHN/Advanced Midwives (Registered Nurses: RN) and Medical Officers with a Dispensing License		150	10	82	127	172	<b>Target exceeded.</b> Increased motivation from health personnel due to support and guidance from the Chief Pharmacist
<b>Essential Drug supply</b>								
To ensure effective management of Essential Drugs at health facilities	Number of health facilities that adhere to Drug Supply Management standards		60	30	45	65	60	<b>Target achieved.</b> 32 Nurses trained on Essential Drug Supply Management
	Number of health facilities with 95% availability of EDL drugs		60	66	68	68	71	<b>Target exceeded.</b> Chief Pharmacist visits the health facilities and Suppliers regularly to resolve problems on re-order levels and supplies

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
<b>Special Programs</b>								
Monthly Divisional report	Number of reports		12	3	6	9	12	Target achieved.
Health & Social Development Quarterly Reports	Number of reports		4	1	2	3	4	Target achieved.
Intergovernmental relations reports	Number of reports		4	1	2	3	4	Target achieved.
Provincial Health Advisory Committee (PHAC) report	Number of reports		4	1	2	3	4	Target achieved.
d) Vital statistics								
· Birth rates								
· Death rates								
· Population growth rates								
· Infant Mortality rates	Number of reports		4	1	2	3	4	Target achieved.
Communicable (Notifiable) Disease report	Number of reports		12	1	6	9	12	Target achieved
Conduct Research and supervise research	number of research papers produced		4	2	2	2	5	Target exceeded as more papers were received and supervised.
Organise regional (Ekurhuleni) research conference	number of research conference held		1	1	0	0	0	Target achieved. Conference held only once in a year
<b>HIV &amp; AIDS UNIT</b>								
<b>Comprehensive HIV &amp; AIDS care and support services</b>								
Reproductive Health Month	Number of people reached during the reproductive health month		1,000	0	0	2,010	2,010	<b>Target exceeded:</b> School debates took place in each Customer Care Centre and after that the 1st place school took place in the Metro School Debate Sessions held on 14 February 2007 and more people were reached because of that.
HIV & AIDS Care week	Number of individuals reached		5,000	0	0	0	87,667	Target exceeded: The door-to-door campaigns that took place in Customer Care Centres and Candle Light commemorations that took place in the community and in the Workplace ensured that more people were reached.
World Aids Day and Faith Based Organisations led Prayer Day Campaign	Number of people reached		100,000	0	139,007	139,007	139,007	Target exceeded: Because of the mobilisation for the Door to Door campaign the target was exceeded
<b>Effective involvement of internal and external stakeholders</b>								
Establishment of Aids Council	Aids Council established		1	0	0	0	0	Target not achieved: List of 25 Submitted names are being evaluated. The council to be launched in July 2007
<b>Effective Sector Development</b>								
Consolidation of Sectors	Sectors Developed		15	7	4	4	15	Target achieved
<b>Community Development</b>								
<b>Youth Development</b>								
Promote holistic developmental programmes for youth	number of wards reached		30 wards	10	16	26	30	Target achieved
Promote sustainable and comprehensive life skills programme for youth	3 holiday programmes per region		9	3	5	7	9	Target achieved
Establish networks and co-ordinate resources for implementation of programmes.	number of partners		5	1	5	4	5	Target achieved
Ensure promotion of sustainable income generating projects.	number of projects		10	4	7	11	10	Target achieved
Conduct/Promote awareness campaigns for youth	number of awareness campaigns held		4	2	2	3	4	Target achieved
To develop and implement a comprehensive programme for youth.	implemented youth programme		1	1	1	1	1	Target achieved
<b>Men Development</b>								
Promote holistic developmental programmes and sustainable and comprehensive life skills programme for men.	number of wards reached		30 wards	8	16	26	30	Target achieved
Establish networks and co-ordinate various resources for implementation of programmes.	number of partners		3	1	2	2	3	Target achieved
Ensure promotion of sustainable income generating programmes.	number of projects		6	4	5	7	6	Target achieved

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Conduct/Promote awareness campaigns for men. <b>Children</b>	number of campaigns		3	1	2	2	3	Target achieved
To develop and implement a comprehensive programme for children	Completed report on the follow up study on the status of children		1	1	1	1	1	Target achieved
To develop LPAWC Policy	LPAWC Policy in place		1	1	0	1	1	Target achieved
To promote and sustain inter-departmental and intersectoral collaboration.	Completed guidelines for fora		1	1	1	1	1	Target achieved
To establish interdepartmental forum	established inter-departmental forum		1	1	1		1	Target achieved
Capacity building for Early Childhood Centers to meet health regulations.	Training of ECD practitioners on norms and standards		12	3	6	14	14	Target exceeded due to additional funding from (20) Priority Townships Programme
To develop ECD evaluation tool	Development of evaluation tool		1	1	1	1	1	Target achieved
To develop and implement a strategy for care and management of orphans/children under difficult circumstances	Establish programmes for management of orphans/children under difficult circumstances		3	0	3	3	3	Target achieved
Strengthen capacity of families to protect and care for orphans/children under difficult circumstances.	Number of parental and parent-child workshops Conducted		15	4	8	9	18	Target exceeded due to increased awareness campaigns on good parenting
To develop and implement a strategy to manage children working and living in the streets	Number of workshops to manage children living and working in the streets		6	2	3	2	7	Target exceeded due to inter-sectoral collaboration
<b>Women Programmes</b>								
To develop and implement a comprehensive programme for protection of women	Completed report on the status of women		1	1	1	1	1	Target achieved
To develop and implement a comprehensive programme for protection of women	Programme developed for the protection of women		1	1	1	1	1	Target achieved
Increase awareness on sexual harassment	Increase in the number of sexual harassment programmes		12	3	6	9	12	Target achieved
To improve socio economic status of women.	Number of workshops on economic development in the SDRs		15	4	8	12	15	Target achieved
To improve socio economic status of women.	Number of sewing co-operatives established in the 3 SDRs		9	0	6	8	9	Target achieved
<b>Poverty alleviation</b>								
	Number of productive agricultural and food gardens		56	9	13	46	64	Target exceeded due to increased intake of trainees for the programme.
	Number of training courses co-coordinated on agriculture		100	87	50	75	115	Target exceeded due to Increased awareness about the programme
	Number of business companies accessed for funding poverty alleviation projects		5	0	0	1	3	Target not achieved due to lack of formal commitment by GDACE & SAB



Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Poverty alleviation programmes activated	Number of co-operatives established		2	0	1	1	2	Target achieved
	Number of projects provided with implements		50 projects	0	1	1	50	Target achieved
<b>Indigent management</b>								
Conduct awareness campaigns for indigent registration.	Campaigns in wards		41 wards	0	52	54	46	Target exceeded due to Chris Hani Commemoration campaigns
	number of indigents in exit programmes		60	10	30	30	70	Target exceeded due to the approval of the Poultry tender in June 2007.
<b>Care for people with disabilities</b>								
To establish a unit for people with disabilities in the Ekurhuleni Metro	Developed programme of action for people with disabilities		1	0	1	1	1	Target achieved
To co-ordinate and support existing services rendered by the NGO's, CBO's and Health Care Workers in the area	Number of sub-regions in which programmes were implemented		9	3	5	7	9	Target achieved
	Number of sub-regional and ward level fora for PWDs		9	2	3	4	9	Target achieved
	Number of new PWDs centres in sub-regions		9	2	4	7	9	Target achieved
Research on level of skills for people with disabilities	Completed research study		1	1	1	1	1	Target achieved.
To promote awareness campaigns for people with disabilities in the Ekurhuleni Metro and celebrate National and International days	Number of workshops held and attended at sub-regional level to expose the vulnerable groups to information on human rights		9	3	6	9	9	Target achieved
	Number of wheelchair netball teams		3	1	0	1	3	Target achieved.
To promote and enhance training and educational programmes for optimal functioning and extra income	Number of people with disabilities trained in computer skills		90	10	50	65	75	Target not achieved.due to initial reluctance of PWD's to participate in computer training.
	Number of people with disabilities registered with ABET		15	1	3	10	15	Target achieved.
	Number of learnership training workshops attended		3	1	1	1	3	Target achieved
	Number of members PWDs placed in learnership programmes		9	3	8	12	32	Target exceeded. Due to a Partnership with Dept of Labour there more intake in the learnership on upholstery
<b>Care for older persons</b>								
To co-ordinate and support existing services rendered by the NGO's, CBO's and Health care workers in the area and establish new centers	Number of centres for older persons supported with services		13	2	7	8	15	Target exceeded due to partnership with other service providers
	newly established centres for older persons		9	2	4	7	9	Target achieved

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
To promote awareness campaigns for the elderly and Celebration of national and International Day	Commemorate International Day For Older Persons		1	1	1	1	1	Target achieved
	Drafted guidelines, approved by the portfolio and implemented		1	0	1	1	0	Target not achieved due to delays in the implementation of the training programme on SA Policy on Older Persons by the relevant national dept. Training in this regard is scheduled for October 2007.
To promote and enhance training and education programmes for optimal functioning and extra income	Number of income generating projects in each region		15	3	4	7	18	Target exceeded due to additional funding from Gauteng Social Development.
	Number of older persons in the literacy programmes		15	9	9	15	15	Target achieved.
	Conduct study: Establish the extent of older persons taking care of the orphaned children	Completed study	1	1	1	1	1	Target achieved.
<b>Vote: Environmental Development</b>								
<b>Solid Waste</b>								
1. Provision of refuse removal services to 120 000 service points	Number of service points	Improve on service delivery backlog	120000	153	5000	30000	35153	No proper infrastructure in place to allow easy access to removal of waste in informal areas
2. Provision of bulk containers service to 100 service points	Number of service points	Good governance	100	44	5	20	100	
3. Purchase of 21 refuse removal vehicles to service the informal areas and formal areas (50 000 additional service points and 70 000 informal service points)	Number of service points	Improve on service delivery backlog and new service delivery	120000	153	5000	30000	35153	Vehicles have been purchased but there is no proper infrastructure in place to allow easy access to removal of waste in informal areas
4. Development of new landfill site (1)	Number of new sites		1	0	0	0	0	In process to appoint consultant to perform gap analyses.
5. Provision of additional airspace for disposal facilities to cater for additional tonnage	Number of cells to be developed		2	1	1	1	3	
6. Reducing the tonnage of illegal dumped waste	Tonnage of illegally dumped waste	Improve on service delivery backlog	100%	5%	5%	100%	50%	Funding available is insufficient to clear all the backlog of illegal dumping within the EMM.
7. Management and rehabilitation of closed landfill site (1)	100% - closure permits	Good governance	100%	0%	20%	100%	50%	Tembisa Site still has to be rehabilitated. Still waiting for housing department to relocate families living on site.
8. Development of the CDM Project to reduce gas emissions and promotion of renewable energy use	Number of wells and flares installed		100%	10%	20%	30%	40%	Carbon Credits contract between EMM and ENDESA has been signed. Flares tender – Contractor appointed. The well fields tenders are in the adjudication process. The EIA, RoD's issued for 3 sites await RoD for Weltevreden. The DOE in process to perform project validation, thereafter the project be registered. Flaring to start 28 Feb 2008, according to ENDESA contract condition.
<b>Environment</b>								
Yearly Review of SOER	Yearly Review SOER	Good governance	Annual Review	In progress	In progress	Completed	Completed	
Development of Open Space Plan	Open space plan	Good governance	Developed plan (appointment of Consultant - plan to be finalized Dec 2007)	In progress	In progress	Completed	In progress	Tender had to be re-advertised to administrative error. The re-advert has not been completed, we are at the tender advertising stage.
Establish and update a GIS facility for the Environment directorate including info from the SOER,EMF,AQMP and other relevant agencies	Established and updated GIS facility for the Environment directorate	Good governance	On-going	On-going	ongoing	On-going	On-going	
Alignment of the IDP with the LA 21 principles and GDS	Participate actively in interdepartmental efforts	Good governance	On-going	On-going	ongoing	On-going	On-going	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Implementation of Leeupan plans and designs	Implemented plans	Job creation	95-100% expenditure of the allocated budget	10%	40%	100%	75%-80 1 <sup>st</sup> phase of earthwork completed	There was a delay due to Project Management problems encountered.
Implementation Esselenpark Park/Tembisa plans and designs	Implemented of Esselenpark Park/Tembisa plans and designs	Job creation	95-100% expenditure of the allocated budget	0%	0%	100%	Not achieved	Not done due to budgetary constraints and delay in the completion of the Township establishment plan – waiting for the Housing Department
Reduction in energy consumption and energy efficient practices	Implement appropriate energy reduction and efficient projects	Good governance	5% of council buildings to be retrofitted	0%	0%	30%	100%	completed
Implementation of AQMP for EMM	Installation of Ambient Air Quality Monitoring Stations throughout the regions	Good governance	9 stations in total by June 2007	0	0	2	100%	2 stations commissioned. Completed.
Implementation of AQMP for EMM	Monitor air quality within the EMM regions	Good governance	On-going	On-going	ongoing	On-going	On-going	No problems, everything is in order.
Develop a strategic integrated water resource management plan for EMM	strategy developed	Good governance	strategy	25%		100%	100%	Strategy completed. Waiting for Portfolio and Council Approval
Development f the Environmental Management System with the EMM.	Conduct audit on Council buildings	Good governance	Annually	On-going		On-going	On-going	EMS is implemented at Waste Management & Edenvale CCC
Schools Environmental Education Programme	implement Eco-school programme	Community participation	80-100% annually	25%	50%	100%		Not done
Develop environmental awareness and promotion materials	Provide exhibition stands and pop-up stands and materials and promotional materials	Community participation	On-going	On-going	On-going	On-going	on-going	We still need more materials as not all issues are covered.
Coordinate environmental forums	4 meetings held annually by the Metro forums	Community participation	4 meetings annually	1	2	4	4	Completed. The last meeting was in 22 May 2007
Establish 1 resource centre	established 1 resource centre in Edenvale	Community participation	1 resource centre	0	0	1	1	completed
Celebrate selected days of environmental importance	Celebrated 4 days of environmental importance	Community participation	celebrated 4 days of environmental importance	2	1	4	4	completed
Implement environmental learner ship	Enroll and implement 5 learner ships	Community participation	5 learner ships implemented	5	5	5	5	completed
Develop an Education and Awareness programme for Council employees	approved environmental education and awareness programme for council employees	Community participation	approved training manual	25%	50%	100%	100%	completed
Establishment of education centre - 2nd phase Siluma View	completed 2nd phase	Urban renewal	2nd completed	0%	0%	100%	0%	Budget problems and reliance on Parks & Cemeteries to implemented.
Establishment regional ridges conservation area and education centers	Fenced Bill steward nature reserve	Safety & Security	completed project	0%	0%	100%	0%	Not enough budget available
Fencing of Bullfrog Pan	Fenced Bullfrog pan	Safety & Security	completed project	25%	50%	100%	0%	Not enough budget available
<b>Support Services</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Review Employment Equity Plan for the department	Reviewed EE Plan	Good governance	Annually	Completed & submitted to HR	Completed	Ongoing	Completed	
Development of HIV/AIDS plan	Dept HIV/AIDS Plan	Partnership against HIV-AIDS	Annually	Ongoing	Ongoing	Ongoing		EMM appointed consultant for all dept plans
Development of Administrative Procedures	Developed Administrative procedures	Good governance	Annually	Ongoing	Ongoing	Ongoing	Ongoing	Forming New Dept.
<b>Metro Parks</b>								
Develop strategies, policies, norms, standards and working procedures for the management of Parks, Cemeteries Public Open Spaces and Conservation.	Approved Strategies and documents	(1) Grass cutting strategy including audits of all areas and facilities (2) Turn around strategy for cemeteries (3) Norms and Standards document (4) Heroes acre policy (5) Livestock policy (6) Urban greening (7) Community based Urban Forestry policy (8) Arboriculture policy (9) Conservation Policy (10) All other relevant policies	(1) 100% (2) 75% (3) 100% (4) 100% (5) 100% (6) 50% (7) 50% (8) 50% (9) 10% (10) 10%	(1) 10% (2) 0% (3) 10% (4) 10% (5) 10% (6) 0% (7) 0% (8) 0% (9) 0% (10) 0%	(1) 20% (2) 0% (3) 20% (4) 20% (5) 20% (6) 0% (7) 0% (8) 0% (9) 0% (10) 0%	(1) 30% (2) 0% (3) 20% (4) 30% (5) 30% (6) 0% (7) 0%	(1) 40% (2) 10% (3) 30% (4) 30% (5) 30% (6) 10% (7) 10%	(1) Grass cutting policy and Norms and standards approved. Resolution to be implemented. (2) Still in process (3) Still in process (4) Presented to Portfolio (5) Presented to Portfolio (6) Still in process (7) Still in process (8) By-laws and tariffs approved (9) Comply date is 30/06/09 as per IDP (10) Still in process
Promote socio economic development and quality of life through the greening of the environment.	Number of street trees planted	(1) One thousand (1000) ornamental (2) one thousand (1000) fruit trees per region.	(1) 1000 (2) 1000	(1) 900 (2) 2400	(1) 100 (2) 0	(1) 0 (2) 0	(1) 150 (2) 0	3350 trees were planted in various wards across Ekurhuleni.
	Number of fruit trees planted.	Developed skills of 10 community members per region	30	30	0	0	0	Community members were trained
Improve information system of Metro Parks facilities and services	Number of information boards erected.	A notice board at each of 2 facilities per region.	6	2	2	2	2	Completed
	Number of Metro Parks brochures and pamphlets distributed.	One new Metro Parks brochure and 1000 copies distributed.	1	0	0	0	1	Brochure were designed, final draft approved. Only to be printed and distributed.
Improve safety and security at all Metro Parks facilities	Number of facilities fenced	Secure one facility per region	3	2	2	4	2	10 Facilities were fenced - Mahlathini Park, Spruitview, Siluma, Alberton Dam, Jan Smuts Regional Park, Blaauwpan, Coen Scholtz, Birchleigh North. Brakpan North & Tsakane Park
To promote and develop disable – friendly facilities and services at Metro Parks facilities.	Number of disable-friendly facilities erected.	One facility per region upgraded.	3	1	0	2	0	Siluma, Dries Niemandt, Brakpan Depot
Promote environmental awareness and services.	Number of national environmental events conducted.	One event on three identified environmental days.	3	3	0	0	1	1 huge arbor day event held + 2 smaller events held in the East and North Opening of Kwelele Park
	Number of alternative burial programmes ran.	One alternative burial method community liaison event.	1	0	1	1	0	2 Workshops held with community members
	Number of educational programmes managed.	One educational programme.	3	2	1	0	0	Fruit tree project - educational - job creation and Garden competition. Distribution of procedures for cremations to community members.
	Ensuring conservation of the environment.	One press release on conservation of the environment.	1	0	0	0	0	Still in process

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Investigate and implement alternative service delivery options	Compiling and implementation of alternative method for: Grass Cemetery maintenance Cemetery administration	Compile action plans in accordance with core function and one master plan	8	0	0	0	7	Master plan in process of compilation
Horticultural maintenance of Metro Parks facilities.	Maintaining horticultural requirements at:	Acceptable standards according to approved Policies and the Norms and Standards document at all Metro Parks areas of responsibility.	100%	25%	25%	25%	25%	Implementation of the grass cutting action plan, reduce turn around time for street tree complaints.
Plan, develop and upgrade new and existing Metro facilities ( parks, cemeteries, crematoria, facilities, open areas including wetlands and conservation areas).	Number of multi purpose parks developed	next phase of four Multi purpose parks completed: Spruitview/Siluma, Kwa Thema, Marivate& Rocky Park	4	0	0	0	3	Kwa Thema behind schedule due to contractor's lack of resources
	Number of town entrances improved.	Next phase of the Duduza Town Entrance completed.	1	0	0	0	1	Completed
	Number of new cemeteries developed.	New Northern cemetery (Phase 1) developed.	1	0	0	0	0	Busy with land identification
	Number of existing cemeteries upgraded	The Brakpan Cemetery upgraded.	1	0	0	0	0	RT & CW came on site on 26 June 07
	Number of depots	The Nigel and Benoni depots upgraded/developed.	2	0	0	0	0	RT & CW not complying with programme
	Number of civic centre gardens upgraded.	The next phase of the Springs Civic Centre Garden completed.	1	0	0	0	0	Project referred to Opex Budget
	Number of existing facilities improved.	Various smaller parks upgraded with playground equipment. Next phase of Siluma Regional Park Upgrading completed Phase 1 of the Mahlatini Park, Bunny Park, Dries Niemand and the Bokkie park upgraded Next phase of upgrading of lakes and dams completed: Alberton Dam, Boksburg Lake and Germiston Lake	4	0	0	0	4	Contractor erecting equipment
Enhance community based services.	Promoting of ownership of Metro Parks facilities by involving local communities in rendering of services	One facility per Region protected, managed and maintained by local community members	3	0	0	0	0	Policy on procedures to be compiled
<b>Environmental Health</b>								
To ensure compliance with Tobacco Legislation in Food Premises	% of food premises complying	Ensure food safety and healthy environment	74%	74%	79%	72%	81%	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Monitor, reduce and control air pollution noise pollution and water pollution	% of tested diesel driven vehicles compliant	Pollution free and healthy environment	75%	83%	91%		85%	
	% of bacteriological water samples compliant		80%	87%	79%	70%	76%	
To reduce and control rodent infestation	% of inspected residential stands without infestation	Prevent communicable diseases	70%	63%	70%	65%	70%	
	% of business premises inspected without infestation		80%	65%	68%	79%	81%	
	% of council premises inspected without infestation		80.0%	63%	67%	79%	80%	
Compliance with Health requirements in safe provision of food	% of formal food premises with Certificates of Acceptability (COA's)	Ensure food safety and healthy environment	90%	82%	90%	87%	91%	
To reduce land pollution by addressing illegal dumping spots through a multi-disciplinary approach with following departments:	% of illegal dumping spots eliminated	Ensure pollution free and healthy environment	25%	0%	0%	20%	0%	Need for a multidisciplinary approach, personnel and operational budget.
Compliance with Funeral Undertakers Regulations.	% of Funeral Undertakers with certificate of competence	Prevent communicable diseases	100%	83%	85%	100%	100%	
Compliance with Pre-School regulations.	% of Pre-school Institution with Health Certificates	Prevent communicable diseases	75%	83%	82%	75%	83%	
To rationalize all health by-laws	% of by-laws rationalized	Ensure compliance and enforcement	100%	0	0	1	0	Gone through Council, public participation process recommended by Council, just completed.
Coverage of high risk areas with Environmental Health Services	% of high risk areas covered	Achieve a healthy environment	80%	100%	60%	80%	100%	Departmental focus was on high risk areas
Employment of Assistant Environmental Health Practitioners	% of Environmental Health Assistants	Improve service delivery	10%	0%	0%	10%	0%	Curricula not yet in place for training by Institutions
Ensure Urban renewal	Number of dilapidated buildings renovated or demolished	Control of communicable diseases and ensure a healthy environment	10	25	54	10	35	More compliance by building owners
Vote: <b>SRAC</b>								
Arts & Culture								
Development and empowerment of community through management and conservation of EMM heritage sites	Number of Heritage sites identified and	Two Heritage Sites declared:						
	Chris Hani and Thomas Nkobi	Chris Hani and Thomas Nkobi	2	0	1	0	1	Awaiting SAHRA's approval
Implement norms and Standards for the maintenance of arts and culture facilities	Equitable maintained arts and culture facilities	Roll out plan: 3 Arts Centers on the same standards	3	3	1	0	6	Over achieved
Development of arts and culture facilities	Number of arts and culture facilities provided	New Art Centers Developed:	2	0	0	0	2	OR Tambo Monument completed except for a technical error on the beam . ( 98% spent) Need funding to rectify the beam structure . Thami Mnyele monument completed, fencing and paving completed . ( 75%, Challenges with the appointment of contractor) -Multi-year project
Upgrading of existing arts and culture facilities	Number of existing arts and culture facilities upgraded	Benoni museum to be upgraded – phase 1 Tsepo Art Centre 2nd phase Rhoo Hlatshwayo Art Centre - Final Phase Katlehong Art Centre	4	0	0	0	4	Springs Civic Theatre( 95%),Katlehong Art Centre( 35%, Tenders rejected ) , Post Office Theatre( 97%), Rhoo Hlatshwayo Art Centre(39%, Received Provincial Funding only in February), Tsepo Art Centre (5,78%, No qualified tender approved ) , Benoni Museum( 49%, Tender for tiling not approved )

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Transformation and marketing of Springs Theater through the promotion of arts, culture and heritage productions	Number popular productions	Springs Theater to be transformed and marketed 4 per year	4	2	0	0	4	Achieved - Wathint Abafazi Wathint, Local In-house Production, Once and African, Mapatzula Production)
Increase community interest and participation by presenting 7 high impact cultural enrichment programmes	Number of cultural enrichment programs presented to create awareness	Cultural enrichment programs to be facilitated	7	4	8	4	17	Over achieved
The implementation of arts and crafts education and training programmes	Number of Educational training programs facilitated	6 Educational training programs facilitated	6	1	13	6	19	Over achieved
Promote EMM history document	History document of EMM history promoted	History document promoted through community workshops	1 document	0	0	0	1	Achieved - Wathint Abafazi Wathint, Local In-house Production, Once and African, Mapatzula Production)
Sustained community initiated arts forum for optimum service delivery	Sustained community forum	One community arts forum – EMM	1	0	0	0	1	Forum exits - funding needed for sustainability
Libraries								
Increased access to library and information services	Number of new Library and information service points constructed:	Olifantsfontein Library planned and in process of construction	1		Tender adjudicated	Tender to serve on Bid Committee meeting 26 March 2007	Construction commenced	The tender price exceeded the budget. Project delayed to obtain funding. Contractor appointed 26 March 07. Project to be completed by end April 08
Upgrade existing Library and information points	Number of existing Libraries in previously disadvantaged areas upgraded	Upgrade Thembisa library and 20 Township Projects	5		75%	60%	Completed	Exceeded target. Additional work was accommodated. Building maintenance manager resigned and last 2 orders were not processed. Saving of 27% on vote
To transform Library media collections to reflect South African Society in content	Number of media items purchase and process	To transform media collection in all Libraries	100%		50%	100%	Completed	Project target of 2000 items exceeded by 11,640 as additional funding was obtained. Baclog of 120,000
Promote socio-economic development through the presentation of skills development programmes	Number of Skills development programmes presented	Identify themes Plan, develop and roll out programs Monitor and evaluate	100%	10%	40%	78%	Completed	56 Programs presented. Project target of 50 programs exceeded by 6
Citizens access to Government information	To Government information corners establish and implemented per Region	Identify service points and plan and equipped corners	100%		50%	55%	Completed	Project target of 6 exceeded. All 43 libraries implemented access to Government Information corners
Enhance access to library and information services through the development of virtual libraries	Design and implement Library WEB Page	Design Webpage and install Library Software on the WEB	100%		40%	30%	Not completed	Internal Webpage completed. External could not be implemented due to technologicial limitations on the systems. Wills tand over until new LIS system has been implemented
To improve development of Top 20 Townships	10 Identified Libraries with upgraded media collections and 10 Identified Libraries with improved electronic access	Expand media collection and improve electronic access.	100%		70%	100%		
<b>Sport and Recreation</b>								
Increase access to sport and recreation facilities	Number of facilities that are accessible to all communities.	Converting all existing facilities to be accessible to the community and the disabled community. Amended bylaws to accommodate the disabled	100%				80%	Some sports codes still not able to afford promulgated tariffs. Most facilities still not disabled user friendly. Lease agreements policy to be reviewed to ensure access by PDI clubs
Develop Informal soccer fields	Informal soccer fields upgraded and developed	Upgrade all remaining informal soccer fields.	100% (6)	0	30%	1	3 (50%)	Funds allocated insufficient to complete 6 fields. Delays in procurement processes and improper communication with ward Cllr.

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Upgrade existing sport facilities	Number of sport facilities upgraded	Complete upgrading as per approved plans: Sedibeng Sport Park, Sinaba, Green fields Sport facility	12	0	1		10	Problems which require specific intervention identified at Pam brink
Upgrade existing recreation facilities	Number of recreation facilities upgraded:	Upgrade: DeVilleville Swimming pool, Kempton Park Aqua Tube, Benoni Swimming pool, Duduza Multi Purpose Centre, Kwa Thema Swimming Pool, Thokoza Swimming Pool and Existing Halls	100%	10%	5%	20%	30%	The halls projects still in progress. Had procurement challenges for some halls. Funds only approved and of January 07.
Increase maintained sport and recreation facilities	Implementation of set maintenance norms and standards - 20% of all Sport and Recreation Facilities	Align and increase budget to meet approved norms and standards	20%		10%	50%	20%	
Community participation to enhance sport & recreation	Implementation of Sport Forum	Regional Sport Forums established Local sport council established Involvement of ward committees	100%	0	20%	60%	10%	Terms of reference with the sports council not finalised due to complaints from the sports codes on the election of some members, how the sports council is run. Have to re-constitute local forums in line with ward committees and local sports associations.
The implementation of sport and recreation programs	Number of sport and recreation programs implemented	Flagship Programs	6	2	5	5	3	
Development and upgrading of world cup facilities	To prepare and host national and international sport events: 2010 Soccer World Cup - 5 facilities	Facilities upgraded to ensure compliance with FIFA LIST OF REQUIREMENTS: Makhulong Stadium, Germiston Stadium, Vosloorus Stadium, Katlehong Stadium and Sinaba Stadium	50% of 5 facilities	0	10%	10%	30%	contractors appointed for all stadiums. Sinaba phase1 completed(province). Experienced challenges with funding. Had to reduce the scope of work.
Equitable distribution of facilities	Sport and Recreation Facilities in all new settlements and areas with no facilities	Identify the number of areas with no facilities Establish multi-purpose facilities in all new settlements and areas with no facilities	100%	0		100%	40%	Part of the identification of areas completed in line with the ward needs. Will require proper planning and funding for all projects to commence.
To formulate, develop and implement policies, strategies and action plans	Compliance in respect of Legislative	Recreation policy to ensure compliance White Paper Sport and Recreation Policy	100%	0	50%	1	0%	Policies (off-season games; recreation; maintenance plan) still to be ratified and approved.
To provide quality facilities in order to make provision for all levels of participation from local to national and international.	Agreement on standards of facilities: Local, Provincial and National	One international standard facility per sporting code by 2025.	10%			1	10%	Hosted one international and two national championships



Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Education and Development Vote: <b>Community Safety</b>	To establish relations with other educational stakeholders, federations and SRAC bodies. Workshops, symposia, meetings, conferences, leadership courses, coaching and officiating.	Establish forum with all stakeholders.	100%	0	50%	60%	0%	Relations established with swimming south africa, sascoc, theta, province. Need to officially conclude SLA and MOU.
<b>1. Disaster Management Centre</b>								
Improve performance management processes in line with strategic objectives of EMM								
Customer Care	Implement at least ( 2 ) customer care interventions in line with result of survey	Institutional Transformation	2	-	-		2	
Continuous improve the Management of Resources within the Municipality								
Provide for multi-disciplinary disaster operations								
A functional DMC	Functional DMC and Disaster Management Plan	Socio and Economic Development	100%	25%	25%	25%	25%	
Provide for a Metro Emergency Call Taking Centre								
A functional Emergency Call-Taking and regional Dispatching Centre	Functional Regional Dispatching centre Functional Metro Call Taking centre Provision for Radio Technical Services	Socio and Economic Development	4	4				
<b>2. Emergency Services</b>								
Continuous improve the Management of Resources within the Municipality								
Start construction	Start Phase 1 on the Dayveyton and Etwatwa fire stations pending finalisation of property matters	Socio and Economic Development	100%	25%	50%	0%	100%	
Respond effectively and efficiently to emergency incidents								
Create awareness	Create awareness at all informal settlements	Socio and Economic Development	10	3	3	3	30	
Promulgation and implementation of Emergency Services By-Laws	Emergency Services By-Laws document	Socio and Economic Development	100%	20%	20%	0%	20%	Awaiting approval for fines from Chief Magistrate
Emergency Preparedness	Ensure full emergency preparedness in 26 major hazardous installations	Socio and Economic Development	26	26			27	
<b>3. Licensing Services</b>								
<b>Financial Management</b>								
Enhance revenue collection	Run pilot project and one in each region. Reduce lead time for licence testing from 4 months to 2 months	Specific perspectives	3	1	1	-	3	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Improve performance management processes in line with strategic objectives of EMM								
Customer Care	Implement at least ( 5 ) customer care interventions in line with result of survey	Institutional Transformation	5	1	2	2	5	
Eradicate fraud and corruption through the implementation of Best Practice Model								
Reduction in number of fraud and corruption cases	Increase the success rate of prosecutions to prevent loss of income.(Saving of R 1 500 000)	Democracy and Governance	80%	40%	20%		80%	
4. EMPD								
Build capacity of human resources through training and skills development for the provision of effective safety and security management								
Accredited Training Academy	Complete construction	Institutional Transformation	100%	25%	25%	25%	25%	
Demilitarization	To assess 1 500 ex combatants	Institutional Transformation	100%	100%			100%	
Improve performance management processes in line with strategic objectives of EMM								
Customer Care	Implement at least ( 5 ) customer care interventions in line with result of survey	Institutional Transformation	100%	25%	20%			
Continuous improve the Management of Resources within the Municipality								
Render an effective and efficient crime prevention service with role-players								
Enforcement Policy	Educating the Community on By-Law Enforcement Policy by end of January 2007	Democracy and Governance	100%	25%	25%	50%	100%	
Land Invasion	Reduce Land Invasion in the EMM	Democracy and Governance	20%	5%	5%	10%	20%	
Render an effective and efficient traffic policing service and thereby enhance revenue								
Prosecutions	Successful prosecution of traffic offenders by end of June 2007	Democracy and Governance	50%	9%	20%		30%	3 Months no camera prosecutions due to director Public Prosecution ruling. No camera prosecution during April to May due to Enatis implementation. No camera prosecutions in June due to fire at camera mailer hub in Benoni.
Ensure effective Security and Loss control service of EMM assets								
Decrease in losses	Standardise Access Control measures.	Democracy and Governance	100%	25%	25%	25%	0%	Budget constraints. Due to increase in robberies at EMM buildings, security measures were increased to deal with current threat.
<b>Vote: Economic Development</b>								
<b>Tourism</b>								
Implementation of the approved tourism marketing plan	compilation, printing and distribution of marketing material	Job creation	Annually	Ongoing	on-going	On-going	ongoing	
Celebrate Tourism Month activities	Celebrated Tourism Month	Enhancing public participation	Annually	Ongoing	on-going	On-going	ongoing	
Active Participation in national and internal exhibitions, trade shows	No of exhibitions and trade shows	Job creation	4-6 annually	Ongoing	on-going, participated in 2 trade exhibitions	On-going	ongoing	
Finalisation of the Regional Tourism Plan	completion and approved Regional Tourism Plan	Job creation	RTP by June 2007	0%	25%	75%	Done	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Active participation and representation of the Ekurhuleni Sports Academy	Attend meetings of the Ekurhuleni Sports Academy	Good governance		Ongoing	on-going	On-going	ongoing	
Launch a bi-annual development and distribution of Vulindlela Educational series	compilation of tourism awareness and information series	Enhancing public participation	2 issues annually			1	Done	
Implementation of Tourism Youth Initiative Programme	Establishment of Tourism Youth Initiative task Team	Enhancing public participation	Existing Tourism Youth Initiative Task Team	0%	50%	75%	done	
Implementation of Tourism Workshop series to departments, councillors, unions & schools	No of workshop done	Enhancing public participation	2-3 annually		1		done	
Tourism Route Development	Tourism Route in the Eastern Regions	Job creation	Completed eastern route	0%	25%	25%	25%	Delays due to internal administration, tender process and feed back delays
<b>Vote: Local Economic Development</b>								
Industrial Hives	No of buildings renovated		3	0	1	0	0	Erf 688 in progress. Etwatwa land handed to dept very late.
Street Trading Facilities	No of Street Trading Facilities created		2	0	0	0	0	Delayed due to EPWP process. Contractors are appointed
	Traders Shelters affixed		200	0	48	0	0	See reason on Street Trading Facilities
	No of Street Traders located in Facility		200	0	0	0	0	See reason on Street Trading Facilities
	Economic Analysis Reports and Interventions		4	1	1	1	0	Department is restructuring and realigning processes
Strategic Planning	No of Reports produced		2		1	0	2	Strategic Sessions held
Workshops	No of Meetings (Mining and Cooperatives set up, construction, information centres,		60	18	17	4	8	SARS Tax Amnesty, Basic Tendering, Advanced Costing . Telkom Building Entrepreneurial Skills
Special Events	Priority projects, launches and Forums		8	2	3	1	2	Entrepreneur Workshop 16 June, Partnership with GYC
Community Development Projects	No of Projects assisted		12		5	0	8	Research - WBS.1 <sup>st</sup> Phase - SACCO'S Assessment - 25 co-operatives. 2 Entrepreneur Development Workshops.
Training	No of Training Sessions held		2	0	1	0	1	Basic Economic Literacy for Clrs - 15-16 May 2007
Consultant Fees	No of consultants appointed		4	2	2	4	1	Tendai Gwatidzo
	No of Reports produced		4	1	1	1	1	Consultant produced manual
<b>Vote: Development Planning</b>								
Processing and approval of received applications	No. of approved applications	Good governance	30%	5%	5%	10%	22%	CAPACITY INCREASED&PROCESSES STREAMLINED
Alignment of SDF with GDS	Fully aligned	Good governance	100%	25%	30%	30%	15%	ON TARGET
Public participation and approval of RSDFS	RSDFS	Good governance	100%	25%	45%	20%	10%	ON TARGET
Finalisation of LSDFS	5 LSDFS	Good governance	100%	20%	35%	30%	5%	SHORTAGE OF STAFF
Integration of town planning schemes	One scheme	good governance	30%	5%	2%	10%	13%	ON TARGET
<b>Vote: Corporate and Legal</b>								
<b>1(A) Committee and Secretariat Services</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Draft agenda, proofread, type final agenda and submit to printing section.	For each Council meeting	Good Governance	11	3	2	3	4	An extra-ordinary meeting was held in May 2007 for consideration of the budget. It should be noted that the projected figure indicated for the fourth quarter should be applied for the quarter October-December due to the fact that no meetings are normally convened during the month of December. The other three quarters should indicate a projected figure of 3
	For each Mayoral Committee meeting	Good Governance	22	4	5	6	3	No special meetings held in the fourth quarter due to the State of the City address in April, the budget meeting in May and Executive Mayor attending a conference in June. It should be noted that the projected figure indicated for the fourth quarter, should only be applied for the quarter October to December due to the fact that no meetings are normally convened during the month of December. The other three quarters should indicate a projected figure of 6.
Arrange all the meetings	For each Council meeting	Good Governance	11	3	2	3	4	An extra-ordinary meeting was held in May 2007 for consideration of the budget. It should be noted that the projected figure indicated for the fourth should be applied for the quarter October to December due to the fact that no meetings are normally convened during the month of December. the other three quarters should indicate a projected figure of 3
	For each Mayoral Committee meeting	Good Governance	22	4	5	6	3	No special meetings held in the fourth quarter due to the State of the City address in April, the budget meeting in May and Executive Mayor attending a conference in June. It should be noted that the projected figure indicated for the fourth quarter, should only be applied for the quarter October to December due to the fact that no meeting are normally convened during the month of December. the other three quarters should indicate a projected figure of 6.
To produce minutes and attendance registers of all the meetings	For each Council meeting	Good Governance	11	3	2	3	4	An extra-ordinary meeting was held in May 2007 for consideration of the budget. It should be noted that the projected figure indicated for the fourth should be applied for the quarter October to December due to the fact that no meetings are normally convened during the month of December. the other three quarters should indicate a projected figure of 3
	For each Mayoral Committee meeting	Good Governance	22	4	5	6	3	No special meetings held in the fourth quarter due to the State of the City address in April, the budget meeting in May and Executive Mayor attending a conference in June. It should be noted that the projected figure indicated for the fourth quarter, should only be applied for the quarter October to December due to the fact that no meeting are normally convened during the month of December. The other three quarters should indicate a projected figure of 6.
To mark out and track the execution of all resolutions.	For each Council meeting	Good Governance	11	3	2	3	4	only marking out of resolutions - not tracking of excutions - resolution tracking system being developed
	For each Mayoral Committee meeting	Good Governance	22	4	5	6	3	only marking out of resolutions - not tracking of excutions - resolution tracking system being developed
<b>1(B) Petitions and Ward committee Services</b>								
Facilitation of the electoral process of Ward Committees and establishment of Ward Committees.	100% established	Community Participation	88	N/A	N/A	88	N/A	
Submit quarterly reports to Corporate Affairs Committee, Mayoral Committee and the Council	1 report or 100% per quarter	Community Participation	4 reports	3	N/A	N/A	1 or 100%	
<b>1(C) Councillor Support Services</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Registration of newly elected Councillors in respect of Pension Fund, Medical Aid, Cellular phones and Insurance Cover to the extent appropriate.	100% within 30 days after election	Good Governance	100%	100%	100%	100%	100%	
Application of catering and travel policies and procedures, with specific reference to refreshments, travel, subsistence and divisional resources and equipment.	100% as per the need within the policy and budgetary framework - 100% per quarter	Good Governance	100%	100%	100%	100%	100%	
<b>2. General administration and Support Services</b>								
Archive Service in terms of the approved file plan.	100% compliance to the legal requirements per quarter	Good Governance	100%	70%	70%	100%		
Expenditure and financial control.	100% compliance in terms of the monthly reports one report per month	Good Governance	12		3	3	3	
Departmental assets management	100% compliance to the EMM Asset Management Policy	Good Governance	100% per quarter	100%	100%	60%	95%	An Accountability Statement has been submitted with a full reconciliation taking place on receipt of the final asset lists from the asset unit.
Upkeep of registers on all By-laws, Tariffs, delegated powers and policies.	100% up to date within 30 days from promulgation / approval	Good Governance	100% per quarter		100%	100%	100%	
Deal with the annual grants-in-aid in terms of the policy	90% in terms of the policy (10% for contingency / emergency allocations)	Good Governance	90%		90%	N/A	100%	
<b>3. Legal Services</b>								
Dealing with new legislation. To be informed and to inform Council of new legislation applicable to local government	100% compliance	Good Governance	100% per quarter	75%	80%	100%	100%	
Provide legal advice/actions	100% as per service indicator	Good Governance	100% per quarter	85%	100%	90%	100%, but only 90% within timeframe	Lack of capacity
Legal Administration on Property matters	100% compliance to the set time frames	Good Governance	100% per quarter	100%	100%	100%	100%, but only 90% within timeframe	Lack of capacity
<b>4. Property Administration</b>								
Compile and maintain a Property Register	100% updated	Good Governance	100% per quarter	50%	50%	80%	100%, Land audit completed by City Dev	
Implement agreed limited administration in respect of Town Planning and Town Planning function	100% as per agreement with town planning	Good Governance	100% per quarter	100%	100%		90%	Lack of uniform policy on engineering services contributions result in services agreements to be done on an individual basis
<b>5. Valuations</b>								
Maintain Valuation Roll	100% compliance	Good Governance	100% per quarter	50%	90%	100%	100%	Function transferred to Finance
Vote: <b>Human Resources</b>								
<b>ORGANISATION MANAGEMENT DIVISION</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Complete Organisation, Work and Method Studies	Number of completed investigations Monthly Progress Report Organisational Structures Database(PEELOW) Standard and norm database Staff Assessment Allocation	Complete investigations, compile reports, obtain council approval and implement resolutions on an ongoing basis Determine standards and norms Update Organisational structures, Organisational Schedules and Database (PEELOW)	30-Jun-07	Ongoing Process	Ongoing Process	According to project plan	The following reports were completed:Creation of postsutilizing BAT allocations in the Urban Renewal Office, Creation of additional posts to handl the ORACLE System in the HRM&D Department and the Conversion of the posts of Data Capturer in the Health Department.	* The Structural changes as a result of the Institutional Review renders the item Urban Renewal Office not to be necessary.
Align the Organisational Structures of the EMM to the EMM Stategic Plan	Number of reports Revise Organisational Structure, Organisational schedules and database update	Attend Meetings/Workshop Capture decisions in a report format and obtain Council Approval Amend all relevant documentation Abolish all unfunded posts	30-Jun-07	Ongoing Process	Ongoing Process	According to project plan	90% of Phase II completed *Report on EMPD reporting lines submitted (ITEM C-HR (20-2007)	*Item on EMPD was referred to a joint Portfolio Committee of Corporate Services and Community Safety
							*Report on the Offices of the City Manager and Deputy City Managers (ITEM B-HR (19-2007)	The item was withdrawn at the Mayoral Committee
							*Report on delegations of authority of the City Manager & Guiding Principles for the Institutional Review submitted to the City Manager	
							*Report on the abolishment of unfunded vacancies submitted and approved	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
							*Report on CCC Business Plan submitted to the Portfolio Committee	* The report was referred back by Corporate Services Committee
							*Operations Cluster 3-4 April 2007 *OM Managers workshop 11-13 April 2007 * To Councillors 7 May 2007 *ED SRAC 11 May 2007 *City Manager and Chief Whip 24 May 2007 *LLF 5 June 2007	
							Organisational Schedules and structures amended	
Enhance Productivity within the EMM	To measure the current status of Productivity in 1 Division: Springs and Kwa-Thema	Facilitate Productivity measurement projects within the Parks and Solid Waste Divisions	30-Jun-07	Ongoing Process	Ongoing Process	According to project plan	90% complete	Extending Time Studies to include norms for refuse removal in the winter season.
Facilitate Organisation development interventions	Compted number of Job Descriptions	Facilitation of the process of compilation of Section 57 Posts	30-Jun-07	31-Dec-06	Development of Section 57 Job Descriptions	According to project plan	Proposal was submitted to the City Manager	Await feedback from the City Manager.
Research, develop and implement OM related Policies, systems and procedures	Number of Policies reviewed Number of Investigations	Develop a rapid advancement Policy for EMM	30-Jun-07	31-Dec-06	Submission of Policy to LLF	According to project plan	The policy has been approved by the LLF Sub Committee on 18 June 2007	Policy still to be approved by the LLF and Council
		Obtain approval for the Flexi-time Policy	30-Jun-07	According to project plan	Submission of Policy to LLF	According to project plan	Policy has been submitted to the LLF	Stand over till official working hours has been completely implemented
							To be aligned to Policy that was approved on 18 June 2007 and be re-submitted to the LLF Sub-Committee	
							Policy submitted to Corporate Services Portfolio	Item referred back by Corporate Services Portfolio
							Handling investigations as they are received	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
		Obtain approval for the OM rapid advancement Policy	30-Jun-07	According to project plan	Submission of Policy to LLF	According to project plan	Handling investigations as they are received	
<b>Education training and development</b>								
Manual of all HRD policies available.	Date of completion	Research, develop and implement 100 % of all appropriate HRD policies, systems and procedures	HRD Policies reviewed	Ongoing Process	In progress	HRD Policies Approved by Council	(Recognition of Prior Learning Policy; Assessment Policy; Exchange Programme Policy & Community Bursaries Policy) approved in the previous quarter are/being implemented as and when required.	
An annual WSP and Annual Training report submitted to LGSETA.	Date of completion.	Skills Development legislation leveraged and complied with.	Collection and collation of data.	Development of Annual WSP	In progress	Submission of WSP.	WSP Submitted LGSETA on 30 June 2007.	
A written set of guidelines exists	Date of completion.	Develop guidelines for a QA process..	Commence with the process of developing the actual QMS .	In progress	In progress	QMS guidelines aligned with SETA requirements.	The Specifications have been developed.	
100 Bursaries awarded to needy students.Implement 5 Learnership programmes.	Date of completion.	Implement 5 Learnership programmes and award 100 bursaries to the members of the community.	place learners on learnership programs and service the current bursars	In progress	In progress	Learnership programmes implemented. New bursaries awarded.	113 Learners have been placed on 5 Learnership programmes.	
Learning Academy established.	Date of completion	Identify and integrate all HRD activities and structures.	Identify HRD activities and structures to be intergrated.	In progress	In progress	HRD activities and structures intergrated.	.	The establishment of a learning academy would be implemented after the finalisation of Phase iv of the Institutional review.
<b>Labour Relations Division</b>								



Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Divisional audit document of policies, and collective agreements and council resolutions is available	Date of completion	Research, develop and implement appropriate Labour Relations Policies	Design a template to record/audit policies and council resolutions	Determine which policies and resolutions require revision or alignment	Submit policies that require amendment to council for approval	Submit policies that require amendment to council for approval	Corporate Services Portfolio Committee of 10 June 2007 (item C-HR(16-2007)) approved a report to appoint service providers to review, amend and redraft HR related policies to comply with legislative requirements	
The number of managers and supervisors trained	submission of a report	Development of supervisory and managerial industrial relations working knowledge.	Identify managers and supervisors to be trained	Source relevant service providers	Assess managers and supervisors upon completion of training	Assess managers and supervisors upon completion of training	20 Managers were placed on the CCMA Training. 8 learners successfully completed the programme, 11 learners partially completed the programme and 1 learner withdrew from the programme.	
Identify matters requiring collective bargaining	Audit reports	Optimise collective bargaining strategy	Conduct an audit of organisational requirements	Develop reports for discussion	Submit report to council for approval on the Uniform attendance register, Disciplinary and Grievance Procedure, time off arrangements, stand-by allowance and Library Working Hours.	Submit report to council for approval	Corporate Services Portfolio Committee approved the following reports. Time off arrangements (Item B-HR (24-2007)), Uniform attendance register (Item B-HR (23-2007)), Disciplinary and Grievance Procedure (Item C-HR (18-2007))	Standardisation of stand-by Allowance Report was referred back at the 3rd Ordinary Plenary Meeting of May 09, 2007 of the LLF to the relevant sub-committee for further deliberations. Library Working Hours: The report served at the 3rd Ordinary Plenary Meeting of May 09, 2007 and was resolved that the report be kept in abeyance due to the concerns submitted by labour.
Fully developed programme for shopstewards	submission of a report	Development of shop stewards competencies as strategic business partners.	Identification of skills gap for shopstewards	Source relevant service providers	Assess shopstewards competencies upon completion of training	Assess shopstewards competencies upon completion of training	The service provider has been appointed.	The programme could not commence at an earlier date as there were concerns from labour on the content of the programme. It should be noted that the concerns have since been addressed.

