CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

CHRIS HANI DISTRICT MUNICIPALITY
Consolidated Annual Financial Statements
for the year ended 30 June 2019

General Information

Nature of business and principal activities	Chris Hani District Municipality is South African Category C Municipality (District Municipality) as defined by the Municipal Structure Act. (Act no 117 of 1998)
Mayoral committee	
Executive Mayor	K. Vimbayo (Resigned 20 May 2019)
	W. Gela - Deputy Executive Mayor (Resigned June 2019) (Appointed as Executive Mayor June 2019)
	B. Van Heerden: Chief Whip (Resigned 15 January 2019)
	M. Papiyana (Appointed as Chief Whip 22 January 2019)
	S. Mbotshane: Portfolio Head - Integrated Planning & Economic Development
	M. Jack: Portfolio Head - Budget & Treasury (Appointed: April 2018)
	S. Zangqa: Portfolio Head - Engineering resigned on 15 January 2019 and replaced by LN Tyali in January 2019
	N. September-Caba: Portfolio Head - Health & Community Services (Resigned in June 2019) (Appointed as Deputy Executive Mayor 26 June 2019) and replaced by N Goniwe on 30 July 2019
	N. Matiwane: Portfolio Head - Special Programmes Unit
	N Koni Portfolio Head Corporate Services resigned in March 2019 replaced by S Nxozi on 25 April 2019
Councillors	M. Desha
	M. Xheliso
	K. Mjezu
	S. Tame
	E.G. Bomela
	B. Ntsere
	M. Adonisi
	N. Mtyobile
	F.A.N. Hendricks
	E.L Gubula
	S.E. Mvana
	N.A. Dayisi
	S. Myataza
	Z. Qayiya
	Z.N.E. Ralane
	S.B. Nxawe
	N.C. Lali
	J. Cengani
	Z.R. Shweni
	M. Kondile
	K. Bizana
	Z. Deliwe
	R. Venske
	S. Zangqa
	N Koni
	M Adonis
	Y Zicina
	N Ndlebe
	ZN Njoli
	N Nkotha

General Information

Grading of local authority	Grade 5
Accounting Officer	Dr. BJ Mthembu (Acting)
Chief Finance Officer (CFO)	PT Pambaniso (Acting)
Registered office	15 Bells Road Queenstown 5320
Bankers	First National Bank Limited
Auditors	Auditor General of South Africa

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

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the economic entity’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The consolidated annual financial statements set out on page 5 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2019 and were signed on its behalf by:

Dr B.J. Mthembu
Acting Municipal Manager

Statement of Financial Position as at 30 June 2019

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2019	2018 Restated*	2019	2018 Restated*
Assets					
Current Assets					
Inventories	11	11 790 363	16 342 214	11 790 363	16 342 214
Receivables from exchange transactions		1 658 421	84 678	-	-
Receivables from non-exchange transactions	12	40 523 052	51 617 985	40 523 052	50 419 800
VAT receivable	13	169 125 978	-	168 712 503	-
Prepayments	10	13 035 256	10 831 010	13 006 341	10 765 507
Receivables from exchange transactions 31.20.20	14	238 173 251	115 747 259	238 173 251	115 747 259
Cash and cash equivalents	15	378 327 814	276 605 905	377 919 326	274 268 498
		852 634 135	**471 229 051**	**850 124 836**	**467 543 278**
Non-Current Assets					
Property, plant and equipment	3	4 056 787 966	3 869 482 953	4 042 285 655	3 853 630 070
Intangible assets	4	1 622 733	2 439 168	1 489 707	2 166 007
Investments in controlled entities	5	-	-	1 500 000	1 500 000
		4 058 410 699	**3 871 922 121**	**4 045 275 362**	**3 857 296 077**
Non-Current Assets		4 058 410 699	3 871 922 121	4 045 275 362	3 857 296 077
Current Assets		852 634 135	471 229 051	850 124 836	467 543 278
Total Assets		**4 911 044 834**	**4 343 151 172**	**4 895 400 198**	**4 324 839 355**
Liabilities					
Current Liabilities					
Operating lease liability	6	600 219	63 489	600 219	63 489
Payables from exchange transactions	19	307 942 672	138 212 314	303 183 703	136 792 555
Payables from non-exchange	20	-	3 024 818	-	-
VAT payable	21	-	5 842 913	-	5 384 303
Consumer deposits 51.10.20	22	441 108	329 186	441 108	329 186
Employee benefit obligation	7	12 797 214	7 428 432	12 797 214	7 428 432
Unspent conditional grants and receipts	18	312 411 677	119 766 558	307 614 605	114 249 016
Bank overdraft	15	-	13 422 606	-	13 422 606
		634 192 890	**288 090 316**	**624 636 849**	**277 669 587**
Non-Current Liabilities					
Employee benefit obligation	7	65 893 340	59 231 495	65 893 340	59 231 495
Non-Current Liabilities		65 893 340	59 231 495	65 893 340	59 231 495
Current Liabilities		634 192 890	288 090 316	624 636 849	277 669 587
Total Liabilities		**700 086 230**	**347 321 811**	**690 530 189**	**336 901 082**
Assets		4 911 044 834	4 343 151 172	4 895 400 198	4 324 839 355
Liabilities		(700 086 230)	(347 321 811)	(690 530 189)	(336 901 082)
Net Assets		**4 210 958 604**	**3 995 829 361**	**4 204 870 009**	**3 987 938 273**
Accumulated surplus	16	4 210 685 165	3 995 555 920	4 204 870 009	3 987 938 273

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity 2019	Economic entity 2018 Restated*	Controlling entity 2019	Controlling entity 2018 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	24	305 466 551	275 035 828	305 466 551	275 035 828
Project income		21 189 059	16 352 260	-	-
Other income	26	1 562 057	3 346 471	746 616	2 763 440
Interest income	27	74 723 515	40 552 860	74 351 178	40 191 999
Total revenue from exchange transactions		**402 941 182**	**335 287 419**	**380 564 345**	**317 991 267**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	29	918 452 041	1 088 406 807	915 107 681	1 088 406 807
		402 941 182	335 287 419	380 564 345	317 991 267
		918 452 041	1 088 406 807	915 107 681	1 088 406 807
Total revenue	23	**1 321 393 223**	**1 423 694 226**	**1 295 672 026**	**1 406 398 074**
Expenditure					
Employee related costs	30	(355 802 185)	(302 602 219)	(342 135 086)	(288 537 116)
Remuneration of councillors	31	(11 665 226)	(11 161 776)	(11 665 226)	(11 161 776)
Depreciation and amortisation	32	(157 121 095)	(142 109 367)	(155 529 513)	(140 513 908)
Finance costs	33	(997 055)	(257 064)	(266 610)	(117 085)
Lease rentals on operating lease		(64 463)	(72 713)	-	-
Debt Impairment	34	(173 390 698)	(267 391 721)	(173 390 698)	(267 391 721)
Bulk purchases	35	(19 785 231)	(16 374 604)	(19 156 293)	(16 178 054)
Contracted services	36	(280 763 234)	(213 469 988)	(247 570 691)	(195 117 727)
Transfers and Subsidies	28	-	(75 195 311)	(29 339 125)	(97 675 311)
Loss on disposal of assets and liabilities		(155 654)	(741 888)	(155 654)	(741 888)
Actuarial losses		(1 632 651)	(12 417 677)	(1 632 651)	(12 417 677)
General Expenses	37	(212 368 629)	(187 335 328)	(205 380 888)	(180 204 710)
Total expenditure		**(1 213 746 121)**	**(1 229 129 656)**	**(1 186 222 435)**	**(1 210 056 973)**
		-	-	-	-
Total revenue		1 321 393 223	1 423 694 226	1 295 672 026	1 406 398 074
Total expenditure		(1 213 746 121)	(1 229 129 656)	(1 186 222 435)	(1 210 056 973)
Operating surplus/deficit		-	-	-	-
Surplus before taxation		107 647 102	194 564 570	109 449 591	196 341 101
Taxation		-	-	-	-
Surplus for the year		**107 647 102**	**194 564 570**	**109 449 591**	**196 341 101**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Opening balance as previously reported	4 158 854 363	4 158 854 363
Adjustments		
Surplus	194 302 935	194 302 935
Prior year adjustments	(357 411 417)	(357 411 417)
Restated* Balance at 01 July 2018	**3 995 745 881**	**3 995 745 881**
Changes in net assets		
Surplus for the year	107 647 102	107 647 102
Prior period error	107 482 143	107 482 143
Total changes	215 129 245	215 129 245
Balance at 30 June 2019	**4 210 875 126**	**4 210 875 126**
Note(s)		