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Develop a programme of action to address outstanding disputes	submission of a report	Optimise IR services through alternative delivery channels.	Capacitate labour relations practitioners	Source external providers to finalise disputes	Submit a final report to council	Submit a final report to council	168 Placement Disputes were referred to arbitration. 54 disputes have been finalised. 84 disputes are awaiting finality e.g arbitration awards and postponements. Dates for 30 disputes still have to be scheduled.	The delay in finalising the matters is caused by postponements requested by Labour and the points raised in limine.
The number of managers trained in presenting and presiding of disciplinary cases	submission of a report	Development of internal capacity to handle disciplinary processess	Identify managers to be trained	Source external providers to conduct training	Assess managers competency upon completion of training	Assess managers compency upon completion of training	52 Managers have been trained as Presenting & Presiding Officers.	
Distribution of labour relations manual	minimise disputes	Operationalize the compliance to labour legislation and collective agreements.	Develop labour relations manual	Distribute the labour relations manual to all employees	Distribution of LR manuals to senior and middle managers and labour.	Finalize policies to be aligned	19 Manuals have been distributed to all Senior & Middle Management and Labour Relations Practitioners.	
<b>PROVISIONING &amp; MAINTENANCE</b>								
Research, develop and implement appropriate Human Capital Management Policies	Divisional audit document of policies and council resolutions is available	Research, develop and implement 100 % of all appropriate HRD policies, systems and procedures	A list of policies available	Determine which policies require alignment	Finalize policies to be aligned	Submit report	Corporate Services Portfolio Committee of 10 June 2007 (item C-HR(16-2007)approved a report to appoint service providers to review, amend and redraft HR related policies to comply with legislative requirements	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Implementation of collective Agreement on Conditions of Service	Communication sent out to employees	Communication to all employees	reminder to employees on new conditions	communication sent	Review all issues pertaining to the implementation of the New Conditions of Service	Review all issues pertaining to the implementation of the New Conditions of Service	The Corporate Services Portfolio noted and approved the arbitration award on the interpretation/application of collective agreement on conditions of service (Accrued leave clause 7) (Item B-HR (15-2007))	The implementation and assessment of the impact of the implementation of the arbitration award was referred to the LLF for consultation by the resolution of the Corporate Services Portfolio Committee.
Implement and continuously improve HR Information system	A fully tested and operational system with minimum interruptions	Implementation of leave module. Consultation with departments and implementation of Business Intelligence and Self Service	Workshop with Finance on implementation of leave module	Finalize the implementation of leave module	operational analysis of leave module	operational analysis of leave module	The Corporate Services Portfolio Committee approved the creation of additional posts to ensure the optimal operation and functioning of the HR Information System.(Item B-HR (21-2007))	Additional Funds are needed to implement the Leave Module and a request for funding has been submitted.
Implement a credible HR archival infrastructure	An integrated archival infrastructure	Research, integrate and finalize	Integrate existing information in a database	allow access	Implementation of a uniform personnel archival system	Inform departments	The process of registering and identifying Personnel Files per Region(s) has commenced.	The migration of some of the information from Finance Department to HRM&D has to be finalised.
Implement a professional, integrated recruitment and selection process	Alignment with statutory requirements	implementation of recruitment and selection policy and procedure	review policy	Review recruitment and selection delegation		Implement Corporate Affairs Resolutions	The Consultant has been appointed to assist Departments to finalise the 270 outstanding Job descriptions.	The inability of Departments to submit Job Descriptions in the TASK Format due to lack of expertise.
Implement Job Descriptions and Job Evaluation results administrative processes	Submitted and evaluated Job descriptions	All positions standardised in terms of TASK Job Evaluation System	Attend Van der Merwe outstanding queries	Finalise Van der Merwe outstanding queries	Finalisation of Job descriptions in the TASK Format	Continuous process	The Consultant has been appointed to assist Departments to finalise the 270 outstanding Job descriptions.	The inability of Departments to submit Job Descriptions in the TASK Format due to lack of expertise.
Develop and deploy a credible career development	Documented baseline available	Research development practices relevant to organizational effectiveness	Analyse career development	Continuous process		Submit baseline report		
<b>Employment Equity Division</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Submission of policies for approval	Approved Policies	Research, develop and implement the Employment Equity and Transformation Policies	Draft EE Policies	EE Policies submitted to LLF	EE Policies submitted to Council for approval	communicate resolution to employees	The Disability Policy was approved( Item B-HR(16-2007) and communication was forwarded to employees.	
Representatives of Departments trained on EE & T Policies and Procedures	Date of completion	Research, develop and implement the Employment Equity and Transformation Policies	Draft Policy on Diversity Developed	Consultation on development of Diversity Management policy took place	Policy to be submitted to LLF	Resolution communicated within EMM	The indicator was achieved, i.e 400 employees have been trained.	
Consultation and workforce profile analysis	EE report submitted to Department of Labour	Operationalise the compliance requirements of the Employment Equity Act	Collect and collate statistical data	Submit a report to LLF	Submit a report to Council for approval	Submit a report to Dept of Labour		The EE Plan was referred back by the Mayoral committee.
Cultivate a culture of valuing diversity	Comprehensive Diversity Management Strategy	Conduct extensive to address issue of diversity. Formulate a comprehensive strategy to address diversity issues in an innovative manner	Consult on and formulate a comprehensive strategy to address diversity issues in an innovative manner		submit draft strategy to EE & SD Committee	submit to LLF for approval	Consultation with relevant stakeholders took place and draft strategy has been developed	The document will serve at the LLF of July 2007.
Dvelop a comprehensive EE Plan	Approved EE Plan	Define clear reporting requirements for EE & SD. Formulate detailed terms of reference for EE & SD. Provide support to EE & SD to execute its mandate	Compile a comprehensive strategy that addresses the needs of designated groups so that they can equitably advance in employment	Submit terms of reference to LLF for approval	Draft EE Plan submitted to Mayoral Committee for approval	report progress to Council	Draft EE Plan submitted to Mayoral Committee for approval	Approval subject to institutional review.
Compile a comprehensive capacity building strategy	Compile a comprehensive strategy that addresses the needs of designated groups so that they can equitably advance in employment	Identify barriers to equity in relation to designated groups. Investigate interventions that will ensure reasonable accommodation for designated groups. Recommend desired modification to departments. Monitor the implementation of strategy by departments.	Identified Performance Objectives were included in the EE Plan		EE Plan to be submitted to LLF	EE Plan to be communicated within EMM		
<b>Corporate Service Cluster</b>								
<b>HRM &amp; D: EMPLOYEE WELL BEING</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Policies Developed(Ohs,psychology)	Key policies requiring development are: Incapacity and Alcohol and Substance Abuse	Develop and implement appropriate Employee Well Being and OHS Policies	EAP/Psychology policy	In Progress	PPE Policy Submitted to LLF	Secondary Policies for EAP/Psychology	The Policies have been approved by the LLF Sub-committee on the 18 June 2007	
All Letters of appointment issued Readily available health and safety information	All Letters of appointment issued Readily available health and safety information	OHS Compliance	Partially implemented	Completion of appointment letters			Appointments done in all Departments	Update appointments based on new employee appointments.
Health and Safe environment created	Documented Audiometric test results.Availability of safety audits report and recommendations communicated to departments	To create and maintain a safe and healthy environment for all employees and stakeholders	In Progress	In Progress	In Progress	80% of a Health and Safe environment created	Audiometric tests conducted (Recommendations underway for affected employees)	
Established of Health and Well-Being Programmes	Employee Wellness Stakeholder committee established and operational.	Establishment of health and Well-Being Programmes	Development of EW programs		Implementation of stakeholder committee	Completion of EAP/Psychology programmes	Report on the Establishment of a Stakeholder Committee Approved by Corporate Services Portfolio	
Provision of specialized services	Existence of Wellness Services in three Regions.	To provide specialized services	In Progress	In Progress	In Progress	IN PROGRESS	Two (2) Wellness Centres Established. Viz, Alberton: Operational and Springs: under construction.	Kempton Park: Sourcing of Additional Space Underway.
Existence HIV/AIDS Support Programme	Support provided to HIV/AIDS unit through counselling and establishment of a support group.	HIV/AIDS Support Programme	In Progress	In Progress	In Progress	In Progress	Number of Support group members increased to 20. CD4 Counts were conducted with the Support of Group Members.	Increase Awareness campaign and provision of services.
<b>Vote: Communications, Publications &amp; Media and Special Projects</b>								
To raise awareness of the services achievements of the EMM per region annually	Publish and distribute regional "Service delivery" booklets for each of the three regions	Good Governance		0%	20 000 booklets per region	0%	80 000 booklets per region (R77 500,00)	Booklets contain information on capital projects by other departments. Booklets will only be done after the 4th quarter.

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Devise and manage external communication strategies on priority projects of the EMM	Embark on a Payment and Services Awareness Communications Campaign in the region; Dolomite awareness campaign; RED's communication strategy , IDP Communication campaign	Good Governance		Dolomite campaign- R77 500,00 - dolomite storybooks printed	Ongoing	Dolomite awareness material R0,00 Reds 0%	Dolomite awareness material - R200 000,00 Reds 0%	Consumer guide as part of Services Awareness Campaign in process. Will be completed by September 2007. Dolomite awareness material - currently advertised through Stores No meetings re REDS task team due to cabinet decision - no implementation of strategies could take place
Improve Internal Communication within EMM	Utilize intranet as a strategic communication tool of EMM Publish and distribute bi-monthly Internal Newsletter to all employees of EMM Implement communications campaign to promote EMM employee awards programmed	Good Governance		100%	Ongoing	1 bi-monthly internal newsletter compiled, printed and distributed, Achievers award - communication strategy compiled	1 bi-monthly internal newsletter compiled, printed and distributed Achievers awards - compile communication strategy	Intranet - under the management of ICT. 1 bi-monthly internal newsletter compiled, printed and distributed Achievers awards - compiled communication strategy and action plan
To produce quality and cost effective print communication products	Publish and distribute Quarterly Internal Newsletter, mthly external newsletter, corporate publications	Good Governance	6 Internal Newsletter, 12 external newsletters	100%	Ongoing	100%	1 bi-monthly internal newsletter compiled, printed and distributed, 3 external newsletters compiled, printed and distributed	1 bi-monthly internal newsletter compiled, printed and distributed, 3 external newsletters compiled, printed and distributed, 2005/06 annual report published in co-operation with Finance and IDP.
To produce quality and cost effective electronic communication products	Improve and expand the Municipality's Internet website: Content Management, Monitor user statistics, Website Promotion and Improve and expand the Municipality's Intranet website in co-operation with ICT ; Content management; Maintain and expand Photographic Library; Photography database		Website, Intranet, Photographic Library and Photography database	Ongoing	Ongoing	Ongoing	Ongoing	Re-develop Internet back-end; Minimum 5 new stories published per week; monthly monitoring of web user statistics; provision of all news stories to Intranet team; providing all photographs from library for publications.

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
To identify and arrange internal and external public relations event that will build a positive relationship with target audiences and portray a positive image of the Metro	Plan and co-ordinate events/ functions of EMM in line with protocol and etiquette standards	Good Governance	Event feedback evaluation forms	Ongoing		Ongoing	Ongoing	Mayoral Soccer ball challenge Sports MBI; Excellence awards Brunch; Mayoral Achievers awards; Excellence awards gala dinner; Mayoral golf day; Long service awards; Growth and development summit; Arborweek; Womanns day banquet; Ekurhuleni Games; Ekurhuleni winners breakfast; IMFO Conference; Emergency and Fire services function; O.R.Tambo Games; AITB Exporters Breakfast; O.R.Tambo Show Dinner Unveiling of the toombstone O.R. Tambo; Mayoral motivation session; Job fair business week; Mexican trade Delegation; Ciafunda CTC Palm ridge Launch; Developers Forum x 3; Memorial service Adelaide Tambo; UK secretary of state Visit; Prayer Session Adelaide Tambo Adelaide Tambo Funeral; Lewisham borough student visit; Feedback forms completed at events to constantly monitor standard of events.
To evaluate and select corporate gifts and promotional items in order to acquire a range of high quality corporate gifts for the EMM	Source, evaluating and select EMM corporate gift range	Good Governance	Calculated turn over of corporate gifts at Kempton Park Stores	Ongoing	Ongoing	Ongoing	Ongoing	Currently busy to revise current range of corporate gifts.
To improve the image of the EMM by means of positive media publicity and media relations	Media liaison through regular visits and interaction with all media (print and electronic), implement the media policy, Improve on turnaround time to media enquiries and a general improvement on the media' monitoring front, Develop and maintain a media database; Monthly Live Broadcast of mayor's speech	Good Governance	Amount of positive media articles published in various publications Electronic and hard copy database	Ongoing	Ongoing	Ongoing	Ongoing	Media liaison ongoing
<b>Marketing</b>								
To promote the EMM as a destination and a service organization through Advertising	Develop and implement new advertising campaigns for profiling the EMM and region utilizing various mediums both as a service organization and investment destination			Ongoing		Ongoing	Ongoing	Continued till mid -april
	Conduct pre-and post campaign (new campaign) research to identify shifts in awareness levels (biennially) if needed, adjust advertising messages and vehicle	Physical Landscape	Number of various campaigns		Ongoing			

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
To ensure all stakeholders understand the EMM brand offering and rally support around the brand	Promote Brand Internalisation through workshops with all staff	Physical Landscape	Workshops and brand film	Ongoing	Ongoing	Ongoing	Ongoing	Workshop postponed by CM
	Develop and promote the EMM Brand film							
To enhance the image of the EMM throughout the region and to all audiences in and outside the region	Corporate signage * CCC branding: Project manage the design, production and placement of corporate signage at all venues throughout the Ekurhuleni area	Physical Landscape	CCC Signage	Ongoing	Ongoing	Ongoing	Ongoing	Budget allocation for signage was not allocated to Marketing. Building signage was done on request from departments
<b>Advertising</b>								
Promote Ekurhuleni with local and international markets to attract investment to the region	Investment advertising in local and foreign media, Publish Ekurhuleni @ a Glance, Refinement of Investment website, exhibitions, business newsletter, Investment marketing video	Economical Landscape	Investment advertising Publication Website Exhibitions Business newsletter Video	Ongoing	Ongoing	Ongoing	Ongoing	Promote region in local and foreign publications
Package identified investment opportunities	Determine usp's and decide on prime opportunities to package Projects to package: R21 corridor; Urban renewal; Tax Incentives; Identify opportunities for EMM region for key development: World Cup 2010 Soccer	Economical Landscape	Increased regional development. Pre and post testing document	Ongoing	Ongoing	Ongoing	Ongoing	Frequent meetings with possible investors to market the area as possible location for investment
Facilitate investment	Promote the region at the ABSA International Trade Bureau Facilitate investment with GEDA, TASA, EBA, Embassies, identified investors base, as per research Establish /contribute to key developments fast tracking teams, e.g. DEC for big projects	Economical Landscape	Feedback form and database	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
<b>Vote: ICT</b>								
Renovating of Infrastructure Workshops	Number of workshops	ICT Infrastructure	100%	0%	0%	25%	100%	Delay in manufacturing of equipment
Optimizing of Data Centres facilities	Germiston & Boksburg Data Centre	ICT Infrastructure	100%	85%	25%	0%	100%	Delay in manufacturing of specialized equipment



Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
UPS Infrastructure Hardware	Number of Regions	Good Governance	100%	0%	33%	0%	100%	Delay in manufacturing of specialized equipment
Extension of Storage Area Network	Storage Area network / Terabytes	ICT Infrastructure	60TB	100%	0%	0%	100%	None
Servers infrastructure	Number of Physical Servers installed	ICT Infrastructure	21	100%	0%	0%	100%	None
Implementation of Security architecture Plan	Approved Security integration / implementation plan. Number security devices / Equipment	Good Governance	100%	0%	0%	25%	100%	None
ICT Networks infrastructure	LAN and Radio Equipment sites commissioned	ICT Infrastructure	100%	0%	50%	25%	100%	None
Expansion of Internet Kiosks infrastructure	Units installed and commissioned	Skills Development	100%	0%	0%	25%	100%	None
EMM Call Centre	Consolidated call Centre architecture for EMM	Good Governance	100%	0%	0%	10%	100%	None
Expansion of IP Telephony and VOIP	Number of regions to be commissioned to IP telephony	ICT Infrastructure	100%	0%	2%	0%	100%	None
Expansion of Fibre Backbone	Number of CCC and major strategic network concentrator sites connected	ICT Infrastructure	100%	0%	34%	30%	100%	None
Implementation of a access control architecture	number of regions	ICT Infrastructure	100%	0%	0%	0%	0%	Tender not awarded
<b>Vote: Finance</b>								
<b>Budget and Financial Management</b>								
<b>Budget Compilation</b>								
Determination of Budget Related Policies	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	Budget instructions issued	In progress. To be tabled to Council 22/2/07	Tabled to Council on the 22nd February 2007	Budget Approved on 31 May 2007	
Determination of Capital Budget Allocations	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	2nd quarter	Draft allocations made	Tabled to Council on the 22nd February 2007	Budget Approved on 31 May 2007	
Compilation of Operating Budget	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	in process	Draft approved by BAT	Tabled to Council on the 22nd February 2007	Budget Approved on 31 May 2007	
Compilation of Capital Budget	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	in process	In progress	Tabled to Council on the 22nd February 2007	Budget Approved on 31 May 2007	
Rendering of Assistance to departments on the compilation of the SDBIP and the linking of the budget to the IDP and GDS	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	in process	Continous process	Draft SDBIP to be tabled to Council in May 2007.	Budget Approved on 31 May 2007	
Compilation of Budget Documentation	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	3rd quarter	3rd quarter	Tabled to Council on the 22nd February 2007	Budget Approved on 31 May 2007	
Completion of Budget Returns for National Treasury	Date of Completion	Compilation of a Multi-Year Budget	31 May annually	4th quarter	4th quarter	4th quarter	Budget Approved on 31 May 2007	
<b>Annual Financial Statements</b>								

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Compilation of Annual Financial Statements	Date of Completion	Compilation of Annual Financial Statements	31 August annually	Done	Audit in process	Audit in process. AG report expected at end of April 2007	Audit in process	
Compilation of Consolidated Annual Financial Statements	Date of Completion	Compilation of Annual Financial Statements	30 September annually	Done	Audit in process	Audit in process. AG report expected at end of April 2007	Audit in process	
Submission of Audit Report to Council and Audit Committee	Date of Completion	Compilation of Annual Financial Statements	Within one month after receiving AG's report	expected 2nd quarter	audit in process. Expected 3rd quarter	Audit in process. AG report expected at end of April 2007. 2005 Audit report considered by Council in March 2007.	Audit in process. Final report expected end August 2007.	
<b>Municipal Entities and Reporting</b>								
Monthly financial reports	Number of Reports submitted	Reporting	By the 10th working day of the month		Done by the 10th working day of the months	Done by the 10th working day of the months	11 Reports received from Entities to date. June reports expected by the 10th July 2007.	
Monthly MFMA reporting as per detailed list of reports	Number of Reports submitted	Reporting	By the 10th working day of the month		Done by the 10th working day of the months	Done by the 10th working day of the months	Reporting for 11 months completed. June results to be reported on the 10th July 2007.	
Quarterly Entities financial oversight report	Number of Reports submitted	Reporting	Before 30 days after the end of the quarter		Done within 30 days after the end of the quarter	In process expected to be done within 30 days after the end of March	Report to be submitted to Finance Portfolio on 31 July 2007.	
<b>Financial Administration</b>								
Skills development	Workplace Skills Plan (WSP)	Good governance	Approved WSP	-	All the information required by HRM & D was submitted during the course of 2006. New templates for 2007/8 will be attended to once they are received from HRM & D.	In progress - due date is 31 May 2007	WSP submitted	
	Learnerships	Good governance	Approved prog. (LS)	-	Tshwane University of Technology was approved to deal with NQF4 learnerships and a programme was worked out for 20 learners for the 2007 calendar year.	Meetings held every last Thursday of the month. 1st quarter progressive assessment will be conducted in April 2007.	LS submitted	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
HIV/Aids	Information sessions/Workshops	Good governance	2 Info sess./W.shop s	-		workshop held in Tsakane on 14 March 2007	One	
<b>Expenditure</b>								
Centralisation of procurement	quantity of stores orders placed at the central procurement office	good governance	9stores migrated (currently 3 done)	1 store	3 stores	4stores	4stores	
Payment of stores creditors electronically	no of stores creditors paid electronically	good governance	80% currently 65%	70	70%	75	82%	
Establishment of a central payroll office	location of the payroll office	good governance	100% migration of the decentralised pay offices	0%	0%	0%	50%	
Amendment of the payoffice organisational structure	amended structure	good governance	total amendment of structure	first draft	second draft	Report not yet submitted to Corporate affairs	Draft	
Reduce clearance period on creditor statements reconciliations	no of unresolved items on creditor reconciliations outstanding for longer than 60days	good governance	30% currently 40%	40%	37%	45%	35%	
Implementaiton of Procure System	Full Implementation	good governance	Full Implementati on	50%	60%	75%	25%	
<b>Income</b>								
1. Provide and manage an efficient and effective integrated debtors management system								
1.1 Complete standarisation of billing system	No of fields.	Good Governance	All billing codes uniform	75%	85%	85%	100%	
1.2 Render accounts within 10 working days after the accounts due date	No of days (for 12 months).	Good Governance	10 days (Currently 10 days)	10 days	10 days	10 days	10 days	
1.3 Percentage of data fields rectified.	No of data fields cleaned	Good Governance	100% (Currently 90%)	90%	90%	90%	100%	
1.4 Percentage of data fields protected.	No of data fields protected.	Good Governance	100% (Currently 90%)	90%	90%	90%	90%	
2. Revenue management								
2.1 Increase payment rate of consumers by 1% per annum.	% Payments received over amount billed (per month)	Good Governance	2005/06 = 91%	96%		89%	92%	
2.2 Study on debt management scheme	Debt management schemes approved.	Good Governance	One (write-off of debt of indigents)	Report submitted for approval	Senior Advocate advised a different approach, new data extract is being done, item to Council in February 2007	Data extract obtained. Submission to Council on revised debt management scheme before June 2007.		Council resolution obtained June 2007
2.3 Revised debt management section	Approval and implementation	Increased debt collection	Approved Scheme	Awaiting report to be submitted by HR	Report finalised, will be submitted in February 2007	On hold due to institutional review implications		Section place with the SPM Revenue Enhancement, currently being rolled out.

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
2.4 Monitor debt collection tender	Approval and implementation	Increased debt collection	Monthly monitoring	Done	Monthly	Monthly	Monthly	
2.5 Monitor Cut-off tender	Approval and implementation	Increased debt collection	Monthly monitoring	Submitted to tender committee for approval	Tender awarded late November 2006, tenderers informed to be implemented from January 2007	Done monthly	Monthly	
2.6 Monitor Consumption Management	Monitoring of consumption of indigents	Consumption Management	Implementation & Monitoring	Monthly statistics given to MI	Monthly statistics given to MI	Done monthly	Monthly monitoring of consumption management	
3. Customer care								Strategy in place, rolled out to be done in conjunction with the CCC's
3.1 Number of paypoints	Strategy	Accessibility	Compliance with strategy	Strategy drafted		In progress		
3.2 Increase payment methods.	Types of payment methods.	Good Governance	to Five (5)	5	Done	Done	Done	
3.3 Response to queries.	Develop strategy	Approved strategy	Approved strategy	Reduction in queries to be addressed through workflow and the implementation of the WEMM in a joint project with MI	Reduction in queries to be addressed through workflow and the implementation of the WEMM in a joint project with MI	Reduction in queries to be addressed through workflow and the implementation of the WEMM in a joint project with MI		Reduction in queries are being addressed through workflow and the implementation of the WEMM in a joint project with MI
<b>Financial Control Insurance &amp; Risks</b>								
Review all asset lists for Insurance purposes	Annually revised asset lists	Adequate insurance cover based on information supplied by departments	Revised lists by April	-	-	Done		
Renew Council's insurance policy	Cover insured by 30 June	Adequate insurance cover to protect Councils assets against losses	Policy in place by 30 June	-	-	Achieved	Achieved	
Revise the Insurance Risk management plan	Annually revised insurance risk management plan	Good governance	Revised plan by 30 June	-	-		Done	
<b>Financial Control Data Processing</b>								
Venus training	number of trained staff vs requests received.	Outside department Venus users trained	100% of requests adhered to	100% of requests adhered to	100% of requests adhered to	100% of requests adhered to	100%	
<b>Financial Control Cash Management</b>								
Reconciled Bank Accounts	Reconciled Bank Accounts	Financial Accountability	Monthly Report	Bank Reconciliations by 15th of the month	93% of the reconciliation were completed	Done	Bank Reconciliations by 15th of the month	
Investments	Reports	Financial Accountability	Monthly Report	Submit reports by 10th working day	Submitted reports by 10th working day	Done	Submit reports by 10th working day	
<b>Financial Control Asset Management</b>								
Capture new acquisitions	Capex Report	New acquisitions	Monthly Report	total capex expenditure: 25th monthly in arrears	total capex expenditure: 25th monthly in arrears	Done	total capex expenditure: 25th monthly in arrears	
Capture assets transferred	Forms Received	Asset transfers	Monthly Report	all forms received	Forms were received	Done	all forms received	
Remove assets from the asset register	Council Resolutions	Asset write offs	Monthly Report	all c/resolutions	None removed.	Not done	all c/resolutions	

Vote/Indicator	Unit of Measure	Performance Objective	Annual Target	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Reason for variance
				Actual	Actual	Actual	Actual	
Monitor physical verification of assets	Report	Asset verification : twice p.a.	Monthly Report		15 out of a possible 35 received (42%)	-	movable and sample of fixed assets 31 May	

# Financial Report



Ekurhuleni  
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FINANCIAL REPORT  
FOR THE  
2006/2007  
FINANCIAL YEAR

# **Report of the Chief Financial Officer on the financial results of the 2006/07 financial year**

## **Introduction**

The financial results of the 2006/07 year as presented in this draft report is based on un-audited information and will be updated as soon as the report of the Auditor General has been issued. In this report, both qualitative and quantitative information will be provided on the results of the year.

## **Accounting Framework**

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The annual financial statements have been prepared in accordance with the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. Some of these accounting policies are not consistent with all the accounting policies of the previous financial year, due to reasons mentioned later on in this note.

These standards are summarized as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. The municipality elected to utilise all of the exemptions included in this General Notice and the annexure thereto, issued in terms of Clause 2 (2). Details of the exemptions applicable to the municipality are set out in Appendix G to the annual financial statements and have been provided in the notes to the annual financial statements.

The Ekurhuleni Metro has developed an implementation plan to ensure full compliance with the accounting standards in the 2008/09 financial year.



## **Credit Rating**

The Ekurhuleni Metropolitan Municipality's was awarded the following credit rating by Global Credit Rating Company in 2007:

Short term credit rating       A1+

Long term credit rating       AA

CA Ratings performed a credit rating assessment on the Ekurhuleni Metropolitan Municipality in April 2007 and awarded Ekurhuleni an AA- rating on the Long Term and an A1+ for the short term.

Moody's Investor Services has awarded the Ekurhuleni Metro an Aa2.za International Long Term Rating as a first time rating. This rating is comparable with a AA National rating.

## **Operating Results for 2006/07**

### **Operating Surplus**

The surplus generated for the year as indicated in the Statement of Financial Performance is R916 million. It must be noted that this surplus includes all government grants and subsidies received during the year. In terms of GAMAP accounting principles, the capital funded from the abovementioned grants are not expensed in the statement of financial position, thus increasing the surplus. The amount used to fund the capital budget currently included in the accumulated surplus, will be utilized to fund future year depreciation charges. Further accounting adjustments were also made to the surplus. The actual cash surplus generated for the year, is R194 million as shown in the Cash Flow Statement.

### **Conversion to GRAP**

When the Metro converted from fund accounting to GRAP on 1 July 2004, all funds and reserves established by the erstwhile Councils that were not cash backed, had to be converted to surplus. This was necessary to bring financial statements in line with GRAP standards. Reserves of R1,2 billion was therefore added to the accumulated surplus (with no cash to support the reserves). This amount is now available to offset any accounting deficits that may arise (examples are additional amounts required for provision for bad debt, damages or losses to assets not replaced, etc.).

### **Depreciation and Redemption of External Loans**

With fund accounting, no depreciation was charged to the operating statement. Internal interest and redemption were used with the intention of "charging" departments for making use of external loan funding and internal reserves. External loans were redeemed using either ceded zero coupon bonds or the establishment on internal Loan Redemption Funds. Most financial institutions insisted on ceded zero coupon bonds and no Loan Redemption Funds were in existence with the establishment of the Metro.

With the introduction of GRAP, depreciation was introduced. Depreciation's main intention is to "expense" the assets over its useful life, thereby taxing the users of the assets as it is consumed and providing cash to replace the asset at the end of its useful life. For cash flow purposes, the cash generated through depreciation can also be used for the redemption of external loans as an alternative to budgeting for sufficient surplus to service the loans. EMM has adopted the approach of using the cash generated by depreciation to fund redemption payments to reduce

the tax burden on ratepayers. The disadvantage of this is that cash are not set aside to replace assets once its fully depreciated and this increases the reliance on external loans.

To date, an amount of R220m (net of offset depreciation) has been accumulated for the redemption of external loans. Every year the redemption charges due within the budget year are compared to the depreciation budget for the year plus the amount of accumulated depreciation available to ensure sufficient cash is available. Should the redemption charges for the year and the available cash balance (on the ringfenced depreciation account) be less than the amount due for redemption, a surplus will have to be budgeted for to generate the cash required.

The external debt forecast is managed closely to ensure that no additional increases in rates and taxes are required in any given year to absorb redemption payments.

### **Working Capital**

Working capital is required to ensure cash availability in the event of emergencies. Council has resolved that cash for a period of 70 days must be available as part of the Funding Strategy. An amount of R500 000 is paid out in cash on a monthly basis, which equals R1,250 billion for 70 (working) days.

### **Comparison of Operating Results against Adjusted Budget**

<b>REVENUE</b>	<b>Actual (R )</b>	<b>Amended Budget (R )</b>	<b>( % )</b>	<b>Explanation of Variances greater than 10 % versus budget</b>
Property rates	1,554,481,225.70	1,443,106,800.00	8%	
Property rates - penalties imposed and collection charges	202,820,010.06	196,211,580.00	3%	
Service charges	5,206,896,144.98	5,274,568,837.00	-1%	
Rental of facilities and equipment	38,811,838.18	39,186,227.00	-1%	
Interest earned - external investments	290,829,602.03	117,750,500.00	147%	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	210,013,028.87	150,000,000.00	40%	Interest accrued on outstanding debtor balances in excess of budget.
Fines	83,056,008.99	119,265,340.00	-30%	
Licenses and permits	28,232,262.50	20,412,964.00	38%	Higher revenue collected than anticipated.
Income from agency services	117,584,663.50	136,760,503.00	-14%	

Government grants and subsidies	1,917,313,369.39	1,934,373,315.00	-1%	
Other income	67,945,034.06	35,803,350.00	89%	Unforeseen sundry income exceeded budget.
Gains on disposal of property, plant and equipment	3,272,050.11	-	100%	
Sale of land	4,039,361.69	-	100%	
<b>Total Revenue</b>	<b>9,725,294,600.06</b>	<b>9,467,439,416.00</b>		

<b>EXPENDITURE</b>	<b>Actual (R )</b>	<b>Amended Budget (R )</b>	<b>( % )</b>	<b>Explanation of Variances greater than 10 % versus budget</b>
Employee related costs	2,537,963,820.04	2,551,645,411.00	-1%	
Remuneration of councilors	53,728,390.54	50,907,030.00	6%	
Bad debts	887,835,948.00	901,196,491.00	-1%	
Collection costs	48,370,195.62	59,115,672.00	-18%	New Tenders were called for a panel of debt collectors. Tenders were awarded during the year.
Depreciation	410,942,202.91	426,111,000.00	-4%	
Repairs and maintenance	564,436,003.96	659,934,626.00	-14%	New vehicles reduced maintenance cost previously incurred on old vehicles especially specialized vehicles
Interest paid	164,522,303.02	203,414,919.00	-19%	
Bulk purchases	3,034,559,805.11	3,040,263,114.00	0%	
Contracted Services	334,199,322.08	388,566,751.00	-14%	The metro is reaping economies-of -scale benefits due to a number of small contracts which are now combined resulting in competitive tender prices. 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 General	83,957,173.62	104,646,089.00	-20%	Savings on general overhead

expenses	689,564,426.67	808,772,697.00		costs.
<b>Total Expenditure</b>	<b>8,810,086,392.84</b>	<b>9,913,573,800.00</b>		
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>915,208,207.22</b>	<b>273,865,616</b>		

### Implementation of the Capital Budget

DEPARTMENT	TOTAL BUDGET		
	ADJUSTED BUDGET	EXPENDITURE TO DATE	%
CCC's	19,297,299.00	5,381,631.33	27.89%
City Manager	773,424.00	115,028.08	14.87%
Communications and Marketing	538,500.00	258,181.00	47.94%
Community Safety	58,573,060.00	49,161,014.66	83.93%
Corporate and Legal	842,500.00	827,588.38	98.23%
Council Buildings	19,500,000.00	936,894.21	4.80%
DCM - Corporate Services	20,000.00	16,173.00	80.87%
DCM - Operations	41,150.00	35,647.54	86.63%
DCM - Strategic Services	15,000.00	13,015.07	86.77%
City Development	5,578,827.00	3,598,281.21	64.50%
Economic Development	21,300,000.00	1,944,682.09	9.13%
Electricity	143,628,031.00	131,234,432.57	91.37%
Environmental Development: Environment	5,837,500.00	3,389,917.06	58.07%
Environmental Development: Parks	53,705,882.00	42,817,143.24	79.73%
Environmental Development: Solid Waste	91,725,175.00	76,202,759.57	83.08%
Finance	6,735,927.00	6,490,458.38	96.36%
Health	23,092,731.00	18,955,715.93	82.09%
HIV/Aids Unit	393,000.00	202,690.47	51.58%
Housing	161,716,741.00	133,361,928.16	82.47%
Human Resources			51.63%

	1,121,308.00	578,921.43	
<b>IDP</b>	20,000.00	14,972.81	74.86%
<b>ICT</b>	76,977,784.00	73,755,809.13	95.81%
<b>IS: RTCW</b>	420,225,358.00	397,391,175.59	94.57%
<b>IS: W and WW</b>	54,048,111.00	39,770,800.02	73.58%
<b>Internal Audit</b>	479,000.00	189,989.07	39.66%
<b>Market</b>	1,800,000.00	515,326.43	28.63%
<b>Performance Management</b>	38,432.00	38,427.67	99.99%
<b>Political Office</b>	4,690,806.00	2,321,952.74	49.50%
<b>Pooled Funds</b>	98,099.00	42,591.00	43.42%
<b>RED - EAST</b>	17,000.00	14,585.67	85.80%
<b>RED - South</b>	18,000.00	14,585.67	81.03%
<b>Research and Development</b>	55,860.00	34,673.39	62.07%
<b>SRAC</b>	50,476,791.00	40,914,811.65	81.06%
<b>Urban Renewal</b>	8,919,100.00	2,621,779.34	29.40%
<b>TOTAL</b>	<b>1,232,300,396.00</b>	<b>1,033,163,583.56</b>	<b>83.84%</b>

### **Financial Indicators**

**0607**

**0506**

#### **Liquidity Analysis:**

This ratio shows the extent to which current liabilities are covered by available current assets in the short term.

0.42

2.25

#### **Solvency Analysis:**

This shows the extent to which the assets exceed the liabilities in the long term.

3.10

2.90

#### **Borrowing Management Analysis:**

This shows the ratio of non current liabilities to assets.

0.13

0.15

#### **Safety of Capital Analysis:**

This shows the ratio of debt to equity

0.48

1.18

## **Additional Information on the Statement of Financial Position**

External Debt has not increased during the year as no new external loans were taken up. It is anticipated that an additional external loan will be taken up during the 2007/08 as well as in the 2008/09 financial year.

Non-current provisions are for the landfill rehabilitation site as well as liabilities in terms of the Workmen's Compensation Act for employees formerly employed by the Greater Benoni Town Council and the Greater Germiston City. These two erstwhile municipalities had exemption from the Workman's Compensation Act before amalgamation into the Metro.

Trade creditors mainly comprise payments made during the year in respect of work invoiced for the financial year. Certain creditors raised during previous years were written back during the 2006/07 financial year based on the audit qualification on this matter.

Conditional Grants received are spent in accordance with the conditions and unspent balances are reported on. A decision was taken by Council in 2007 to revise the projects to be funded from the Restructuring grant received from National Treasury to ensure the grant is fully utilised. Investments in entities are now accounted for using the equity method. The resulting increase in the value of the entities was credited to a revaluation reserve. This was, however, amended during the 2006/07 financial year and changes in the value of the entities will be accounted for via the statements of financial performance as prescribed by GAMAP 6.

Long term receivables mainly comprise arrangements made with consumers in respect of long outstanding debt. A decision has been taken by Council during 2007 to write off all prescribed debt. The bulk of this debt will therefore be written off during the 2007/08 financial year. Sufficient provision has been made for irrecoverable debt and the write off will therefore not have a negative impact on the accumulated surplus of Council. The long term debt for the City of Johannesburg is as a result of the unbundling of the erstwhile Khayalami Metropolitan Municipality. External loans and zero coupon investments made for the redemption of the loans were not legally unbundled with the various financial institutions, but the portion of the investment and loan of the City of Johannesburg were retained in the financial statements of the Ekurhuleni metro as debtors and creditors. The corresponding long term debtor and creditor will net off when the external loans mature. The investments will be used to settle the external loans.

Payment levels are currently averaging between 89 and 90% which results in the consumer debtors shown on the balance sheet. An ambitious target of 95% collection rate has been set for the 2007/08 financial year. The following processes were put in place to assist with the achievement of the target:

- Awarding of bid for the outsourcing of legal collections
- Awarding of bid for the outsourcing of electricity disconnections
- Improved indigent support policy improved
- Installation of pre-paid electricity meters for all registered indigents
- Write-off of arrears of all registered indigents approved by Council
- Write-off of all prescribed debt approved by Council

## **Abolishment of RSC levies**

Section 93 (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)(a) 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.

### **Conclusion**

The financial results for the year are acceptable. Debtors payment levels is the highest priority for the 2007/08 financial year and all efforts will be made to ensure the collection rate of 95% is achieved.

Project Clean Audit Report has been embarked upon and this project aims to achieve an unqualified audit report for the 2008/09 financial year at the latest.

EKURHULENI  
METROPOLITAN  
MUNICIPALITY

FINANCIAL  
STATEMENTS FOR  
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**EKURHULENI METROPOLITAN MUNICIPALITY**

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**Appendix F: Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act**

**EKURHULENI  
METROPOLITAN MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007**

<b>NET ASSETS AND LIABILITIES</b>	<b>NOTE</b>	<b>2007</b>	<b>2006</b>
		<b>R</b>	<b>R</b>
<b>NET ASSETS</b>		<b>7,257,583,153.53</b>	<b>6,370,456,111.44</b>
Housing Development Fund	1	82,452,700.01	112,128,147.84
Capital Replacement Fund		106,648,384.36	189,134,543.24
Capitalisation Reserve		830,006,472.36	948,767,703.76
Government Grants Reserve		1,198,035,628.93	1,026,907,328.90
Donations & Public Contributions		5,473,676.33	10,235,995.52
Insurance Fund		-	-
Revaluation Reserve		-	-
Accumulated Surplus		5,034,966,291.54	4,083,282,392.18
<b>NON CURRENT LIABILITIES</b>		<b>1,436,382,800.41</b>	<b>1,332,846,180.43</b>
Long Term Liabilities	2	1,167,059,529.41	1,295,539,840.50
Non Current Provisions	3	269,323,271.00	37,306,339.93
<b>CURRENT LIABILITIES</b>		<b>2,016,837,392.87</b>	<b>1,715,847,926.53</b>
Consumer Deposits	4	294,376,857.19	262,287,757.09
Provisions	5	193,121,133.15	164,966,117.78
Creditors	6	1,339,002,498.98	1,168,272,062.99
Unspend Conditional Grants	7	135,732,010.55	67,513,945.67
VAT Creditor	8	-	-
Current portion LTL	2	54,604,893.00	52,808,043.00
Overdraft	17	-	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>10,710,803,346.81</b>	<b>9,419,150,218.40</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		<b>5,882,165,087.26</b>	<b>5,307,946,099.35</b>
Properties Plant & Equipment	9	5,026,187,622.35	4,252,285,205.01
Investment Properties	10	-	-
Investments	11	339,454,088.00	313,190,560.00
Investments in Municipal entities	11	387,258,475.88	386,367,474.02
Long Term Receivables	12	129,264,901.03	356,102,860.32
<b>CURRENT ASSETS</b>		<b>4,828,638,259.55</b>	<b>4,111,204,119.05</b>
Inventory	13	82,406,013.58	61,906,220.07
Consumer & Other Debtors	14	1,832,956,753.42	1,226,748,198.55
Other Debtors	15	-	-
Current portion LTR	12	4,520,011.47	20,592,894.95
VAT Debtor	8	27,316,880.52	64,017,073.72
Investments	16	34,933,719.00	85,540,834.00
Cash & cash Equivalents	17	2,846,504,881.56	2,652,398,897.76
<b>TOTAL ASSETS</b>		<b>10,710,803,346.81</b>	<b>9,419,150,218.40</b>

**EKURHULENI  
METROPOLITAN MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2007**

2006 R	Budget 2007 R		Note	2007 R	Actual 2006 R
<b>REVENUE</b>					
1,417,780,460.00	1,443,106,800.00	Property rates	18	1,554,481,225.70	1,517,314,397.10
30,660,000.00	196,211,580.00	Property rates - penalties imposed and collection charges		202,820,010.06	236,402,197.30
4,882,982,361.00	5,274,568,837.00	Service charges	19	5,206,896,144.98	4,453,059,653.22
416,720,000.00	-	Regional Services Levies - turnover		-	509,691,891.64
154,809,000.00	-	Regional Services Levies - remuneration		-	181,598,416.77
38,326,910.00	39,186,227.00	Rental of facilities and equipment		38,811,838.18	39,285,083.35
120,051,600.00	117,750,500.00	Interest earned - external investments		290,829,602.03	241,411,632.84
74,926,880.00	150,000,000.00	Interest earned - outstanding debtors		210,013,028.87	121,703,292.47
	-	Dividends received		-	
103,091,727.00	119,265,340.00	Fines		83,056,008.99	104,822,591.74
69,781,319.00	20,412,964.00	Licences and permits		28,232,262.50	64,577,275.23
85,756,801.00	136,760,503.00	Income from agency services		117,584,663.50	93,638,808.25
643,485,655.00	1,934,373,315.00	Government grants and subsidies	20	1,917,313,369.39	978,374,388.40
18,921,315.00	35,803,350.00	Other income	21	67,945,034.06	88,657,920.52
		Increase / (Decrease) in Municipal Entities			
		- Public contributions, donated and contributed property, plant and equipment		-	
		- Gains on disposal of property, plant and equipment		3,272,050.11	5,049,242.00
		- Sale of land		4,039,361.69	14,544,359.87
<b>8,057,294,028.00</b>	<b>9,467,439,416.00</b>	<b>Total Revenue</b>		<b>9,725,294,600.06</b>	<b>8,650,131,150.70</b>
<b>EXPENDITURE</b>					
2,389,202,445.00	2,551,645,411.00	Employee related costs	22	2,537,963,820.04	2,198,251,151.78
46,265,387.00	50,907,030.00	Remuneration of councillors	23	53,728,390.54	44,085,340.72
612,753,306.00	901,196,491.00	Bad debts	38	887,835,948.00	677,317,282.60
35,894,095.00	59,115,672.00	Collection cost		48,370,195.62	26,322,206.89
269,115,419.00	426,111,000.00	Depreciation		410,942,202.91	336,861,270.48
534,809,482.00	659,934,626.00	Repairs and maintenance		564,436,003.96	445,345,645.57
211,706,791.00	203,414,919.00	Interest paid	24	164,522,303.02	187,679,793.11
2,844,719,483.00	3,040,263,114.00	Bulk purchases	25	3,034,559,805.11	2,689,319,875.69
332,647,082.00	387,566,751.00	Contracted Services		334,199,322.08	314,237,161.39
88,410,500.00	104,646,089.00	Grants and subsidies paid	26	83,957,173.62	72,111,741.36
556,733,485.00	808,772,697.00	General expenses	27	689,571,227.94	542,888,881.91
		- Contributions to/(transfers from) provisions		-	5,760,068.43
		- Loss on disposal of property, plant and equipment		-	
<b>7,922,257,475.00</b>	<b>9,193,573,800.00</b>	<b>Total Expenditure</b>		<b>8,810,086,392.84</b>	<b>7,540,180,419.93</b>
<b>135,036,553.00</b>	<b>273,865,616.00</b>	<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>915,208,207.22</b>	<b>1,109,950,730.77</b>
		Share of surplus/(deficit) of entities accounted for under the equity method		1,594,282.70	12,657,242.00
				<b>916,802,489.92</b>	<b>1,122,607,972.77</b>

Refer to Appendix E(1) for explanation of variances

**EKURHULENI METROPOLITAN MUNICIPALITY**  
**(ALTERNATIVE) STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

	Pre- GAMAP Reserves and Funds	Self Insurance Reserve	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contributions	Revaluation Reserve	Valuation Reserve	Accumulated Surplus	Total Net Assets
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	-	-	2,008,071,632.00	4,526,608,614.00
Accounting for net assets in Entities									360,815,813.00		
Accounting for net assets in Entities 2004/05									8,894,319.00		
Post balance sheet correction											
Post balance sheet correction: Reserves											
Correction of error - p/y restated										- 35,277,058.23	
Surplus/(deficit) for the year										1,122,607,972.77	
Transfer to Valuation Reserve									12,657,242.00		
Transfer from self insurance reserve		181,969,382.00								181,969,382.00	
Transfer to CRR				379,965,135.96						- 379,965,135.96	
Property Plant and Equipment purchased				415,523,040.00						415,523,039.90	
Capital Grants used to purchase PPE						181,160,104.00				- 181,160,103.54	
Donated/contributed PPE										-	
Contributions to Insurance Reserve		10,000,000.00								- 10,000,000.00	
Insurance claims processed											
Transfer to Housing Development Fund			32,855,261.25							32,855,261.25	
Assets disposals										-	
Offsetting of depreciation					100,522,882.00	66,566,726.00	5,051,213.00			172,140,820.37	
<b>Balance at 30 June 2006</b>	<b>-</b>	<b>-</b>	<b>112,128,147.75</b>	<b>189,134,542.96</b>	<b>948,767,703.00</b>	<b>1,026,907,329.00</b>	<b>10,235,995.00</b>	<b>-</b>	<b>382,367,374.00</b>	<b>3,314,108,568.56</b>	<b>5,983,649,660.27</b>

			Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contributions	Revaluation Reserve		Accumulated Surplus	Total Net Assets
<b>Balance 30 June 2006</b>			<b>112,128,147.84</b>	<b>189,134,543.24</b>	<b>948,767,703.76</b>	<b>1,026,907,328.90</b>	<b>10,235,995.52</b>	<b>382,367,374.00</b>		<b>3,314,108,568.56</b>	<b>5,983,649,660.82</b>
Prior year adjustments								-382,367,374.00		769,173,824.68	386,806,450.68
<b>Restated Balance 30 June 2006</b>			<b>112,128,147.84</b>	<b>189,134,543.24</b>	<b>948,767,703.76</b>	<b>1,026,907,328.90</b>	<b>10,235,995.52</b>	<b>-</b>		<b>4,083,282,393.24</b>	<b>6,370,456,111.50</b>
Surplus/(deficit) for the year 2006/07										916,802,489.92	916,802,489.92
Transfer to CRR				255,970,174.00						-255,970,174.00	
Property Plant and Equipment purchased						363,233,783.55	4,207,066.89			-367,440,850.44	
Capital Grants used to purchase PPE				-338,456,332.88						338,456,332.88	
Donated/contributed PPE										-	
Contributions										-	
Revaluation										-	
Transfer to Housing Development Fund			-29,675,447.83								-29,675,447.83
Alligning FAR					-15,685.00	-80,195,845.00	-4,206,817.00			84,418,347.00	
Assets disposals					-24,425,821.00	-42,057,528.00	-117,713.00			66,601,062.00	
Offsetting of depreciation					-94,319,726.00	-69,852,110.00	-4,644,857.00			168,816,693.00	
<b>Balance at 30 June 2007</b>			<b>82,452,700.01</b>	<b>106,648,384.36</b>	<b>830,006,471.76</b>	<b>1,198,035,629.45</b>	<b>5,473,675.41</b>	<b>-</b>		<b>5,034,966,293.60</b>	<b>7,257,583,153.59</b>

**EKURHULENI  
METROPOLITAN MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		8,906,653,750.67	8,728,987,791.61
Cash paid to suppliers and employees		7,981,319,293.54	7,342,666,772.39
Cash generated from/(utilised in) operations	28	<u>925,334,457.13</u>	<u>1,386,321,019.22</u>
Interest received		290,829,602.03	113,751,082.12
Interest paid		-164,522,303.02	-187,679,793.11
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b><u>1,051,641,756.14</u></b>	<b><u>1,312,392,308.23</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-1,033,163,583.56	-765,817,171.57
Proceeds on disposal of fixed assets		3,858,742.42	3,019,907.59
(Increase) / Decrease in non-current receivables		242,910,842.77	
Increases in investment properties		-	
(Increase) / Decrease in investments		23,452,585.14	22,402,392.22
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b><u>-762,941,413.23</u></b>	<b><u>-740,394,871.76</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised / (repaid)		-126,683,461.09	-185,317,739.84
Increase in consumer deposits		32,089,100.10	22,208,334.06
Decrease in short-term loans		-	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b><u>-94,594,360.99</u></b>	<b><u>-163,109,405.78</u></b>
<b>TOTAL NET CASH FROM ACTIVITIES</b>		<b><u>194,105,983.80</u></b>	<b><u>408,888,028.73</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b><u>194,105,983.80</u></b>	<b><u>408,888,028.73</u></b>
Cash and cash equivalents at the beginning of the year		2,652,398,897.76	2,243,510,869.03
Cash and cash equivalents at the end of the year		2,846,504,881.56	2,652,398,897.76

## ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION

#### Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These accounting policies are not consistent with all the accounting policies of the previous financial year, due to reasons mentioned later on in this note.

These standards are summarized as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. The municipality elected to utilise all of the exemptions included in this General Notice and the annexure thereto, issued in terms of Clause 2 (2). Details of the exemptions applicable to the municipality are set out in Appendix G to the annual financial statements and have been provided in the notes to the annual financial statements.

Compliance with aspects or parts of the standards which had been exempted by the Minister of Finance in terms of General Notice 552 of 2007, which are not specifically included in the accounting policies which follows (and/or which relate to the annual financial statements as a whole), are the following:

- Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31) (details are set out in Appendix G to the annual financial statements);
- Changes in accounting policies (GRAP 3.14, 19);
- Business combinations (IFRS 3/AC 140);

Furthermore, over and above the aforementioned exemptions, this municipality assumes that SAICA Circular 09/2006 is also exempt, due the references made in the above-mentioned annexure to the General Notice. The municipality elects to utilise this exemption.

The progress made towards achieving full compliance with the standards referred to in section 122(3) of the MFMA is measured against the municipality's implementation plan, as set out in Appendix G to the annual financial statements. This appendix also includes an explanation of the extent to which the information in the annual financial statements would need to be adjusted for full compliance with these standards.

A summary of the significant accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied except where an exemption has been granted are disclosed below.

Apart from those issues involving estimates, management has made no judgments in the process of applying the accounting policies which would give a significant effect on the amounts of items recognized in the financial statements.

### **Consolidated Financial Statements**

No consolidated annual financial statements were compiled due to the exemptions as per the General notice 552 of 2007. The financial statements is only representing the financial results of Ekurhuleni Municipality.

### **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

### **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

### **4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

## **5. RESERVES**

The municipality creates and maintains Funds and Reserves in terms of specific requirements.

### **5.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the net surplus of the year or the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan, subject to affordability in the budget process.

Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance.

The CRR may only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items.

Profit made from the disposal of PPE is recorded in the Statement of Financial Performance.

### **5.2. Capitalisation Reserve**

On the implementation of GAMAP, the balances on certain legislated funds that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this reserve is to promote consumer equity.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to accumulated surplus / (deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus / (deficit).

The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of



property, plant and equipment is offset by transfers from this reserve to the accumulated surplus / (deficit).

### **5.3. Government Grant Reserve and the Public Contributions and Donations Reserve**

When items of property, plant and equipment are financed from Government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government grant recorded as revenue in the statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

When items of property, plant and equipment are financed from donations or public contributions, the same accounting policy relating to the Government Grant Reserve is applied. A separate reserve is created to separately identify items of property, plant and equipment financed from Public Contributions and Donations in terms of a directive issued by National Treasury.

### **5.4 Revaluation Reserve**

The municipality equity accounts for its investment in Entities. Changes in the Entities' equity (e.g. revaluation of the Entities' land) that have not been credited to the statement of financial performance are credited directly against the Revaluation Reserve.

Any amounts credited to the Reserve arising from the equity accounting for the Entities are eliminated on consolidation.

## **6. PROPERTY, PLANT AND EQUIPMENT (PPE)**

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Assets are capitalised in terms of the approved asset management policy

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as it is required by GAMAP 17, as these requirements have been exempted in terms of General notice 552 of 2007.

For items of property, plant and equipment that have significant residual values, these residual values are subtracted from the cost of these property, plant and equipment items to determine the depreciable amounts of these items. The estimated useful lives are as follows:

	Years		Years
<b>Infrastructure Assets</b>		<b>Other Assets</b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20 – 30	Other Vehicles	5
Water	15 – 20	Office Equipment	3 – 7
Sewerage	15 – 20	Furniture & Fittings	7 – 10
Housing	30	Water Craft	15
		Bins and Containers	5
<b>Community Assets</b>		Specialised Plant & Equipm.	10 – 15
Buildings	30	Other	2 – 5
Recreational Facilities	20 – 30	Landfill sites	15
Security	5		

These useful lives are reviewed an annual basis in terms of GAMAP 17.

Depreciation is calculated on a monthly basis. Incomplete construction is stated at historic cost. Depreciation only commences when the asset is brought into use.

Where there is an indication that an asset may be impaired, the recoverable amount of the assets is measured and the asset's value is written down from its carrying amount to its recoverable amount. The corresponding impairment loss is charged as an expense to the Statement of Financial Performance. However for the previous and current year under review, the municipality did not perform impairment testing on its assets as is required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General notice 552 of 2007.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Assets are written off on disposal. The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a profit or loss in the Statement of Financial Performance.

The classification, measurement and disclosure of non-current assets held for sale as required by IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and IFRS 5.38 – 42 had not been performed for the current or previous financial years as these requirements have been exempted in terms of General notice 552 of 2007.

## 7. LAND AND BUILDINGS

Land and buildings are stated at cost.

## 8. INVESTMENTS AND FINANCIAL INSTRUMENTS

### 8.1 FINANCIAL INSTRUMENTS

#### Recognition and categorization

The municipality has various types of financial instruments and these can be broadly categorised as either **financial assets or financial liabilities**.

**A financial asset** is any asset that is cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Fixed deposits.
- Investments in municipal bonds
- Investments in RSA Government Stock
- Long term receivables
- Consumer debtors
- Other debtors
- Call investment deposits
- VAT receivable
- Bank balances and cash.

In accordance with IAS 39.09 the **financial assets** of the municipality are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Fixed deposit	Held to maturity
Investments in municipal bonds	Held to maturity
Investments in RSA Government Stock.	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
VAT receivable	Loans and receivables
Call Investment Deposits	Held to maturity
Bank balances and cash	Available for sale

**A financial liability** is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Creditors
- Consumer deposits
- Unspent conditional grants
- Current portion of long term liabilities

There are two main categories of **financial liabilities**, classified based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

These requirements have been exempted in terms of General notice 552 of 2007.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the **financial liabilities** of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
<b>Financial liabilities</b>	
Long term liabilities (Current & non-current)	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Creditors	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants	Financial liability that is not measured at fair value through profit or loss

Creditors are stated at their nominal value.

### **Measurement**

Financial Instruments are recognised and measured at cost in the current and prior financial years. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA circular 9/06 that financial instruments should initially be measured at fair value have been exempted in terms of General notice 552 of 2007.

#### *Financial assets:*

Held to maturity investments and loans and receivables are initially measured at cost, which represents its fair value and subsequently measured at amortised cost. Financial assets at fair value and available for sale financial assets are initially and subsequently measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

#### *Financial liabilities:*

Financial liabilities that are not held for trading are measured at amortised cost using the effective interest rate method.

### **Impairment of financial assets**

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows (see provision for bad debt policy in policy note number 10 below).

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

*Study Loans:*

Amounts outstanding for Study Loans are in terms of the old policy on Study Loans for Staff in terms of which the council granted an advance to the member for the cost of the course enrolled for. Should the candidate fail, the cost was recovered from the staff member. If the candidate passed the course, the advance was expensed in the Statement of Financial Performance. It is a condition of the policy that the staff member receiving such a bursary has to stay in the service of the Municipality for the same period of the study course paid for by the Municipality. Should the employee leave the service of the Municipality such employee is required to repay the Municipality pro rata in respect of each month or part thereof from the date of termination of service to the date when the bursary period would have expired. Study Loans are therefore assessed at every Statement of Financial Position date and the portion of the loan that expired during the year is expensed. The balance of these loans up to the date of termination of the contract is considered to be fully recoverable.

*Sale-of-Erven Loans:*

Sale-of-Erven Loans are assessed individually for impairment to ensure that no objective evidence exists that these loans are irrecoverable. These loans consist mainly of long-term loans to public and employees of the municipality. If the employees are still in the employ of the municipality, management is of the opinion that these loans are fully recoverable. Should this not be the case, a provision for doubtful debt is made. Should this not be the case, a provision for doubtful debt is made.

*Debtors Capitalised:*

Debtors Capitalised are debtors:-

- who fell into arrears with their consumer accounts and signed an agreement with the municipality to repay such arrears in monthly instalments; and
- who were previously handed over for collection, which “*handed over accounts*” have been withdrawn and capitalised as above.

The short-term portion is transferred to current debtors. A provision for doubtful debts is made on the same principles as those for Consumer Debtors.

*Payments made in Advance:*

Payments made in advance are assessed individually for impairment. Based on the assessment of the individual transaction an impairment loss is recognised or not.

*Sundry Deposits:*

Sundry deposits are individually assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

*Sundry Debtors:*

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

*Capital Projects:*

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

*Insurance Claims:*

Insurance Claims are respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

*Government Subsidy Claims:*

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

### **Disposal of investments**

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

## **8.2 INVESTMENT IN MUNICIPAL ENTITIES**

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power the exercise beneficial control.

The municipality accounts for these entities on the Equity Basis. On acquisition the investment is recognized at fair value.

Post acquisition results of the entities acquired and disposed of are, respectively, included from the effective dates of acquisition, and to the effective dates of disposal. These results are processed to revenue or expensed in the Statement of Financial Performance.

Increases in the capitalization of the entities are recognized at fair value in the Investment values in the Municipality's accounts, and credited to the Revaluation Reserve.

To the extent that the assets and liabilities of entities are revalued, the investment is adjusted and the revaluation is taken directly to the Revaluation Reserve in the Statement of Changes in Net Assets.

## **9. INVENTORIES**

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of costs, determined on the first in first out basis, and net realisable value.

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

Redundant, damaged and slow-moving inventories are identified and written down with regard to their estimated net realisable values. Consumables are written down with regard to their age, condition and utility.

Repaired / upgraded stock is shown at cost plus the cost of repair / upgrade.

The municipality had not accounted for any immovable capital assets as inventory for the previous and current year under review, as this requirement have been exempted in terms of General notice 552 of 2007. These immovable capital assets have been accounted for in terms of GAMAP17 for both these financial years, as required by the above-mentioned General notice.

## **10. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are perceived to be receivable within 12 months from the reporting date are classified as current.

Provision for bad debts is made on an annual basis. The amount to be provided will be determined by analysing the payment level trends and expensing an amount equalling the expected non-payment as contribution to the bad debt provision through the Statement of Financial Performance.

## **11. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

## **12. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

It is the policy of the Ekurhuleni Metropolitan Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extend of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

### **Credit Risk**

- Each class of financial instrument is disclosed separately
- Maximum exposure to credit risk not covered by collateral is specified
- Financial instruments covered by collateral is specified

### **Liquidity Risk**

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial (where applicable) that shows the remaining contractual maturities is disclosed in Appendix A to the annual financial statements.

The entire IFRS 7/IAS 144 has been exempted in terms of General notice 552 of 2007. However, according to the afore-mentioned General notice, this standard is to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Thus the old IAS 32/ AC 125 is still applicable. The requirements of the latter standard have been applied for both the previous and current financial years.

### **13. REVENUE RECOGNITION**

#### **Revenue from Exchange Transactions**

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners. Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General notice 552 of 2007.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the Municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the CRR or the Housing Development Fund.

Income in respect of housing rental and instalments is accrued monthly in terms of the agreement.

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met.

Dividends are recognised when the municipality's right to receive payment is established.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:



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

### **Revenue from Non-Exchange Transactions**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

The Regional Establishment Levy and Regional Services Levy are recognised at the time of receipt of the RSC4 return submitted by all registered levy payers. Where cash is received but the RSC4 returns are not submitted this cash is recognised as income for the year. This income is split between the Regional Establishment Levy and Regional Services Levy on a pro-rata basis based on the ratio between the Regional Establishment Levy and Regional Services Levy on the total amount declared for the year. RSC levies income had been replaced with an increase in the equitable share grant received from National Treasury.

Revenue from spot fines is recognised when paid by the offender. Revenue from the issuing of summons is only recognised when notified by the public prosecutor of the amount actually collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

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

### **14. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a current liability is recognised.

The requirements of IAS20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of General notice 552 of 2007.

## **15. PROVISIONS**

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

Long term liabilities are discounted to the date of the annual financial statements applying the average cost of borrowings interest rate.

### **15.1 Leave Provision**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

### **15.2 COID Provision**

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum and medical aid payments escalated at 10% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%.

### **15.3 Landfill Rehabilitation Provision**

A provision was established to rehabilitate landfill sites to their original form, or in the event that this is physically impossible, to rehabilitate them to ensure they are safe and can cause no reasonable threat to the environment. The provision amounts to R231million at the balance sheet date.

This provision has been calculated on the basis of revised and more appropriate measurement of sites to be rehabilitated and the estimated associated costs, and applying applicable rates of inflation and discount rates to the assessment of the future liability.

This is a change in the basis of estimation and not a change in accounting policy. Accordingly no adjustment has been necessary to the prior year's comparative figures.

It is also considered impracticable to deal with any prior year as it is not possible to make estimates of a similar nature in arrears. However based on the current

approach and the best available information an estimate of the provision required at 30 June 2006 would have been R 274 million

## **16. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

## **17. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **18. IRREGULAR EXPENDITURE**

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

## **19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **20. FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

## **21. COMPARATIVE INFORMATION**

## **Current year comparatives**

Budgeted amounts have been included in the annual financial statements.

## **Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Comparatives were not amended for items that is exempted in terms of General notice 552 of 2007.

## **22. EMPLOYEES BENEFITS**

### **Retirement Funds**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The municipality contributes to defined contribution and defined benefit funds. These funds are in the main single employer funds, and in specific instances multi employer funds.

### **Defined Contribution Funds**

Where an employee has rendered services to the municipality during the year, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

### **Defined Benefit Plans**

The municipality does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the municipality will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Defined benefit plan accounting as required by IAS 19/AC 116 have been exempted in terms of General notice 552 of 2007 and had not been applied for the previous or current financial year. These defined benefit plans had been accounted for as defined contribution plans and the defined benefit obligations had been disclosed by narrative information for the previous and current financial year.

### **Medical Aid: Continued Members**

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable

conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

These contributions are charged to the operating account when paid.

### **Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

## **23. LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease payments are expensed as they become due on a basis which is representative of the time pattern of the lessee's benefit.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred.

Rental income from operating leases is recognized on the receipt basis over the term of the relevant lease for the current and previous financial year". The requirement of IAS 17/AC105 to recognize operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement, had been exempted in terms of General notice 552 of 2007.

## **24. VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the payment basis.

## **25. SEGMENTAL INFORMATION**

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

The requirements of IAS11/AC109 have been exempted in terms of General notice 552 of 2007 and had not been applied for either the prior or the current financial years.

## **26. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

The transfers are recognised in the financial statements as expenses in the period in which the events giving rise to the transfer occurred.

## **27. BORROWING COST**

Borrowing costs are recognised as expenses in the Statement of Financial Performance.

**EKURHULENI METROPOLITAN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>1 HOUSING DEVELOPMENT FUND</b>		
Opening balance	112,128,147.84	153,525,035.84
Contributions		-8,541,627.00
Operating expenditure	29,675,447.83	32,855,261.00
Capital expenditure		
Closing balance	<b>82,452,700.01</b>	<b>112,128,147.84</b>
<u>Represented by the following assets and liabilities</u>		
Property, Plant and equipment	223,686,171.40	79,542,270.61
Net Housing Rental Debtors	49,264,861.48	41,214,401.29
- Housing Rental Debtors	49,264,861.48	41,214,401.29
- Less provision for Bad Debt	-	-
Unauthorised used of cash for operating purposes		-
Calculated Cash deficit	-190,446,296.58	-8,556,246.70
Other assets		
Subtotal	82,504,736.30	112,200,425.20
Creditors (Payments in advance)	-52,036.29	-72,277.36
Total Housing Development Fund Assets & Liabilities	<b>82,452,700.01</b>	<b>112,128,147.84</b>

**2 LONG-TERM LIABILITIES**

Local Registered Stock Loans	270,951,733.00	275,020,733.00
Annuity Loans		
Capitalised Lease Liability		
Long Term Loans	950,712,689.41	1,073,327,149.83
Sub-total	1,221,664,422.41	1,348,347,882.83
Less: Current portion transferred to current liabilities	-54,604,893.00	-52,808,043.00
Local Registered Stock Loans	-3,920,328.00	-4,069,000.00
Long Term Loans	-50,684,565.00	-48,739,043.00
<b>Total External Loans</b>	<b>1,167,059,529.41</b>	<b>1,295,539,839.83</b>

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

*Long-term investments of R 310 234 859 (R268 611 008: 2006) has been invested specifically for the repayment of long term liabilities.*

**3 NON-CURRENT PROVISIONS**

	<b>2007</b>	<b>2006</b>
Provision for reclamation of refuse landfill site	231,810,000.00	14,964,445.93
COVID Provision	37,513,271.00	22,341,894.00
	<b>269,323,271.00</b>	<b>37,306,339.93</b>

	<b>2007</b>	<b>2006</b>
<b>Landfill</b>		
Balance at beginning of year	14,964,445.93	9,737,264.05
Contributions to provision	216,845,554.07	5,227,181.88
Expenditure incurred		
Transfer to current provisions		
<b>Balance at end of year</b>	<b>231,810,000.00</b>	<b>14,964,445.93</b>

<b>COVID Provision</b>		
Balance at beginning of year	22,341,894.00	
Contributions to provision	15,171,377.00	22,341,894.00
Expenditure incurred		
Transfer to current provisions		
<b>Balance at end of year</b>	<b>37,513,271.00</b>	<b>22,341,894.00</b>

**4 CONSUMER DEPOSITS**

Electricity and Water	<b>294,376,857.19</b>	<b>262,287,757.09</b>
Guarantees held in lieu of Electricity and water	<b>74,178,631.80</b>	<b>73,348,558.90</b>

**5 PROVISIONS**

Staff leave	149,956,756.19	137,612,872.02
Staff bonus pro -rata	10,871,550.00	7,881,245.00
Provision for workman's compensation liabilities	32,292,826.96	19,472,000.00
	<u><b>193,121,133.15</b></u>	<u><b>164,966,117.02</b></u>

**6 CREDITORS**

Trade creditors	840,340,849.37	753,673,861.37
Payments received in advance	340,888,164.37	284,098,053.56
Retentions	78,361,754.73	61,380,754.48
Other creditors	79,411,730.51	69,119,393.58
<b>Total Creditors</b>	<u><b>1,339,002,498.98</b></u>	<u><b>1,168,272,062.99</b></u>

**7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Finance Management Grant	4,676,064.84	5,097,830.56
Transformation	20,000.78	19,999.70
Restructuring	12,049,482.71	13,035,543.96
HIV /Aids Grant	6,645,933.18	5,732,634.95
Indigent Burials	29.60	515,116.62
Bontle Ke Botho	3,494.51	23,069.68
Environment & Tourism	1,345,541.75	1,386,416.97
Foreign Grant- HIV	-	-
Municipal Systems Improvement Grant	-	-
Electricity	52,006.23	52,006.23
Vuna Awards	-	2,000,000.00
Demilitarisation Project	1,068,839.35	-
WSDP	10,535,440.79	-
Townships Initiatives	2,071.91	-
Prioritised Township Programme	-	-
UEM Danida	1,959,209.58	-
Commonwealth Local Government Forum - GLGF	-	-
Principal Job Evaluation Committee - PJEC	5,676.04	-
Tembisa Train Disaster	141,584.12	-
Women's Dialogue - Public Contribution	-	-
Lethabong Housing Institute	2,000,000.00	-



**UNSPENT CONDITIONAL GRANTS AND RECEIPTS (CONT)**

Zonki Trust	725,180.70	725,180.70
LGSETA	5,020,376.45	10,642,730.98
Municipal Revenue Enhancement	-	-
Provincial Health Subsidies	-	-
Provincial Ambulance Subsidies	-	-
Provincial Nutritional Scheme	-	-
Impumelelo Grant	-	-
Local Economic Development (LED) Grant	1,514,192.71	3,914,192.71
Solid waste Methane Gas Plant	-	-
Consolidated Metropolitan Transport Fund (CMTF)	2,007,924.88	3,699,081.18
International Council for Local Environment Initiatives (ICLEI)	193,983.87	177,396.74
Public Transport Infrastructure Fund	18,714,052.36	
SRAC	69,683.72	
Rondebult Water - Public Contribution	1,467,011.00	
Various Substations - Public Contributions	-	
Everleigh Ext - Public Contribution	-	
Department of Water Affairs & Forestry (DWAF)	836,288.73	1,763,436.54
Integrated National Electrification Programme (INEP)	393,178.05	2,175,977.04
Local Economic Development (LED) - Industrial Hives	838,348.38	1,000,000.00
Local Economic Development (LED) - Street Trading Facilities	3,300,000.00	3,300,000.00
Gautrans	-	
Municipal Infrastructure Grant (MIG)	0.00	
Provincial Housing Board (PHB)	39,571,314.55	16,459,624.41
Mayoral Golf Day proceeds	598,000.00	
Other	19,977,099.76	-4,206,293.30
<b>Total unspent grants</b>	<b>135,732,010.55</b>	<b>67,513,945.67</b>

**8 VAT**

VAT receivable	<b>27,316,880.52</b>	<b>64,017,073.72</b>
VAT is payable on the payment basis.		

**9 PROPERTY PLANT AND EQUIPMENT**

**30 June 2007**

**Reconciliation of Carrying Value**

	Infrastructure	Community	Heritage	Other	Total
<b>Carrying Value as at 1 July 2006</b>	<b>2,577,224,868.07</b>	<b>505,340,475.11</b>	<b>2,504,041.05</b>	<b>936,061,373.18</b>	<b>4,021,130,757.41</b>
Cost	6,871,260,297.51	1,284,267,332.07	2,504,041.05	2,130,461,505.44	10,288,493,176.07
Accumulated Depreciation	-4,294,035,429.44	-778,926,856.96	-	-1,194,400,132.26	-6,267,362,418.66
<b>Other movements</b>	<b>231,154,447.60</b>	<b>0.00</b>	<b>0.00</b>	<b>231,810,000.00</b>	<b>462,964,447.60</b>
Capitilisation of landfill sites				231,810,000.00	231,810,000.00
Adjust balances to Housing Development Fund - Cost	246,091,000.00				246,091,000.00
Adjust balances to Housing Development Fund -Depreciation	-14,936,552.40				-14,936,552.40
<b>Acquisitions</b>	<b>587,251,841.11</b>	<b>44,669,618.12</b>		<b>228,642,783.57</b>	<b>860,564,242.80</b>
<b>Capital Under Construction</b>	<b>139,778,813.15</b>	<b>30,296,980.88</b>		<b>2,523,546.73</b>	<b>172,599,340.76</b>
<b>Depreciation Based on cost</b>	<b>-169,470,361.35</b>	<b>-34,070,899.83</b>		<b>-207,400,941.73</b>	<b>-410,942,202.91</b>
<b>Carrying value of disposals</b>	<b>-48,291,067.13</b>	<b>-24,968.01</b>		<b>-31,812,928.17</b>	<b>-80,128,963.31</b>
Cost	-167,779,511.96	-424,423.68		-326,003,655.38	-494,207,591.02
Accumulated Depreciation	119,488,444.83	399,455.67		294,190,727.21	414,078,627.71
Impairment Losses	0.00	0.00	-	-	-
<b>Other movements</b>	<b>-29,290,488.10</b>	<b>17,436,361.43</b>	<b>0.00</b>	<b>11,854,126.67</b>	<b>0.00</b>
Adjust Note balances to FAR - Cost	-40,938,520.40	28,865,808.89		12,072,711.51	-0.00
Adjust Note balances to FAR - Depreciation	11,648,032.30	-11,429,447.46		-218,584.84	0.00
<b>Carrying values at 30 June 2007</b>					
Cost	7,635,663,919.41	1,387,675,316.28	2,504,041.05	2,047,696,891.87	11,305,350,168.61
Accumulated depreciation	-4,347,305,866.06	-824,027,748.58	0.00	-1,107,828,931.62	-6,279,162,546.26
<b>Total</b>	<b>3,288,358,053.35</b>	<b>563,647,567.70</b>	<b>2,504,041.05</b>	<b>939,867,960.25</b>	<b>5,026,187,622.35</b>
<b>30 June 2006</b>					
<b>Reconciliation of Carrying Value</b>					
<b>Carrying Value as at 1 July 2005</b>	<b>2,254,806,886.11</b>	<b>486,093,429.89</b>	<b>415,779.31</b>	<b>850,858,761.35</b>	<b>3,592,174,856.66</b>
Cost	6,409,545,150.83	1,230,439,803.03	415,779.31	1,885,295,178.92	9,525,695,912.09
Accumulated Depreciation	-4,154,738,264.72	-744,346,373.14	-	-1,034,436,417.57	-5,933,521,055.43
<b>Acquisitions</b>	<b>461,161,912.93</b>	<b>38,031,925.93</b>	<b>300,000.00</b>	<b>247,411,801.93</b>	<b>746,905,640.79</b>
<b>Capital Under Construction</b>	<b>553,233.75</b>	<b>15,795,603.11</b>	<b>1,788,261.74</b>	<b>774,432.18</b>	<b>18,911,530.78</b>
<b>Depreciation Based on cost</b>	<b>-139,297,164.72</b>	<b>-34,580,483.82</b>		<b>-162,965,537.73</b>	<b>-336,843,186.27</b>
<b>Carrying value of disposals</b>	<b>0.00</b>	<b>0.00</b>		<b>-18,084.55</b>	<b>-18,084.55</b>
Cost				-3,019,907.59	-3,019,907.59
Accumulated Depreciation				3,001,823.04	3,001,823.04
Impairment Losses	0.00	0.00	-	-	-
<b>Other movements</b>					
<b>Carrying values at 30 June 2006</b>					
Cost	6,871,260,297.51	1,284,267,332.07	2,504,041.05	2,130,461,505.44	10,288,493,176.07
Accumulated depreciation	-4,294,035,429.44	-778,926,856.96	0.00	-1,194,400,132.26	-6,267,362,418.66
<b>Total</b>	<b>2,577,224,868.07</b>	<b>505,340,475.11</b>	<b>2,504,041.05</b>	<b>936,061,373.18</b>	<b>4,021,130,757.41</b>

**10 INVESTMENT PROPERTY**

No investment properties are held

**11 INVESTMENTS**

**Listed**  
**Total Listed**

**Unlisted**

Long Term Deposits	323,859,465.00	300,738,735.00
Short Term Deposits	1,280,000,000.00	1,372,036,396.00
Call Deposits	277,165,183.00	359,169,998.00
Policies	30,528,342.00	25,992,659.00
Investment in entities	387,258,475.88	386,367,474.02
Shareholding in unlisted company	4,000,000.00	4,000,000.00
Municipal Entities	306.00	100.00
Investment in entities	383,258,169.88	382,367,374.02
<b>Total Unlisted</b>	<b>2,298,811,465.88</b>	<b>2,444,305,262.02</b>
Total listed and unlisted	2,298,811,465.88	2,444,305,262.02
Less provision for non payment		
<b>Total Investments</b>	<b>2,298,811,465.88</b>	<b>2,444,305,262.02</b>

No dividends were received from shareholding in companies.

**Financial Instruments**

Fixed Deposits	1,603,859,465.00	1,672,775,131.00
Other Deposits	307,693,525.00	389,162,757.00
Investment in entities	387,258,475.88	382,367,374.02
<b>Total Cash Investment</b>	<b>2,298,811,465.88</b>	<b>2,444,305,262.02</b>
Less provision for non payment		
<b>Total Investments</b>	<b>2,298,811,465.88</b>	<b>2,444,305,262.02</b>

<b>Investment terms</b>		
Three months or less	1,537,165,183.00	1,659,206,394.00
Four months to twelve months	34,933,719.00	85,540,834.00
Longer than twelve months	339,454,088.00	317,190,660.00
Investment in entities	387,258,475.88	382,367,374.02
<b>Total Investments</b>	<b>2,298,811,465.88</b>	<b>2,444,305,262.02</b>

**Market valuation of listed investments**

RSA Stock

**Council's valuation of unlisted investments**

Long Term Deposits	323,859,465.00	300,738,735.00
Short Term Deposits	1,280,000,000.00	1,372,036,396.00
Call Deposits	277,164,877.00	359,169,998.00
Policies	30,528,342.00	25,992,659.00
Investment in entities	387,258,781.88	
Shareholding in unlisted company	4,000,000.00	4,000,000.00
Municipal Entities	306.00	100.00
Investment in entities	383,258,475.88	382,367,374.02
	2,298,811,465.88	2,444,305,262.02
	<b>2,298,811,465.88</b>	<b>2,444,305,262.02</b>

INSTITUTION	ENCUMBERED	LOAN AMOUNT	ADMIN UNIT
Standard Bank	17,398,003	29,000,000	Alberton
INCA	14,329,012	25,000,000	Benoni
STANLIB	54,340,035	73,319,100	Benoni
Rand Merchant Bank	18,640,688	31,000,000	Kempton Park
INCA	29,149,785	50,000,000	KMC
INCA	13,013,765	22,004,587	Kempton Park
INCA	13,116,281	32,620,000	Brakpan
Standard Bank	9,633,154	11,000,000	Lethabong
Investec Bank	34,453,519	50,000,000	Kempton Park
Sanlam Cap Markets	12,995,885	19,453,504	Kempton Park
DBSA	73,164,732	238,831,736	Metro
WCA STANDARD BANK	20,000,000		
<b>TOTAL AMOUNT ENCUMBERED</b>	<b>310,234,859</b>	<b>582,228,927</b>	

Long-term investments of R 310 234 859 (R268 611 008: 2006) 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:

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

The municipality accounts for the municipal entities under its control using the Equity Method in terms of GAMAP 6.

An error occurred in during the 2005/06 financial year where the increase in the equity of municipal entities were incorrectly credited to a revaluation reserve. The increase in equity was as a result of operating surpluses generated by the entities which should have been recognised as income by the municipality and should not have been credited to the revaluation reserve. This error has been corrected in the 2006/07 financial year.

The impact of the error are as follows:

	2005/06 (Restated)	2005/06 (Original)
Revaluation Reserve	-	382,367,374.00
Accumulated Surplus	3,696,475,941.50	3,314,108,568.56
<b>Total</b>	<b>3,696,475,941.50</b>	<b>3,696,475,942.56</b>

In addition to the above the municipality has a 20% shareholding (R4 mil) 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	1,247,324,996.40	999,316,221.62
Housing	16,423,821.48	25,657,023.28
Staff loans	4,390,476.39	8,799,342.11
ERWAT	4,000,000.00	4,000,000.00
NRB	7,497,869.33	15,827,533.20
ERPM	3,880,600.59	3,880,600.59
City of Johannesburg	41,125,355.22	41,125,355.22
Lesedi	2,652,266.60	2,652,266.60
Rental Deposits	738,606.87	
Insurance	65,733,156.76	51,991,996.44
Property loans	2,166,877.84	299,998.26
	1,395,934,027.48	1,153,550,337.32
Less: Current portion transferred to current receivables	-6,119,714.37	-20,592,894.95
Less: Provision for Bad Debt	-1,262,149,114.98	-776,854,582.05
<b>Total</b>	<b>127,665,198.13</b>	<b>356,102,860.32</b>

## 13 INVENTORY

General consumables and maintenance materials - at cost	6,031,967.87	32,799,498.56
Electricity - at cost	54,468,624.16	13,712,823.80
Transport	9,693,032.61	
Fuel and lubricants	-	4,416,874.59
Spare parts and workshops - at cost	-	3,553,558.17
Refuse	24,260.78	
Sewer	84,686.81	
Water	4,600,655.16	503,750.64
Water - at cost	7,502,786.19	6,919,714.31
	<b>82,406,013.58</b>	<b>61,906,220.07</b>

14 CONSUMER AND OTHER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
<b>As at 30 June 2007</b>			
<b>Service debtors</b>	<b>5,246,947,882.96</b>	<b>4,186,087,814.23</b>	<b>1,060,860,068.73</b>
Rates	1,502,283,683.96	1,186,804,110.33	315,479,573.63
Electricity	915,157,928.89	723,864,806.56	191,293,122.33
Water	1,809,552,998.22	1,469,655,812.54	339,897,185.68
Refuse	543,958,512.87	429,727,225.17	114,231,287.70
Sewerage	475,994,759.02	376,035,859.63	99,958,899.39
Regional Service Levies	50,723,881.31	50,723,881.31	-
Housing rentals	16,062,346.86	16,062,346.86	-
Sundries / Other / interest	1,591,863,106.10	819,766,421.41	772,096,684.69
<b>Total</b>	<b>6,905,597,217.23</b>	<b>5,072,640,463.81</b>	<b>1,832,956,753.42</b>
<b>As at 30 June 2006</b>			
<b>Service debtors</b>	<b>4,499,795,533.18</b>	<b>3,622,625,655.65</b>	<b>877,169,877.53</b>
Rates	1,575,513,870.80	1,315,120,022.41	260,393,848.39
Electricity	788,885,240.71	615,313,514.66	173,571,726.05
Water	1,291,840,558.69	1,029,546,795.10	262,293,763.59
Refuse	473,378,177.33	378,654,470.56	94,723,706.77
Sewerage	370,177,685.65	283,990,852.92	86,186,832.73
Regional Service Levies	115,595,951.51	115,595,951.51	-
Housing rentals	9,052,474.34	9,052,474.34	-
Sundries / Other / interest	1,653,811,157.51	1,304,232,837.37	349,578,320.14
<b>Total</b>	<b>6,278,255,116.54</b>	<b>5,051,506,918.87</b>	<b>1,226,748,197.67</b>
	<b>2007</b>		<b>2006</b>
<b>Rates : Ageing</b>	<b>R</b>		<b>R</b>
Current ( 0-30days)	185,228,138.76		183,423,892.94
31-60 days	51,458,182.19		43,018,185.78
61-90 days	36,639,823.46		33,951,769.67
91days and more	1,228,957,539.55		1,315,120,022.41
<b>Total</b>	<b>1,502,283,683.96</b>		<b>1,575,513,870.80</b>
<b>Electricity, Water, Refuse and Sewerage : Ageing</b>			
Current ( 0-30days)	461,792,217.32		430,049,377.02
31-60 days	264,712,494.04		114,678,455.23
61-90 days	105,988,762.19		72,048,196.74
91 days and more	2,912,170,725.73		2,366,590,440.79
<b>Total</b>	<b>3,744,664,199.28</b>		<b>2,983,366,469.78</b>
<b>RSC Levies : Ageing</b>			
Current ( 0-30days)	6,173,688.77		23,815,950.54
31-60 days	3,752,903.86		6,684,572.16
61-90 days	2,323,595.66		13,058,518.75
91days and more	38,473,693.02		72,036,910.06
<b>Total</b>	<b>50,723,881.31</b>		<b>115,595,951.51</b>
<b>Housing rentals : Ageing</b>			
Current ( 0-30days)	503,153.84		345,296.01
31-60 days	586,960.62		407,637.02
61-90 days	492,288.31		346,866.55
91 days and more	14,479,944.09		7,952,674.76
<b>Total</b>	<b>16,062,346.86</b>		<b>9,052,474.34</b>

Summary of debtors by customer classification

30 June 2007	Total	Residential	Industrial /Commercial	National/ Provincial Gov.& Municipal
	R	R	R	R
Current ( 0-30days)	791,862,810.45	524,690,035.54	250,222,989.39	16,949,785.52
31-60 days	365,932,927.73	296,247,642.26	60,449,795.68	9,235,489.79
61-90 days	185,226,106.44	150,070,038.64	29,142,885.65	6,013,182.15
91days and more	5,887,061,351.95	5,299,858,808.87	459,281,836.80	127,920,706.28
<b>Sub total : Balance to Total Debtors</b>	<b>7,230,083,196.57</b>	<b>6,270,866,525.31</b>	<b>799,097,507.52</b>	<b>160,119,163.74</b>
Less: Provision for bad debts	5,397,126,443.15	4,797,570,987.90	599,555,455.25	
<b>Total debtors by customer classification</b>	<b>1,832,956,753.42</b>	<b>1,473,295,537.41</b>	<b>199,542,052.27</b>	<b>160,119,163.74</b>

Summary of debtors by customer classification

30 June 2006	Total	Residential	Industrial /Commercial	National/ Provincial Gov.& Municipal
	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
91days and more	4,963,928,417.77	4,451,546,280.10	422,589,534.70	89,792,602.97
<b>Sub total : Balance to Total Debtors</b>	<b>6,278,255,116.54</b>	<b>5,399,797,413.42</b>	<b>757,926,309.79</b>	<b>120,531,393.33</b>
Less: Provision for bad debts	5,051,506,918.87	4,628,917,384.17	422,589,534.70	
<b>Total debtors by customer classification</b>	<b>1,226,748,197.67</b>	<b>770,880,029.25</b>	<b>335,336,775.09</b>	<b>120,531,393.33</b>