Figures in Rand	Accumulated surplus	Total net assets
Controlling entity		
Opening balance as previously reported	4 147 697 552	4 147 697 552
Adjustments		
Profit for the year	196 341 101	196 341 101
Prior year adjustments	(356 100 380)	(356 100 380)
Restated* Balance at 01 July 2018	**3 987 938 273**	**3 987 938 273**
Changes in net assets		
Surplus for the year	109 449 591	109 449 591
Prior period error	107 482 145	107 482 145
Total changes	216 931 736	216 931 736
Balance at 30 June 2019	**4 204 870 009**	**4 204 870 009**
Note(s)		

* See Note 45

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2019	2018 Restated*	2019	2018 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		183 787 174	84 605 028	183 787 174	84 605 028
Grants		1 142 027 458	1 112 569 248	1 121 969 887	1 088 406 807
Interest income		74 723 515	40 552 860	74 351 178	40 191 999
Receipts from customers		33 136 201	18 777 084	-	-
		1 433 674 348	1 256 504 220	1 380 108 239	1 213 203 834
Payments					
Employee costs		(367 467 410)	(318 695 045)	(353 800 311)	(304 629 942)
Suppliers		(540 391 485)	(296 048 856)	(499 669 922)	(269 102 651)
Finance costs		(997 055)	(257 064)	(266 610)	(117 085)
		(908 855 950)	(615 000 965)	(853 736 843)	(573 849 678)
Total receipts		1 433 674 348	1 256 504 220	1 380 108 239	1 213 203 834
Total payments		(908 855 950)	(615 000 965)	(853 736 843)	(573 849 678)
Net cash flows from operating activities	39	**524 818 398**	**641 503 255**	**526 371 396**	**639 354 156**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(328 236 391)	(392 351 174)	(328 126 392)	(391 844 053)
Proceeds from sale of property, plant and equipment	3	38 283	-	-	-
Purchase of other intangible assets	4	(14 104)	(80 314)	-	-
Net cash flows from investing activities		**(328 212 212)**	**(392 431 488)**	**(328 126 392)**	**(391 844 053)**
Net increase/(decrease) in cash and cash equivalents		**115 144 515**	**61 090 652**	**117 073 434**	**58 907 186**
Cash and cash equivalents at the beginning of the year		263 183 299	202 092 647	260 845 892	201 938 706
Cash and cash equivalents at the end of the year	15	**378 327 814**	**263 183 299**	**377 919 326**	**260 845 892**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	232 820 247	-	**232 820 247**	305 466 551	**72 646 304**	56
Project income	34 381 942	10 308 862	**44 690 804**	21 189 059	**(23 501 745)**	56
Tender fees	15 000	10 000	**25 000**	-	**(25 000)**	56
Agency fees	1 478 365	(978 365)	**500 000**	70 470	**(429 530)**	56
Other income	65 141 768	(63 840 000)	**1 301 768**	802 132	**(499 636)**	56
Interest received - investment	39 776 320	26 411 000	**66 187 320**	74 723 515	**8 536 195**	56
Total revenue from exchange transactions	**373 613 642**	**(28 088 503)**	**345 525 139**	**402 251 727**	**56 726 588**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 092 924 000	161 832 908	**1 254 756 908**	918 452 041	**(336 304 867)**	56
'Total revenue from exchange transactions'	373 613 642	(28 088 503)	**345 525 139**	402 251 727	**56 726 588**	56