15 OTHER DEBTORS

Total Other Debtors INCLUDED IN NOTE 14

-

16 INVESTMENTS : CURRENT

Deposits; 4-12 months

34,933,719.00

85,540,834.00

**17 CASH AND CASH EQUIVALENTS**

The Municipality has the following bank accounts

ABSA

Alberton income account	626,349.18
Alberton direct banking account	-753,351.28
Benoni income account	1,273,021.37
Benoni direct banking account	861,416.06
Mask account	-443,637.84
Boksburg income account	-3,611,480.06
Boksburg direct banking account KI	-440,085.34
Boksburg direct banking account Bt	-467,524.96
Brakpan income account	1,274,458.93
Brakpan NER account	
Germiston income account	3,954,824.41
Germiston direct banking account	-1,461,424.25
Kempton Park income account	805,114.49
Kempton direct banking account	194,274.75
Lethabong direct banking account	766,698.02
Lethabong income account	-786,856.65
Nigel income account	455,607.75
Springs income account	1,245,573.30
Springs direct banking account	563,547.31
Springs Market account	-1,315,217.37
RSC Levies account	159,902.90
External Finance Fund account	68,732.83
Capital Replacement Reserve account	205,719,356.08
Primary bank account (Capital from revenue account)	161,772,365.44
Salary account	19,894,784.82
Treasury account	715,919,770.41

**BANK,CASH AND OVERDRAFT BALANCES(CONT)**

Expenditure Imprest account	100,545,529.23
Chip account (MIG)	9,690,172.65
Housing account	92,896,297.84
Solid waste account	-900,831.23
Debit order account	
Petty cash and floats	832,309.77

Other

Short Term deposits at various institutions with maturity dates within 3 months

Cash book balance (overdraft) at beginning of the year -	
Cash book balance at beginning of the year -	2,652,398,897.76
Cash book balance (overdraft) at end of the year -	
Cash book balance at end of the year -	2,846,504,881.56

Bank statement balance (overdraft) at beginning of year -

Bank statement balance at beginning of year -

Bank statement balance (overdraft) at end of year -

Bank statement balance at end of year -

**2,846,504,881.56**

**2,652,398,897.76**

	838,872.42
	38,015.99
	2,318,201.91
	-1,389,260.45
	6,504,794.37
	-672,474.05
	-868,635.10
	-980,577.30
	528.41
	1,979,774.96
	-751,589.72
	1,731,506.50
	-440,087.14
	1,499,350.59
	-282,090.09
	395,661.75
	1,258,095.26
	-974,726.11
	-1,017,892.88
	-3,578,999.13
	64,897.60
	116,343,001.68
	248,509,557.59
	6,054,696.58
	366,741,963.43
	104,663,482.84
	74,516,600.22
	70,868,023.57
	-514,132.52
	-55,797.03
	391,739.77
	993,192,503.76
	1,659,206,394.00

2,652,398,897.76

2,243,510,869.03

2,846,504,881.56

2,652,398,897.76

-

-

1,082,218,919.43

1,047,354,511.92

1,393,946,430.83

1,082,218,919.43



**18 PROPERTY RATES****Actual**

	2007	2006
Residential	1,381,325,974.00	1,386,165,844.63
Commercial	634,758,978.00	609,662,996.73
State	43,306,904.14	46,879,683.36
Small holdings and Farms	41,893,550.14	8,306,468.31
Less: Income Foregone	-546,804,180.13	-533,700,595.93
<b>Total Assessment Rates</b>	<b><u><u>1,554,481,226.15</u></u></b>	<b><u><u>1,517,314,397.10</u></u></b>

**Valuations**

	July 2004 R000's	July 2004 R000's
Residential	14,369,940	12,205,790
Commercial	7,229,031	6,260,210
State	418,889	448,113
Municipal	756,729	2,071,089
Small holdings and Farms	1,321,066	1,634,376
<b>Total Property Valuations</b>	<b><u><u>24,095,655</u></u></b>	<b><u><u>22,619,578</u></u></b>

**19 SERVICE CHARGES**

Sale of electricity	3,118,437,945.12	2,749,331,574.27
Sale of water	1,297,180,882.42	1,001,547,787.80
Solid Waste	372,798,683.02	326,036,722.49
Sewerage and sanitation charges	379,606,058.10	321,502,274.83
Fresh produce market	12,018,218.58	11,468,582.79
Minor Services	26,854,357.74	43,172,711.04
<b>Total Service Charges</b>	<b><u><u>5,206,896,144.98</u></u></b>	<b><u><u>4,453,059,653.22</u></u></b>

**20 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	1,191,331,605.00	460,057,953.00
National Government	25,345,798.18	17,515,686.97
Provincial Government	557,609,969.30	349,320,420.54
Provincial Health	65,157,210.70	62,694,409.35
Provincial Ambulance	56,672,250.00	75,688,846.57
Projects and campaigns	4,324,271.84	
Nutritional scheme		5,000.00
SETA	16,872,264.37	13,092,071.97
<b>Total Government Grants and Subsidies</b>	<b><u><u>1,917,313,369.39</u></u></b>	<b><u><u>978,374,388.40</u></u></b>

**EQUITABLE SHARE**

In terms of the constitution, Local Government is entitled to an equitable share to the nationally raised

**1,191,331,605.00**

**460,057,953.00**

**NATIONAL GOVERNMENT****CONSOLIDATED METROPOLITAN TRANSPORT FUND (CMTF)**

To be utilised for transport planning or transport implementation projects

Balance unspent at beginning of year	3,699,081.18	4,510,630.00
Current year receipts		
Conditions met - transferred to revenue	<u>-1,691,156.30</u>	<u>-811,548.82</u>
Conditions still to be met - transferred to liabilities	<u>2,007,924.88</u>	<u>3,699,081.18</u>

**DEMILITARASION PROJECT**

To Demilitarise former combatants

Balance unspent at beginning of year		
Current year receipts	2,300,000.00	
Conditions met - transferred to revenue	<u>-1,231,160.65</u>	
Conditions still to be met - transferred to liabilities	<u>1,068,839.35</u>	<u>-</u>

**FINANCE MANAGEMENT GRANT**

To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA)

Balance unspent at beginning of year	5,097,830.56	5,846,835.86
Current year receipts	500,000.00	3,000,000.00
Conditions met - transferred to revenue	<u>-921,765.72</u>	<u>-3,749,005.30</u>
Conditions still to be met - transferred to liabilities	<u>4,676,064.84</u>	<u>5,097,830.56</u>

**TRANSFORMATION GRANT**

To support Municipal restructuring initiatives

Balance unspent at beginning of year	19,999.70	466,183.78
Current year receipts	1.08	-
Conditions met - transferred to revenue		<u>-446,184.08</u>
Conditions still to be met - transferred to liabilities	<u>20,000.78</u>	<u>19,999.70</u>

**RESTRUCTURING GRANT**

To support Municipal restructuring initiatives

Balance unspent at beginning of year	13,035,543.96	21,401,004.28
Current year receipts		
Conditions met - transferred to revenue	<u>-986,061.25</u>	<u>-8,365,460.32</u>
Conditions still to be met - transferred to liabilities	<u>12,049,482.71</u>	<u>13,035,543.96</u>

**COMMONWEALTH LOCAL GOVERNMENT FORUM-GLGF**

To improve the local economy through employment

Balance unspent at beginning of year		
Current year receipts	109,000.00	
Conditions met - transferred to revenue	<u>-109,000.00</u>	
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</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	2,175,977.04	2,443,762.21
Current year receipts	15,594,000.00	3,000,000.00
Conditions met - transferred to revenue	-17,376,798.99	-3,267,785.17
Conditions still to be met - transferred to liabilities	393,178.05	2,175,977.04

**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	1,763,436.54	2,498,230.63
Current year receipts	-	-
Conditions met - transferred to revenue	-927,147.81	-734,794.09
Conditions still to be met - transferred to liabilities	836,288.73	1,763,436.54

**WSDP**

Water conservation and demand management

Balance unspent at beginning of year		
Current year receipts	12,399,000.00	
Conditions met - transferred to revenue	-340,875.00	
VAT	-1,522,684.21	
Conditions still to be met - transferred to liabilities	10,535,440.79	-

**HIV/AIDS GRANT**

To enable the health sector to develop an effective response to HIV and AIDS

Balance unspent at beginning of year	5,732,634.95	2,768,818.24
Current year receipts	2,230,000.00	4,883,000.00
Transfer to Indigent Burial	-200,000.00	
Conditions met - transferred to revenue	-1,116,701.77	-1,919,183.29
Conditions still to be met - transferred to liabilities	6,645,933.18	5,732,634.95

**INDIGENT BURIALS**

To support Indigent Burials

Balance unspent at beginning of year	515,116.62	691,967.60
Current year receipts		342,826.08
Transfer from HIV/AIDS	200,000.00	
Conditions met - transferred to revenue	-715,087.02	-519,677.06
Conditions still to be met - transferred to liabilities	29.60	515,116.62

**BONTLE KE BOTLE**

To enhance the quality of life and sustainable utilisation of natural resources

Balance unspent at beginning of year	23,069.68	340,799.29
Current year receipts		320,000.00
Conditions met - transferred to revenue	-19,575.17	-637,729.61
Conditions still to be met - transferred to liabilities	<u>3,494.51</u>	<u>23,069.68</u>

**ENVIRONMENT & TOURISM**

To develop an environmental management framework for sustainable development

Balance unspent at beginning of year	1,386,416.97	1,430,056.49
Current year receipts		10,862.90
Previous year adjustment	-2,662.90	
Conditions met - transferred to revenue	-38,212.32	-54,502.42
Conditions still to be met - transferred to liabilities	<u>1,345,541.75</u>	<u>1,386,416.97</u>

**FOREIGN GRANT - HIV**

To provide capacity building (internally &amp; community), public education and research

Balance unspent at beginning of year		92,073.97
Current year receipts	-	-
Conditions met - transferred to revenue		-92,073.97
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

**MUNICIPAL SYSTEMS IMPROVEMENT GRANT**

To assist municipalities in building-in-house capacity to perform their functions and institutional and governance systems as required in the Local Government Municipal Systems Act 2000.

Balance unspent at beginning of year	-	290,000.00
Current year receipts		2,000,000.00
Conditions met - transferred to revenue		-2,290,000.00
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

**ELECTRICITY**

Provision of consultancy fees - Ring fencing electricity Projects

Balance unspent at beginning of year	52,006.23	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	<u>52,006.23</u>	<u>52,006.23</u>

**VUNA AWARDS**

An Award for Best Municipality

Balance unspent at beginning of year	2,000,000.00	2,500,000.00
Current year receipts		
Transfer to Demilitarisation	-2,000,000.00	
Conditions met - transferred to revenue		-500,000.00
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>2,000,000.00</u>

**20 TOWNSHIP INITIATIVES**

To purchase computers and reading materials for libraries

Balance unspent at beginning of year		
Current year receipts	388,000.00	
Conditions met - transferred to revenue	-385,928.09	
Conditions still to be met - transferred to liabilities	<u>2,071.91</u>	<u>-</u>

**20 PRIORITISED TOWNSHIP PROGRAMME**

To fund quick win projects in Townships

Balance unspent at beginning of year		
Current year receipts		
Conditions met - transferred to revenue	-88,620.13	
Conditions still to be met - transferred to debtors	<u>-88,620.13</u>	<u>-</u>

**UEM DANIDA**

Towards the Urban Management Programme

Balance unspent at beginning of year		
Current year receipts	2,700,000.00	
Conditions met - transferred to revenue	-740,790.42	
Conditions still to be met - transferred to liabilities	<u>1,959,209.58</u>	<u>-</u>

**PRINCIPAL JOB EVALUATION COMMITTEE -PJEC**

Towards the operational costs of the PJEC Office

Balance unspent at beginning of year		
Current year receipts	25,000.00	
Conditions met - transferred to revenue	-19,323.96	
Conditions still to be met - transferred to liabilities	<u>5,676.04</u>	<u>-</u>

**TEMBISA TRAIN DISASTER**

To assist the community of Tembisa

Balance unspent at beginning of year	-	
Current year receipts	-	
Received 2003	141,584.12	
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities	<u>141,584.12</u>	<u>-</u>

**WOMEN'S DIALOGUE - PUBLIC CONTRIBUTION**

Re-imbusement of Women's dialogue - Office of Premier

Balance unspent at beginning of year		
Current year receipts	97,880.97	
Conditions met - transferred to revenue	-97,880.97	
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

**LETHABONG HOUSING INSTITUTE**

Implementation of a special Mayoral Project

Balance unspent at beginning of year		
Current year receipts	2,000,000.00	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>2,000,000.00</u>	<u>-</u>

**ZONKI TRUST**

To fund community based project - Kwa- Thema Industrial Park

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	<u>725,180.70</u>	<u>725,180.70</u>

**MAYORAL GOLF DAY**

To utilise proceeds from golf day for social grants

Balance unspent at beginning of year	-	-
Current year receipts	598,000.00	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>598,000.00</u>	<u>-</u>

**LGSETA**

To administer skills programme

Balance unspent at beginning of year	10,642,730.98	2,470,124.83
Current year receipts	11,344,646.67	21,264,678.12
Previous year adjustment	-94,736.83	-
Conditions met - transferred to revenue	-16,872,264.37	-13,092,071.97
Conditions still to be met - transferred to liabilities	<u>5,020,376.45</u>	<u>10,642,730.98</u>

**MUNICIPAL REVENUE ENHANCEMENT PROGRAMME**

To promote and support reforms to Municipal Financial Management and Implementation of MFMA

Balance unspent at beginning of year	-	2,378,502.53
Current year receipts	-	-
Conditions met - transferred to revenue	-	-2,378,502.53
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

**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	-	-
Current year receipts	65,157,210.70	62,694,409.35
Conditions met - transferred to revenue	-65,157,210.70	-62,694,409.35
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

**PROVINCIAL AMBULANCE SUBSIDIES**

To subsidise Emergency Medical and Ambulance Services

Balance unspent at beginning of year	-	-
Current year receipts	56,672,250.00	75,688,846.57
Conditions met - transferred to revenue	-56,672,250.00	-75,688,846.57
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

**PROVINCIAL NUTRITIONAL SCHEME**

To provide a feeding scheme for malnourished babies/toddlers

Balance unspent at beginning of year		5,000.00
Current year receipts		<u>5,000.00</u>
Conditions met - transferred to revenue		<u>-5,000.00</u>
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
Current year receipts		
Conditions met - transferred to revenue		<u>-20,000.00</u>
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 Katlehong and Duduza.

Balance unspent at beginning of year	3,914,192.71	286,562.33
Current year receipts		3,700,000.00
Conditions met - transferred to revenue	<u>-2,400,000.00</u>	<u>-72,369.62</u>
Conditions still to be met - transferred to liabilities	<u>1,514,192.71</u>	<u>3,914,192.71</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	-	
Current year receipts	-	400,000.00
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-400,000.00</u>

**INTERNATIONAL COUNCIL FOR LOCAL ENVIRONMENT INITIATIVES (ICLEI)**

To implement a project which will reduce greenhouse gas emissions

Balance unspent at beginning of year	177,396.74	-
Current year receipts	86,515.13	333,882.08
Conditions met - transferred to revenue	<u>-69,928.00</u>	<u>-156,485.34</u>
Conditions still to be met - transferred to liabilities	<u>193,983.87</u>	<u>177,396.74</u>

**PUBLIC TRANSPORT INFRASTRUCTURE FUND**

To improve public transport infrastructure and systems

Balance unspent at beginning of year	-	
Current year receipts	27,700,000.00	
Conditions met - transferred to revenue	<u>-8,985,947.64</u>	
Conditions still to be met - transferred to liabilities	<u>18,714,052.36</u>	

**SRAC**

To subsidise Sports, Recreation, Arts and Culture projects

Balance unspent at beginning of year	-220,888.29	985,392.71
Current year receipts	3,300,000.00	2,936,000.00
Conditions met - transferred to revenue	-3,009,427.99	-4,142,281.00
Conditions met- Transferred to liabilities	69,683.72	-220,888.29

**RONDEBULT WATER - PUBLIC CONTRIBUTION**

To augment the water supply to the Rondebult area

Balance unspent at beginning of year	-	-
Current year receipts	2,767,011.00	-
Conditions met - transferred to revenue	-1,300,000.00	-
Conditions met- transferred to liabilities	1,467,011.00	-

**VARIOUS SUBSTATIONS - PUBLIC CONTRIBUTION**

To finance bulk service connections

Balance unspent at beginning of year	-	-
Current year receipts	710,888.89	-
Conditions met - transferred to revenue	-710,888.89	-
Conditions met- transferred to liabilities	-	-

**EVERLEIGH EXT - PUBLIC CONTRIBUTION**

Developer's contribution in respect of roads &amp; stormwater

Balance unspent at beginning of year	-	-
Current year receipts	2,196,178.00	-
Conditions met - transferred to revenue	-2,196,178.00	-
Conditions met- transferred to liabilities	-	-

**INDUSTRIAL HIVES - LED**

To set up 10 Industrial Hives housing 25 Cooperatives

Balance unspent at beginning of year	1,000,000.00	-
Current year receipts	-	1,000,000.00
Conditions met - transferred to revenue	-161,651.62	-
Conditions still to be met - transferred to liabilities	838,348.38	1,000,000.00

**STREET TRADING - LED**

Development of street trading facilities for the informal sector

Balance unspent at beginning of year	3,300,000.00	-
Current year receipts	-	3,300,000.00
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	3,300,000.00	3,300,000.00

**GAUTRANS GRANT**

To be utilised for transport infrastructure planning projects

Balance unspent at beginning of year	-1,302,168.03	690,249.97
Current year receipts	2,102,195.00	162,805.00
Conditions met - transferred to revenue	-1,082,147.99	-2,155,223.00
Conditions met- Transferred to Other Debtors	-282,121.02	-1,302,168.03

**MUNICIPAL INFRASTRUCTURE GRANT**

To fully subsidise the capital costs of providing basic services to poor households

Balance unspent at beginning of year	-2,303,235.39	22,439,075.82
Current year receipts	278,117,461.58	201,703,132.00
Previous year adjustment	14,033,128.92	-
Conditions met - transferred to revenue	-351,757,750.64	-226,445,443.21
Conditions met- Transferred to Other Debtors	-61,910,395.53	-2,303,235.39



**PROVINCIAL HOUSING BOARD - PHB**

To provide adequate housing on a progressive basis to all inhabitants

Balance unspent at beginning of year	16,459,624.41	51,701,541.47
Current year receipts	211,911,723.43	70,693,989.82
Conditions met - transferred to revenue	-188,800,033.29	-105,935,906.88
Conditions still to be met - transferred to liabilities	<u>39,571,314.55</u>	<u>16,459,624.41</u>

**PROVINCILA HOUSING BOARD - INTEREST**

To accumulate interest on funds received

Balance unspent at beginning of year	p/year=nil show all in new year?	15,008,854.28	
Current year receipts	Current receipts and transfer	4,968,245.48	15,008,854.28
Conditions met - transferred to revenue			
Conditions still to be met - transferred to liabilities		<u>19,977,099.76</u>	<u>15,008,854.28</u>

**TOTAL UNSPENT GRANTS**135,732,010.5571,720,238.37

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	67,945,034.06	88,657,920.52
<b>Total Other income</b>	<u>67,945,034.06</u>	<u>88,657,920.52</u>

**22 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	1,810,108,005.44	1,567,098,666.76
Employee related costs - Contributions for UIF, pensions and medical aids	493,951,267.86	425,344,983.42
Travel, motor car, accommodation, subsistence and other allowances	1,129,053.91	1,710,881.84
Housing benefits and allowances		-
Overtime payments	225,819,993.89	196,295,118.84
Performance bonus	6,547,348.00	6,302,138.00
Long-service awards	408,150.94	1,499,362.92
Less: Employee costs capitalised to Property, Plant and Equipment		
Less: Employee costs included in other expenses		
<b>Total Employee related Costs</b>	<u>2,537,963,820.04</u>	<u>2,198,251,151.78</u>

**Remuneration of the Municipal Manager**

Annual Package	993,500.00	993,360.00
Performance Bonuses	Maximum of 15% of package	91,105.00
<b>Total</b>	<u>993,500.00</u>	<u>1,084,465.00</u>

**Remuneration of the Deputy City Managers**

Annual Package	R880 000 to R903 000	674 100 to 808 248
Performance Bonuses	Maximum of 15% of package	Maximum of 15% of package

**Remuneration of the Chief Financial Officer and Heads of Department**

Annual Package	R509 355 to R788 857	462 000 to 700 441
Performance Bonuses	Maximum of 15% of package	Maximum of 15% of package

## 23 REMUNERATION OF COUNCILLORS

	2007	2006
Executive Mayor	760,930.00	588,779.00
Speaker	587,408.00	503,121.00
Mayoral Committee Members & Chief Whip	6,901,818.00	4,918,943.00
Councillors	42,951,473.00	34,353,191.00
Councillors' pension contribution	2,526,761.54	3,721,307.00
<b>Total Councillors' Remuneration</b>	<b><u>53,728,390.54</u></b>	<b><u>44,085,341.00</u></b>

### *In-kind Benefits*

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members that are full-time councillors - Each provided with

## 24 INTEREST PAID

Long-term liabilities	164,522,303.02	187,679,793.11
<b>Total interest on External Borrowings</b>	<b><u>164,522,303.02</u></b>	<b><u>187,679,793.11</u></b>

## 25 BULK PURCHASES

Electricity	1,942,498,713.79	1,720,290,903.66
Water	921,818,132.32	806,954,563.03
Sewer purification	170,242,959.00	162,074,409.00
<b>Total Bulk Purchases</b>	<b><u>3,034,559,805.11</u></b>	<b><u>2,689,319,875.69</u></b>

## 26 GRANTS AND SUBSIDIES PAID

Free basic electricity	21,692,086.53	13,762,598.72
Grants general	50,733,699.78	44,913,166.71
Bursaries to staff - Paid to Educational Institutions	4,451,671.32	1,757,095.00
Grants to Social Organisations	3,150,000.00	2,837,350.00
Grants to Sport Organisations		2,900,000.00
Grants to SPCA	2,000,000.00	1,869,000.00
Bursaries to community members	1,929,715.99	4,072,530.90
<b>Total Grants and Subsidies</b>	<b><u>83,957,173.62</u></b>	<b><u>72,111,741.33</u></b>

## 27 GENERAL EXPENSES

### 27.1 General expenses

	2006/07		2005/06	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Community projects	38,196,744.00	31,533,912.22	28,392,429.00	18,586,424.04
Consultant Fees	51,393,057.00	24,809,360.08	39,732,310.00	21,740,020.13
Insurance costs	56,154,888.00	33,076,123.80	55,388,450.00	34,092,820.30
Licence fees	38,305,537.00	27,191,612.89	29,381,648.00	14,120,195.45
Printing and stationery	24,784,170.00	19,802,668.29	23,306,661.00	18,703,668.69
Uniforms, safety & health	19,065,419.00	14,006,953.34	21,001,355.00	16,407,140.10
Operational grants	118,555,689.00	170,567,172.49	61,094,104.00	101,478,484.49
Rentals	29,103,243.00	21,436,846.49	25,706,498.00	20,787,628.15
Service connections	41,734,690.00	38,344,187.11	37,385,494.00	30,343,775.81
Communications & postage	71,752,921.00	60,796,388.45	71,599,824.00	63,244,373.62
Vehicle costs	85,425,381.00	71,516,091.47	78,611,493.00	66,638,004.03
Other	234,300,958.00	176,489,911.31	85,133,219.00	136,746,347.10
	<b>808,772,697.00</b>	<b>689,571,227.94</b>	<b>556,733,485.00</b>	<b>542,888,881.91</b>

### 27.2 Material losses

Robberies at Customer Care Centre's	<b><u>1,705,831.13</u></b>	<b><u>1,820,143.00</u></b>
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**28 CASH GENERATED FROM OPERATIONS**

	<b>2007</b>	<b>2006</b>
Net surplus for the year	916,802,489.92	1,122,607,972.77
Restatement of Previous year Expenditure & Revenue	769,173,824.68	-35,277,058.23
Adjustment for:-		
Reserves & PPE	-	-12,657,242.00
Depreciation	795,464,999.43	336,861,270.48
Gain on disposal of property, plant and equipment	410,942,202.91	-5,049,242.00
Contribution to provisions - non-current	-	5,760,068.43
Contribution to provisions - current	232,016,931.07	-
Contribution to bad debt provision	-	677,317,282.60
Equity accounted share of associate's surplus	887,835,948.00	-
Investment income :Interest received	-	-113,751,082.12
Interest paid	290,829,602.03	187,679,793.11
	<u>164,522,303.02</u>	<u>187,679,793.11</u>
<b>Operating surplus before working capital:</b>	<b>2,291,727,048.03</b>	<b>2,163,491,763.04</b>
(Increase)/decrease in inventories	-20,499,793.51	-3,369,096.87
(Increase)/decrease in debtors	-1,545,014,174.85	-877,985,298.14
(Increase)/decrease in other debtors	-	-
(Decrease)/increase in conditional grants and receipts	68,218,064.88	263,999.92
(Decrease)/increase in creditors	66,048,104.01	119,699,584.05
(Decrease)/increase in provisions	28,155,015.37	-893,712.98
Decrease/(increase) in VAT debtor	<u>36,700,193.20</u>	<u>-14,886,219.49</u>
<b>Cash generated by/(utilised in) operations</b>	<b><u>925,334,457.13</u></b>	<b><u>1,386,321,019.53</u></b>

**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	2,846,504,881.56	2,652,398,897.76
Bank overdraft	-	-
<b>Total cash and cash equivalents</b>	<b><u>2,846,504,881.56</u></b>	<b><u>2,652,398,897.76</u></b>

**29 UTILISATION OF LONG-TERM LIABILITIES**

Long term liabilities (see note 2)	1,221,664,422.41	1,348,347,882.83
Used to finance property, plant and equipment- at cost	1,221,664,422.41	1,330,595,415.00
Sub-total	-	<u>17,752,467.83</u>
Cash set aside for the repayment of long-term liabilities (See note 11)	310,234,859.00	268,611,008.00
<b>Cash invested for repayment of long-term liabilities</b>	<b><u>310,234,859.00</u></b>	<b><u>286,363,475.83</u></b>

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.

**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 of irregular expenditure

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

<b>Incident</b>	<b>Action Taken</b>
Irregular extension of contract	Item submitted to Council.

**31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**31.1 Contributions to organised local government**

	2007	2006
Opening balance	-	-
Council subscriptions	24,669,548.15	6,000,000.00
Amount paid - current year	6,000,000.00	6,000,000.00
<b>Balance unpaid(included in creditors)</b>	<b>18,669,548.15</b>	<b>-</b>

**31.2 Audit fees**

Opening balance	-	-
Current year audit fee	8,210,349.04	5,954,208.54
Amount paid - current year	8,210,349.04	5,954,208.54
<b>Balance unpaid(included in creditors)</b>	<b>-</b>	<b>-</b>

**31.3 PAYE and UIF**

Opening balance		20,014,864.53
Current year payroll deductions	323,377,034.00	297,449,716.00
Amount paid- current year	323,377,034.00	317,464,580.53
Amount paid- previous years		
<b>Balance unpaid(included in creditors)</b>	<b>-</b>	<b>-</b>

**31.4 Pension and Medical Aid Deductions**

Opening Balance		42,434,046.00
Current year payroll deductions and Council Contributions	620,211,143.00	525,668,299.00
Amount paid- current year	620,211,143.00	568,102,345.00
Amount paid- previous years		
<b>Balance unpaid(included in creditors)</b>	<b>-</b>	<b>-</b>

**31.5 Council arrear consumer accounts**

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

	Total	Outstanding less than 90 days	Outstanding more than 90 days
<b>30 June 2007</b>			
BETA G M	5,861.54	1,282.48	4,579.06
KWELEMTINI M L	3,956.68		3,956.68
MAFANGA Z L	10,257.64		10,257.64
MAFANGA Z L	<b>23,700.00</b>		<b>23,700.00</b>
MATHUME R D	1,812.04	82.09	1,729.95
MOGALE E A	<b>1,628.81</b>		<b>1,628.81</b>
MOGALE E A	<b>22,700.00</b>		<b>22,700.00</b>
PADI M J E	23,342.87	143.79	23,199.08
<b>Total Councillor arrear Consumer Accounts</b>	<b>93,259.58</b>	<b>1,508.36</b>	<b>91,751.22</b>

**32 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

	2007	2006
- Approved and contracted for	803,844,020.00	18,911,530.78
Infrastructure	564,299,970.00	18,911,530.78
Community	104,279,050.00	
Other	135,265,000.00	
- Approved but not yet contracted for	1,047,698,228.00	1,203,601,126.00
Infrastructure	678,320,972.00	794,682,606.00
Community	39,981,000.00	230,743,598.00
Other	329,396,256.00	178,174,922.00
<b>Total</b>	<b>1,851,542,248.00</b>	<b>1,222,512,656.78</b>
This expenditure will be financed from:		
- External Loans	399,829,800.00	405,205,302.00
- Capital Replacement Reserve	659,676,756.00	273,408,698.00
- Government Grants	779,500,692.00	539,444,657.00
- Operating Revenue	12,535,000.00	4,454,000.00
	<b>1,851,542,248.00</b>	<b>1,222,512,657.00</b>

**33 RETIREMENT BENEFIT INFORMATION**

FUND NAME	Date of Actuarial Valuation	Defined Contribution/ Benefit	Calculated Contingent Liability
JOINT MUNICIPAL PENSION FUND	31-12-2004	Benefit	R76 million
MUNICIPAL GRATUITY FUND	30-06-2006	Contribution	No liability
MUNICIPAL EMPLOYEES PENSION FUND	29-02-2004	Benefit	No liability
SALA PROVIDENT FUND	30-06-2004	Contribution	No liability
SALA PENSION FUND	01-07-2005	Benefit	R7 million
GERMISTON MUNICIPAL RETIREMENT FUND	30-06-2004	Contribution	R61 million
SAMWU NATIONAL PROVIDENT FUND	30-06-2005	Contribution	No liability
GREATER BENONI PROVIDENT FUND	No valuation	Contribution	No liability
MEU	No valuation	Contribution	No liability
NATIONAL FUND FOR MUNICIPAL WORKERS	30-06-2005	Contribution	No liability

"Defined benefit accounting "is not applied to these funds as sufficient information is not available to allow the municipality to so account. The reasons for this are as follows:

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 taking into account the

Any unfunded liability which may arises, on the basis of applying the relevant policies, is the subject of increased contributions to meet future obligations. As the

### 34 CONTINGENT LIABILITIES

		2007	2006
Britti CC - claim for damages to clay mine resulting from engineering works conducted by EMM	Alberton	20,000,000.00	86,000,000.00
NEWHCO	Boksburg	2,025,000.00	2,025,000.00
The Unlawful occupiers of the remaining extent of the farm Driefontein (Chris Hani)	Boksburg		500,000.00
Van Dyk, Corf, Scott and Brebbario - damage to infrastructure due to flooding	Boksburg	545,272.00	545,272.00
Costann Investments CC - claim to set aside council resolution to alienate portion of land	Edenvale	875,000.00	875,000.00
Germiston Retirement Fund - claim that EMM failed to meet its obligation to contribute to the Fund due to a drop in the interest	Germiston	61,000,000.00	61,000,000.00
Erwat - damage to infrastructure due to stormwater	Germiston		
Standard Bank (Geonett) - claim for balance of rentals from an agreement which was cancelled	Germiston		3,662,291.00
Intoyethu CC - claim for damages due to construction before transfer was effected	Germiston		4,003,580.00
Estie Civils vs EMM	Kempton Park	3,362,811.89	
Peter Seanego -claim for unfair dismissal	Kempton Park	2,640,480.00	
Engen - claim for re-routing of road	Kempton Park	14,061,088.00	
Sungu Sungu Kutu joint venture	Kempton Park	6,872,496.70	
South African Rail Commuter Corporation Ltd - claim for damages due to derailment of passenger train	Kempton Park	2,200,362.00	2,200,362.00
Spano Investments - claim for breach of contract for refuse removal services	Kempton Park	38,000,000.00	38,000,000.00
Gishen, Gilcrest & Reid Attorneys - guarantee provided for previous Nigel administration	Metro		600.00
SA Post Service	Metro		1,500,000.00
SALA Pension fund	Metro		7,871,633.00
JOINT MUNICIPAL PENSION FUND	Metro		76,442,298.00
Henic (Pty) Ltd - Claim for remuneration for improvements on buildings in Pam Brink Stadium	Metro		2,500,000.00
Snyman & Robbertse - Disciplinary hearing	Metro		500,000.00
Claims not exceeding R500 000	Other	1,203,776.32	861,757.11
Other matters	Other		778,487.00
Malherbe Rigg & Ranwell Inc	Metro		1,000,000.00
Eskom Nigel	Metro		423,900.00
Attorneys : Yende Incorporated	Metro		8,400,000.00
Attorneys : Bham & Dahya	Metro		215,460.00
Attorneys: Botha Massyn & Thobejane	Metro		22,625.00
Victor & Partners	Metro		11,742.00
Messrs Du PLESSIS, De Heus & Van Wyk	Metro		90,941.50
Attorneys: Knowles Husain Lindsay	Metro		3,232,792.47
ABSA BANK Recoveries	Metro		417,207.53
Attorneys Knowles Husain Lindsay	Metro		3,950,000.00
Eskom	Metro	18,506,896.00	
		<b>171,293,182.91</b>	<b>307,030,948.61</b>

### 35 CONTINGENT ASSETS

Losses incurred by the Municipality as a result of dismissed employees' conduct.	4,000,000.00	4,000,000.00
Civil claims against former employee's conduct.		850,000.00
Ramahope- misappropriation of funds	850,000.00	
Henlic pty ltd & Mercedes Cura	2,500,000.00	
Claim against Senior Business Brokers who failed to deposit moneys collected on behalf of EMM	1,734,776.00	1,734,776.00
Claim against Wallace Pienaar Properties who failed to procure the proclamation of a township	860,000.00	860,000.00
Claims not exceeding R500 000	187,000.00	546,990.59
Other matters		770,256.60
	<b>10,131,776.00</b>	<b>8,762,023.19</b>

### 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

#### Settlement Offer from New Republic Bank

Several of the erstwhile municipalities of the Ekurhuleni Metropolitan Municipality had short term deposits with New Republic Bank (NRB) when the bank was placed under curatorship in 1999. The outstanding balance of the

#### Brakpan Bus Company - Negotiated Contract and possible selling of shares owned by the Ekurhuleni Metropolitan Municipality.

During the past seven (7) years, the situation with respect to the non-awarding of tenders by the Department Of Transport (DOT) resulted in many difficulties for BBC and in fact, threatens the future existence of the Company. In an

### 38 PROVISION FOR BAD DEBTS

Balance at beginning of the year	5,828,361,500.92	6,247,037,348.70
Contributions during the year	887,835,948.00	677,317,282.60
Expenditure during the year	-381,407,870.13	-1,095,993,130.38
Balance at end of the year	<b>6,334,789,578.79</b>	<b>5,828,361,500.92</b>

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

Name of person	Capacity in which person is in service	Successful tenderer	Contract No	Amount of tender
Alida Kotzee	Director Policy and Planning (Housing)	GHM Tswelelo Consulting Civil Engineers	PS-RTCW 01/2007	R 1,410,301
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	MI (W) 43/2006	4,545,571.43
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	MI (W) 05/2007	913,704.00
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	RTCW 20/2007	1,843,786.00
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	RTCW 04/2007	2,667,750.00
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	HO 03/2007	4,488,208.00
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	MI (W) 24/2006	959,373.00
Ms P M Lekgwathi	Senior clerk, Income section	Seletje Construction and Management	MI (W) 02/2007	1,853,461.50
Mr M Sibeko	Deputy City Manager			
Mr D Nkosi	Executive Mayor	Luibeko Services CC	APS 01/2007	1,400,000.00

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

DESCRIPTION	TENDER COMM	SUPPLY CHAIN	CONSULTANTS	AWARDED TO	AMOUNT
	ITEM NUMBER				
Replacement of Emermet central controller: Parag 36 of SCM Policy	C-IS 20-2007(T)	36(1)(a) (ii)		Farad (Pty) Ltd	482,465.10
Supply of natural gas by pipeline to Dukathole Hostel in Germiston for 3 years in terms of Paragraph 36(1)(a)(c) of the SCM Policy	C-HD 01-2007(T)	36(1)(a) (ii)		SASOL GAS LIMITED	
Quotation for training Sole Provider Paragraph 36 of SCM	C-IS 34-2007(T)	36(1)(a)(ii)		Knowledge Base (Pty) Ltd	153,900.00
Acceptance of Quotation for maintenance of Suprima Prepayment Vending Software: Sole Provider	C-IS 55-2007(T)	36(1)(a)(ii)		Landis & Gyr (Pty) Ltd	1,033,500
Supply, delivery and commissioning of Glock Handguns for EMPD - as and when - until 18 July 2007 - 30 June	C-PS 14-2007(T)	36(1)(a)(iii) &(v)		Bernhard Agencies	
Auction of redundant vehicles, equipment and material - as and when;	C-F 19-2006(T)	36(1)(a)(v)		Aucor (Sandton) (Pty) Ltd	
Appointment of a consultant for the construction of roads and storm water in Tsakane Ext 17 CONDONEMENT OF APPOINTMENT	C-HD 12-2006(T)	36(1)(a)(v)	Precon Project management Services CC	Precon Project management Services CC	500,000.00
Approval of the services of G Kente and Sons Productions to present the HIV/AIDS Musical play "The Call" in terms of paragraph 36(1)(a)(v) of the SCM Policy	C-HRMD 01-2006(T)	36(1)(a)(v)		G Kente and Sons Productions	135,000.00
Report on the actions that were taken for the emergency refurbishment and upgrading at Jan Smuts and Isando East substations in terms of Sec 36(1)(v) of the SCM	C-MI (IS) 88-2006(T)	36(1)(a)(v)		J and J Cable Jointing CC	1,697,527.94
Appointment of professional engineers services for the design and supervision of the construction of toilet structures at the Chri Hani Ext 2 project Paragraph 36	C-HD 19-2006(T)	36(1)(a)(v)		Simunye Consulting and Implementation Partnership's	181,050.00
Appointment of qualified and experienced HIV & AIDS project management institution to project manage and establish comprehensive HIV & AIDS workplace services in each of departments Paragraph 36(1)(a)(v)	C-HSD 09-2006(T)	36(1)(a)(v)	HealthnSite (Pty) Ltd	HealthnSite (Pty) Ltd	3,977,000.00
Purchase of horses	C-PS 07-2007(T)	36(1)(a)(v)		TO BE NOTED	
Completion of the N3 CBD link : Alberton	C-RTCW 56-2006(T)	36(1)(a)(v)	TN Molefe Consulting Services	TN Molefe Consulting Services	125,000.00
Stormwater master plan Tokoza	C-RTCW 56-2006(T)	36(1)(a)(v)	Inroads Consulting	Inroads Consulting	249,000.00
Stormwater Vosloorus	C-RTCW 56-2006(T)	36(1)(a)(v)	Inroads Consulting	Inroads Consulting	242,600.00
Thokoza Entrance Taxi Rank	C-RTCW 56-2006(T)	36(1)(a)(v)	Arcus Gibb Consulting Engineers	Arcus Gibb Consulting Engineers	610,000.00
Extension of Germiston Taxi Rank	C-RTCW 56-2006(T)	36(1)(a)(v)	Corli Havenga Transportation Engineers	Corli Havenga Transportation Engineers	694,500.00
Pedestrian bridge across the N3	C-RTCW 56-2006(T)	36(1)(a)(v)	Luleka Consulting Engineers	Luleka Consulting Engineers	500,700.00
N17/Trichards Interchange	C-RTCW 56-2006(T)	36(1)(a)(v)	WSP Consulting Engineers	WSP Consulting Engineers	2,000,000.00
Construction of the Northern Access Road to Kattlehong	C-RTCW 56-2006(T)	36(1)(a)(v)	V&V Consulting Engineers	V&V Consulting Engineers	3,448,500.00
Planning, design and construction of the upgrading of the Daveyton CBD/N12 Freeway Interchange	C-RTCW 56-2006(T)	36(1)(a)(v)	De Leuw Cather Consulting Engineers	De Leuw Cather Consulting Engineers	3,000,000.00
Planning, design and construction of the upgrading of the North/South through Davetyon	C-RTCW 56-2006(T)	36(1)(a)(v)	Merbombo Projects cc	Merbombo Projects cc	350,000.00
Planning and design of a section of K86 through Daveyton and construction of supervision of Phase 1	C-RTCW 56-2006(T)	36(1)(a)(v)	Goba (Pty) Ltd	Goba (Pty) Ltd	2,600,000.00
Planning, design & construction of the upgrading of the supervision of Laversburg bridge, Nigel	C-RTCW 56-2006(T)	36(1)(a)(v)	P D Naidoo & Associates	P D Naidoo & Associates	1,080,036.60
Planning, design and construction supervision of the upgrading of the access road, Lekope Street, Duduza, Nigel	C-RTCW 56-2006(T)	36(1)(a)(v)	Bigen Africa	Bigen Africa	334,428.00
Planning, design and construction of the upgrading of the Nkomo Street, Duduza.	C-RTCW 56-2006(T)	36(1)(a)(v)	Infra Consult	Infra Consult	263,045.85
Planning, design and construction of the upgrading of the Rehabilitation of Daveyton Quarry	C-RTCW 56-2006(T)	36(1)(a)(v)	LTE Consulting Engineers	LTE Consulting Engineers	1,313,000.00
Planning, design and construction of the upgrading of the Extension of Brakpan Station Taxi Rank	C-RTCW 56-2006(T)	36(1)(a)(v)	Gibb Africa/Tirasano Consulting Eng. (Pty) Ltd Joint Venture	Gibb Africa/Tirasano Consulting Eng. (Pty) Ltd	640,000.00
Planning, design and construction of Kapitan STR, Actonville, SWD	C-RTCW 56-2006(T)	36(1)(a)(v)	B T Mongwe	B T Mongwe	311,060.23
Planning, design and construction of Upgrading of the Wattville CBD	C-RTCW 56-2006(T)	36(1)(a)(v)	Sukuma Consulting Engineers	Sukuma Consulting Engineers	2,759,845.00



Planning, design and construction of the upgrading of the SWD in Karolia Street, Actonville	C-RTCW 56-2006(T)	36(1)(a)(v)	Semenya Furumele Consulting Engineers	Semenya Furumele Consulting Engineers	236,842.11
Planning, design and construction of the upgrading of the Kwa-Thema Extension 3 Roads and Stormwater	C-RTCW 56-2006(T)	36(1)(a)(v)	MBD Consulting	MBD Consulting	691,500.00
Planning, design and construction of the upgrading of the	C-RTCW 56-2006(T)	36(1)(a)(v)	Infra Consult	Infra Consult	466,854.07
Planning, design & constr.& Closure of open channels	C-RTCW 56-2006(T)	36(1)(a)(v)	Madisha and Associates	Madisha and Associates	464,400.00
Planning, design & constr.of Kingsway Taxi Rank Phase 2	C-RTCW 56-2006(T)	36(1)(a)(v)	Nyeleti Consulting Engineers	Nyeleti Consulting Engineers	391,140.10
Construction of Benoni Station Taxi Rank	C-RTCW 56-2006(T)	36(1)(a)(v)	Africon	Africon	211,000.00
Planning, design and construction of the Madiba Street	C-RTCW 56-2006(T)	36(1)(a)(v)	Ninham Shand Consulting Services	Ninham Shand Consulting Services	515,877.59
Planning, design & constr. of the Reedville Roads & Stormwater	C-RTCW 56-2006(T)	36(1)(a)(v)	Semunye Furumele Consulting Engineers	Semunye Furumele Consulting Engineers	510,000.00
Tembisa Depot Upgrading	C-RTCW 56-2006(T)	36(1)(a)(v)	KWP Architects	KWP Architects	1,250,250.00
Tembisa Depot Upgrading	C-RTCW 56-2006(T)	36(1)(a)(v)	Ahimsa Consulting Quantity Surveyors	Ahimsa Consulting Quantity Surveyors	437,500.00
Tembisa Depot Upgrading	C-RTCW 56-2006(T)	36(1)(a)(v)	Ubunye Engineering Services Electrical Engineers	Ubunye Engineering Services Electrical Engineers	312,500.00
Tembisa Depot Upgrading	C-RTCW 56-2006(T)	36(1)(a)(v)	ASCH Civil Transport & Structural Engineers	ASCH Civil Transport & Structural Engineers	437,500.00
Kempton Park Depot	C-RTCW 56-2006(T)	36(1)(a)(v)	KWP Architects	KWP Architects	375,000.00
Kempton Park Depot	C-RTCW 56-2006(T)	36(1)(a)(v)	Ahimsa Consulting Quantity Surveyors	Ahimsa Consulting Quantity Surveyors	437,500.00
Kempton Park Depot	C-RTCW 56-2006(T)	36(1)(a)(v)	Ubunye Engineering Services Electrical Engineers	Ubunye Engineering Services Electrical Engineers	437,500.00
Kempton Park Depot	C-RTCW 56-2006(T)	36(1)(a)(v)	ASCH Civil Transport & Structural Engineers	ASCH Civil Transport & Structural Engineers	312,500.00
Isando Road Reconstruction	C-RTCW 56-2006(T)	36(1)(a)(v)	WSP SA civil & Structural Engineering	WSP SA civil & Structural Engineering	1,120,354.95
Oakmoor Taxi Rank(INT)	C-RTCW 56-2006(T)	36(1)(a)(v)	Land use Transport and Environmental specialists cc	Land use Transport and Environmental Specialists CC	591,888.00
Elgin / Pretoria Road Intersection	C-RTCW 56-2006(T)	36(1)(a)(v)	Land use Transport and Environmental specialists cc	Land use Transport and Environmental Specialists CC	544,738.00
Van Buuren Intersection	C-RTCW 56-2006(T)	36(1)(a)(v)	Kwezi V3 Engineers (PTY) LTD	Kwezi V3 Engineers (PTY) LTD	220,000.00
AG De Witt/Kloof & Riley/Van Buuren Int	C-RTCW 56-2006(T)	36(1)(a)(v)	Kwezi V3 Engineers (PTY) LTD	Kwezi V3 Engineers (PTY) LTD	300,000.00

Van Riebeeck/St. Johns Intersec	C-RTCW 56-2006(T)	36(1)(a)(v)	Kwezi V3 Engineers (PTY) LTD	Kwezi V3 Engineers (PTY) LTD	210,000.00
K90/Rietfontein Intersection Slipway	C-RTCW 56-2006(T)	36(1)(a)(v)	Kwezi V3 Engineers (PTY) LTD	Kwezi V3 Engineers (PTY) LTD	200,000.00
Kelly Rd Right Turn	C-RTCW 56-2006(T)	36(1)(a)(v)	Kwezi V3 engineers (PTY) LTD	Kwezi V3 engineers (PTY) LTD	200,000.00
Jukskei River Erosion Protection	C-RTCW 56-2006(T)	36(1)(a)(v)	Bigen Africa Consulting Engineers PTY LTD	Bigen Africa Consulting Engineers PTY LTD	550,000.00
Witfield Flood Plan Management	C-RTCW 56-2006(T)	36(1)(a)(v)	Bigen Africa consulting engineers PTY LTD	Bigen Africa consulting engineers PTY LTD	500,000.00
Pedestrian Facilities Along K27	C-RTCW 56-2006(T)	36(1)(a)(v)	Arcus Gibb (PTY) LTD	Arcus Gibb (PTY) LTD	1,279,791.59
Township Developments: Ext Services (SW Portion only)	C-RTCW 56-2006(T)	36(1)(a)(v)	Luleka Consulting Engineers	Luleka Consulting Engineers	315,000.00
Bardene, Ravenswood, Bartlett SW	C-RTCW 56-2006(T)	36(1)(a)(v)	Luleka Consulting Engineers	Luleka Consulting Engineers	380,000.00
Vusi Musi Outer Rd (Part of Tembisa Tertiary roads)	C-RTCW 56-2006(T)	36(1)(a)(v)	Hlanganani Engineering & Project Managers	Hlanganani Engineering & Project Managers	527,162.10
Kaalspruit Detail Study	C-RTCW 56-2006(T)	36(1)(a)(v)	George Orr & Associates	George Orr & Associates	150,000.00
Pomona Aeroport Development (Elgin Rd)	C-RTCW 56-2006(T)	36(1)(a)(v)	Ninham Shands Consulting Engineers	Ninham Shands Consulting Engineers	2,600,000.00
Siyakha Projects: Walkways in Tembisa	C-RTCW 56-2006(T)	36(1)(a)(v)	Vela VKE Engineering	Vela VKE Engineering	400,000.00
Channelling of Duduza channel 1 in Tembisa Phase 2	C-RTCW 56-2006(T)	36(1)(a)(v)	KTW Consulting Engineers	KTW Consulting Engineers	1,216,934.35
To dispense with the official procurement process for the appointment of strategic Environmental Focus (Pty) Ltd as consultants for an extended community consultative [process i.t.o. EIA Regulations for the	C-MI (IS) 107-2006(T)	36(1)(a)(v)	Strategic Environmental Focus (Pty) Ltd	Strategic Environmental Focus (Pty) Ltd	379,953.50
Condonement of appointments and to authorise the payment of cost i.r.o. the investigation into outsourcing of Mini Waste Disposal Sites and transfer stations paragraph 36(1)(v)	C-MI (IS) 111-2006(T)	36(1)(a)(v)	Bartholomew & Associates	Bartholomew & Associates	272,000.00
<b>DISPENSING: with the official procurement process for professional engineering services for the implementation of 13 council/MIG funded projects i.t.o. Paragraph 36(1)(a)(v) of the SCM Policy</b>	C-HD 02-2007(T)	36(1)(a)(v)	VIP Consulting Engineers (Pty) Ltd	VIP Consulting Engineers (Pty) Ltd	
Appointment of contractors for the installation of medium voltage cable, inclusive of excavation providing of river sand, laying of cable, backfilling, site rehabilitation and the making of cable terminations and joints i.t.o. Paragraph 53 and 36 of SCM EXTENSION	C-IS 04-2007(T)	36(1)(a)(v) 53(2)(c)		Umzantsi Afrika Electrical (Pty) Ltd	
<b>Extension of the civil engineering consultant for the planning and design of waste disposal cells and associated works in stage 2B., at the Rooikraal waste disposal site i.t.o. Parag 53 read with Parag 36 of the SCM</b>	C-IS 01-2007(T)	36(1)(a)(v) 53(2)(c)	Themba Consultants (Pty) Ltd	Themba Consultants (Pty) Ltd	48,620.00
<b>EXTENSION: Collection and tracing service i.r.o. Regional Services and Regional Establishment levies i.t.o. Paragraph 36 of SCM Policy</b>	C-F 08-2007(T)	53(2)(b) 36		In-Quest Investigations	
<b>EXTENSION: Collection and tracing service i.r.o. Regional Services and Regional Establishment levies i.t.o. Paragraph 36 of SCM Policy</b>	C-F 08-2007(T)	53(2)(b) 36		Limopoza Financial Services CC	
<b>EXTENSION: Collection and tracing service i.r.o. Regional Services and Regional Establishment levies i.t.o. Paragraph 36 of SCM Policy</b>	C-F 08-2007(T)	53(2)(b) 36		Metro Revenue and Collections Ekangala (Pty) Ltd	
Supply and off-loading of bullet-proof jackets as and when basis until 30 June 2008	APS 01/2007	36(1)(a)(v)		Luibeko Services CC	1,400,000

41 FINANCIAL INSTRUMENTS

(i) Fair values

(IAS 39.09)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note Ref in AFS	Carrying Amount 2007 R	Fair Value 2007 R	Carrying Amount 2006 R	Fair Value 2006 R
<b>Financial Assets</b>					
<i>Held-to-maturity Investments</i>					
- Fixed deposits	11	1,603,859,465	1,603,859,465	1,672,775,131	1,672,775,131
- Investment in Municipal Bonds					
- Investment in RSA Government Stock					
- Call Investment Deposits	11	277,165,183	277,165,183	359,169,998	359,169,998
<i>Loans and receivables</i>					
- Long term debtors	12	133,784,912	133,784,912	376,695,755	376,695,755
- Consumer debtors	14	1,816,933,681	1,816,933,681	1,175,778,527	1,175,778,527
- VAT receivable	8	27,316,881	27,316,881	64,017,074	64,017,074
- Other debtors	15	0	0	0	0
- Current portion of long-term debtors	12	0	0	-20,592,895	-20,592,895
<i>Available for sale</i>					
Bank balances and cash	17	2,846,504,882	2,846,504,882	2,652,398,898	2,652,398,898
<b>Financial Liabilities</b>					
<i>Financial liabilities that are not valued at fair value through profit and loss</i>					
Local registered Stock Loans					
<b>Unsecured Bank Facilities :</b>					
- Annuity loans		950,712,688	950,712,688	998,078,328	998,078,328
- Other Loans	APPENDIX A	950,712,688	950,712,688	998,078,328	998,078,328
<b>Trade and Other Payables</b>					
- Consumer deposits		294,376,857	294,376,857	262,287,757	262,287,757
- Unspent conditional grants and receipts		135,732,011	135,732,011	67,513,946	67,513,946
- Creditors		1,429,028,024	1,429,028,024	1,272,954,395	1,272,954,395
<b>Unrecognised (loss) gain</b>					
		<b>4,187,393,761</b>	<b>4,187,393,761</b>	<b>4,523,962,340</b>	<b>4,523,962,340</b>

(ii) **Effective interest rates and repricing analysis**  
**(IAS 32.67(a), (b))**

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.

	Note Ref In	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Year ended 30 June 2007</b>								
<b>Fixed rate instruments</b>								
Held-to-maturity Investments			<b>1,634,387,807</b>	<b>1,280,000,000</b>	<b>14,933,719</b>	<b>121,851,789</b>	<b>194,320,692</b>	<b>23,281,607</b>
Absa Bank		9.19%	600,000,000	600,000,000	0	0	0	0
Investec Bank		11.72%	263,626,804	200,000,000	0	16,159,520	47,467,284	0
Stanlib		10.91%	54,340,035	0	0	0	54,340,035	0
Standard Bank		11.73%	68,446,556	20,000,000	0	29,147,732	17,398,003	1,900,821
Sanlam Capital Markets		13.99%	12,995,885	0	0	0	12,995,885	0
First National Bank		9.25%	100,000,000	100,000,000	0	0	0	0
Nedbank		10.50%	404,404,589	360,000,000	14,933,719	29,470,870	0	0
Rand Merchant Bank		14.55%	43,450,518	0	0	16,545,325	18,640,688	8,264,505
INCA		13.67%	56,595,078	0	0	0	43,478,797	13,116,281
Liberty Life		17.45%	30,528,342	0	0	30,528,342	0	0
<b>Local registered Stock Loans</b>			<b>270,951,733</b>	<b>83,900</b>	<b>0</b>	<b>5,054,000</b>	<b>232,982,077</b>	<b>32,831,756</b>
Stock loan 51		10%	5,000	5,000				
Stock loan 52		10%	5,400	5,400				
Stock loan 44		10%	73,500	73,500				
Stock loan 88		14.40%	5,000,000			5,000,000		
Stock loan 53		10%	8,000			8,000		
Stock loan 56		10%	25,000			25,000		
Stock loan 57		10%	6,000			6,000		
Stock loan 59		10%	15,000			15,000		
Stock loan 60		10%	15,000				15,000	
Stock loan 61		10%	7,300				7,300	
Stock loan 62		10%	6,500				6,500	
Stock loan 63		10%	1,000				1,000	
Stock loan 64		10%	20,000				20,000	
Stock loan 66		10%	18,000				18,000	
Stock loan 67		10%	10,000				10,000	
Stock loan 68		10%	5,000				5,000	
Stock loan 69		10%	45,000				45,000	
Stock loan 70		10%	10,000				10,000	
Stock loan 405		15.80%	29,000,000				29,000,000	
Stock loan 75		16.30%	25,000,000				25,000,000	
Stock loan 76		16.50%	2,400,000				2,400,000	
Stock loan 77		16.50%	73,319,100				73,319,100	
Stock loan 73		10%	32,000				32,000	
Stock loan 96		15.80%	31,000,000				31,000,000	
Stock loan 2		15.65%	50,000,000				50,000,000	
Stock loan 97		16.70%	22,004,587				22,004,587	
Stock loan 74		10%	14,333				14,333	
Stock loan 75		10%	60,000				60,000	
Stock loan 77		10%	5,257				5,257	
Stock loan 78		10%	9,000				9,000	
Stock loan 81		10%	10,000					10,000
Stock loan 80		10%	1,190					1,190
Stock loan 82		10%	18,733					18,733
Stock loan 83		10%	20,000					20,000
Stock loan 84		10%	5,000					5,000
Stock loan 87		10%	13,333					13,333
Stock loan 89		10%	7,000					7,000
Stock loan 26		14.20%	32,620,000					32,620,000
Stock loan 91		10%	69,000					69,000
Stock loan 92		10%	26,666					26,666
Stock loan 93		10%	16,667					16,667
Stock loan 94		10%	4,167					4,167
Stock loan 95		10%	20,000					20,000
<b>Variable rate instruments</b>								
- Cash and Cash Equivalents				2,846,504,882				
			<b>1,905,339,540</b>	<b>4,126,588,782</b>	<b>14,933,719</b>	<b>126,905,789</b>	<b>427,302,769</b>	<b>56,113,363</b>

**Year ended 30 June 2006**

**Fixed rate instruments**

Held-to-maturity Investments

		<b>1,698,767,790</b>	<b>1,372,036,396</b>	<b>13,540,834</b>	<b>13,723,499</b>	<b>279,102,124</b>	<b>20,364,937</b>
Absa Bank	7.15%	600,000,000	600,000,000	0	0	0	0
Investec Bank	10.90%	354,887,376	300,000,000	0	0	54,887,376	0
Stanlib	9.90%	48,995,480	0	0	0	48,995,480	0
Standard Bank	10.53%	155,453,111	112,000,000	0	0	41,876,999	1,576,112
Sanlam Capital Markets	13.99%	11,895,107	0	0	0	11,895,107	0
Nedbank	9.41%	314,332,649	260,016,796	13,540,834	13,723,499	27,051,520	0
Rand Merchant Bank	14.55%	37,647,636	0	0	0	30,460,439	7,187,197
INCA	13.67%	49,544,172	0	0	0	37,942,544	11,601,628
First National Bank	7.00%	100,019,600	100,019,600	0	0	0	0
Liberty Life	9.18%	25,992,659	0	0	0	25,992,659	0

**Local registered Stock Loans**

		<b>275,020,733</b>	<b>4,069,000</b>	<b>83,900</b>	<b>5,054,000</b>	<b>232,982,077</b>	<b>32,831,756</b>
Stock loan 43	10%	8,000	8,000				
Stock loan 46	10%	13,500	13,500				
Stock loan 47	10%	2,000	2,000				
Stock loan 107	16.50%	4,000,000	4,000,000				
Stock loan 49	10%	8,000	8,000				
Stock loan 50	10%	37,500	37,500				
Stock loan 51	10%	5,000		5,000			
Stock loan 52	10%	5,400		5,400			
Stock loan 44	10%	73,500		73,500			
Stock loan 88	14.40%	5,000,000			5,000,000		
Stock loan 53	10%	8,000			8,000		
Stock loan 56	10%	25,000			25,000		
Stock loan 57	10%	6,000			6,000		
Stock loan 59	10%	15,000			15,000		
Stock loan 60	10%	15,000				15,000	
Stock loan 61	10%	7,300				7,300	
Stock loan 62	10%	6,500				6,500	
Stock loan 63	10%	1,000				1,000	
Stock loan 64	10%	20,000				20,000	
Stock loan 66	10%	18,000				18,000	
Stock loan 67	10%	10,000				10,000	

Stock loan 68	10%	5,000			5,000	
Stock loan 69	10%	45,000			45,000	
Stock loan 70	10%	10,000			10,000	
Stock loan 405	15.80%	29,000,000			29,000,000	
Stock loan 75	16.30%	25,000,000			25,000,000	
Stock loan 76	16.50%	2,400,000			2,400,000	
Stock loan 77	16.55	73,319,100			73,319,100	
Stock loan 73	10%	32,000			32,000	
Stock loan 96	15.80%	31,000,000			31,000,000	
Stock loan 2	15.65%	50,000,000			50,000,000	
Stock loan 97	16.70%	22,004,587			22,004,587	
Stock loan 74	10%	14,333			14,333	
Stock loan 75	10%	60,000			60,000	
Stock loan 77	10%	5,257			5,257	
Stock loan 78	10%	9,000			9,000	
Stock loan 81	10%	10,000				10,000
Stock loan 80	10%	1,190				1,190
Stock loan 82	10%	18,733				18,733
Stock loan 83	10%	20,000				20,000
Stock loan 84	10%	5,000				5,000
Stock loan 87	10%	13,333				13,333
Stock loan 89	10%	7,000				7,000
Stock loan 26	14.20%	32,620,000				32,620,000
Stock loan 91	10%	69,000				69,000
Stock loan 92	10%	26,666				26,666
Stock loan 93	10%	16,667				16,667
Stock loan 94	10%	4,167				4,167
Stock loan 95	10%	20,000				20,000

**Variable rate instruments**

- Cash and Cash Equivalents

	2,652,398,899				
	<b>1,973,788,523</b>	<b>4,028,504,295</b>	<b>13,624,734</b>	<b>18,777,499</b>	<b>512,084,201</b>
					<b>53,196,693</b>

**42 RISK EXPOSURES**

The municipality is at risk in the following areas:

- (i) Credit Risk, which is defined as the risk that one party to a financial instrument will fail to honour its obligation, thus causing the other party to incur a financial loss.
- (ii) Interest Rate Risk, which is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	2006/07	2005/06
Fixed Deposit Investments	323,859,465	300,738,735
Investment in Municipal Bonds	0	0
Investment in RSA Government Stock	0	0
Long-term Receivables		
Consumer Debtors		
Other Debtors		
VAT Receivable		
Short-term Investment Deposits	1,280,000,000	1,372,036,396
Bank and Cash Balances		
<b>Maximum Credit and Interest Risk Exposure</b>	<u><u>1,603,859,465</u></u>	<u><u>1,672,775,131</u></u>

#### 43 Restatement of prior year balances

Accumulated surplus as per 2005/06 Statements	3,314,108,567.50
Re-classification of Revaluation Reserve	382,367,374.00
Capitalisation of assets for HDF	246,091,000.00
Accumulated depreciation of assets for HDF	- 14,936,552.40
Expenditure adjustments to Trade Creditors	104,682,331.98
Income adjustments to Sundry Debtors	50,969,671.10
	<u><u>4,083,282,392.18</u></u>

#### 44 Correction of prior year disclosure

In the 2005/2006 financial year the provision for WCA was disclosed as a non current provision. Due to changes in legislation a split was made between WCA which is currently disclosed as a provision, and COID being disclosed as a non current provision. Current as well as comparative information is disclosed in note 3 and 5 respectively.

#### 45 Related party transactions

	2007	2006
<b>Sales to related parties</b>		
Pharoe Park Housing Company	1,165,109.00	1,041,655.00
Phase 11 Housing Company	1,121,248.00	367,386.00
Ekurhuleni Development company	1,420,650.00	205,050.00
Brakpan bus company	3,825,942.00	3,844,177.00
ERWAT	14,281,000.00	15,435,000.00
<b>Outstanding balances arising from sales</b>		
ERWAT	17,373,000.00	17,669,000.00
<b>Purchase of services</b>		
ERWAT	228,832,000.00	215,214,000.00
<b>Loans to related parties</b>		
ERWAT	4,000,000.00	4,000,000.00



APPENDIX A

EKURHULENI METROPOLITAN MUNICIPALITY :SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2006	Received during the period	Redeemed/ written off during the period	Balance at 30/06/2007	Carrying value of property, plant and equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R
<b>STOCK LOANS</b>								
Stock loan @10%	43	2006.09.30	8,000		8,000	-	5,867	
Stock loan @10%	46	2007.03.31	13,500		13,500	-	6,532	
Stock loan @10%	47	2007.03.31	2,000		2,000	-	910	
Stock loan @16.5%	107	2007.06.30	4,000,000		4,000,000	-	2,603,594	
Stock loan @10%	49	2007.06.30	8,000		8,000	-	4,183	
Stock loan @10%	50	2007.06.30	37,500		37,500	-	37,168	
Stock loan @10%	51	2007.09.30	5,000			5,000	3,869	
Stock loan @10%	52	2007.09.30	5,400			5,400	1,553	
Stock loan @10%	44	2007.12.30	73,500			73,500	41,257	
Stock loan @14.4%	88	2008.12.31	5,000,000			5,000,000	1,436,388	
Stock loan @10%	53	2008.12.31	8,000			8,000	6,191	
Stock loan @10%	56	2008.12.31	25,000			25,000	19,352	
Stock loan @10%	57	2008.12.31	6,000			6,000	4,256	
Stock loan @10%	59	2008.12.31	15,000			15,000	10,482	
Stock loan @10%	60	2009.06.30	15,000			15,000	8,160	
Stock loan @10%	61	2009.06.30	7,300			7,300	3,504	
Stock loan @10%	62	2009.06.30	6,500			6,500	3,645	
Stock loan @10%	63	2009.06.30	1,000			1,000	136	
Stock loan @10%	64	2009.06.30	20,000			20,000	10,951	
Stock loan @10%	66	2010.06.30	18,000			18,000	9,856	
Stock loan @10%	67	2010.09.30	10,000			10,000	5,734	
Stock loan @10%	68	2010.12.31	5,000			5,000	1,990	
Stock loan @10%	69	2011.03.31	45,000			45,000	25,094	
Stock loan @10%	70	2011.03.31	10,000			10,000	5,358	
Stock loan @15.8%	405	2011.06.30	29,000,000			29,000,000	8,654,506	
Stock loan @16.3%	75	2011.06.30	25,000,000			25,000,000	14,101,943	
Stock loan @16.5%	76	2011.06.30	2,400,000			2,400,000	1,576,449	
Stock loan @16.5%	77	2011.06.30	73,319,100			73,319,100	42,402,052	
Stock loan @10%	73	2011.06.30	32,000			32,000	17,959	
Stock loan @15.8%	96	2011.06.30	31,000,000			31,000,000	18,134,509	
Stock loan @15.65%	2	2011.06.30	50,000,000			50,000,000	29,040,525	
Stock loan @16.7%	97	2011.06.30	22,004,587			22,004,587	11,987,680	
Stock loan @10%	74	2011.09.30	14,333			14,333	4,149	
Stock loan @10%	75	2011.12.31	60,000			60,000	33,478	
<b>Total carried forward</b>			<b>242,174,720</b>	<b>-</b>	<b>4,069,000</b>	<b>238,105,720</b>	<b>130,209,279</b>	

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2006	Received during the period	Redeemed/ written off during the period	Balance at 30/06/2007	Carrying value of property, plant and equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R
<b>STOCK LOANS</b>								
<b>Total brought forward</b>			<b>242,174,720</b>	<b>-</b>	<b>4,069,000</b>	<b>238,105,720</b>	<b>130,209,279</b>	
Stock loan @10%	77	2012.06.30	5,257			5,257	2,786	
Stock loan @10%	78	2012.06.30	9,000			9,000	4,255	
Stock loan @10%	81	2013.03.31	10,000			10,000	3,506	
Stock loan @10%	80	2013.06.30	1,190			1,190	910	
Stock loan @10%	82	2013.06.30	18,733			18,733	9,856	
Stock loan @10%	83	2013.06.30	20,000			20,000	5,734	
Stock loan @10%	84	2013.06.30	5,000			5,000	3,876	
Stock loan @10%	87	2013.09.30	13,333			13,333	8,661	
Stock loan @10%	89	2013.12.31	7,000			7,000	5,495	
Stock loan @14.2%	26	2014.06.30	32,620,000			32,620,000	27,094,402	
Stock loan @10%	91	2014.09.30	69,000			69,000	49,904	
Stock loan @10%	92	2014.12.31	26,666			26,666	26,652	
Stock loan @10%	93	2014.12.31	16,667			16,667	10,131	
Stock loan @10%	94	2015.06.30	4,167			4,167	1,542	
Stock loan @10%	95	2015.06.30	20,000			20,000	6,005	
<b>TOTAL STOCK LOANS</b>			<b>275,020,733</b>	<b>-</b>	<b>4,069,000</b>	<b>270,951,733</b>	<b>157,442,992</b>	
<b>LONG TERM LOANS</b>								
INCA @ 15.7%	12	2008.04.30	7,648,285		3,811,858	3,836,427	8,463,595	
INCA @ 16.95%	14	2009.02.23	11,000,000			11,000,000	6,225,691	
ABSA @ 15.9%	1	2009.12.31	50,000,000			50,000,000	30,375,742	
INCA @ 16.5%	13	2011.06.30	19,453,504			19,453,504	10,620,566	
City of Joburg	18	2011.06.30	31,997,086	1,374,493		33,371,579	16,909,462	
City of Joburg NRB	19	2011.06.30	5,861,689			5,861,689	3,987,874	
INCA @ 12.25%	11	2011.12.31	104,370,051		14,281,244	90,088,807	105,626,257	
DBSA NO 2 @ 12.2%	25	2013.03.31	128,915,977		12,559,900	116,356,077	62,971,236	
DBSA NO 1 @ 13.5%	5	2014.06.30	238,831,736		18,087,131	220,744,605	127,457,915	
ABSA 11.99%	2	2014.06.30	400,000,000			400,000,000	221,953,705	
<b>TOTAL LONG TERM LOANS</b>			<b>998,078,328</b>	<b>1,374,493</b>	<b>48,740,133</b>	<b>950,712,688</b>	<b>594,592,042</b>	
<b>LEASE LIABILITY</b>								
<b>ESKOM</b>								
Eskom Liability	1		75,248,822		75,248,822	-		
<b>TOTAL EXTERNAL LOANS</b>			<b>1,348,347,883</b>	<b>1,374,493</b>	<b>128,057,955</b>	<b>1,221,664,421</b>	<b>752,035,034</b>	



<b>COMMUNITY ASSETS</b>	<b>1,284,267,332.07</b>	<b>28,865,808.89</b>	<b>1,313,133,140.96</b>	<b>44,669,618.12</b>	<b>-424,423.68</b>	<b>30,296,980.88</b>	<b>1,387,675,316.28</b>	<b>790,356,304.42</b>		<b>34,070,899.83</b>	<b>-399,455.67</b>	<b>824,027,748.58</b>	<b>563,647,567.70</b>
AMBULANCE STATIONS	269,904.00	-	269,904.00	-	-	-	269,904.00	20,024.22		8,996.81	-	29,021.03	240,882.97
CARE CENTRES	9,851,010.29	-	9,851,010.29	-	-	-	9,851,010.29	3,441,383.51		293,765.86	-	3,735,149.37	6,115,860.92
CEMETERIES	88,742,093.20	-	88,742,093.20	4,954,053.59	-	3,919,645.40	97,615,792.19	39,523,248.32		2,438,687.76	-	41,961,936.08	55,653,856.11
CLINICS AND HOSPITALS	112,113,570.22	-	112,113,570.22	4,977,103.70	-	10,383,438.38	127,474,112.30	55,584,902.68		3,339,117.18	-	58,924,019.86	68,550,092.44
COMMUNITY CENTRES	302,476,222.17	-	302,476,222.17	-	-	-	302,476,222.17	190,540,627.64		6,952,073.97	-	197,492,701.61	104,983,520.56
FIRE STATIONS	86,442,250.49	-	86,442,250.49	1,748,248.70	-	-	88,190,499.19	51,441,413.65		2,817,803.51	-	54,259,217.16	33,931,282.03
GAME RESERVES AND RES	13,362,168.78	-	13,362,168.78	-	-	-	13,362,168.78	11,297,261.88		424,128.29	-	11,721,390.17	1,640,778.61
INDOOR SPORTS FACILITIE	26,735,081.36	-	26,735,081.36	-	-	-	26,735,081.36	13,375,654.57		739,675.63	-	14,115,330.20	12,619,751.16
LIBRARIES	89,718,218.92	-	89,718,218.92	914,608.39	-	-	90,632,827.31	71,132,116.89		2,411,284.41	-	73,543,401.30	17,089,426.01
MUSEUMS AND ART GALLE	7,156,753.28	-	7,156,753.28	2,474,554.90	-	-	9,631,308.19	1,820,574.97		245,306.07	-	2,065,891.04	7,565,427.14
PARKS	63,410,170.60	5,802.86	63,415,973.46	7,228,894.21	424,423.68	14,264,918.82	84,485,362.81	32,355,510.70		1,997,355.61	-	33,963,410.64	50,531,952.17
PUBLIC CONVENIENCES AN	46,485,766.98	-	46,485,766.98	463,376.23	-	464,362.73	47,413,505.94	25,173,080.97		1,041,412.34	-	26,214,493.31	21,199,012.63
RECREATION CENTRES	6,491,082.49	-	6,491,082.49	-	-	-	6,491,082.49	2,103,617.32		177,851.08	-	2,281,268.40	4,209,814.09
STADIUMS	96,936,787.44	-	96,936,787.44	17,924,451.41	-	-	114,861,238.85	59,296,321.92		2,428,513.70	-	61,722,835.62	53,138,403.23
ZOOS	3,233,338.76	-	3,233,338.76	-	-	-	3,233,338.76	3,061,594.05		9,865.43	-	3,071,459.48	161,879.28
CLINICS ANIMAL	887,427.86	-	887,427.86	-	-	-	887,427.86	887,427.86		-	-	887,427.86	-
BOWLING GREENS	3,331,717.85	-	3,331,717.85	-	-	-	3,331,717.85	2,141,683.25		111,335.90	-	2,253,019.15	1,078,698.70
TENNIS COURTS	20,888,411.12	-	20,888,411.12	-	-	296,042.48	21,184,453.60	13,705,143.33		642,563.22	-	14,347,706.55	6,836,747.05
SWIMMING POOLS	56,184,170.04	-	56,184,170.04	973,184.95	-	-	57,157,354.99	45,124,862.48		752,490.29	-	45,877,352.77	11,280,002.22
GOLF COURSES	56,754,479.02	-	56,754,479.02	1,278,151.28	-	-	58,032,630.30	18,900,253.31		2,480,551.75	-	21,380,805.06	36,651,825.24
JUKSKEI PITCHES	266,889.22	-	266,889.22	-	-	-	266,889.22	241,978.85		2,085.85	-	244,064.70	22,824.52
OUTDOOR SPORTS FACILIT	160,769,750.25	-	160,769,750.25	1,235,643.48	-	968,573.07	162,973,966.80	122,704,308.85		2,805,855.14	-	125,510,163.99	37,463,802.81
ORGAN AND CASE	7,646.52	-	7,646.52	-	-	-	7,646.52	3,077.86		382.30	-	3,460.16	4,186.36
LAKES AND DAMS	11,119,446.94	-	11,119,446.94	338,948.80	-	-	11,458,395.74	6,276,139.88		317,578.87	-	6,593,718.75	4,864,676.99
FOUNTAINS	56,956.04	-	56,956.04	-	-	-	56,956.04	23,780.58		2,847.68	-	26,628.26	30,327.78
FLOODLIGHTING	7,507,145.98	-	7,507,145.98	158,398.48	-	-	7,665,544.46	4,482,883.19		253,484.00	-	4,736,367.19	2,929,177.27
NURSERIES	1,404,532.03	-	1,404,532.03	-	-	-	1,404,532.03	509,471.53		40,209.36	-	549,680.89	854,851.14
OLD AGE HOMES	11,664,340.22	28,860,006.03	40,524,346.25	-	-	-	40,524,346.25	15,187,960.16		1,337,877.82	-	16,525,837.98	23,998,508.27

<b>HERITAGE ASSETS</b>	<b>2,504,041.05</b>	<b>-</b>	<b>2,504,041.05</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,504,041.05</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,504,041.05</b>
PUBLIC STATUES	7,943.78	-	7,943.78	-	-	-	7,943.78	-		-	-	-	7,943.78
HISTORICAL BUILDINGS AN	2,496,097.27	-	2,496,097.27	-	-	-	2,496,097.27	-		-	-	-	2,496,097.27

EKURHULENI  
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APPENDIX C  
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Opening Balance	Transfer	Cost					Accumulated Depreciation				Carrying Value		
			Restated Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Restated Opening Balance	This Year	Disposals	Closing Balance			
POLITICAL OFFICE	678,696.23	-	678,696.23				678,696.23	283,476.57	-	283,476.57	7,765.23		291,241.80	387,454.43
CITY MANAGERS OFFICE	2,105,793.32	-	2,105,793.32	29,619.11			2,068,769.83	1,047,261.45	-	1,047,261.45	66,890.92	58,289.79	1,055,862.58	1,012,907.25
M - ELECTRICITY	814,122,777.38	-	814,122,777.38	96,459,228.42	30,263,420.41	1,970.00	940,843,456.21	161,134,851.29	-	161,134,851.29	25,426,584.79	1,970.00	186,559,466.08	754,283,990.13
- SOLID WASTE	82,537,790.67		82,537,790.67	38,891,915.01	8,850,156.00	522.58	130,279,339.10	6,031,586.76	-	6,031,586.76	4,929,389.65	509.42	10,960,466.99	119,318,872.11
- SOLID WASTE LAND FILL SITE		231,810,000.00	231,810,000.00				231,810,000.00				17,451,000.00		17,451,000.00	214,359,000.00
- WATER SERVICES	90,730,667.61		90,730,667.61	41,991,311.88	13,425,275.44		146,147,254.93	18,486,641.06	-	18,486,641.06	37,758,162.87		56,244,803.93	89,902,451.00
ROADS TRANSPORT & CIVIL WORKS	391,101,351.38		391,101,351.38	378,853,418.10	15,425,074.60		785,379,844.08	43,282,311.54	-	43,282,311.54	87,321,354.73		130,603,666.27	654,776,177.81
HEALTH & SOCIAL DEVELOPMENT	62,226,810.16		62,226,810.16	4,977,103.70	10,383,438.38		73,244,623.21	27,642,397.66	-	27,642,397.66	12,770,370.87	4,342,040.99	36,070,727.54	37,173,895.67
PUBLIC SAFETY	93,846,251.42		93,846,251.42	34,275,508.43	57,799.25	213,627.01	127,965,932.09	54,093,634.84	-	54,093,634.84	8,513,272.04	161,641.03	62,445,265.85	65,520,666.24
SPORT RECREATION ART & CULTURE	325,332,916.06		325,332,916.06	49,562,129.43	21,027,561.21	641,932.64	395,280,674.06	185,139,284.98	-	185,139,284.98	33,215,014.14		616,964.63	177,543,339.57
HOUSING														
HOUSING PRE-ADJUSTMENT	52,262,970.24		52,262,970.24	31,123,287.17	71,814,886.70	167,777,541.96	-12,576,397.85	4,263,548.31	200,000,000.00	204,263,548.31	8,323,542.77	210,510,640.24	2,076,450.84	-14,652,848.69
HOUSING RESTATED		125,100,185.64	125,100,185.64				125,100,185.64			45,557,915.00			3,834,841.29	49,392,756.29
HOUSING NEW HDF VALUE		120,990,814.36	120,990,814.36				120,990,814.36		-30,621,362.60	(30,621,362.60)	3,633,434.91		(26,987,927.69)	147,978,742.05
FINANCE	236,187,369.73		236,187,369.73	2,792,580.84		76,383,818.21	162,596,132.36	179,817,847.76	-	179,817,847.76	20,278,197.74	76,044,867.37	124,051,178.13	38,544,954.23
HUMAN RESOURCES	12,024,696.96		12,024,696.96	800,284.73		2,492,051.69	10,332,930.00	6,725,755.34	-	6,725,755.34	1,097,862.09	1,969,231.15	5,854,386.28	4,478,543.72
INFORMATION TECHNOLOGY	69,032,213.84		69,032,213.84	1,023,658.07		1,518,834.53	68,537,037.38	13,580,307.26	-	13,580,307.26	5,173,491.67	1,392,397.74	17,361,401.19	51,175,636.19
CORPORATE AND LEGAL	8,056,302,868.25		8,056,302,868.25	179,784,196.29	1,351,729.00	240,767,920.77	7,996,670,872.77	5,565,833,513.84	-200,000,000.00	5,365,833,513.84	141,141,019.20	118,980,075.35	5,387,994,457.69	2,608,676,415.08
<b>TOTAL</b>	<b>10,288,493,173.25</b>	<b>477,901,000.00</b>	<b>10,766,394,173.25</b>	<b>860,564,241.18</b>	<b>172,599,340.99</b>	<b>494,207,591.02</b>	<b>11,305,350,164.40</b>	<b>6,267,362,418.66</b>	<b>14,936,552.40</b>	<b>6,282,298,971.06</b>	<b>410,942,194.91</b>	<b>414,078,627.71</b>	<b>6,279,162,538.26</b>	<b>5,026,187,626.14</b>

**EKURHULENI  
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**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

<b>2006 Actual Income R</b>	<b>2006 Actual Expenditure R</b>	<b>2006 Surplus/ (Deficit) R</b>		<b>2007 Actual Income R</b>	<b>2007 Actual Expenditure R</b>	<b>2007 Surplus/ (Deficit) R</b>
36,061,949.11	106,316,625.34	-70,254,676.23	POLITICAL OFFICE	50,461,580.09	137,851,251.75	-87,389,671.66
108,987,574.07	278,142,566.45	-169,154,992.38	CITY MANAGERS OFFICE	1,419,534.73	11,813,853.73	-10,394,319.00
2,895,495,699.04	2,487,470,215.59	408,025,483.45	MI - ELECTRICITY	3,349,819,412.72	2,835,493,037.86	514,326,374.86
404,210,626.63	434,033,458.22	-29,822,831.59	- SOLID WASTE	465,950,839.75	505,786,093.18	-39,835,253.43
1,443,336,775.54	1,492,222,975.24	-48,886,199.70	- WATER AND SANITATION	1,833,172,630.76	1,659,496,782.26	173,675,848.50
330,729,869.99	664,427,351.04	-333,697,481.05	ROADS TRANSPORT & CIVIL WORKS	378,227,664.00	722,172,700.72	-343,945,036.72
68,018,158.96	272,690,739.52	-204,672,580.56	HEALTH & SOCIAL DEVELOPMENT	69,977,155.45	263,664,925.44	-193,687,769.99
335,154,391.34	771,205,709.79	-436,051,318.45	COMMUNITY SAFETY	186,964,136.08	432,608,572.03	-245,644,435.95
50,486,938.52	495,433,689.86	-444,946,751.34	SPORT RECREATION ART & CULTURE	43,617,140.26	321,591,075.92	-277,973,935.66
130,749,760.49	229,879,866.64	-99,130,106.15	HOUSING	280,765,668.61	324,963,004.30	-44,197,335.69
3,605,870,158.81	840,209,179.95	2,765,660,978.86	FINANCE	3,616,546,353.66	1,173,801,689.14	2,442,744,664.52
58,171,923.65	80,407,837.69	-22,235,914.04	HUMAN RESOURCES	69,636,788.33	95,801,291.00	-26,164,502.67
71,115,398.12	71,461,474.83	-346,076.71	INFORMATION TECHNOLOGY	70,917,453.01	86,126,845.31	-15,209,392.30
33,602,893.42	228,315,472.22	-194,712,578.80	CORPORATE AND LEGAL	38,549,560.12	228,552,285.71	-190,002,725.59
			ECONOMIC DEVELOPMENT	2,752,877.77	16,105,639.98	-13,352,762.21
			DEVELOPMENT PLANNING	5,019,276.83	56,168,811.15	-51,149,534.32
			ENVIRONMENT & TOURISM	2,017,070.38	62,595,867.15	-60,578,796.77
			COMMUNICATIONS	1,367,154.90	31,456,440.06	-30,089,285.16
			INTEGRATED DEVELOPMENT PLAN	93,506.21	4,170,458.73	-4,076,952.52
			RESEARCH	197.29	2,827,928.00	-2,827,730.71
			PERFORMANCE MANAGEMENT	-	-	-
			INTERNAL AUDIT	13,283,409.14	20,976,432.77	-7,693,023.63
			REGIONAL MANAGEMENT	1,079.84	4,025,312.06	-4,024,232.22
			STRATEGIC EXECUTIVE DIRECTORS	14,476,253.03	24,024,313.49	-9,548,060.46
			MI - ADMINISTRATION	-	-	-
			FLEET MANAGEMENT	22,732,692.75	45,353,896.22	-22,621,203.47
			EMPD	92,955,474.35	384,665,150.00	-291,709,675.65
			METRO PARKS	12,509,054.74	248,477,657.99	-235,968,603.25
			COUNCIL GENERAL	3,272,050.11	8,276,263.10	-5,004,212.99
			TOURISM	-	2,450,228.64	-2,450,228.64
<b>9,571,992,117.69</b>	<b>8,452,217,162.38</b>	<b>1,119,774,955.31</b>	<b>Sub Total</b>	<b>10,626,506,014.91</b>	<b>9,711,297,807.69</b>	<b>915,208,207.22</b>
921,860,966.99	912,036,742.45	9,824,224.54	Less Inter- Departmental Charges	901,211,414.85	901,211,414.85	-
<b>8,650,131,150.70</b>	<b>7,540,180,419.93</b>	<b>1,109,950,730.77</b>	<b>Total</b>	<b>9,725,294,600.06</b>	<b>8,810,086,392.84</b>	<b>915,208,207.22</b>
		12,657,242.00	add Entitie's share of surplus			1,594,282.70
		<b>1,122,607,972.77</b>				<b>916,802,489.92</b>

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APPENDIX E(1)

ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	2007 R Actual	2007 R Budget	2007 R Amended Budget	2007 R Amended Variance	2007 Amended Variance (%)	Explanation of Significant Variances greater than 10 % versus budget
<b>REVENUE</b>						
Property rates	1,554,481,225.70	1,443,106,800.00	1,443,106,800.00	111,374,425.70	8%	
Property rates - penalties imposed and collection charge	202,820,010.06	196,211,580.00	196,211,580.00	6,608,430.06	3%	
Service charges	5,206,896,144.98	5,272,068,837.00	5,274,568,837.00	-67,672,692.02	-1%	
Regional Services Levies						
Rental of facilities and equipment	38,811,838.18	39,186,227.00	39,186,227.00	-374,388.82	-1%	
Interest earned - external investments	290,829,602.03	117,750,500.00	117,750,500.00	173,079,102.03	147%	Higher cash balances than anticipated due to lower spending level on budget. As a direct result, interest income exceeded the budget. The increase in bank rates also contributed to higher income
Interest earned - outstanding debtors	210,013,028.87	71,556,889.00	150,000,000.00	60,013,028.87	40%	Anticipated write-off of debtors did not take place, resulting in additional interest levied
Dividends received						
Fines	83,056,008.99	119,265,340.00	119,265,340.00	-36,209,331.01	-30%	Less fines were issued than expected
Licences and permits	28,232,262.50	20,412,964.00	20,412,964.00	7,819,298.50	38%	More building plans approved than anticipated. Town planning income also increased more than expected.
Income from agency services	117,584,663.50	136,760,503.00	136,760,503.00	-19,175,839.50	-14%	The income from licensing as received from Province is less than anticipated
Government grants and subsidies	1,917,313,369.39	1,798,525,807.00	1,934,373,315.00	-17,059,945.61	-1%	Additional capital grants received
Other income	67,945,034.06	34,895,630.00	35,803,350.00	32,141,684.06	90%	Changed in accounting policy with regard to essential services contributions exceeded the budgeted income
Sale of houses	4,039,361.69	-	-	4,039,361.69		
Increase in municipal entities						
Public contributions, donated and contributed property, plant and equipment						
Gains on disposal of property plant and equipment	3,272,050.11			3,272,050.11		
<b>Total Revenue</b>	<b>9,725,294,600.06</b>	<b>9,249,741,077.00</b>	<b>9,467,439,416.00</b>	<b>257,855,184.06</b>		

	2007 R Actual	2007 R Budget	2007 R Amended Budget	2007 R Amended Variance	2007 Amended Variance (%)	Explanation of Significant Variances greater than 10 % versus budget
<b>EXPENDITURE</b>						
Employee related costs	2,537,963,820.04	2,569,219,156.00	2,551,645,411.00	-13,681,590.96	-1%	
Remuneration of councillors	53,728,390.54	51,146,420.00	50,907,030.00	2,821,360.54	6%	
Bad debts	887,835,948.00	822,753,380.00	901,196,491.00	-13,360,543.00	-1%	
Collection costs	48,370,195.62	54,564,492.00	59,115,672.00	-10,745,476.38	-18%	Temporarily suspended hand-overs on residential properties as part of debt write-off process
Depreciation	410,942,202.91	426,111,000.00	426,111,000.00	-15,168,797.09	-4%	
Repairs and maintenance	564,442,805.23	703,677,465.00	659,934,626.00	-95,491,820.77	-14%	Capacity constraints
Interest paid	164,522,303.02	203,414,919.00	203,414,919.00	-38,892,615.98	-19%	
Bulk purchases	3,034,559,805.11	2,979,273,114.00	3,040,263,114.00	-6,703,308.89	0%	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	334,199,322.08	390,568,488.00	387,566,751.00	-53,367,428.92	-14%	
Grants and subsidies paid	83,957,173.62	49,450,000.00	104,646,089.00	-20,688,915.38	-20%	Unspent portion of MIG grant in respect of waterval project (R13m)
General expenses	689,564,426.67	710,624,180.00	808,772,697.00	-119,208,270.33	-15%	Savings on general overhead costs
Contributions to/(transfers from) provisions						
Loss on disposal of property, plant and equipment						
<b>Total Expenditure</b>	<b>8,810,086,392.84</b>	<b>8,960,802,614.00</b>	<b>9,193,573,800.00</b>	<b>-383,487,407.16</b>		
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>915,208,207.22</b>	<b>288,938,463.00</b>	<b>273,865,616.00</b>	<b>641,342,591.22</b>		

**EKURHULENI METROPOLITAN MUNICIPALITY**

**APPENDIX E(2): ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	Construction	Additions	(Adjusted)	2007 Variance	Variance	than 5% versus budget
	R	R	R	R	R	%	
<b>CCC's</b>	5,381,631.33		5,381,631.33	19,297,299.00	- 13,915,667.67	-72.11%	Building work to commence 0708
<b>City Manager</b>	115,028.08		115,028.08	773,424.00	- 658,395.92	-85.13%	changes to Head Office
<b>Communications and Marketing</b>	258,181.00		258,181.00	538,500.00	- 280,319.00	-52.06%	Outstanding equipment purchases
<b>Community Safety</b>	49,161,014.66		49,161,014.66	58,573,060.00	- 9,412,045.34	-16.07%	Rejected tenders
<b>Legal and Administrative Services</b>	827,588.38		827,588.38	842,500.00	- 14,911.62	-1.77%	
<b>Council Buildings</b>	936,894.21		936,894.21	19,500,000.00	- 18,563,105.79	-95.20%	New bld still in planning phase
<b>DCM - Corporate Services</b>	16,173.00		16,173.00	20,000.00	- 3,827.00	-19.14%	Savings on equipment
<b>DCM - Operations</b>	35,647.54		35,647.54	41,150.00	- 5,502.46	-13.37%	Savings on equipment
<b>DCM - Strategic Services</b>	13,015.07		13,015.07	15,000.00	- 1,984.93	-13.23%	Savings on equipment
<b>City Development</b>	3,598,281.21		3,598,281.21	5,578,827.00	- 1,980,545.79	-35.50%	Top-up funds provided not utilised
<b>Economic Development</b>	1,944,682.09		1,944,682.09	21,300,000.00	- 19,355,317.91	-90.87%	Administrative problems experienced
<b>Electricity</b>	100,971,012.16	30,263,420.41	131,234,432.57	143,628,031.00	- 12,393,598.43	-8.63%	Equipment delivered after 1st July 2007
<b>Environmental Development: Environment</b>	3,389,917.06		3,389,917.06	5,837,500.00	- 2,447,582.94	-41.93%	Difficulties with SCM Process
<b>Environmental Development: Parks</b>	24,019,128.30	18,892,098.24	42,911,226.54	53,705,882.00	- 10,794,655.46	-20.10%	Difficulties with SCM Process
<b>Environmental Development: Solid Waste</b>	66,410,664.87	9,796,204.70	76,206,869.57	91,725,175.00	- 15,518,305.43	-16.92%	EIA approval delays
<b>Finance</b>	6,490,458.38		6,490,458.38	6,735,927.00	- 245,468.62	-3.64%	
<b>Health</b>	8,572,277.55	10,383,438.38	18,955,715.93	23,092,731.00	- 4,137,015.07	-17.91%	Problems experienced by contractors
<b>HIV/Aids Unit</b>	202,690.47		202,690.47	393,000.00	- 190,309.53	-48.42%	Savings on equipment
<b>Housing</b>	53,926,758.10	79,435,170.06	133,361,928.16	161,716,741.00	- 28,354,812.84	-17.53%	Land transfers took place after 1st July 2007
<b>Human Resources</b>	578,921.43		578,921.43	1,121,308.00	- 542,386.57	-48.37%	Savings on equipment
<b>IDP</b>	14,972.81		14,972.81	20,000.00	- 5,027.19	-25.14%	Savings on equipment
<b>ICT</b>	73,755,809.13		73,755,809.13	76,977,784.00	- 3,221,974.87	-4.19%	
<b>IS: RTCW</b>	376,175,600.13	21,215,575.46	397,391,175.59	420,225,358.00	- 22,834,182.41	-5.43%	
<b>IS: W and WW</b>	39,766,690.02		39,766,690.02	54,048,111.00	- 14,281,420.98	-26.42%	Difficulties with SCM Process
<b>Internal Audit</b>	189,989.07		189,989.07	479,000.00	- 289,010.93	-60.34%	Savings on equipment
<b>Fresh Produce Market</b>	338,326.43	177,000.00	515,326.43	1,800,000.00	- 1,284,673.57	-71.37%	year
<b>Performance Management</b>	38,427.67		38,427.67	38,432.00	- 4.33	-0.01%	
<b>Political Office</b>	2,321,952.74		2,321,952.74	4,690,806.00	- 2,368,853.26	-50.50%	Savings on equipment
<b>Pooled Funds</b>	42,591.00		42,591.00	98,099.00	- 55,508.00	-56.58%	Savings on equipment
<b>RED - EAST</b>	14,585.67		14,585.67	17,000.00	- 2,414.33	-14.20%	Savings on equipment
<b>RED - South</b>	14,585.67		14,585.67	18,000.00	- 3,414.33	-18.97%	Savings on equipment
<b>Research and Development</b>	34,673.39		34,673.39	55,860.00	- 21,186.61	-37.93%	Savings on equipment
<b>SRAC</b>	38,384,294.84	2,436,433.51	40,820,728.35	50,476,791.00	- 9,656,062.65	-19.13%	Difficulties with SCM Process
<b>Urban Renewal</b>	2,621,779.34		2,621,779.34	8,919,100.00	- 6,297,320.66	-70.60%	Difficulties with SCM Process
<b>TOTAL</b>	860,564,242.80	172,599,340.76	1,033,163,583.56	1,232,300,396.00	- 199,136,812.44	-16.16%	

**EKURHULENI  
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 organ 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			
<b>Operating Grants</b>																
Finance Management	NT	500,000.00				297,353.73	35,510.18	158,477.32	430,424.49							Yes
Transformation Grant	NT					721,918.79	0.00	163,997.77	100,144.69							Yes
Restructuring Grant	NT							2,400,000.00								Yes
LED Grant	DFEA															Yes
HIV/Aids Grant	DLG	-200,000.00		2,230,000.00				570,001.17	546,700.60							Yes
Indigent Burials	DLG	200,000.00				197,760.00		93,760.00	164,657.02							Yes
Bontle Ke Botle	GDAACE							14,955.64	2,594.53							Yes
Environment & Tourism	GDAACE							72,648.90	-42,300.00							Yes
Skills Development	LGSETA	1,738,965.20	945,905.97	7,097,585.23	1,562,190.27	953,232.03	3,523,735.00	2,642,719.08	9,847,315.09							Yes
Vuna Awards	DPLG	-2,000,000.00														N/A
Municipal Revenue	NT															Yes
WSDP	DWAF	399,000.00			12,000,000.00	49,000.00		340,875.00	1,473,684.21							Yes
Township Initiatives	GPDSRAC		388,000.00					166,641.23	219,286.86							Yes
CMTF	DoT							897,576.03	793,580.27							Yes
Zonki Trust	GDRTWP															N/A
ICLEI - Foreign	ICLEI	86,515.13				14,400.00		55,528.00								N/A
UEM Danida - Foreign	Govt of Denmark				2,700,000.00	40,000.00		120,000.00	444,464.09							Yes
CLGF - Foreign	London Borough of Lewinsham				109,000.00				109,000.00							N/A
Demilitarisation Project	DPLG - from Vuna	2,000,000.00	50,000.00			120,197.00		830,515.00	73,934.00							N/A
20 PTP	GDoHousing				88,620.13				88,620.13					Funds Available from 01/07/2007		Yes
Lethabong Housing	Public Contr.				2,000,000.00											N/A
Tembisa Train Disasters	Public Contr.	141,584.00														N/A
PJEC	Various Municipalities	5,000.00	20,000.00					4,280.00	15,043.96							N/A
Mayoral Golf Day	Public Contr.				598,000.00											N/A
Women's Dialogues	Public Contr.		97,880.97			97,881.00										N/A
Health Subsidies	GDoHealth	2,017,350.59	16,115,000.00	30,362,013.00	16,662,847.11	16,289,302.68	16,289,302.68	16,289,302.68	16,289,302.66							Yes
Emergency Subsidies		18,890,750.00	18,890,750.00	18,890,750.00		14,168,062.50	14,168,062.50	14,168,062.50	14,168,062.50							Yes
Equitable Share	DPLG	397,189,957.00	297,832,901.00	496,308,747.00		297,832,901.25	297,832,901.25	297,832,901.25	297,832,901.25							Yes
<b>Total Operating Grants</b>		<b>420,969,121.92</b>	<b>334,340,437.94</b>	<b>554,889,095.23</b>	<b>35,970,657.51</b>	<b>330,782,008.98</b>	<b>334,656,715.71</b>	<b>335,237,513.07</b>	<b>341,949,243.05</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
<b>Capital Grants</b>																
SRAC	GPDSRAC			3,300,000.00		79,936.80	1,018,124.37	252,619.57	1,658,747.25					Funds Available from 01/07/2007 - on completion of		Yes
Roads Transport & Water And Sanitation	GDRTWP	1,050,000.00		1,334,316.02		59,968.15	272,359.06	0.00	749,820.78							Yes
INPEP	DWAF						937,427.30	225,549.03	-235,828.52							Yes
PTIS	DME	6,709,000.00	1,485,000.00	7,400,000.00		6,409,707.59	2,018,342.67	2,080,140.00	6,868,608.73							Yes
LED	DoT			27,700,000.00			451,047.49	80,467.24	8,454,432.91							Yes
Rondebult Water	DFEA				2,767,011.00		161,651.62									N/A
Everleigh Ext 22	Public Contr.	2,196,178.00							1,300,000.00							N/A
Substations Electric	Public Contr.	390,441.89	320,447.00					95,927.78	156,985.12							N/A
PHB	GDoHousing	13,049,164.78	78,778,480.29	92,686,162.63	27,397,915.73	24,387,260.22	52,926,002.17	28,998,737.99	82,488,032.91							Yes
MIG	DPLG	34,210,971.92	57,922,377.13	147,817,241.45	114,110,395.53	31,162,242.49	39,231,428.46	143,544,089.54	137,819,990.15							Yes
PHB Interest		1,155,334.86	410,309.18	1,160,892.90	2,241,708.54											
<b>Total Capital Grants</b>		<b>58,761,091.45</b>	<b>138,916,613.60</b>	<b>281,398,613.00</b>	<b>146,517,030.80</b>	<b>62,099,115.25</b>	<b>97,112,310.92</b>	<b>175,338,588.49</b>	<b>241,757,958.20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			

Note: No grants or subsidies were delayed and/or withheld



## **APPENDIX G**

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the annual financial statements would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates            GRAP 5 Borrowing Costs            GRAP 6 Consolidated AFS            GRAP 7 Associates            GRAP 8 JV's            GRAP 9 Revenue            GRAP 10 Financial Reporting in Hyperinflationary Economies            GRAP 11 Construction Contracts            GRAP 12 Inventories            GRAP 13 Leases            GRAP 14 Events After the Reporting Date            GRAP 16 IP            GRAP 17 PPE            GRAP 18 Segment Reporting            GRAP 19 Provisions, Contingent Liabilities and Contingent Assets            GRAP 100 Non Current assets held for sale            GRAP 101 Agriculture            GRAP 102 Intangible Assets</p>	Y	<p><b>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.</b></p> <p>GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p>
		Changes in accounting policies (GRAP 3.14, 19)	N	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	<p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is <b>deferred</b>, for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p>	No adjustments to the AFS are required.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	Y	<p>Currently the municipality does not reflect land and buildings that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12:</p> <ol style="list-style-type: none"> <li>1) Ensure that all land and buildings under the control of the municipality are reflected on the Fixed asset Register of the municipality by implementing the action plans set out as points 1) to 4) for the section on Investment Property as set out below.</li> <li>2) Ensure that at the first balance sheet date that this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the next twelve months are removed from the FAR and are reclassified as inventories.</li> <li>3) Ensure that these inventories are measured at the lower of cost price and NRV.</li> <li>4) Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met.</li> </ol>	<p><b>The following adjustments will need to be made to the AFS to comply with accounting for inventories land and buildings in terms of GAMAP 12:</b></p> <ol style="list-style-type: none"> <li>1) The land and buildings will not be reflected as part of PPE (Non Current assets) on the Statement of Financial Position, but will be reflected as a current asset: inventories.</li> <li>2) If inventory of land and buildings, which is currently reflected as part of PPE is currently sold a gain or loss on disposal of PPE is reflected in the Statement of Financial Performance. When these items are reclassified as inventories and sold the Statement of Financial Performance will reflect the sales proceeds as well as the cost of inventories land and buildings disposed of as separate line items.</li> <li>3) The buildings which are currently shown as PPE, and which are depreciated will not be depreciated if they form part of inventories.</li> <li>4) The classes of inventories as recorded in the notes to the AFS will be expanded with another class, namely: inventories: land and buildings.</li> <li>5) The accounting policy note will have to be amended to set out how inventories: land and buildings are accounted for.</li> </ol>
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	N/A	The municipality does not purify water – all water is bought.	<p><b>The following adjustments will need to be made to the AFS to comply with accounting for purified water in terms of GAMAP 12:</b></p> <p>None</p>

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GAMAP 17	Property, plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	Y	<ol style="list-style-type: none"> <li>1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic.</li> <li>2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end.</li> <li>3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</li> </ol>	<p><b>The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate.</b></p> <ol style="list-style-type: none"> <li>1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively.</li> <li>2) A note on the change in estimate will be disclosed if the change in estimate is material.</li> </ol>
		Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	<ol style="list-style-type: none"> <li>1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic.</li> <li>2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset.</li> <li>3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end.</li> <li>4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</li> </ol>	<p><b>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</b></p> <ol style="list-style-type: none"> <li>1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively.</li> <li>2) A note on the change in estimate will be disclosed if the change in estimate is material.</li> </ol>

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	<ol style="list-style-type: none"> <li>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> <li>➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</li> <li>➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</li> <li>➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</li> <li>➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</li> <li>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</li> </ul> </li> <li>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</li> </ol>	<p><b>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</b></p> <ol style="list-style-type: none"> <li>1) The carrying amount of PPE will be reduced.</li> <li>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</li> <li>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</li> <li>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</li> <li>5) All disclosure requirements as required by IPSAS 21.</li> </ol>

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> <li>➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</li> <li>➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</li> <li>➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</li> <li>➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</li> <li>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</li> </ul> <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p><b>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</b></p> <ol style="list-style-type: none"> <li>1) The carrying amount of PPE will be reduced.</li> <li>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</li> <li>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</li> <li>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</li> <li>5) All disclosure requirements as required by IAS 36.</li> </ol>
IAS 11 AC 109	Construction contracts	Entire standard	Y	<p>1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality</p>	<p>1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p>

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 552 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
				does not enter into transactions accounted for in terms of IAS 11.	
IAS 14 AC 115	Segment reporting	Entire standard	Y	<ol style="list-style-type: none"> <li>1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14.</li> <li>2) Determine the business and geographical segments of the municipality.</li> <li>3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa.</li> <li>4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.</li> </ol>	<p><b>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</b></p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> <li>1) Segment revenue for every reportable segment.</li> <li>2) Segment results for every reportable segment.</li> <li>3) Segment assets for every reportable segment.</li> <li>4) The total cost incurred during the period to acquire reportable segment long term assets.</li> <li>5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements.</li> </ol> <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p>
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	Y	<ol style="list-style-type: none"> <li>1) The municipality must obtain copies of all existing current lease agreements.</li> <li>2) For each lease agreement the municipality must distinguish each lease as a Finance Leases or an Operating Lease.</li> <li>3) Assets held in terms of Finance Leases as defined in IAS 17 must be capitalised and subsequently depreciated and/or impaired.</li> <li>4) A complete Lease Contract Register must be kept to ensure the completeness of lease transactions.</li> <li>5) Operating Leases that have fluctuating payment arrangements must be identified and operating lease expenses that fall within this category must be straight-lined (smoothed).</li> </ol>	<p><b>The following adjustments will need to be made to the AFS if operating lease payments are straight lined as opposed to accounting for them based on cash flows:</b></p> <ol style="list-style-type: none"> <li>1) Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease instalments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is done the amount recognised in the Statement of Financial Performance will be the average annual instalment calculated over the entire lifespan of the lease. If the actual instalments in a year are more than the average instalment the difference will be shown either as a prepayment (debtor) in the AFS. If the actual instalments in a year are</li> </ol>



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					less than the average instalment the difference will be shown either as an accrual (creditor) in the AFS.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	Y	<ol style="list-style-type: none"> <li>1) The municipality must obtain actuarial valuation reports of all defined benefit plans.</li> <li>2) The valuations obtained in point 1 above will have to studied and analysed to extract all the relevant information necessary for defined benefit accounting as set out in IAS 19.</li> <li>3) The necessary disclosures in terms of IAS 19 must still be performed.</li> </ol>	No work had been done in terms of IAS 19 as of yet. Thus the full requirements and steps listed in the previous column must still be performed.
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	<ol style="list-style-type: none"> <li>1) Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46.</li> <li>2) On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by</li> </ol>	<ol style="list-style-type: none"> <li>1) Unbundle the balance on the GGR and transfer it to a deferred income account.</li> <li>2) Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grants creditor to a creditor called deferred income. Therefore the GGR (Reserve) will be replaced by a creditor called deferred income.</li> <li>3) In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from government grants. The GGR will no longer exist and therefore no transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.</li> </ol>

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				<p>ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).</p> <p>3) On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account.</p> <p>4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.</p>	
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <ul style="list-style-type: none"> <li>➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</li> <li>➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</li> <li>➤ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</li> <li>➤ Have remained idle for a considerable period either prior to them being put into</li> </ul>	<p><b>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</b></p> <ol style="list-style-type: none"> <li>1) The carrying amount of PPE will be reduced.</li> <li>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</li> <li>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</li> <li>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</li> <li>5) All disclosure requirements as required by IAS 36.</li> </ol>

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				<p>use at year end or during their useful life.</p> <ul style="list-style-type: none"> <li>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</li> <li>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</li> </ul>	
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	Y	<ol style="list-style-type: none"> <li>1) Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the FAR and capital purchases file.</li> <li>2) Ensure that all intangible assets identified are measured initially at their cost price. <b>Examples</b> of items which may meet the definition of an intangible asset in the municipal environment are: <ul style="list-style-type: none"> <li>• The cost of the General Valuation Roll</li> <li>• A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year.</li> </ul> </li> <li>3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets.</li> </ol>	<p><b>The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:</b></p> <ol style="list-style-type: none"> <li>1) If any intangible assets are currently classified as part of PPE, then the application of IAS 38 will lead to a reclassification of these items as intangible assets, with a new line item called intangible assets being reflected on the Statement of Financial Position. This will result in a reduction in the carrying amount of PPE and an increase in a new asset called intangible assets.</li> <li>2) In future a new expense item will be reflected in the Statement of Financial Performance called amortisation, which reflects the amount of "depreciation" on the intangible assets for the year.</li> <li>3) If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.</li> <li>4) An accounting policy note related to the accounting treatment of Intangible assets will need to be developed and disclosed.</li> <li>5) The municipality shall disclose the following for</li> </ol>

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					<p>each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <p>(a) The useful lives or the amortisation rates used;</p> <p>(b) The amortisation methods used for intangible assets with finite useful lives;</p> <p>(c) The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;</p> <p>(d) The line item(s) of the Statement of Financial Performance in which any amortisation of intangible assets is included;</p> <p>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>(i) Additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;</p> <p>(ii) Any amortisation recognised during the period;</p> <p>6) The municipality shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.</p> <p>7) The municipality shall give a description of any fully amortised intangible asset that is still in use.</p> <p>8) The municipality shall also disclose the following:</p> <ul style="list-style-type: none"> <li>• A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.</li> <li>• For intangible assets acquired by way of a government grant and initially recognised at fair value: <ul style="list-style-type: none"> <li>(i) The fair value initially recognised for these assets;</li> <li>(ii) Their carrying amount; and</li> <li>(iii) Whether they are measured after recognition under the cost model or the</li> </ul> </li> </ul>

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					revaluation model. <ul style="list-style-type: none"> <li>• The amount of contractual commitments for the acquisition of intangible assets.</li> </ul>
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	Y	1) The municipality must study the applicable sections of IAS 39. 2) The fair values of these financial instruments will have to be determined, based on the type of financial instrument as per IAS 39.9. 3) Discounting of certain financial instruments will have to be performed if the discounted value differs materially from its cost/ face value.	The full initial measurement of financial assets and liabilities will have to be recalculated and corrected retrospectively, is practicable. The previous column gives an indication of the extent of adjustment for full compliance with IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06.

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IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Y	<ol style="list-style-type: none"> <li>1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past.</li> <li>2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality.</li> <li>3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality.</li> <li>4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown.</li> <li>5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40.</li> <li>6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value.</li> <li>7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc.</li> </ol>	<p><b>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value.</b></p> <ul style="list-style-type: none"> <li>• The criteria developed by the municipality to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations;</li> <li>• The methods and significant assumptions applied in determining the fair value of investment property.</li> <li>• The extent to which the fair value of investment property is based on a valuation by an independent valuer.</li> <li>• The amounts included in the statement of financial performance for: <ol style="list-style-type: none"> <li>(a) Rental revenue from investment property;</li> <li>(b) Direct operating expenses arising from investment property that <b>generated rental revenue</b> during the period; and</li> <li>(c) Direct operating expenses arising from investment property that <b>did not generate rental revenue</b> during the period;</li> <li>(d) Fair value increases in IP</li> </ol> </li> <li>• The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal;</li> <li>• Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements;</li> <li>• A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following <ol style="list-style-type: none"> <li>(a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure;</li> <li>(b) Additions resulting from acquisitions through municipality combinations;</li> <li>(c) Disposals;</li> <li>(d) Net gains or losses from fair value adjustments;</li> <li>(e) Transfers to and from inventories and owner-occupied property; and</li> <li>(f) Other movements.</li> </ol> </li> </ul>

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					<p><b>The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation.</b></p> <p>If the municipality elects to reflect all of its investment properties <b>at cost less accumulated depreciation</b>, ensure disclosure in the AFS of the following information, in addition to any relevant information required by the disclosure requirements relating to IP at fair value as set out above :</p> <ul style="list-style-type: none"> <li>• The depreciation methods used;</li> <li>• The useful lives or the depreciation rates used;</li> <li>• The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;</li> <li>• A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required): <ul style="list-style-type: none"> <li>(i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure;</li> <li>(ii) Additions resulting from acquisitions through municipality combinations;</li> <li>(iii) Disposals;</li> <li>(iv) Depreciation;</li> <li>(v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period;</li> <li>(vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality;</li> <li>(vii) Transfers to and from inventories and owner – occupied property; and</li> <li>(viii) Other movements; and</li> </ul> </li> <li>• The fair value of investment property. In the exceptional cases , when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose: <ul style="list-style-type: none"> <li>(i) A description of the investment property;</li> <li>(ii) An explanation of why fair value cannot be determined reliably; and</li> <li>(iii) If possible, the range of estimates within which fair value is highly likely to lie.</li> </ul> </li> </ul>

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		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	N	1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. 2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.	1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	Y	1) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11. 2) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria. 3) CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed. 4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review. 5) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements.	1) Non Current Assets held for sale will no longer be recorded as part of PPE and will not necessarily be carried at cost less accumulated depreciation. 2) No current assets held for sale will be recorded as such as part of current assets and will be recorded at the lower of carrying amount and fair value less costs to sell. 3) Impairment losses in respect of non current assets held for sale will be recorded in the Statement of Financial Performance if such impairment losses exist.



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IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality, as IAS 32 includes the relevant disclosures that is required by IFRS 7.	No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 7, due to compliance with IAS 32.

# Reports of Entities



Ekurhuleni  
METROPOLITAN MUNICIPALITY

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# ERWAT ANNUAL REPORT 2007

**DRAFT**

## *Our Vision*

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

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## Chairperson's Review

It is with pleasure that once again we are able to report positively on ERWAT's outstanding achievements and results for the 2006/07 financial year. During this period, our focus remained on rendering service excellence, whilst simultaneously containing costs. Resultantly, our services continued to be offered at affordable rates that accordingly translated into significant savings for our clients and members.

During the period under review, one of the key issues for consideration by the Directorate related to ERWAT's adherence to the requirements of the Municipal Systems Act of 2004. In terms of this, the dissolution of the ERWAT group was given high-level prominence in direct consultation with our major shareholder, the Ekurhuleni Metropolitan Municipality. While positive progress in this area was made, the unbundling of the ERWAT group is still not yet finalised. However, the Board remains committed to the process that we anticipate will be finalised by early 2008.

The company also looks back on a year where existing relationships were further strengthened with major stakeholders and partners, in particular the Ekurhuleni Metropolitan Municipality. This in turn has resulted in projects being implemented by our organisation that will undoubtedly render mutually beneficial outcomes. Some of these worthy of mention include the construction of another 50 megalitre extension at our Waterval wastewater care works. The extension upon completion will result in a total plant capacity of 153 megalitres per day. Secondly, the upgrading of the Hartebeestfontein wastewater care works has been completed and the plant is functioning extremely well.

The successful completion of these two projects will ensure that ERWAT complies with the new standards as defined by the Department of Water Affairs and Forestry (DWAF). The outcome of the successful completion of these projects is directly aligned to meet the needs relating to the rapid growth and expansion within these two areas.

Notwithstanding our organisation's strong financial position during the phase of planning, the magnitude of these two projects resulted in the need to source additional funding. Based on our past track record and credibility within the market place, we were successful in sourcing the required funding from various financial institutions. In addition, ERWAT, supported by the Ekurhuleni Metro Municipality was successful in securing a further R117 million from the Municipal Infrastructure Grant (MIG) Fund for the purpose of completing the fourth module at our Waterval wastewater care works.

In addition to the outstanding performance of the organization at operational level, the Board is also able to single out other areas within the business where exceptional results have been achieved during the period under review.

Here, reference is made in particular to our laboratory that has been very successful during the financial year and has once again rendered extensive services to clients. This resulted in a steady growth in income.

In terms of our Human Resources, ERWAT continues to focus on best practices and during this period, we focused mainly on two areas. This includes employee wellness, where several initiatives were embarked upon, specifically to de-stigmatize HIV/AIDS in the workplace and determine the prevalence of the disease. Priority skills development for long-term sustainability also receives our ongoing attention.

The success of most organisations can in most instances be linked to the effectiveness of its branding and marketing strategies. During the past months, our brand was effectively positioned at new levels both nationally and internationally through continuous advertising, participation in exhibitions and receiving foreign delegations.

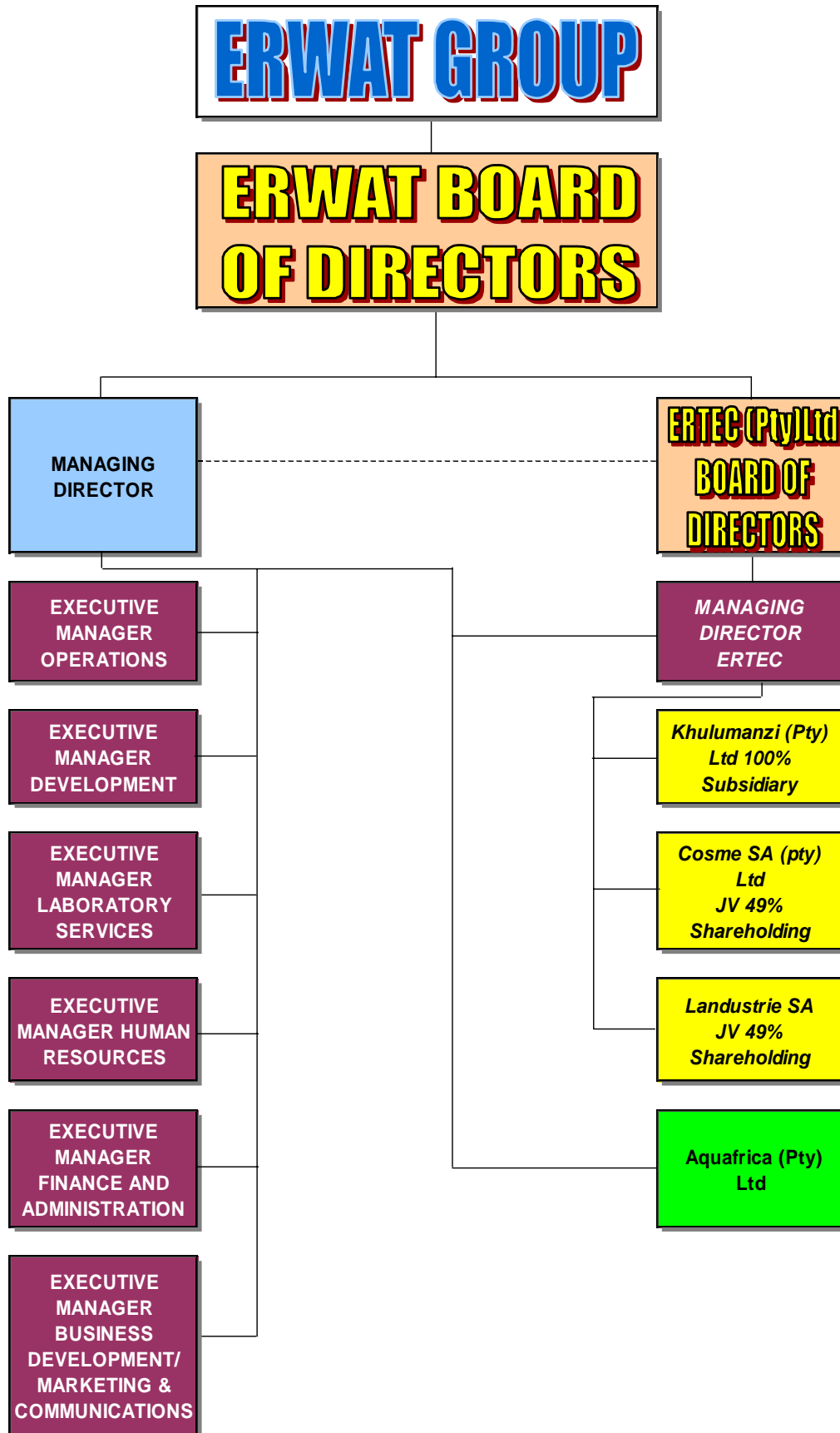
In reviewing ERWAT's achievements during the period under review, it is indeed prudent for the Board to acknowledge the efforts of all those individuals and teams within our organisation who continually strived to contribute to the optimal operational efficiencies and resulting successes that were achieved during this period.

The Board also wishes to thank the Managing Director and the executive management for their contributions in taking our business to the unprecedented level at which it now stands.

Finally, on behalf of the Board of Directors and Executive management, we wish to take this opportunity to thank all our stakeholders, in particular our employees, professional consultants, regulators, contractors and suppliers, for their contribution in making the 2006/2007 financial year the success that it was.

**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 successful completion of 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

<b>GROUP RESULTS</b>		
RAND MILLIONS		
	<b>2006</b>	<b>2007</b>
Total Income	202.2	219.2
Expenditure	196.0	217.2
Retained earnings	6.2	2.0
Depreciation	12.9	12.9
Net surplus/(deficit)	(6.7)	(11.0)
Net surplus for the year	6.2	2.0



## Financial results

### The 2006/07 achievement

The Group achieved positive net income results. Accumulated funds increased by R2 million, to a new total of R146.9 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 fourteen years of its existence.

### Tariffs

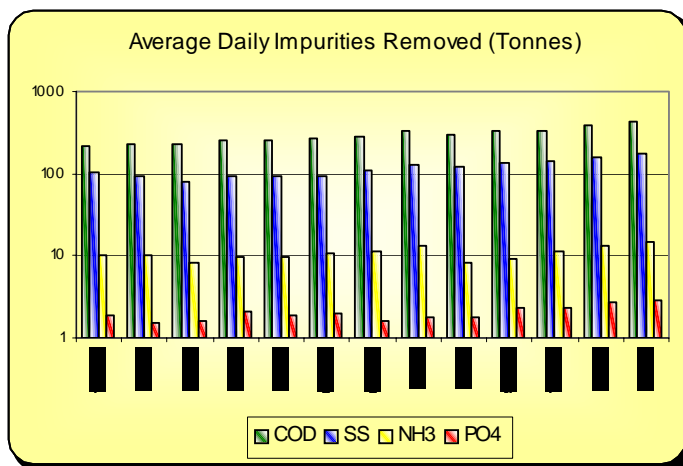
The establishment of ERWAT at the end of 1992 has benefited the region greatly in terms of the cost of wastewater purification. In 1992/93 (at the establishment of ERWAT) the average tariff of wastewater treated was 51.52 cents per kilolitre (c/kl). If the cost of wastewater treatment had risen with the average consumer price under over the past fourteen years, the treatment cost for the 2006/07 year would have been 130.0 cents per kilolitres (c/kl). Instead, because of ERWAT and the economies of scale we have achieved, in 2006/07 the average tariff was 97.69 cents per kilolitre (c/kl), which reflects an average increase over the period of only 4.4 percent per year. This represents a saving for the members of approximately R628 million over the past fourteen years.

## The water business

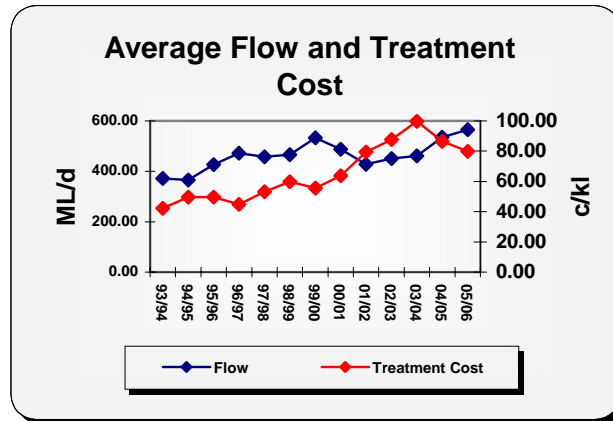
In the highly industrialized areas that ERWAT serves, effluent treatment has become increasingly complex and so have the wastewater care works. To operate these plants, well trained operators and managers are needed to ensure the smooth running and compliance with all legislative requirements. The 19 wastewater treatment plants operated by ERWAT cover 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.

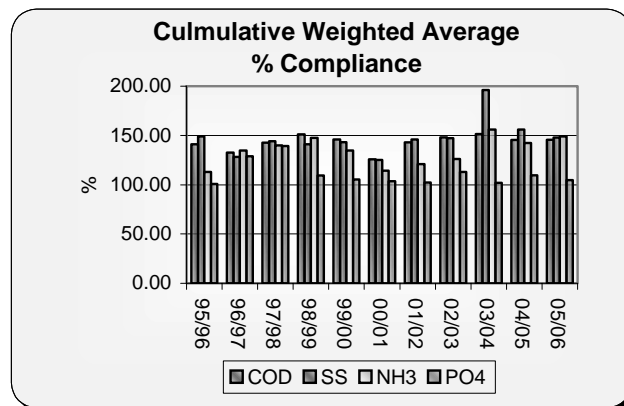
During 2005/06 over 3 million people and over 2000 industries discharged over 600 million litres of effluent daily to the 19 wastewater treatment plants where 65 000 tons of pollutants were removed during the 2006/07 financial year.



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 than 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. The upgrade has been successfully completed. The process has dramatically improved and positive effluent results are 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.

The upgrade included 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 included an incorporation of an off-line balancing dam, which minimizes the negative effects caused by daily peaks on the process.

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

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.

## 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. This plant will be the largest regional WcW operated by ERWAT, serving the south-western area of Ekurhuleni. (Rietspruit drainage area)

### **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 and 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.

## Laboratory Services

The ERWAT Laboratory Services Department focuses on two specialised fields of services, namely chemical, microbiological and biological analyses, as well as analyses and treatment of industrial wastewater.

The laboratory covers the analyses of ERWAT's 19 wastewater care works, involving day-to-day analyses and evaluation processes to render support to the Operations Department. It also renders analyses to the Ekurhuleni Metropolitan Municipality's Inspectorate, as well as other municipalities such as Emfuleni, Midvaal, Randfontein and Sekhukhune.

Longer term tender agreements with the Department of Water Affairs and Forestry in the northern and southern Gauteng regions, Mpumalanga as well as Polokwane are also serviced by the laboratory.

Industries in the private sector, consultants and water boards form part of the other external analyses service for more than 3 000 clients.

The industrial section of the laboratory performs wastewater minimization and loss control surveys at industries, monitoring services and advice programs to industries in the Ekurhuleni Metropolitan areas as well as in other municipal areas and at individual private clients.

The industrial section also operates 5 Industrial Wastewater Treatment Plants at industries to conform to the wastewater discharge by-law standards of local authorities.

The wastewater and drinking water plants in Burgersfort and Roosenekal in Sekhukhune are also some of the more sophisticated plants where drinking water is produced to the community.

Surveys on dams and environmental pond system are also done as part of environmental surveys and rehabilitation programs.

The laboratory plays a very important role in the upliftment of in-service trainees, the hosting of school visits and playing a major role in technology seminars.

## **Human Capital Development and Relations**

### **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.

### **Employee Wellness**

Within ERWAT employee wellness is a business imperative and the company strives to maintain and promote a healthy employee profile. The concentration on industry specific health-related problems has allowed the company to implement a range of interventions that had a huge impact on the overall understanding of the threat of waterborne diseases.

### **Employee Relations**

ERWAT enjoys a mature relationship with employees and all stakeholders. This can be largely attributed to the good leadership provided by shop stewards and union officials. Industrial relations issues raised by employees are attended to quickly and effectively with very few disputes referred to the CCMA or Bargaining Council.

### **Training and development**

A business plan for training has been investigated and compiled to identify its feasibility, cost effectiveness and return on investment. A full report with the findings was submitted to the ESETA for their buy-in.

The company continued with ongoing training initiatives, such as Adult Basic Education and Training (ABET), Safety, WEFTEC wastewater treatment training for international candidates, as well as external training for some occupational groups to a total of 181 employees within ERWAT.

## **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.

Management in accordance with generally accepted and appropriate accounting practice has prepared the financial statements set out in the report. 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 near future based on forecast and available cash resources. The financial statements support the viability of the Company and the Group.

**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**

**POSTAL ADDRESS**

P O Box 13106  
NORKEM PARK  
1631

**BUSINESS ADDRESS**

Bapsfontein Road  
KEMPTON PARK

**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 2007**

**(Generally Recognised Accounting Practice)**

**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 2007**

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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 2007**

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 30 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 2008 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 ..... and signed on its behalf .

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**Chairperson**  
**S Marx**

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**Managing Director**  
**P Twala**

**CERTIFICATE BY CHIEF FINANCIAL OFFICER**  
**for the year ended 30 June 2007**

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 2007, 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.

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**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 30 for the year ended 30 June 2007. 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 2007 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 2007**

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 2007.

**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 R1 988 000 (2006: R6 170 000), after adding (deducting) taxation of R NIL (2006: R NIL). Full details of the financial results are set out on pages 6 to 30 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)**  
**(an association incorporated in terms of section 21 of the Companies Act**  
**(Registration number 1992/005753/08)**

**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2007**

**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 profit/(loss) incurred after taxation by these subsidiaries, amounted to( R700 000) (2006:(R 2 341 000)).

**Details of holding company's interest**

	<u>Issued share capital and proportion held</u>		<u>Indebtedness</u>			
	No. of shares	%	2007 R'000	2006 R'000	2007 R'000	2006 R'000
<b>COMPANY</b>						
Ertec (Pty) Ltd						
- ordinary shares of R1 each	2,000	100	2,000	2,000	5,108	5,104
Aquafrica (Pty) Ltd						
- ordinary shares of R1 each	98	100	251	251	429	429
<b>GROUP</b>						
Khulumanzi Control Systems (Pty) Ltd						
- ordinary shares of R1 each	4,000	100	4	4	-	-
- redeemable preferential shares of R1 each	156,000	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)**  
**(an association incorporated in terms of section 21 of the Companies Act)**  
**(Registration number 1992/005753/08)**

**DIRECTORS' REPORT (continued)**  
**for the year ended 30 June 2007**

	<b>Details of holding company's interest</b>					
	<b><u>Issued share capital and proportion held</u></b>		<b><u>Shares at cost</u></b>		<b><u>Indebtedness</u></b>	
	<b>No of shares</b>	<b>%</b>	<b>2007 R'000</b>	<b>2006 R'000</b>	<b>2007 R'000</b>	<b>2006 R'000</b>
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

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

**STATEMENT OF FINANCIAL POSITION**  
**at 30 June 2007**

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net assets</b>		<b>363,212</b>	<b>360,574</b>	<b>366,112</b>	<b>364,175</b>
Capitalisation reserve	14	214,110	214,110	214,110	214,110
Available for sale revaluation reserve	15	2,185	1,534	2,185	1,534
Accumulated surplus	13	146,918	144,930	149,818	148,531
<b>Non-current liabilities</b>		<b>270,021</b>	<b>149,715</b>	<b>270,021</b>	<b>149,715</b>
Long - term borrowings	16	160,621	90,895	160,621	90,895
Deferred income	24	109,400	58,820	109,400	58,820
Deferred taxation	17	-	-	-	-
		<b>61,329</b>	<b>56,792</b>	<b>60,723</b>	<b>55,367</b>
Trade and other payables	18	22,377	33,091	21,771	31,996
Current portion of long - term borrowings	16	30,189	14,870	30,189	14,870
Provisions	18	8,763	8,831	8,763	8,501
<b>Total Net Assets and Liabilities</b>		<b>694,562</b>	<b>567,081</b>	<b>696,856</b>	<b>569,257</b>
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>627,072</b>	<b>531,336</b>	<b>634,245</b>	<b>538,316</b>
Property, plant and equipment	5	606,599	529,537	606,599	529,348
Investment in subsidiaries	7	-	-	7,176	7,172
Investment in joint ventures	8	-	-	-	-
Available for sale investments	9	20,469	1,796	20,469	1,796
Intangibles	6	3	3	-	-
<b>Current assets</b>		<b>67,490</b>	<b>35,745</b>	<b>62,611</b>	<b>30,941</b>
Debtors	11	33,959	33,139	32,329	28,568
Bank balances and cash	12	33,531	980	30,282	2,373
Taxation prepaid		-	664	-	-
Amounts due from customers	10	-	962	-	-
<b>Total Assets</b>		<b>694,562</b>	<b>567,081</b>	<b>696,856</b>	<b>569,257</b>

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

**STATEMENT OF FINANCIAL PERFORMANCE**  
**for the year ended 30 June 2007**

	Notes	Actual Group 2007 R'000	Actual Group 2006 R'000	Actual Company 2007 R'000	Actual Company 2006 R'000	Budget Group 2007 R'000	Budget Group 2006 R'000	Budget Company 2007 R'000	Budget Company 2006 R'000
<b>REVENUE</b>									
Dividend received		71	45	71	45	45	20	45	20
Interest received - investments		3	1	3	1	-	-	-	-
Interest received - other		4,021	834	3,944	802	1,000	900	1,000	900
User charges		172,969	164,599	172,969	164,599	172,895	164,483	172,895	164,483
Other income		56,889	36,687	32,558	24,099	27,264	25,067	27,264	25,067
Gains on disposal of property , plant and equipment		-	-	-	-	-	-	-	-
<b>Total Revenue</b>	2	233,953	202,166	209,545	189,546	201,204	190,470	201,204	190,470
<b>EXPENDITURE</b>									
Employee related costs		74,656	68,754	71,304	63,912	67,238	63,625	67,238	63,625
Remuneration of Directors		343	290	301	244	400	485	400	485
Depreciation		12,992	13,823	12,893	13,621	14,147	14,162	14,147	14,162
Repairs and maintenance		26,054	18,970	26,050	19,084	20,883	23,725	20,883	23,725
Interest paid	3	17,643	9,447	17,636	9,270	10,000	10,500	10,000	10,500
Bulk purchases		70,424	47,404	51,554	47,404	50,886	50,855	50,886	50,855
General expenses		29,764	37,239	28,519	27,431	37,650	27,118	37,650	27,118
Loss on disposal of property , plant and equipment		89	69	-	69	-	-	-	-
<b>Total Expenditure</b>		231,965	195,996	208,257	181,035	201,204	190,470	201,204	190,470
<b>SURPLUS/(DEFICIT)</b>		1,988	6,170	1,288	8,511	-	-	-	-
Taxation	4	-	-	-	-	-	-	-	-
<b>Surplus/(deficit) from ordinary activities</b>		1,988	6,170	1,288	8,511	-	-	-	-
Attributable surplus/(deficit) of joint ventures		-	-	-	-	-	-	-	-
<b>NET SURPLUS/(DEFICIT)</b>		1,988	6,170	1,288	8,511	-	-	-	-

**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 CHANGES IN NET ASSETS**  
 for the year ended 30 June 2007

<b>COMPANY</b>	<b>Accumulated Surplus/(Deficit) R'000</b>	<b>Capitalisation reserve R'000</b>	<b>Investment Fair Value Adjustment reserve R'000</b>	<b>Total R'000</b>
Balance at 30 June 2005	140,018	214,110	1,048	355,176
Available for sale revaluation reserve	-	-	486	486
Net surplus for the year	8,511	-	-	8,511
Balance at 30 June 2006	148,529	214,110	1,534	364,173
Available for sale revaluation reserve	-	-	651	651
Net surplus for the year	1,288	-	-	1,288
Balance at 30 June 2007	149,817	214,110	2,185	366,112
<b>GROUP</b>				
Balance at 30 June 2005	138,760	214,110	1,048	353,918
Available for sale revaluation reserve	-	-	486	486
Net surplus for the year	6,170	-	-	6,170
Balance at 30 June 2006	144,930	214,110	1,534	360,574
Available for sale revaluation reserve	-	-	651	651
Net surplus for the year	1,988	-	-	1,988
Balance at 30 June 2007	146,918	214,110	2,185	363,212

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

**CASH FLOW STATEMENT**  
**for the year ended 30 June 2007**

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		214,595	188,496	205,821	188,767
Cash paid to suppliers and employees		(196,281)	(166,091)	(191,794)	(166,000)
Cash generated from operations	19.1	18,314	22,405	14,027	22,767
Grant received from MIG		50,580	44,913	50,580	44,913
Interest received		4,024	836	3,947	804
Interest paid		(17,643)	(9,447)	(17,636)	(9,270)
Dividends received		71	45	71	45
Normal tax paid		281	(665)	-	-
<b>Net cash inflow from operating activities</b>		<b>55,627</b>	<b>58,087</b>	<b>50,989</b>	<b>59,259</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment		(90,098)	(111,018)	(90,098)	(111,017)
Increase in other investments		(18,023)	(19)	(18,023)	(19)
(Increase)/decrease in interest in subsidiaries		-	-	(4)	(43)
<b>Net cash outflow from investing activities</b>		<b>(108,121)</b>	<b>(111,037)</b>	<b>(108,125)</b>	<b>(111,079)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in Long term borrowings		85,045	19,021	85,045	19,021
<b>Net cash inflow from financing activities</b>		<b>85,045</b>	<b>19,021</b>	<b>85,045</b>	<b>19,021</b>
Net increase in cash and cash equivalents		32,551	(33,929)	27,909	(32,799)
Cash and cash equivalents at beginning of period		980	34,909	2,373	35,172
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>33,531</b>	<b>980</b>	<b>30,282</b>	<b>2,373</b>

**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**  
**for the year ended 30 June 2007**

**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:

<b>STANDARD OF GRAP</b>	<b>REPLACED STATEMENT OF GAAP</b>
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

<b>STANDARD OF GRAP</b>	<b>REPLACED STATEMENT OF GAAP</b>
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.

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

**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.

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

**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 2007**

**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 and medical aid 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.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

	<b>Group 2007 R'000</b>	<b>Group 2006 R'000</b>	<b>Company 2007 R'000</b>	<b>Company 2006 R'000</b>
<b>2. SURPLUS FROM OPERATIONS</b>				
Operating profit is arrived at after taking into account the following:				
Revenue from				
- Rendering of services	172,969	164,599	172,969	164,599
- Laboratory income	16,346	15,477	16,346	15,477
- Sundry income	40,614	21,254	16,283	8,667
- Interest received	4,024	836	3,947	804
	<u>233,953</u>	<u>202,166</u>	<u>209,545</u>	<u>189,547</u>
Auditor's remuneration				
- Audit fee				
- Current year	615	585	367	332
	<u>615</u>	<u>585</u>	<u>367</u>	<u>332</u>
Depreciation				
- Furniture and equipment	491	538	491	538
- Implements and machinery	2,553	2,436	2,523	2,366
- Motor vehicles	653	759	584	627
- Water care works: owned	9,237	9,135	9,237	9,135
- Water care works: right of use	11	15	11	15
	<u>12,945</u>	<u>12,883</u>	<u>12,846</u>	<u>12,681</u>
Net (loss)/ profit on disposal of property plant and equipment	89	69	-	69
Directors' remuneration				
	Total	Remuneration	Allowances	Contributions Pension & Medical
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Executive directors				
MP Twala	1,201	902	160	139
Non-executive directors				
SC Marx	97	83	14	-
S Ratswana	66	65	1	-
AW Korf	65	65	-	-
TN Magerman (Msomi)	106	65	41	-
	<u>334</u>	<u>278</u>	<u>56</u>	<u>-</u>
Operating leases - equipment	1,033	873	1,008	836
Foreign exchange loss	-	234	-	-
Fair Value Gain on Embedded Derivative	-	791	-	-
Impairment of Investments in Joint Venture	-	-	-	-

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2007**

	<b>Group 2007 R'000</b>	<b>Group 2006 R'000</b>	<b>Company 2007 R'000</b>	<b>Company 2006 R'000</b>
<b>2. SURPLUS FROM OPERATIONS (continued)</b>				
Staff costs				
- Salaries, wages, benefits and allowances	71,014	65,827	67,670	61,085
- Incentive reward scheme	3,634	3,077	3,634	2,827
	<u>74,648</u>	<u>68,904</u>	<u>71,304</u>	<u>63,912</u>
Number of persons employed by the group during the year				
- Full time	415	384	405	370
- Part time	93	66	65	48
	<u>508</u>	<u>450</u>	<u>470</u>	<u>418</u>
Research and development costs expended	<u>1,587</u>	<u>898</u>	<u>1,587</u>	<u>898</u>
Income from investments:				
- Dividend income: listed investments	71	46	71	46
- Interest income: interest received	4,024	834	3,947	802
	<u>4,095</u>	<u>880</u>	<u>4,018</u>	<u>848</u>
<b>3. FINANCING COSTS</b>				
Interest paid: Borrowings	<u>17,643</u>	<u>9,447</u>	<u>17,636</u>	<u>9,270</u>
<b>4. TAXATION</b>				
S A Normal tax	-	-	-	-
Current tax	-	-	-	-
Prior year	-	-	-	-
- current year	-	-	-	-
Deferred taxation	-	-	-	-
- current year	-	-	-	-
- prior year	-	-	-	-
Tax reconciliation				
Accounting Profit(Loss)	<u>1,988</u>	<u>6,170</u>	<u>1,288</u>	<u>8,511</u>
Tax rate adjustment	-	-	-	-
Taxation at : 29%(2004 30%)	-	1,789	374	2,468
Prior year adjustment	-	-	-	-
Tax loss not provided for	-	679	-	-
Non taxable income	-	(2,468)	(374)	(2,468)
Taxation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
 for the year ended 30 June 2007

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
Year ended 30 June 2007	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Opening net carrying amount	449,181	6,480	70,067	25	1,277	2,317	529,347
Gross carrying amount	449,181	20,718	141,706	10,604	6,674	8,163	637,046
Accumulated depreciation	-	(14,238)	(71,639)	(10,579)	(5,397)	(5,846)	(107,699)
Additions	81,345	2,057	5,588	-	798	310	90,098
Disposal / Transfers	-	-	-	-	-	-	-
Depreciation charge	-	(2,523)	(9,237)	(11)	(584)	(491)	(12,846)
Closing net carrying amount	530,526	6,014	66,418	14	1,492	2,136	606,599
Gross carrying amount	530,526	22,775	147,294	10,604	7,472	8,473	727,144
Accumulated depreciation	-	(16,761)	(80,876)	(10,590)	(5,981)	(6,337)	(120,545)
<b>Year ended 30 June 2006</b>							
Opening net carrying amount	342,167	7,766	77,834	40	1,316	1,957	431,080
Gross carrying amount	342,167	19,638	140,338	10,604	6,086	7,265	526,098
Accumulated depreciation	-	(11,872)	(62,504)	(10,564)	(4,770)	(5,308)	(95,018)
Additions	346,430	1,384	1,382	-	621	1,214	351,031
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	70,067	25	1,277	2,317	529,347
Gross carrying amount	449,181	20,718	141,706	10,604	6,674	8,163	637,046
Accumulated depreciation	-	(14,238)	(71,639)	(10,579)	(5,397)	(5,846)	(107,699)
<b>GROUP</b>							
<b>Year ended 30 June 2007</b>							
Opening net carrying amount	449,181	6,502	70,067	25	1,386	2,375	529,536
Gross carrying amount	449,181	21,250	141,706	10,604	7,525	8,544	638,810
Accumulated depreciation	-	(14,748)	(71,639)	(10,579)	(6,139)	(6,169)	(109,274)
Additions	81,345	2,057	5,588	-	798	310	90,098
Disposal / Transfers	-	(12)	-	-	(40)	(38)	(90)
Depreciation charge	-	(2,534)	(9,237)	(11)	(653)	(510)	(12,945)
Closing net carrying amount	530,526	6,013	66,418	14	1,492	2,137	606,599
Gross carrying amount	530,526	23,295	147,294	10,604	8,283	8,816	728,818
Accumulated depreciation	-	(17,282)	(80,876)	(10,590)	(6,792)	(6,679)	(122,219)
<b>Year ended 30 June 2006</b>							
Opening net carrying amount	342,167	7,805	77,834	40	1,559	2,065	431,470
Gross carrying amount	342,167	20,170	140,338	10,604	6,937	7,645	527,861
Accumulated depreciation	-	(12,365)	(62,504)	(10,564)	(5,378)	(5,580)	(96,391)
Additions	346,430	1,384	1,382	-	621	1,215	351,032
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	70,067	25	1,386	2,375	529,536
Gross carrying amount	449,181	21,250	141,706	10,604	7,525	8,544	638,810
Accumulated depreciation	-	(14,748)	(71,639)	(10,579)	(6,139)	(6,169)	(109,274)

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
 for the year ended 30 June 2007

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
<b>6. INTANGIBLES</b>				
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	-	-	5,108	5,104
	-	-	7,108	7,104

**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	68

**Total investment in Subsidiaries**

	-	-	7,176	7,172
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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 2007, 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 2007

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>R ' 000</b>	<b>R ' 000</b>	<b>R ' 000</b>	<b>R ' 000</b>

**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	-	-
	50	50	-	-
Prior Year Recognised Loss	(50)	(50)	-	-
Current Year Recognised Profit	-	-	-	-
Carrying Value	37	37	-	-
Impairment	(37)	(37)	-	-
	-	-	-	-

**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	-	-	-	-
Loss before taxation	-	-	-	-
Taxation	-	-	-	-
Net loss for the year	-	-	-	-

**Balance Sheet**

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

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	-	-
	<b>2,007</b>	<b>2,007</b>	-	-
Prior Year Recognised Loss	(1,115)	(1,115)	-	-
Current Year Recognised(Loss)	-	-	-	-
Prior Year Unrecognised loss recognised in the current year	-	-	-	-
Carrying Value	892	892	-	-
Current year impairment	-	-	-	-
Impairment	(892)	(892)	-	-
	-	-	-	-

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 July 2006 to 30 June 2007 of Landustrie South Africa (Pty) Ltd.

<b>Income Statement</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenue	-	-	-	-
Expenses	-	(127)	-	-
Loss before taxation	-	(127)	-	-
Taxation	-	-	-	-
Net loss for the year	-	(127)	-	-

**Balance Sheet**

Property, plant and equipment	283	283	-	-
Current assets	277	277	-	-
Current Liabilities	(446)	(446)	-	-
Long term liability	(75)	(75)	-	-
Shareholders' long term liabilities	(3,093)	(3,093)	-	-
	(3,054)	(3,054)	-	-

Comprising:

Capital and Accumulated deficit	(3,054)	(3,054)	-	-
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 30 June 2007**

	<b>Group 2007 R ' 000</b>	<b>Group 2006 R ' 000</b>	<b>Company 2007 R ' 000</b>	<b>Company 2006 R ' 000</b>
<b>9. AVAILABLE FOR SALE INVESTMENTS</b>				
INCA	18,000	-	18,000	-
Unit trusts, at fair value				
Old Mutual	2,469	1,796	2,469	1,796
	<u>20,469</u>	<u>1,796</u>	<u>20,469</u>	<u>1,796</u>

**10. AMOUNTS DUE (TO) FROM CUSTOMERS**

Costs incurred to date	-	35,533	-	-
Less: (Loss)/Profit recognised to date	<u>-</u>	<u>2,689</u>	<u>-</u>	<u>-</u>
	-	38,222	-	-
Less: Work certified to date	<u>-</u>	<u>(37,260)</u>	<u>-</u>	<u>-</u>
Amounts due (to)/ from customers	<u>-</u>	<u>962</u>	<u>-</u>	<u>-</u>

**11. DEBTORS**

Trade debtors	36,562	34,361	34,425	30,061
Prepayments	170	510	170	510
Retention debtors	-	895	-	-
Other receivables	1,476	1,739	1,476	1,739
	<u>38,208</u>	<u>37,505</u>	<u>36,071</u>	<u>32,310</u>
Less: Provision for doubtful debts	<u>(4,249)</u>	<u>(4,356)</u>	<u>(3,742)</u>	<u>(3,742)</u>
	<u>33,959</u>	<u>33,149</u>	<u>32,329</u>	<u>28,568</u>

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
 for the year ended 30 June 2007

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>R ' 000</b>	<b>R ' 000</b>	<b>R ' 000</b>	<b>R ' 000</b>

**12. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash on hand and deposits held with Banks.	33,531	980	30,282	2,373
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**13. ACCUMULATED SURPLUS**

This non-distributable reserve will mainly be used to finance the future capital projects of the company and the group in order to meet their strategic objects.

	146,918	151,100	149,818	148,531
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**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 30 June 2007**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>R ' 000</b>	<b>R ' 000</b>	<b>R ' 000</b>	<b>R ' 000</b>

**14. CAPITALISATION RESERVE**

Land and Buildings	214,110	214,110	214,110	214,110
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The capital reserve has been 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 are brought to account at existing market value at the date of transfer by crediting this reserve.

**15. AVAILABLE FOR SALE REVALUATION RESERVE**

**FAIR VALUE ADJUSTMENT**

Investment in Old Mutual Unit Trust	2,185	1,534	2,185	1,534
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**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 30 June 2007**

	<b>Group 2007 R ' 000</b>	<b>Group 2006 R ' 000</b>	<b>Company 2007 R ' 000</b>	<b>Company 2006 R ' 000</b>
<u>Unsecured loans</u>				
ABSA	51,452	53,256	51,452	53,256
DBSA	43,967	47,030	43,967	47,030
Ekurhuleni Metropolitan Council	4,000	4,000	4,000	4,000
INCA	90,000	-	90,000	-
	<u>189,419</u>	<u>104,286</u>	<u>189,419</u>	<u>104,286</u>
<u>Secured loans</u>				
Leased Asset	1,392	1,480	1,392	1,480
Lethabong Local Council	-	-	-	-
	<u>1,392</u>	<u>1,480</u>	<u>1,392</u>	<u>1,480</u>
	<u>190,810</u>	<u>105,766</u>	<u>190,810</u>	<u>105,766</u>
Less: current portion transferred to current liabilities	(30,189)	(14,870)	(30,189)	(14,870)
	<u>160,621</u>	<u>90,896</u>	<u>160,621</u>	<u>90,896</u>

<b>Additional information:</b>	<b>Annual instalments Interest/Redemption</b>	<b>Repayment date</b>	<b>Interest rate</b>
<u>Unsecured loans</u>			
ABSA	10,075	2,017	Prime less 2%
DBSA	8,460	2,020	Floating approx. Prime less 2%
INCA	11,654	2,024	Floating approx.
Ekurhuleni Metropolitan Municipality	-	2,023	-

Secured loans

Operating Leased Assets  
The company has operating leases of office equipment

	<b>2007</b>		<b>2006</b>	
	<b>Minimum Payments</b>	<b>Present value of payments</b>	<b>Minimum payments</b>	<b>Present value of payments</b>
Within one year	436	307	379	275
After one year but not more than five years	1,079	964	1,032	770
Total minimum lease payments	<u>1,515</u>	<u>1,271</u>	<u>1,411</u>	<u>1,045</u>
Less amounts representing finance charges	(244)	-	(366)	-
Present value of minimum lease payments	<u>1,271</u>	<u>1,271</u>	<u>1,045</u>	<u>1,045</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
 for the year ended 30 June 2007

	<b>Group 2007 R ' 000</b>	<b>Group 2006 R ' 000</b>	<b>Company 2007 R ' 000</b>	<b>Company 2006 R ' 000</b>
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**17. DEFERRED TAXATION**

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 29% (2004: 30%)

The amounts shown in the company and group balance sheets are attributable to the following items:

Retention debtors	-	260	-	-
Embedded Derivative Asset	-	-	-	-
Provision for Doubtful Debts	-	(57)	-	-
Project Losses	-	(73)	-	-
Taxation loss	-	-	-	-
Leave pay provision	-	(58)	-	-
Provision for incentive	-	(72)	-	-
	-	-	-	-

No provision for deferred taxation has been made in respect of tax losses amounting to R5 239 000 as it is doubtful whether there will be sufficient future taxable income to utilise the loss.

Reconciliation between deferred taxation opening and closing balance:

Deferred tax liability/(asset) at beginning of year	-	-	-	-
Taxation Rate Adjustment	-	-	-	-
Originating/(Reversing) temporary difference on retentions and Embedded derivatives	-	-	-	-
(Originating)/Reversing temporary difference on leave pay provision, provision for losses and doubtful debts	-	-	-	-
Provision For Tax Losses	-	-	-	-
Deferred tax liability at end of year	-	-	-	-

**18. TRADE AND OTHER PAYABLES**

Trade creditors	10,364	22,188	11,292	21,692
Sundry creditors	-	436	-	-
Accruals	12,011	10,467	10,479	10,304
Provisions	8,763	8,831	8,763	8,501
	31,138	41,922	30,534	40,497

**Provisions**

	<b>Group 2007 R ' 000</b>			<b>Company 2007 R ' 000</b>		
	Opening Balance	Increase/ (Decrease)	Closing Balance	Opening Balance	Increase/ (Decrease)	Closing Balance
Annual bonus	1,720	(172)	1,548	1,640	(92)	1,548
Leave pay	3,711	(67)	3,644	3,461	183	3,644
Merit bonus	3,400	170	3,570	3,400	170	3,570
	8,831	(69)	8,763	8,501	262	8,763

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
 for the year ended 30 June 2007

	<b>Group 2007 R ' 000</b>			<b>Group 2006 R ' 000</b>			<b>Company 2007 R ' 000</b>			<b>Company 2006 R ' 000</b>		
<b>Provisions (continued)</b>												
	<b>Group 2006 R ' 000</b>			<b>Company 2006 R ' 000</b>								
	Opening Balance	Increase/ (Decrease)	Closing Balance	Opening Balance	Increase/ (Decrease)	Closing Balance	Opening Balance	Increase/ (Decrease)	Closing Balance	Opening Balance	Increase/ (Decrease)	Closing Balance
Annual bonus	1,561	159	1,720	1,488	152	1,640						
Leave pay	3,169	542	3,711	2,870	591	3,461						
Merit bonus	4,000	(600)	3,400	4,000	(600)	3,400						
	8,730	101	8,831	8,358	143	8,501						

**Annual bonus , leave pay and merit bonus.**

Annual bonus and leave pay are calculated on a total cost to company basis. Merit bonus is calculated according to the rules of an approved incentive performance scheme.

**19. NOTES TO THE CASH FLOW STATEMENT**

**19.1. CASH GENERATED FROM OPERATIONS**

Reconciliation of profit before taxation  
to cash generated by operations

Profit before taxation after attributable loss of joint ventures	1,988	6,170	1,288	8,511
Adjustment for:				
- Provision for bad debts	383	-	-	-
-Fair value Embedded Derivative Adjustment	-	791	-	-
- Interest received	(4,024)	(836)	(3,947)	(804)
- Interest paid	17,643	9,447	17,636	9,270
- Dividends received	(71)	(45)	(71)	(45)
Net (profit)/loss on disposal of property, plant and equipment	89	69	-	69
Operating surplus before working capital changes	28,954	28,479	27,752	29,682
Working capital changes:	(10,640)	(6,074)	(13,725)	(6,915)
Decrease/(increase) in receivables and prepayments	(2,447)	(16,018)	(3,963)	(21,571)
(Decrease)/increase in accounts payable	(8,192)	9,944	(9,762)	14,656
Cash generated by operations	18,314	22,405	14,027	22,767

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 30 June 2007**

	<b>Group 2007 R ' 000</b>	<b>Group 2006 R ' 000</b>	<b>Company 2007 R ' 000</b>	<b>Company 2006 R ' 000</b>
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**20. RELATED PARTY TRANSACTIONS**

The group and company had the following related party transactions:

Sales of services/goods:

Ertec (Pty) Ltd	-	-	1,437	-
Khulumanizi (Pty) Ltd	-	-	-	-
Landustrie South Africa (Pty) Ltd	-	-	-	-
Cosme South Africa (Pty) Ltd	-	-	-	-
Ekurhuleni Metropolitan Municipality	-	-	228,832	215,214

Purchase of services/goods:

Ertec (Pty) Ltd	-	-	13,886	9,087
Khulumanizi (Pty) Ltd	-	-	-	-
Landustrie South Africa (Pty) Ltd	-	-	-	-
Cosme South Africa (Pty) Ltd	-	-	-	-
Ekurhuleni Metropolitan Municipality	-	-	14,281	15,435

Outstanding balances arising from sales of services/goods

Ertec (Pty) Ltd	-	-	2,148	624
Cosme South Africa (Pty) Ltd	-	-	-	-
Landustrie South Africa (Pty) Ltd	-	-	-	-
Khulumanzi Control Systems (Pty) Ltd	-	-	-	-
Ekurhuleni Metropolitan Municipality	-	-	17,373	17,669

Outstanding balances arising from Purchases of goods/services

Ertec (Pty) Ltd	-	-	2,061	1,197
Cosme South Africa (Pty) Ltd	-	-	-	-
Landustrie South Africa (Pty) Ltd	137	131	-	-
Ekurhuleni Metropolitan Municipality	-	-	604	-

Loans to related parties:

Khulumanzi Control Systems (Pty) Ltd	-	-	-	-
Cosme South Africa (Pty) Ltd	49	49	-	-
Landustrie South Africa (Pty) Ltd	1,807	1,807	-	-
Ertec (Pty) Ltd	-	-	5,108	5,104
Aquafrica (Pty) Ltd	-	-	429	429
Ekurhuleni Metropolitan Municipality	-	-	4,000	4,000

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**NOTES TO THE FINANCIAL STATEMENTS(Continued)**  
**for the year ended 30 June 2007**

## **21. RETIREMENT BENEFIT INFORMATION**

The ERWAT group has made provision for retirement benefits schemes covering substantially all employees. All eligible employees are members of defined contribution schemes administered by the group. The assets of these schemes are held in administered trust funds separated from the group's assets. Scheme assets primarily consist of guaranteed policies. These funds are governed by the Pension Funds Act of 1956

The ERWAT Pension Fund (Registration No. 12/8/30204/1) and ERWAT Provident Fund (Registration No. 12/8/30204/1) are money purchase funds and no actuarial valuation is required in terms of the Pension Fund Act of 1956. Contributions are fully expensed during the year in which they are funded.

Contributions towards medical aid plans are recognised as an expense in the period during which the related services are rendered.

## **22. FINANCIAL INSTRUMENTS**

### **Credit risk**

Financial assets which potentially subject the group to concentrations of credit risk consist principally of cash, short term deposits and trade receivables. The group's cash equivalents and short term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for doubtful receivables. The carrying amounts of financial assets included in the balance sheet represent the group's exposure to credit risk in relation to these assets.

### **Interest rate risk**

The group's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are disclosed in note 16

### **Fair Value**

At 30 June 2007 and 2006, the carrying amounts of cash, accounts receivable, accounts payable and accrued expenses approximated their fair values due to the short term maturities of these assets and liabilities.

The fair value of other long term investments and of long term borrowings is not materially different from the carrying amounts.

### **Forward foreign exchange contract**

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

No outstanding forward exchange contracts existed at year end.

Trade accounts receivable at 30 June 2007 include aggregate net receivables of R nil (2006 R nil) which is receivable in US\$ nil. The group is exposed to foreign exchange losses if the Rand strengthens against the US-Dollar

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS(Continued)**  
**for the year ended 30 June 2007**

**23. CONTINGENT LIABILITIES**

At 30 June 2007 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the company has given guarantees amounting to R 2 057 260 (2006: R 2 057 260) to third parties.

**24. DEFERRED INCOME**

The grant received is related to assets and must be used to finance the erection of Municipal infrastructure. The deferred income will be recognised in profit on the straight-line basis over the estimated useful life of the assets that will be erected in the future. Recognition of the amortise portion in the income statement to commence when the plant to be erected is ready for its intended use

	<b>Group 2007 R ' 000</b>	<b>Group 2006 R ' 000</b>	<b>Company 2007 R ' 000</b>	<b>Company 2006 R ' 000</b>
Opening balance	-	-	-	-
Receipts	109,400	58,820	109,400	58,820
Amounts recognised/amortised	-	-	-	-
Closing balance	<u>109,400</u>	<u>58,820</u>	<u>109,400</u>	<u>58,820</u>

**EAST RAND WATER CARE COMPANY (ERWAT)**  
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**NOTES TO THE FINANCIAL STATEMENTS(Continued)**  
**for the year ended 30 June 2007**

**25. SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

<b>2006 Group Income R ' 000</b>	<b>2006 Group Expenditure R ' 000</b>	<b>2006 Surplus/ (Deficit) R ' 000</b>		<b>2007 Group Income R ' 000</b>	<b>2007 Group Expenditure R ' 000</b>	<b>2007 Surplus/ (Deficit) R ' 000</b>
172,989	120,227	52,762	Operations	184,570	133,282	51,288
194	4,721	(4,527)	Development	502	4,605	(4,103)
15,477	13,341	2,136	Laboratory	16,346	14,144	2,202
-	7,598	(7,598)	Directorate	-	9,815	(9,815)
2	3,467	(3,465)	Marketing	-	3,777	(3,777)
48	4,309	(4,261)	Human Recources	199	4,959	(4,760)
836	27,372	(26,536)	Finance and Administration	4,018	32,205	(28,187)
-	-	-	Biosure	0	1988	(1,988)
-	-	-	Technical	3,910	3,482	428
12,620	14,961	(2,341)	Ertec (Pty) Ltd	24,408	23,708	700
<b>202,166</b>	<b>195,996</b>	<b>6,170</b>	<b>TOTAL</b>	<b>233,953</b>	<b>231,965</b>	<b>1,988</b>



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

**26. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**  
**for the year ended 30 June 2007**

	<b>Actual Company 2007 R'000</b>	<b>Budget Company 2007 R'000</b>	<b>Variance Company 2007 R'000</b>	<b>Variance % Company 2007 R'000</b>	<b>Actual Group 2007 R'000</b>	<b>Budget Group 2007 R'000</b>	<b>Variance Group 2007 R'000</b>	<b>Variance % Group 2007 R'000</b>
<b>REVENUE</b>								
Dividend received	71	45	26	58	71	45	26	58
Interest received - investments	3	-	3	-	3	-	3	-
Interest received - other	3,944	1,000	2,944	294	4,021	1,000	3,021	302
User charges	172,969	172,895	74	0	172,969	172,895	74	0
Other income	32,558	27,264	5,294	19	56,889	27,264	29,625	109
Gains on disposal of property , plant and equipment	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>209,545</b>	<b>201,204</b>	<b>8,341</b>	<b>4</b>	<b>233,953</b>	<b>201,204</b>	<b>32,749</b>	<b>16</b>
<b>EXPENDITURE</b>								
Employee related costs	71,304	67,238	(4,066)	(6)	74,656	67,238	(7,418)	(11)
Remuneration of Directors	301	400	99	25	343	400	57	14
Depreciation	12,893	14,147	1,254	9	12,992	14,147	1,155	8
Repairs and maintenance	26,050	20,883	(5,167)	(25)	26,054	20,883	(5,171)	(25)
Interest paid	17,636	10,000	(7,636)	(76)	17,643	10,000	(7,643)	(76)
Bulk purchases	51,554	50,886	(668)	(1)	70,424	50,886	(19,538)	(38)
General expenses	28,519	37,650	9,131	24	29,764	37,650	7,886	21
Loss on disposal of property , plant and equipment	-	-	-	-	89	-	(89)	-
<b>Total Expenditure</b>	<b>208,257</b>	<b>201,204</b>	<b>(7,053)</b>	<b>(4)</b>	<b>231,965</b>	<b>201,204</b>	<b>(30,761)</b>	<b>(15)</b>
<b>SURPLUS/(DEFICIT)</b>	<b>1,288</b>	<b>-</b>	<b>1,288</b>	<b>-</b>	<b>1,988</b>	<b>-</b>	<b>1,988</b>	<b>-</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(deficit) from ordinary activities</b>	<b>1,288</b>	<b>-</b>	<b>1,288</b>	<b>-</b>	<b>1,988</b>	<b>-</b>	<b>1,988</b>	<b>-</b>
Attributable surplus/(deficit) of joint ventures	-	-	-	-	-	-	-	-
<b>NET SURPLUS/(DEFICIT)</b>	<b>1,288</b>	<b>-</b>	<b>1,288</b>	<b>-</b>	<b>1,988</b>	<b>-</b>	<b>1,988</b>	<b>-</b>

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

**NOTES TO THE FINANCIAL STATEMENTS(Continued)**  
**for the year ended 30 June 2007**

**28. SCHEDULE OF EXTERNAL LOANS**  
**as at 30 June 2007**

<b>External loans</b>	<b>Redeemable</b>	<b>R'000 Balance at 30/06/06</b>	<b>R'000 Received during the period</b>	<b>R'000 Redeemed during the period</b>	<b>R'000 Balance at 30/06/07</b>
<u>Unsecured loans</u>					
ABSA	31/05/2015	53,256	2,152	3,956	51,452
DBSA	30/09/2021	47,030	-	3,063	43,967
Ekurhuleni Metropolitan Council	28/02/2023	4,000	-	-	4,000
INCA	30/06/2024	0	90,000	-	90,000
		104,286	92,152	7,019	189,419
<u>Secured loans</u>					
Leased Asset		1,480	-	88	1,392
<b>Total External loans</b>		<b>105,766</b>	<b>92,152</b>	<b>7,108</b>	<b>190,810</b>

# THE EKURHULENI DEVELOPMENT COMPANY (EDC)

The Ekurhuleni Development Company is committed to the provision of quality accommodation and service for all Ekurhuleni residents and endeavours to create sustainable housing projects.

## CELEBRATING THE EKURHULENI DEVELOPMENT COMPANY

The EDC has encountered many challenges and learnt many lessons in a short space of time. Through challenges it has recorded a number of successes. The achievements for the past years accounts to the successes of its efforts to champion inner city regeneration.

## THE CHAIRMAN'S REPORT

2006 -2007 can be described as a testing year for EDC. I would like to commend the staff and Board for their commitment in taking on the social and political risks involved in managing social housing in and creating new urban communities

The refurbishment of some of our estates in Pharoeh Park in the Germiston inner city, has come to symbolize the courage that has become synonymous with EDC.

President Place Project embodies significant financial risks for EDC, in that it required a huge financial commitment, from public and private partners, and increases our rental stock and provides the much needed Social Housing. A word of gratitude to the National Housing Finance Corporation and Gauteng Partnership fund who are co-funding the project. The total project cost is R30 Million, and it will deliver 347 housing units

We are embarking on this project with purpose and within the mission of contributing to the regeneration of the Germiston inner city through the provision of decent, affordable housing and we are succeeding, since we are finalising agreements with the National Housing Finance Corporation.

Notwithstanding the particular difficulties encountered in the consolidation of social housing in Ekurhuleni and the demanding pace of being expected to deliver social housing at scale, our staff is ready for the challenge. Their performance has simply improved.

We at EDC have been able to manage the risks associated with the consolidation of EDC. This is mainly attributable to the skills the group has developed over the past years, but also to the improving organizational and financial management framework it is establishing.

I also want to acknowledge the positive interactions between EDC, EMM and various government agencies, and at provincial level, the Gauteng Department of Housing and the Gauteng Partnership Fund which have helped us in our drive towards essential elements of urban renewal.

As EDC is transforming, so it has its level of exposure to an involvement with the EMM and other role players. I would like to thank these players for their support of our endeavours.

We have established a solid base for the EDC's future growth with the potential appointment of Programme management consortium to assist the EDC in rolling out social housing units. We look forward to the next decade of progress

I want to thank my fellow Directors, management and staff and all our other stakeholders for assisting us in this task.

**DAPHNEY NGOASHENG**  
**CHAIRPERSON**

# C E O ' S R E P O R T

This year saw EDC's begin to engage with different aspect of the ever increasing layers of complexity that is Social Housing.

The potential landmark acquisition of President Place was made possible by the partnership initiated by EDC. It brought together Gauteng Partnership Fund, National Housing Finance Corporation, and the Gauteng Provincial Government.

Over the past year we have increased staff resources at EDC and we are in line to strengthen our internal skills to manage our growing portfolio of properties and to meet the needs of our tenants.

Staff training is ongoing and remains a priority in the Company's growth strategy.

Finally, EDC's property value improved form R110m (2005/6) to R116m (2006/7). Rental has increased to R14.087 m (2006/7).

EDC management and staff can look back on the year with a great deal of courage and look forward to the next 10 years with anticipation of future growth and development of the Company.

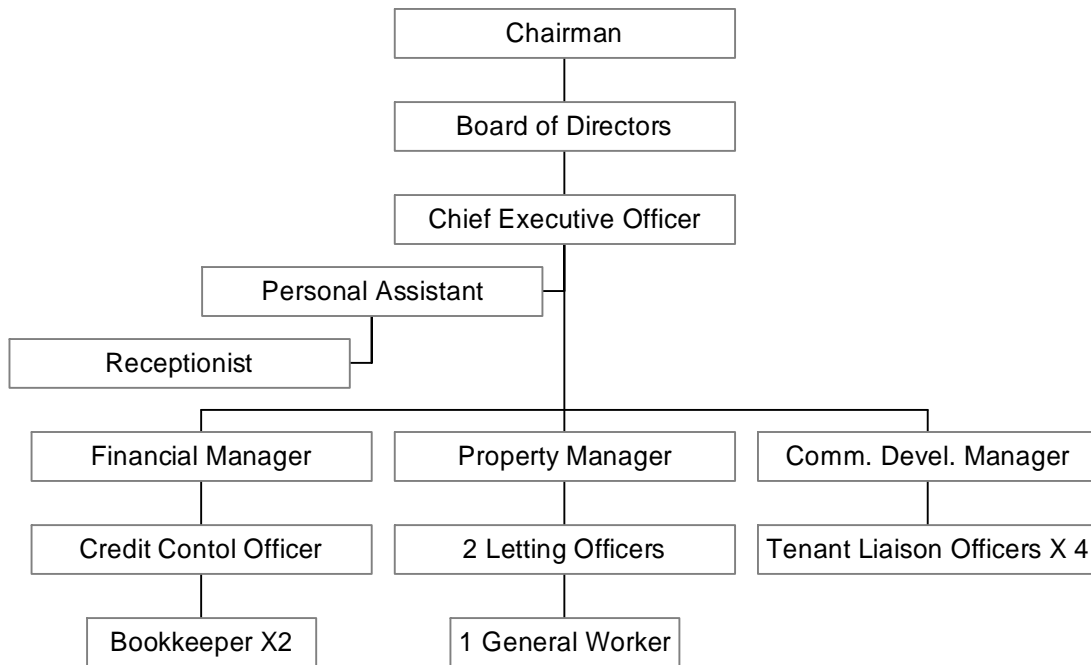
The EDC is currently dealing with challenges of transformation since it has embarked on the consolidation process of social housing in Ekurhuleni.

My thanks to the Board, management and staff for ensuring EDC's year of consolidation with the envisaged appointment of a Programme management consortium to assist EDC in delivering Social Housing one can only approach the future with hope and courage.

**MM Mokgohloa**  
**Chief Executive Officer**

# OPERATIONS REVIEW

## ORGANISATIONAL ARRANGEMENTS AND HUMAN RESOURCES



EDC has maintained its staff complement during the year although we suffered some losses in staff that left the organisation. A new Finance Manager was appointed to meet the need for astute financial management capacity brought by the consolidation of EDC and its future challenges

## TRAINING

Over the past year a number of individuals were involved in specific education and training programmes relating to their areas of work. These have been mainly provided via external institutions such as the South African Property Owners Association (SAPOA) and the National Social Housing Foundation (NASHO) that EDC are members of.

## PERFORMANCE MANAGEMENT

The CEO, Property Manager and Finance Manager are subject to a Performance Management review system. EDC's ideal focus is to ensure that the performance management system is improved qualitatively to ensure consistent high performance.

## PROPERTY MANAGEMENT

EDC's Property Management function is handled by the Property Manager, Community development Officer, 2 Letting Officers and 4 Maintenance Officers.

Looking at the company's total property portfolio, vacancy levels have been substantially maintained at 1 %.

The investment made in 2006/07 in training provided to management is showing returns in reduced building maintenance costs.

## BUILDING MANAGEMENT SERVICES

The Property Management Department is also responsible for managing outsourced services such as cleaning and security. The customer's have indicated a high level of satisfaction in respect of security provision. The aforementioned statement indicates the EDC's passion about tenant's security in the inner city.

## COMMUNITY DEVELOPMENT




The Community development office approach has been to identify tenant's needs and priorities in respect of community and social issues in the rental properties. Community safety is our priority hence the EDC has ensured that all entrances to our complexes are well secured. A Private security firm has been engaged to ensure that we provide services of a high quality.

A youth programme has been initiated where the youth is coordinated to get involved in art and other recreational activities.

A neighbourhood programme has been initiated to ensure that the focus is on community development and rebuilding of good social values is reflected in our tenants.

## PROPERTY MAINTENANCE AND IMPROVEMENTS

The EDC's has initiated reinvestment in our buildings with the following thrusts:-

-  All our buildings are well maintained
-  Safety is the key
-  Compliance and support of the Metro's inner city renewal and paying rates and

utilities to the metro

- ✚ Ensure that buildings deliver continuing returns
- ✚ An Urban renewal project was approved and commenced in the Germiston CBD area

## FINANCIAL MANAGEMENT

The Finance Department are responsible for the management of debtors and creditors as well as the company's assets and investments. The Municipal Finance Management Act provides specific guidance to Municipal Entities on how to conduct their business according to the framework provided.

A constant watch on debtors and system controls, implemented according to a strict timetable keep arrears on rent and utility payments consistently low.

Effective financial management relies on a basis of accurate and up to date financial data. Within the finance department the team is constantly improving the systems of internal controls by recording and delivering the management information required by the Board and legislation and to keep the company on track in terms of reaching its financial target.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE STATEMENTS

Good corporate governance is regarded as critical to the success of EDC. Consequently the Board is unreservedly committed to applying the fundamental principles of good governance-discipline, accountability, responsibility, fairness, transparency, integrity, independence and social responsibility-in all dealings by, in respect of, and on behalf of, the company.

The EDC aligns itself to the values of good corporate governance. The EDC is committed to :-amongst others:

- ✚ Highest standard of integrity
- ✚ Conducting business through fair competitive practice
- ✚ Being environmental and social issues savvy



## BOARD OF DIRECTORS

The Board comprises of Non Executive Directors, and one Executive Director. Each Director brings a range of different skills and experience to EDC.

The Board is presided over by a Non Executive Chairperson, Ms D Ngoasheng. The Non Executive Directors take responsibility for ensuring the chairperson encourages proper deliberation of all matters requiring the Board attention

The Board retains full effective control of the EDC and monitors executive management through a structures approach to reporting and accountability

The Board of Directors holds responsibility for the following, inter alia,

- ✚ Compliance issues
- ✚ Establish policies and plans
- ✚ Approve annual business plans, budgets and accounts
- ✚ Oversee a structure of delegation and systems of control and risk management
- ✚ Make decisions on all matters that might create significant financial or other risk to EDC
- ✚ Monitor EDC performance
- ✚ Ensures that the EDC business is conducted legally and in accordance with generally accepted standards of performance.

## BOARD COMMITTEES

The Board had since established the following Board Committees chaired by a Non Executive Director and has defined terms of reference.

### FINANCE AUDIT AND RISK BOARD SUB COMMITTEE

#### **Members**

Mr. S Twala : Chairperson

Mr. E Rangongo: EMM : Internal Audit Executive

Mr. L Rautenbach: EMM: Manager Municipal Entity

Mr. M Mokgohloa: CEO: EDC

Mrs ME Pretorius: Finance Manager

The Audit Committee has specific responsibility for ensuring that all activities of EDC are subject to independent review and audit and for monitoring – on behalf of the Board – the group’s relationship with its auditors.

The Audit Committee has the following responsibilities, inter alia

- ✚ Ensuring that the group trades responsibly that risks are properly identified, evaluated and managed and that it can meet its present and future needs and obligations
- ✚ Reviewing EDC’s internal controls and published financial reports for statutory compliance and against standards of best practice and recommending appropriate disclosure to the Board.
- ✚ Reviewing reports from management and external auditors, to provide reasonable assurance that control procedures are in place and being followed.
- ✚ Reviewing the annual financial statements before submission to the board, focusing particularly on any changes in accounting policies and procedures.

## REMUNERATION COMMITTEE

Members:

Ms D Ngoasheng : Chairperson

Mr. P Ucko: Non Executive Director

Mr. M Mokgohloa Executive Director

The Remuneration committee is responsible for directing human resources policy and approving all remuneration arrangements and conditions of service for the Chief Executive Officer, management and staff. The Executive Director is excluded from the committee when matters relating to his remuneration are discussed. All remuneration in the group is based on performance reviews within the balance score card framework.

## PROJECTS COMMITTEE

Members:

Mr. S Gerber : Chairperson

Ms D Ngoasheng: Non Executive Director

Ms Y Ngubo: Property Manager : Property Manager

The Projects Committee is mandated to evaluate all EDC projects and ensure that all new projects conceived are viable.

## CONDUCT AND PROBITY

EDC seeks to build and maintain a reputation for high standards of conduct and probity.

## ETHICAL CODE OF CONDUCT

It is required by the EDC that employees of the group may not use their authority or office for personal gain and must seek to uphold the good name of EDC by:

- ✚ Maintaining unimpeachable standards of honesty and integrity inside and outside the employment relationships
- ✚ Fostering the highest standard of professional competence among people for whom they are responsible
- ✚ Optimising the use of resources at their disposal maximum benefit to EDC and a customer- directed quality service
- ✚ Complying with:
- ✚ The requirements of the laws of the country
- ✚ Group procurement policy detailed procedures and EDC's values
- ✚ The guidance that EDC provides with regard to professional conduct
- ✚ Contractual obligations
- ✚ Repudiating all business practices that are improper and that are at variance with accepted moral and ethical principles.

## EDC BOARD OF DIRECTORS

Ms Daphney Ngoasheng (Chairperson)

Mr. Mokela Michael Mokgohloa Chief Executive officer of Ekurhuleni Development Company

Mr. Siphon Twala : Board member

Mr. Nazir Kara : Board member

Mr Peter Ucko ; Board member

Mr. Simon Gerber : Board member

## ENTITY PERFORMANCE REVIEW

The Performance assessment of EDC was driven by the budget process whereby the Entity submitted an annual budget together with a Service Delivery and Budget Implementation Plan to the Ekurhuleni Metropolitan Municipality. These performance targets were set against measurable performance objectives determined and agreed between the entity and the municipality.



## EDC IN PERSPECTIVE

The EDC has 988 units including two projects from Lethabong Housing Institute, that is the Bedfordview tennis courts project and Stanford Gardens Phase III project.

The current total portfolio comprises 988 units.

- ✚ Capital value of EDC stock at year end June 2007: R116 Million, June 2006:R110 Million. Showing a 5,4% growth in value of properties
- ✚ LHI value of stock R13.6 million 2007
- ✚ Total rental income year end June 2007: R14.087 million, 2006: R13.7 million
- ✚ Vacancy levels year end June 2007= 1 % average over the year, 2006:1%
- ✚ Payments to the Ekurhuleni Metropolitan Municipality, for rates and utility services, year end June 2007: R 2.3 million
- ✚ Building maintenance expenditure year end June 2007: R 1.1 million, 2006 R 1.075m.



Phase II Housing Company PTY (LTD)  
(Registration number 2000/007937/07)  
Annual financial statements  
for the year ended 30 June 2007

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Directors' Responsibilities and Approval

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I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 22, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the Entity.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practices. The disclosure requirements as per GRAP 1,2 and 3 have also been incorporated in the financial statements

The directors acknowledge that it is ultimately responsible for the system of internal financial control established by the Phase II Housing Company PTY (LTD) to enable the directors to meet these responsibilities. These controls are monitored throughout the Phase II Housing Company PTY (LTD) in ensuring the Company's operations is conducted accordingly. The focus of risk management in the Phase II Housing Company PTY (LTD) is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Phase II Housing Company PTY (LTD) endeavours to minimise it.

The directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

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**Executive Director**

**02 November 2007**

## **Phase II Housing Company PTY (LTD)**

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### **General Information**

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Social Housing Institution
<b>Directors</b>	Sipho Mlungisi Twala Daphney Ngoasheng Clive Peter Ucko Kara Nazir Ahmed Simon Pieter Gerber Michael Mokela Mokgohloa
<b>Business address</b>	No 9 Cnr Jack & Queen Street Germiston 1400
<b>Postal address</b>	P O Box 1245 Germiston 1400
<b>Parent</b>	Ekurhuleni Metropolitan Municipality incorporated in South Africa
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor General
<b>Secretary</b>	MM Mokgohloa



# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Index

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

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Statement of Financial Performance for the year ended 30 June 2007	8
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The following supplementary information does not form part of the annual financial statements and is unaudited:	
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# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Directors' Report

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### 1. Incorporation

The company was incorporated on 26 April 2000 and obtained its certificate to commence business on the same day.

### 2. Going concern

The Phase II Housing Company PTY(LTD) at the year end at 30 June 2007, showed a deficit of R75 899 and the company's total assets exceeded the liabilities by R3 924 20.

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its shareholders and furthermore the company is dependant on achieving sustainable profitability through the rental of properties at a social rate.

### 3. Internal Controls

#### 3.1. VAT

Phase II Housing Company PTY (LTD) is exempt from VAT registration.

### 4. Post statement of financial position events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

### 5. Accounting policies

The International Financial Reporting Standards were not applied. Generally Accepted Accounting Practice, together with the South African Generally Recognised Accounting Practice 1, 2 and 3 were applied, in consistency with prior year.

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

### 6. Contribution from owners

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 108 were issued at par value.

There were no changes in the authorised or issued share capital of the company during the year under review.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

Ekurhuleni Metropolitan Municipality held 92.6% of the ordinary share capital of th company as at 30 June 2007.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Directors' Report

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### 7. Directors

The directors of the company during the year and to the date of this report are as follows:

Michael Mokgohloa is the only executive director appointed as the Chief Executive officer.

All other directors are independent non-executive directors appointed by the Mayor of Ekurhuleni Metropolitan Municipality according to the Act.

Name	Nationality	Change in appointment
Sipho Mlungisi Twala	SA Citizen	
Daphney Ngoasheng	SA Citizen	
Clive Peter Ucko		Appointed 29 September 2006
Kara Nazir Ahmed	SA Citizen	Appointed 29 September 2006
Simon Pieter Gerber	SA Citizen	Appointed 29 September 2006
Michael Mokela Mokgohloa	SA Citizen	

### 8. Parent

The company's parent is Ekurhuleni Metropolitan Municipality

### 9. Bankers

Amalgamated Bank of South Africa Limited

### 10. Auditors

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, Auditor General will continue as the Company's external auditors

## **Phase II Housing Company PTY (LTD)**

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### **Certificate by Company Secretary for the year ended 30 June 2007**

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In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

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**MM Mokgohloa**  
**Of: Phase II Housing Company PTY (LTD)**  
**Company Secretary**  
**02 November 2007**

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Statement of Financial Position as at 30 June 2007

Figures in Rand	Note(s)	2007	2006
<b>Net Assets and Liabilities</b>			
<b>Net Assets</b>			
Contribution from owners	2	4,000,100	4,000,100
Accumulated Surplus (Deficit)		(75,899)	(100,229)
		<b>3,924,201</b>	<b>3,899,871</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Shareholders Loan		1,796,065	1,869,561
Long-term liabilities	4	21,286,595	22,854,164
Deferred income		1,416,240	1,449,960
Rental deposits		1,248,737	1,266,072
		<b>25,747,637</b>	<b>27,439,757</b>
<b>Current Liabilities</b>			
Current portion of long-term liabilities	4	1,608,742	1,530,838
Trade and other payables	5	753,382	283,594
		<b>2,362,124</b>	<b>1,814,432</b>
Non-Current Liabilities		25,747,637	27,439,757
Current Liabilities		2,362,124	1,814,432
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>28,109,761</b>	<b>29,254,189</b>
Equities		3,924,201	3,899,871
Liabilities		28,109,761	29,254,189
<b>Total Net Assets and Liabilities</b>		<b>32,033,962</b>	<b>33,154,060</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	7	26,977,455	27,558,868
<b>Current Assets</b>			
Loans to group companies	3	643,777	701,278
Trade and other receivables	8	570,369	686,949
Cash and cash equivalents	6	3,842,361	4,206,965
		<b>5,056,507</b>	<b>5,595,192</b>
Non-Current Assets		26,977,455	27,558,868
Current Assets		5,056,507	5,595,192
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>32,033,962</b>	<b>33,154,060</b>

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Statement of Financial Performance for the year ended 30 June 2007

Figures in Rand	Note(s)	2007	2006
Revenue	9	8,346,233	7,725,079
Revenue		8,346,233	7,725,079
Cost of sales		-	-
Other income	10	135,425	43,695
Operating expenses	13	(6,168,707)	(4,689,963)
		8,346,233	7,725,079
		(6,033,282)	(4,646,268)
<b>Operating surplus</b>		<b>2,312,951</b>	<b>3,078,811</b>
Investment revenue		269,047	109,498
Finance costs	12	(2,557,668)	(3,227,772)
Surplus (deficit) for the period from continuing operations		24,330	(39,463)
Surplus (deficit) from discontinued operations		-	-
<b>Surplus (deficit) for the year</b>		<b>24,330</b>	<b>(39,463)</b>

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Statement of Financial Performance for the year ended 30 June 2007

Figures in Rand	Note(s)	2007	2006
<b>Revenue</b>			
Rental facilities and equipment		8,346,233	7,725,079
		8,346,233	7,725,079
		-	-
<b>Other income</b>			
Recoveries		22,107	2,275
Sundry Income		6,102	7,700
Interest received - investment		269,047	109,498
Deferred income on asset-based Government grants recognised during the year		33,720	33,720
Gain on receipt of shareholders loan carried at amortised cost		73,496	-
		<b>404,472</b>	<b>153,193</b>
<b>Operating expenses</b>			
Administration and management fees		(1,931,517)	(1,757,510)
Auditors remuneration	11	(213,095)	(41,052)
Bad debts	14	(447,201)	(313,521)
Bank charges		(79,055)	(65,033)
Cleaning		(209,722)	(166,190)
Conferences and seminars		(1,480)	-
Consulting and professional fees		-	(38,680)
Debt collection		(94,593)	(59,475)
Depreciation, amortisation and impairments		(581,413)	(581,413)
Insurance		(74,610)	(35,301)
Levies		(1,029)	(11,750)
Magazines, books and periodicals		(1,800)	-
Pest control		(42,597)	(27,683)
Printing and stationery		(848)	-
Repairs and maintenance		(585,840)	(535,388)
Security (Guarding of municipal property)		(781,590)	(627,720)
Telecommunication costs (Telephone and fax)		(1,069)	(720)
Utilities		(1,121,248)	(428,527)
		<b>(6,168,707)</b>	<b>(4,689,963)</b>
		8,346,233	7,725,079
		404,472	153,193
		(6,168,707)	(4,689,963)
<b>Operating surplus</b>		<b>2,581,998</b>	<b>3,188,309</b>
Finance costs	12	(2,557,668)	(3,227,772)
Surplus (deficit) before taxation		24,330	(39,463)
Taxation		-	-
<b>Surplus (deficit) for the year</b>		<b>24,330</b>	<b>(39,463)</b>

Refer to Appendix E(1) for comparison with the approved budget

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Statement of Changes in Net Assets

	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus (Deficit)	Net Assets
Figures in Rand						
<b>Balance at 01 July 2005</b>		<b>108</b>	<b>3,999,992</b>	<b>4,000,100</b>	<b>(60,766)</b>	<b>3,939,334</b>
Changes in net assets						
Deficit for the year				-	(39,463)	(39,463)
Total changes		-	-	-	(39,463)	(39,463)
<b>Balance at 01 July 2006</b>		<b>108</b>	<b>3,999,992</b>	<b>4,000,100</b>	<b>(100,229)</b>	<b>3,899,871</b>
Changes in net assets						
Surplus for the year					24,330	24,330
Total changes		-	-	-	24,330	24,330
<b>Balance at 30 June 2007</b>		<b>108</b>	<b>3,999,992</b>	<b>4,000,100</b>	<b>(75,899)</b>	<b>3,924,201</b>



## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Cash Flow Statement

Figures in Rand	Note(s)	2007	2006
<b>Cash flows from operating activities</b>			
Cash receipts from customers		8,341,449	7,878,272
Cash paid to suppliers and employees		(4,967,933)	(4,301,751)
Cash generated from operations	15	3,373,516	3,576,521
Interest income		269,047	109,498
Finance costs		(2,557,668)	(3,227,772)
<b>Net cash from operating activities</b>		<b>1,084,895</b>	<b>458,247</b>
<b>Cash flows from investing activities</b>			
Loans advanced to group companies		57,501	(332,442)
<b>Net cash from investing activities</b>		<b>57,501</b>	<b>(332,442)</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term liabilities		(1,489,665)	(556,422)
Increase (Decrease) in rental deposits		(17,335)	116,368
<b>Net cash from financing activities</b>		<b>(1,507,000)</b>	<b>(440,054)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(364,604)</b>	<b>(314,249)</b>
Cash and cash equivalents at the beginning of the year		4,206,965	4,521,214
<b>Cash and cash equivalents at end of period</b>	6	<b>3,842,361</b>	<b>4,206,965</b>

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, the prescribed standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently 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 GRAP1, 2 and 3 has resulted in the following changes in presentation of the financial statements:

#### 1.1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of Financial Position	Balance Sheet
Statement of Financial Performance	Income Statement
Statement of Changes in Net Assets	Statements of Changes in Equity
Net assets	Equity
Surplus / Deficit	Profit / Loss
Accumulated Surplus / Deficit	Retained earnings
Contributions from Owners	Share capital
Distributions to Owners	Dividends

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

1.3. Specific information has been presented separately on the statement of financial position, 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.

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

These accounting policies are consistent with the previous year.

#### 1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

#### 1.3 Owners contributions and Net assets

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

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Accounting Policies

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### 1.3 Owners contributions and Net assets (continued)

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### 1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

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

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

#### Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Accounting Policies

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### 1.5 Impairment of assets

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined

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

Investment property are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

### 1.6 Financial assets and liabilities

#### Initial recognition

##### Recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

##### Measurement

Financial assets and financial liabilities are initially measured at cost, which include transaction costs.

##### Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below.

#### Loans to (from) group companies

These include loans to related companies and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

#### Trade and other receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

# Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

## Accounting Policies

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### 1.7 Revenue

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

#### 1.7.1 Revenue from Exchange Transactions

Interest and rentals are recognised on a time proportion basis.

### 1.8 Tax

#### Taxation

The Entity is liable for tax in terms of the Income Tax Act.

### 1.9 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

#### 1.10 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

#### 1.11 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

#### 1.12 Comparatives Information

##### 1.12.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

##### 1.12.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## Notes to the Annual Financial Statements

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## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

Figures in Rand

2007

2006

### 2. Contribution from owners

#### Authorised

1000 Ordinary shares of R1 each 1,000 1,000

#### Issued

Ordinary 108 108  
Share premium 3,999,992 3,999,992

**4,000,100 4,000,100**

108 Ordinary shares @ R1 each.

### 3. Loans to/from group companies

#### Amounts owing by(to ) related companies

Ekurhuleni Development Company 64,149 151,748  
Pharoe Park Housing Company 579,628 549,530

**643,777 701,278**

### 4. Long-term liabilities

#### Non current portion of long term liabilities

Secured Loan - NHFC @ prime less 1% interest 22,895,337 24,385,002

The loan from National Housing Finance Corporation is secured by a first continuous covering mortgage bond over the consolidated property and is repayable in 186 equal instalments. Interest on the loan was charged at 14% until January 2005 and then negotiated to prime less 1% from February 2005.

22,895,337 24,385,002

- -

#### Current portion of long term liabilities

National Housing Funding Corporation 1,608,742 1,530,838

#### Non-current liabilities

National Housing Funding Corporation 21,286,595 22,854,164

#### Current liabilities

National Housing Funding Corporation 1,608,742 1,530,838

21,286,595 22,854,164

1,608,742 1,530,838

**22,895,337 24,385,002**

### 5. Trade and other payables

Trade payables 133,344 82,523

Payments received in advance 273,462 201,070

Unallocated Receipts 75,689 -

Related party creditor 16 270,886 -

**Total Creditors 753,382 283,594**

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Notes to the Annual Financial Statements

Figures in Rand 2007 2006

#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	142,361	218,600
Call investment deposits	3,700,000	3,988,365
	<b>3,842,361</b>	<b>4,206,965</b>

#### 7. Investment property

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	30,756,639	(3,779,184)	26,977,455	30,756,639	(3,197,771)	27,558,868

#### Reconciliation of investment property - 2007

	Opening Balance	Depreciation	Total
Investment property	27,558,868	(581,413)	26,977,455

#### Reconciliation of investment property - 2006

	Opening Balance	Accumulated Depreciation	Total
Investment property	30,756,639	(3,197,771)	27,558,868

#### Pledged as security

The loan from NHFC is secured by a first continuous covering mortgage over the consolidated property of Airport Park and Delville Flats

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Notes to the Annual Financial Statements

Figures in Rand 2007 2006

#### 7. Investment property (continued)

##### Details of property

##### Revenue Generating

- Purchase price: 1 December 2005	-	1
- Additions since purchase or valuation	-	1
- Capitalised expenditure	-	1
	-	<b>3</b>

##### Non Revenue Generating

- Purchase price: 1 December 2005	-	1
- Additions since purchase or valuation	-	1
- Capitalised expenditure	-	1
	-	<b>3</b>

The property comprises of:

- ERF 59, 62 Airport Park Extension 2 Township registration division I.R measuring 1.33394, 1.5477 hectares respectively
- and ERF 905, 906, 907 and 908 Dellville Extension 3 Township measuring 4.708, 4.212, 4.400 and 2.007 hectares respectively.

The property was developed in 2002 for the purpose of earning rental income and meeting housing service delivery needs. The property has 548 rental units.

Fair value of investment property amounting to R65 800 000( R61 557 000 June 06) was determined as at year end 30 June 2007 by an independent sworn property appraiser based on most recent prices achieved in arms length transactions of similar properties in the area.

##### Investment property at cost

Land	R 1 686 000
Buildings	R 29 070 639
<b>Total</b>	<b><u>R 30 756 639</u></b>



## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Notes to the Annual Financial Statements

Figures in Rand		2007	2006
<b>8. Trade and other receivables</b>			
Trade debtors	8.1	568,978	686,949
Interest receivable		1,391	-
		<b>570,369</b>	<b>686,949</b>
<b>8.1. Trade debtors</b>			
Gross trade receivables		1,680,595	1,491,575
Less Provision for bad debts		(1,111,617)	(664,416)
Less: Discounting of receivables as a result of carrying trade and other receivables at amortised cost		-	(140,210)
		<b>568,978</b>	<b>686,949</b>

### Notes to the Annual Financial Statements

Figures in Rand		2007	2006
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## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### 9. Revenue

Rental facilities and equipment	8,346,233	7,725,079
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### 10. Other income

Recoveries	22,107	2,275
Sundry revenue	6,102	7,700
Deferred income on asset-based Government grants recognised during the year	33,720	33,720
Gain on receipt of shareholders loan carried at amortised cost	73,496	-
	<b>135,425</b>	<b>43,695</b>

### 11. Auditors' remuneration

Fees	213,095	41,052
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### 12. Finance costs

Current borrowings	2,538,433	3,144,113
Other interest paid	19,235	11,222
Fair value adjustments: Notional interest	-	72,437
	<b>2,557,668</b>	<b>3,227,772</b>

#### Current borrowings comprised of the following

	2007	2006
Interest on loans	2 538 433	2 981 914
Finance costs attributable to carrying of shareholders loan at amortised cost		162 199
<b>Total</b>	<b>R 2 538 433</b>	<b>R3 144 113</b>

### 13. Operating Expenses

Administration and management fees		1,931,517	1,757,510
Auditors remuneration	11	213,095	41,052
Bad debts	14	447,201	313,521
Bank charges		79,055	65,033
Cleaning		209,722	166,190
Conferences and seminars		1,480	-
Consulting and professional fees		-	38,680
Debt collection		94,593	59,475
Insurance		74,610	35,301
Levies		1,029	11,750
Magazines, books and periodicals		1,800	-
Pest control		42,597	27,683
Printing and stationery		848	-
Repairs and maintenance		585,840	535,388
Security (Guarding of municipal property)		781,590	627,720
Telecommunication costs (Telephone and fax)		1,069	720
Utilities		1,121,248	428,527
		<b>5,587,294</b>	<b>4,108,550</b>

### 14. Bad debts

Contributions to bad-debt provision	447,201	313,521
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### 15. Cash generated from operations

Surplus (deficit) before taxation	24,330	(39,463)
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## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Notes to the Annual Financial Statements

Figures in Rand	2007	2006
<b>15. Cash generated from operations (continued)</b>		
<b>Adjustments for:</b>		
Depreciation and amortisation	581,413	581,413
Surplus on sale of assets	(73,496)	-
Interest received	(269,047)	(109,498)
Finance costs	2,557,668	3,227,772
Movements in provisions	-	313,521
Prior year adjustment	-	234,638
<b>Changes in working capital:</b>		
Trade and other receivables	116,580	(643,916)
Trade and other payables	469,788	45,774
Deferred income	(33,720)	(33,720)
	<b>3,373,516</b>	<b>3,576,521</b>

#### 16. Related parties

Relationships	
Parent	Ekurhuleni Metropolitan Municipality
Other members of the group	Ekurhuleni Development Company Pharoe Park Housing Company Lethabong Housing Institute

#### Related party balances

##### Loan accounts - Owing to related parties

Gauteng Partnership fund	1,796,065	1,869,561
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##### Amounts included in Trade Payable regarding related parties

Inter company loans	270,886	-
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#### Related party transactions

##### Purchases from related parties

Ekurhuleni Metropolitan Municipality	1,121,248	367,386
Ekurhuleni development Company	1,931,517	1,757,510
Pharoe Park Housing Company	-	61,141
	-	-
	<b>3,052,765</b>	<b>2,186,037</b>

#### 17. Comparative figures

Comparative figures have been presented.

#### 18. Risk management

##### Liquidity risk

The company's risk to liquidity relates to the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

##### Credit risk

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

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

### Notes to the Annual Financial Statements

Figures in Rand

2007

2006

#### 18. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

#### 19. Going concern

We draw attention to the fact that at 30 June 2007, the company had accumulated deficit of R 75 899 and that the company's total liabilities exceed its assets by R 3 924 201.

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy is being prepared for the company. The company is however dependant on continued support from the shareholders in order to remain a going concern.

## Phase II Housing Company PTY (LTD)

(Registration number 2000/007937/07)

Annual Financial Statements for the year ended 30 June 2007

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Figures in Rand	Note(s)	2007	2006
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Phase II Housing Company PTY (LTD)  
Phase II Housing Company PTY (LTD)  
APPENDIX E(1) for the ended 30 June 2007

Monthly

	Current year 2007 Act. Bal.	Current year 2007 Bud. Amt	Variance	Var
	Rand	Rand	Rand	
Revenue				
Sale of goods - Type 1	-	-	-	-
Sale of goods - Type 2	-	-	-	-
Sale of goods - Type 3	-	-	-	-
Sale of goods - Type 4	-	-	-	-
Sale of goods - Type 5	-	-	-	-
Farming only	-	-	-	-
Trading and general	-	-	-	-
Farming only	-	-	-	-
Construction contracts	-	-	-	-
Royalty income	-	-	-	-
Rental facilities and equipment	8,206,024	10,331,870	(2,125,846)	-
Miscellaneous other revenue	-	-	-	-
Interest received (trading)	-	-	-	-
Dividends received (trading)	-	-	-	-
Revenue 1	-	-	-	-
Fair value adjustments	-	-	-	-
	8,206,024	10,331,870	(2,125,846)	-
Other income				
Administration and management fees received	-	-	-	-
Fees earned	-	-	-	-
Commissions received	-	-	-	-
Royalties received	-	-	-	-
Rental income	-	-	-	-
Discount received	-	-	-	-
Recoveries	22,107	76,320	(54,213)	-
Grant received from shareholder	-	-	-	-
Capital grants released	-	-	-	-
Other income 3	-	-	-	-
Other income	6,102	15,600	(9,498)	-
Other farming income	-	-	-	-
Other farming income 2	-	-	-	-
Other farming income 3	-	-	-	-
Other farming income 4	-	-	-	-
Other farming income	-	-	-	-
Dividends received	-	-	-	-
Interest received - investment	269,047	307,720	(38,673)	-
Profit and loss on sale of assets and liabilities	73,496	-	73,496	-
Profit and loss on exchange differences	-	-	-	-
Government grants	33,720	8,000,000	(7,966,280)	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Profit and loss on sale of non-current assets held for sale and net assets of disposal groups	-	-	-	-
	404,472	8,399,640	(7,995,168)	-
Cost of sales	-	-	-	-
Total Revenue	8,610,496	18,731,510	(10,121,014)	-
Expenses				
Accounting fees	-	-	-	-
Advertising	-	-	-	-
Employee costs	-	-	-	-
Administration and management fees	(1,931,517)	(1,863,171)	(68,346)	-
AGM expenses	-	-	-	-
Assessment rates & municipal charges	-	-	-	-
Auditors remuneration	(213,095)	(215,000)	1,905	-
Bad debts	(447,201)	(793,114)	345,913	-
Bank charges	(79,055)	(80,000)	945	-
Cleaning	(209,722)	(210,000)	278	-
Commission paid (Filtered)	-	-	-	-

Phase II Housing Company PTY (LTD)  
Phase II Housing Company PTY (LTD)  
APPENDIX E(1) for the ended 30 June 2007

Monthly

	Current year 2007 Act. Bal.	Current year 2007 Bud. Amt	Variance	
Computer expenses	-	-	-	-
Consulting and professional fees	-	-	-	-
Consumables	-	-	-	-
Debt collection	(94,593)	(423,000)	328,407	-
Delivery expenses	-	-	-	-
Depreciation	(595,385)	(884,304)	288,919	-
Discount allowed	-	-	-	-
Donations	-	-	-	-
Entertainment	-	-	-	-
Fines and penalties	-	-	-	-
Flowers	-	-	-	-
Garden	-	-	-	-
Gifts	-	-	-	-
Hire	-	-	-	-
Incorporation costs	-	-	-	-
Insurance	(74,610)	(714,000)	639,390	-
IT expenses	-	-	-	-
Lease rentals on operating lease	-	-	-	-
Levies	(1,029)	(12,010)	10,981	-
Magazines, books and periodicals	(1,800)	(1,850)	50	-
Maintenance	-	-	-	-
Managing agents fees	-	-	-	-
Medical expenses	-	-	-	-
Mnet and satellite	-	-	-	-
Motor vehicle expenses	-	-	-	-
Packaging	-	-	-	-
Pest control	(42,597)	(43,000)	403	-
Petrol and oil	-	-	-	-
Placement fees	-	-	-	-
Pool	-	-	-	-
Postage	-	-	-	-
Printing and stationery	(848)	(850)	2	-
Promotions	-	-	-	-
Protective clothing	-	-	-	-
Recoverable expenses	-	-	-	-
Repairs and maintenance	(289,466)	(715,000)	425,534	-
Research and development costs	-	-	-	-
Royalties and license fees	-	-	-	-
Secretarial fees	-	-	-	-
Security	(781,590)	-	(781,590)	-
Software expenses	-	-	-	-
Staff welfare	-	-	-	-
Subscriptions	-	-	-	-
Telephone and fax	(1,069)	(9,800)	8,731	-
Training	-	-	-	-
Transport and freight	-	-	-	-
Travel - local	-	-	-	-
Travel - overseas	-	-	-	-
Utilities	(1,121,248)	(1,034,175)	(87,073)	-
Bulk purchases	-	-	-	-
Contracted services	-	-	-	-
Grants and subsidies paid	-	-	-	-
General expenses	-	-	-	-
Expense UD5	-	-	-	-
Expense UD6	-	-	-	-
Expense UD7	-	-	-	-
Expense UD8	-	-	-	-
Expense UD9	-	-	-	-
Expense UD10	-	-	-	-
Other expenses	-	-	-	-
Other property expense 1	-	-	-	-
Other property expense 2	-	-	-	-
Other property expense 3	-	-	-	-
Other property expense 4	-	-	-	-
Other property expense 5	-	-	-	-
Other property expense 6	-	-	-	-
Other property expense 7	-	-	-	-
Other property expense 8	-	-	-	-
Other property expense 9	-	-	-	-



Phase II Housing Company PTY (LTD)  
Phase II Housing Company PTY (LTD)  
APPENDIX E(1) for the ended 30 June 2007

Monthly

	Current year 2007 Act. Bal.	Current year 2007 Bud. Amt	Variance	
Other property expense 10	-	-	-	-
Other property expenses	-	-	-	-
Profit and loss on sale of assets and liabilities	-	-	-	-
Profit and loss on exchange differences	-	-	-	-
Farming expenses	-	-	-	-
	(5,884,825)	(6,999,274)	1,114,449	-
Operating profit	2,725,671	11,732,236	(9,006,565)	-
Other revenue and costs	(2,557,668)	(3,281,229)	723,561	-
Net surplus/ (deficit) for the year	168,003	8,451,007	(8,283,004)	-

**Appendix E (1) of Germiston Phase 2 Housing company for the year ended 30 June 2007**

Germiston Phase 2 Housing Company

	ACTUAL 2006/2007	BUDGET 2006/2007	Variance	% Variance	
	R	R		R	
<b>INCOME</b>					
Interest Received	R 269,047	307,720	-38,673	-13%	Less Interest realised than expected
Rent received	R 8,346,233	8,170,838	175,395	2%	
Other Income	R 129,323		129,323		
Sundries	R 6,102	15,600	-9,498	-61%	Sundry income are highly changeable
<b>OPERATING INCOME GENERATED</b>	<b>8,750,705</b>	<b>8,494,158</b>	<b>256,547</b>	<b>3%</b>	
Less: Income foregone					
<b>TOTAL OPERATING INCOME</b>	<b>8,750,705</b>	<b>8,494,158</b>			
<b>Internal Transfers:</b>					
Interest Received - Internal Loans					
Redemption Received - Internal Loans					
Internal Recoveries					
Internal Transfers - sub-total		-			
<b>NET OPERATING INCOME</b>	<b>8,750,705</b>	<b>8,494,158</b>			
<b>EXPENDITURE</b>					
Auditing	213,095	71,831	141,264	197%	Auditing are now conducted by the Auditor General
Bad Debts (Provision for Bad Debts)	447,201	793,114	-345,913	-44%	Less Provision had to be made based on an assesment per debtor
Collection Costs	94,593	423,000	-328,407	-78%	Less Collection cost was incurred than Planned
Depreciation	581,413	884,304	-302,891	-34%	
Repairs and Maintenance - External cost	585,840	715,000	-129,160	-18%	Repairs and maintenance was reduced as a result of cashflow difficulties
Interest Expense - External Borrowings	2,557,668	3,281,229	-723,561	-22%	Less Interest was incurred
Management Fees	1,931,517	2,012,026	-80,509	-4%	
Bulk Purchases	1,121,248	1,034,175	87,073	8%	
Contracted Services	1,108,519	1,426,400	-317,881	-22%	Less money was spend on Contracted services as a result of poor cash flow
General Expenses - Other	85,281	136,644	-51,363	-38%	Less was spend on General Expenses as a result of poor cash flow
<b>TOTAL OPERATING EXPENDITURE</b>	<b>8,726,374</b>	<b>10,777,723</b>			
<b>Internal Transfers:</b>					
Interest - Internal Borrowings					
Redemption - Internal Borrowings					
Internal Charges					
Internal Transfers - sub-total	-	-			
<b>NET OPERATING EXPENDITURE</b>	<b>8,726,374</b>	<b>10,777,723</b>			
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>24,330</b>	<b>(2,283,565)</b>			
<b>Contribution to Capital Budget</b>					
Total Transfers to Cash-Backed Reserves					
Total Transfers from Cash-Backed Reserves					
<b>NET OPERATING SURPLUS/ (DEFICIT)</b>	<b>24,330</b>	<b>(2,283,565)</b>			



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(Registration number 1997/016085/07)  
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# Pharoe Park Housing Company

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## Directors' Responsibilities and Approval

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I am responsible for the preparation of these annual financial statements, which are set out on pages s 4 to 28, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the Company.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The disclosure requirements as per GRAP 1, 2 and 3 have also been incorporated in the financial statements

The directors acknowledges that it is ultimately responsible for the system of internal financial control established by the Pharoe Park Housing Company to enable the directors to meet these responsibilities. These controls are monitored throughout the Pharoe Park Housing Company in ensuring the Company's operations is conducted accordingly. The focus of risk management in the Pharoe Park Housing Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Pharoe Park Housing Company endeavours to minimise it.

The directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

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**Executive Director**

**24 October 2007**

# Pharoe Park Housing Company

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## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Social Housing Institution
<b>Directors</b>	Daphney Ngoasheng Sipho Mlungisi Twala Kara Nazir Ahmed Peter Clive Ucko Simon Pieter Gerber Michael Mokela Mokgohloa
<b>Registered office</b>	Shop nr 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
<b>Business address</b>	Shop nr 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
<b>Postal address</b>	P O Box 1245 Germiston 1400
<b>Parent</b>	Ekurhuleni Metropolitan Municipality incorporated in South Africa
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor General Registered Auditors
<b>Secretary</b>	MM Mokgohloa

# Pharoe Park Housing Company

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## Index

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

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Directors' Report	4 - 5
Statement from secretary	6
Statement of Financial Position	7
Statement of Financial Performance for the year ended 30 June 2007	8
Statement of Financial Performance for the year ended 30 June 2007	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Accounting Policies	12 - 17
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The following supplementary information does not form part of the annual financial statements and is unaudited:

# Pharoe Park Housing Company

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## Directors' Report

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### 1. Incorporation

The company was incorporated on 2 September 1997 and obtained its certificate to commence business on the same day.

### 2. Going concern

The Pharoe Park Housing Company PTY (LTD) at the year end at 30 June 2007, showed a deficit of R2 587 183 and that the company's total liabilities exceed its assets by R1 412 917.

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its shareholders and furthermore the company is dependant on achieving sustainable profitability through the rental of properties at a social rate.

### 3. Internal Controls

#### 3.1. VAT

Pharoe Park Housing Company (PTY) LTD is exempt from VAT registration.

### 4. Post Statement of Financial Position events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

### 5. Accounting policies

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

# Pharoe Park Housing Company

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## Directors' Report

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### 6. Contribution from owners

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 107 were issued at par value.

There were no changes in the authorised or issued share capital of the company during the year under review.

Ekurhuleni Metropolitan Municipality held 93,5 % of the ordinary share capital of the company as at 30 June 2007

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

### 7. Directors

The directors of the company during the year and to the date of this report are as follows

Michael Mokgohloa is the only executive director appointed a sth Chief Executive Officer

All other directors are independant non-executive directors appointed by th Mayor of Ekurhuleni Metropolitan Municipality according to the Municipal :

Name	Nationality	Change in appointment
Daphney Ngoasheng	SA Citizen	
Sipho Mlungisi Twala	SA Citizen	
Kara Nazir Ahmed	SA Citizen	Appointed 29 September 2006
Peter Clive Ucko		Appointed 29 September 2006
Simon Pieter Gerber	SA Citizen	Appointed 29 September 2006
Michael Mokela Mokgohloa	SA Citizen	

### 8. Parent

The company's parent is Ekurhuleni Metropolitan Municipality

### 9. Bankers

Amalgamated Bank of South Africa Limited

### 10. Auditors

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, the Auditor General will continue as the Company's external auditors



## **Pharoe Park Housing Company**

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### **Certificate by Company Secretary for the year ended 30 June 2007**

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In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

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**MM Mokgohloa**  
**Of: Pharoe Park Housing Company**  
**Company Secretary**  
**24 October 2007**

# Pharoe Park Housing Company

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## Statement of Financial Position as at 30 June 2007

Figures in Rand	Note(s)	2007	2006
<b>Net Assets and Liabilities</b>			
<b>Net Assets</b>			
Contribution from owner	2	4,000,100	4,000,100
Accumulated Surplus (Deficit)		(2,587,183)	(2,186,095)
		<b>1,412,917</b>	<b>1,814,005</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Shareholders loan	4	1,796,065	1,869,561
Long-term liabilities	5	12,742,479	14,040,227
Deferred income		1,459,380	1,496,800
Rental Deposits		902,518	903,908
		<b>16,900,442</b>	<b>18,310,496</b>
<b>Current Liabilities</b>			
Amount owing to related companies	3	1,058,369	446,287
Current portion of long-term liabilities	5	1,379,062	1,582,812
Trade and other payables	6	878,262	944,845
		<b>3,315,693</b>	<b>2,973,944</b>
<b>Total Liabilities</b>		<b>20,216,135</b>	<b>21,284,440</b>
<b>Total Net Assets and Liabilities</b>		<b>21,629,052</b>	<b>23,098,445</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	8	17,938,785	18,336,585
Property, plant and equipment	9	647,282	529,993
		<b>18,586,067</b>	<b>18,866,578</b>
<b>Current Assets</b>			
Amounts owing by related companies	3	-	128,534
Trade and other receivables	10	335,905	313,236
Cash and cash equivalents	7	2,707,080	3,790,097
		<b>3,042,985</b>	<b>4,231,867</b>
<b>Total Assets</b>		<b>21,629,052</b>	<b>23,098,445</b>

## Pharoe Park Housing Company

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### Statement of Financial Performance for the year ended 30 June 2007

Figures in Rand	Note(s)	2007	2006
Revenue	11	6,184,149	5,906,327
Other income	12	272,236	152,004
Operating expenses	15	(5,486,677)	(4,553,555)
<b>Operating surplus</b>		<b>969,708</b>	<b>1,504,776</b>
Investment revenue		158,069	309,903
Finance costs	14	(1,528,866)	(1,683,910)
<b>(Deficit) surplus for the year</b>		<b>(401,089)</b>	<b>130,769</b>

# Pharoe Park Housing Company

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## Statement of Financial Performance for the year ended 30 June 2007

Figures in Rand	Note(s)	2007	2006
<b>Revenue</b>			
Rental facilities and equipment		6,184,149	5,906,327
<b>Other income</b>			
Recoveries		2,760	7,640
Other income		4,950	3,701
Interest received - investment		158,069	309,903
Government grants		191,030	37,420
Gain on interest rate fluctuatuion on interest free loan		73,496	-
Gain on initial receipt of loan		-	103,243
		<b>430,305</b>	<b>461,907</b>
<b>Operating expenses</b>			
Administration and management fees		(1,895,265)	(1,411,140)
Auditors remuneration	13	(204,429)	(32,854)
Bad debts	16	(256,305)	(210,713)
Bank charges		(64,317)	(49,408)
Cleaning		(138,122)	(129,923)
Conferences and seminars		(1,480)	-
Consulting and professional fees 4		-	(10,961)
Debt collection		(14,539)	(58,116)
Depreciation, amortisation and impairments		(443,320)	(444,298)
Insurance		(63,084)	(45,834)
Levies		-	(10,878)
Magazines, books and periodicals		(1,350)	-
Pest control		(35,348)	(9,690)
Printing and stationery		(980)	(1,095)
Repairs and maintenance		(517,893)	(498,872)
Security (Guarding of municipal property)		(680,430)	(594,453)
Telecommunication costs (Telephone and fax)		(4,706)	(3,665)
Utilities		(1,165,109)	(1,041,655)
		<b>(5,486,677)</b>	<b>(4,553,555)</b>
<b>Operating surplus</b>		<b>1,127,777</b>	<b>1,814,679</b>
Finance costs	14	(1,528,866)	(1,683,910)
<b>(Deficit) surplus for the year</b>		<b>(401,089)</b>	<b>130,769</b>

Refer to Appendix E(1) for comparison with the approved budget

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### Statement of Changes in Net Assets

	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus (Deficit)	Net Assets
Figures in Rand						
<b>Balance at 01 July 2005</b>		<b>107</b>	<b>3,999,993</b>	<b>4,000,100</b>	<b>(2,316,863)</b>	<b>1,683,237</b>
Changes in net assets						
Surplus for the year				-	130,769	130,769
Total changes		-	-	-	130,769	130,769
<b>Balance at 01 July 2006</b>		<b>107</b>	<b>3,999,993</b>	<b>4,000,100</b>	<b>(2,186,094)</b>	<b>1,814,006</b>
Changes in net assets						
Deficit for the year					(401,089)	(401,089)
Total changes		-	-	-	(401,089)	(401,089)
<b>Balance at 30 June 2007</b>		<b>107</b>	<b>3,999,993</b>	<b>4,000,100</b>	<b>(2,587,183)</b>	<b>1,412,917</b>
Note(s)		2	2	2		

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## Cash Flow Statement

Figures in Rand	Note(s)	2007	2006
<b>Cash flows from operating activities</b>			
Cash receipts from customers		6,184,148	5,697,752
Cash paid to suppliers and employees		(4,933,868)	(4,334,051)
Cash generated from operations	17	1,250,280	1,363,701
Interest income		158,069	205,438
Finance costs		(1,528,866)	(1,593,124)
<b>Net cash from operating activities</b>		<b>(120,517)</b>	<b>(23,985)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(162,810)	-
Loans to group companies repaid		738,018	113,529
<b>Net cash utilised in investing activities</b>		<b>575,208</b>	<b>113,529</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term liabilities		(1,501,498)	(1,103,475)
Movement in rental deposits		(1,390)	140,535
Other non-cash item		-	7,467
<b>Net cash from financing activities</b>		<b>(1,502,888)</b>	<b>(955,473)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,083,018)</b>	<b>(865,929)</b>
Cash at the beginning of the period		3,790,097	4,656,028
<b>Cash and cash equivalents at end of the period</b>	7	<b>2,707,079</b>	<b>3,790,099</b>

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## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently 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 Grap1,2 and 3 has resulted in the following changes in the presentation of the financial statements:

#### 1.1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of Financial Position	Balance Sheet
Statement of Financial Performance	Income Statement
Statement of Changes in Net Assets	Statements of Changes in Equity
Net Assets	Equity
Surplus / Deficit	Profit / Loss
Accumulated Surplus / Deficit	Retained Earnings
Contributions from Owners	Share Capital
Distributions to Owners	Dividends

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

1.3. Specific information has been presented separately on the Statement of Financial Position, 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.

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

These accounting policies are consistent with the previous year.

#### 1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

#### 1.3 Owners contributions and Net assets

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

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## Accounting Policies

---

### 1.3 Owners contributions and Net assets (continued)

liabilities.

If the company re-acquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### 1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

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

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property..

#### Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years



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## Accounting Policies

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### 1.5 Impairment of assets

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs to is determined

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

Investment property are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

### 1.6 Financial assets and liabilities

#### Initial recognition

##### Recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

##### Measurement

Financial instruments are initially measured at cost, which include transaction costs.

##### Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below

#### Amounts owing by (to) related companies

These include loans to related companies and are recognised initially at cost plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

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## Accounting Policies

---

### 1.6 Financial assets and liabilities (continued)

#### Trade and other receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

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## Accounting Policies

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### 1.7 Revenue

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### 1.7.1 Revenue from Exchange Transactions

Interest and rentals are recognised on a time proportion basis.

All other revenue is recognised as it accrues.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

### 1.8 Tax

#### Taxation

The Entity is liable for tax in terms of the Income Tax Act.

### 1.9 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

#### 1.10 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

#### 1.11 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

#### 1.12 Comparatives Information

##### 1.12.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

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### **Accounting Policies**

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#### **1.12.2 Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

# Pharoe Park Housing Company

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## Notes to the Annual Financial Statements

Figures in Rand	2007	2006
<b>2. Contribution from owner</b>		
<b>Authorised</b>		
1000 Ordinary shares of R1 each	1,000	1,000
<b>Issued</b>		
Ordinary	107	107
Share premium	3,999,993	3,999,993
	<b>4,000,100</b>	<b>4,000,100</b>
107 Ordinary shares at R1 each		
<b>3. Amounts owing by (to) related companies</b>		
<b>Related Companies</b>		
Ekurhuleni Development Company	(478,741)	128,534
Germiston Phase II Housing Company	(579,628)	(446,287)
	<b>(1,058,369)</b>	<b>(317,753)</b>
Current assets	-	128,534
Current liabilities	(1,058,369)	(446,287)
	<b>(1,058,369)</b>	<b>(317,753)</b>

# Pharoe Park Housing Company

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## Notes to the Annual Financial Statements

Figures in Rand	2007	2006
<b>4. Loans to/from shareholders</b>		
Gauteng Partnership Fund	(1,869,561)	(1,707,362)
Terms and conditions (Refer to note )		
Subtotal	(1,869,561)	(1,707,362)
Interest Expense recognised	-	(162,199)
Less: Gain on effect of interest fluctuations	73,496	-
	<b>(1,796,065)</b>	<b>(1,869,561)</b>
<p>Th loan from Gauteng Partnership fund is interest free and repayable by equal instalments of R700 000 annually from the 1st of February 2011.</p>		
<b>5. Long-term liabilities</b>		
<b>Non current portion of long term liabilities - At fair value through surplus or deficit</b>		
Loan - woon comncept @ 5 % interest	147,703	225,202
The initial loan of R500 000 from Sticking Woonconcept will be paid back in 10 equal instalments per annum commencing on 1 December 2001 and ending 1 December 2010. Interest is charged from the date of the instalment at 5 % per annum and will be debited on the last day of the month		
Unsecured loan - NHFC @ 7.68%	5,064,498	5,556,176
The NHFC unsecured (HIDF subordinated )loan of R6 398 745 is payable in 134 equal instalments commencing on the first business day of the 26th month, calculated from the date of the first advance, which was on the 17th June 1998. Interest was charged at 9% per annum, capitalised for 26 months where after it is payable with the loan repayment. The interest was negotiated from 01 March 2002, the new interest rate is 7.68%		
Secured loan - NHFC @ prime less 1%	7,528,278	8,258,849
The NHFC secured loan is secured with a First Continuous Covering Mortgage Bond for R12 300 000 over tha consolidated property repayable in 199 equal monthly instalments commencing on the fifth business day of the month calculated from the date of the first advance, interest payable at fixed rate of 14 % per annum. The interst was negotiated and changed effect from 1 February 2005 to prime less 1%.		
	<b>12,740,479</b>	<b>14,040,227</b>
<b>Current portion of long term liabilities</b>		
National Housing Funding Corporation	1,379,062	1,582,812
<b>Non-current liabilities</b>		
National Housing Funding Corporation	12,742,479	14,040,227
<b>Current liabilities</b>		
National Housing Funding Corporation	1,379,062	1,582,812
	<b>14,121,541</b>	<b>15,623,039</b>

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Figures in Rand	2007	2006
<b>6. Trade and other payables</b>		
Trade payables	68,053	269,448
Payments received in advance	281,784	215,566
Other accrued expenses	9,120	23,022
Unallocated Receipts	58,789	-
Consumer creditor	23,708	-
Related party creditor	18 436,808	436,809
<b>Total Creditors</b>	<b>878,262</b>	<b>944,845</b>

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### Notes to the Annual Financial Statements

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Figures in Rand	2007	2006
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#### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	57,080	296,925
Call investment deposits	2,650,000	3,493,172
	<b>2,707,080</b>	<b>3,790,097</b>

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#### 8. Investment property

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	21,419,641	(3,480,856)	17,938,785	21,419,641	(3,083,056)	18,336,585

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### Notes to the Annual Financial Statements

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Figures in Rand

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#### 8. Investment property (continued)

##### Reconciliation of investment property - 2007

	Opening Balance	Other changes, movements	Total
Investment property	18,336,585	(397,800)	17,938,785

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##### Reconciliation of investment property - 2006

	Opening Balance	Total
Investment property	18,336,585	18,336,585

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Figures in Rand 2007 2006

### 8. Investment property (continued)

#### Details of property

The property comprises of:

- Erf 122 to 128, 130, 135 to 139, 263, 265,267, 269 to 271, 287 and 305 to 308 in WEST GERMISTON

The properties were developed in 1998 for the purpose of earning rental income and meeting housing service delivery needs. the property has 440 rental units

Mortgage bond: B24620/1999 for R12,300,000 in favour of National Housing Finance Corp Ltd.

Fair value of investment property amounting to R 50 255 000( R48 450 000 June 2006) was determined at year end 30 June 2007 by an independant sworn property appraiser based on most recent prices achieved in arms length transactions of similar properties in the area.

#### Investment property at cost

Land	R
Buildings	R
<b>Total</b>	<b><u>R</u></b>

### 9. Property, plant and equipment

	2007			2006		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	-	(22,788)	(22,788)	-	-	-
Buildings	472,805	(66,981)	405,824	472,805	(47,280)	425,525
Furniture and fixtures	126,017	(131,085)	(5,068)	126,017	(131,085)	(5,068)
Office equipment	2,405	(2,405)	-	2,405	(2,405)	-
IT equipment	16,441	(16,441)	-	16,441	(16,441)	-
Computer software	20,919	(20,919)	-	20,919	(20,919)	-
Capital work in progress	153,610	-	153,610	-	-	-
Park facilities	133,263	(17,559)	115,704	124,063	(14,526)	109,537
Other property, plant and equipment # 3	11,426	(11,426)	-	11,426	(11,426)	-
<b>Total</b>	<b>936,886</b>	<b>(289,604)</b>	<b>647,282</b>	<b>774,076</b>	<b>(244,082)</b>	<b>529,994</b>

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### Notes to the Annual Financial Statements

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#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Depreciation	Total
Land	-	-	-	(22,788)
Buildings	425,525	-	(22,900)	405,824
Furniture and fixtures	(5,068)	-	(5,068)	(5,068)
Capital work in progress	-	153,610	-	153,610
Park facilities	109,537	9,200	(3,033)	115,704
	<b>529,994</b>	<b>162,810</b>	<b>(31,001)</b>	<b>647,282</b>

##### Reconciliation of property, plant and equipment - 2006

	Opening Balance	Depreciation	Total
Buildings	472,805	(52,374)	425,525
Furniture and fixtures	126,017	(126,017)	(5,068)
Office equipment	2,405	(2,405)	-
IT equipment	16,441	(16,441)	-
Computer software	20,919	(20,919)	-
Other property, plant and equipment	11,426	(11,426)	-
Park facilities	124,063	(14,526)	109,537
	<b>774,076</b>	<b>(244,108)</b>	<b>529,994</b>

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### Notes to the Annual Financial Statements

Figures in Rand		2007	2006
<b>10. Trade and other receivables</b>			
Trade debtors	10.1	280,361	440,817
Interest receivable		850	-
Urban Renewal Grant		153,610	-
Debtors discounting		(98,916)	(127,581)
		<b>335,905</b>	<b>313,236</b>
<b>10.1. Trade debtors</b>			
Gross trade receivables		1,172,851	1,077,003
Less: Provision for bad debts		(892,490)	(636,186)
Less: Discounting of Receivables as a result of carrying trade and other receivables at amortised cost.		-	(127,581)
		<b>280,361</b>	<b>313,236</b>
<b>10.1.1. Capital expenditure</b>			
Upgrading		153,610	-

### Notes to the Annual Financial Statements

Figures in Rand		2007	2006
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# Pharoe Park Housing Company

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## 11. Revenue

Rental facilities and equipment	6,184,149	5,906,327
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## 12. Other income

Recoveries	2,760	7,640
Sundry revenue	4,950	3,701
Government grants	191,030	37,420
Profit and loss on sale of assets and liabilities	73,496	103,243
	<b>272,236</b>	<b>152,004</b>

## 13. Auditors' remuneration

Fees	204,429	32,854
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## 14. Finance costs

Current borrowings	1,518,836	1,679,974
Other interest paid	10,030	3,936
	<b>1,528,866</b>	<b>1,683,910</b>

## 15. General expenses

Administration and management fees		1,895,265	1,411,140
Auditors remuneration	13	204,429	32,854
Bad debts	16	256,305	210,713
Bank charges		64,317	49,408
Cleaning		138,122	129,923
Conferences and seminars		1,480	-
Consulting and professional fees		-	10,961
Debt collection		14,539	58,116
Insurance		63,084	45,834
Levies		-	10,878
Magazines, books and periodicals		1,350	-
Pest control		35,348	9,690
Printing and stationery		980	1,095
Repairs and maintenance		517,893	498,872
Security (Guarding of municipal property)		680,430	594,453
Telecommunication costs (Telephone and fax)		4,706	3,665
Utilities		1,165,109	1,041,655
		<b>5,043,357</b>	<b>4,109,257</b>

## 16. Bad debts

Contributions to bad-debt provision	256,305	210,713
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# Pharoe Park Housing Company

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## Notes to the Annual Financial Statements

Figures in Rand	2007	2006
<b>17. Cash generated from operations</b>		
(Deficit) surplus before taxation	(401,089)	130,769
<b>Adjustments for:</b>		
Depreciation and amortisation	443,320	444,298
Surplus on sale of assets	(73,496)	(103,243)
Interest received	(158,069)	(309,903)
Finance costs	1,528,866	1,683,910
Prior year adjustment	-	160,701
<b>Changes in working capital:</b>		
Trade and other receivables	(22,669)	(313,236)
Trade and other payables	(66,583)	(292,175)
Deferred income	-	1,459,380
	<b>1,250,280</b>	<b>2,860,501</b>
<b>18. Related parties</b>		
Relationships		
Parent		Ekurhuleni Metropolitan Municipality
Other members of the group		Ekurhuleni Development Company Phase II Housing Company Lethabong Housing Institute Directors remuneration-Annexure A
Members of key management		
<b>Related party balances</b>		
<b>Loan accounts - Owing by related parties</b>		
Ekurhuleni Development Company	-	128,534
<b>Loan accounts - Owing to related parties</b>		
Ekurhuleni Development Company	478,741	-
	-	-
	<b>478,741</b>	-
<b>Amounts included in Trade Payable regarding related parties</b>		
Ekurhuleni Metropolitan Municipality	436,808	436,809
<b>Related party transactions</b>		
<b>Purchases from related parties</b>		
Ekurhuleni development company	1,895,265	1,411,140
Ekurhuleni Metropolitan Municipality	1,165,109	1,041,655
	<b>3,060,374</b>	<b>2,452,795</b>
<b>19. Comparative figures</b>		
Comparative figures have been presented of the company.		
<b>20. Risk management</b>		