'Total revenue from non-exchange transactions'	1 092 924 000	161 832 908	**1 254 756 908**	918 452 041	**(336 304 867)**	56
Total revenue	**1 466 537 642**	**133 744 405**	**1 600 282 047**	**1 320 703 768**	**(279 578 279)**	
Expenditure						
Personnel	(327 436 601)	4 752 735	**(322 683 866)**	(355 802 185)	**(33 118 319)**	56
Remuneration of councillors	(11 071 478)	(1 773 911)	**(12 845 389)**	(11 665 226)	**1 180 163**	56
Depreciation and amortisation	(141 620 000)	-	**(141 620 000)**	(157 121 095)	**(15 501 095)**	56
Finance costs	-	-	**-**	(997 055)	**(997 055)**	56
Lease rentals on operating lease	(84 160)	13 837	**(70 323)**	(64 463)	**5 860**	56
Debt Impairment	(200 000 000)	10 800 000	**(189 200 000)**	(173 390 698)	**15 809 302**	56
Repairs and maintenance	(60 168)	13 751	**(46 417)**	(46 341)	**76**	56
Bulk purchases	(26 139 000)	-	**(26 139 000)**	(19 785 231)	**6 353 769**	56
Contracted Services	(368 099 315)	(60 291 000)	**(428 390 315)**	(286 369 189)	**142 021 126**	56
Transfers and Subsidies	-	-	**-**	(29 339 125)	**(29 339 125)**	56
Cost of housing sold	-	-	**-**	-	**-**	56
General Expenses	(233 764 993)	4 062 859	**(229 702 134)**	(188 258 433)	**41 443 701**	56
Total expenditure	**(1 308 275 715)**	**(42 421 729)**	**(1 350 697 444)**	**(1 222 839 041)**	**127 858 403**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	1 466 537 642	133 744 405	**1 600 282 047**	1 350 732 346	**(249 549 701)**	56
	(1 343 157 657)	(52 862 491)	**(1 396 020 148)**	(1 241 296 941)	**154 723 207**	56
Operating surplus	**123 379 985**	**80 881 914**	**204 261 899**	**109 435 405**	**(94 826 494)**	
Loss on disposal of assets and liabilities	-	-	**-**	(155 654)	**(155 654)**	56
Actuarial gains/losses	-	-	**-**	(1 632 651)	**(1 632 651)**	56
	-	**-**	**-**	**(1 788 305)**	**(1 788 305)**	
	123 379 985	80 881 914	**204 261 899**	109 435 405	**(94 826 494)**	56
	-	-	**-**	(1 788 305)	**(1 788 305)**	56
Surplus before taxation	**123 379 985**	**80 881 914**	**204 261 899**	**107 647 100**	**(96 614 799)**	
Taxation	-	-	**-**	-	**-**	56
Deficit before taxation	123 379 985	80 881 914	**204 261 899**	107 647 100	**(96 614 799)**	56
Taxation	-	-	**-**	-	**-**	
Surplus for the year from continuing operations	**123 379 985**	**80 881 914**	**204 261 899**	**107 647 100**	**(96 614 799)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**123 379 985**	**80 881 914**	**204 261 899**	**107 647 100**	**(96 614 799)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	232 820 247	-	**232 820 247**	305 466 551	**72 646 304**	56
Other income	65 141 768	(63 900 000)	**1 241 768**	746 616	**(495 152)**	56
Interest received - investment	39 210 000	26 411 000	**65 621 000**	74 351 178	**8 730 178**	56
Total revenue from exchange transactions	**337 172 015**	**(37 489 000)**	**299 683 015**	**380 564 345**	**80 881 330**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 072 244 000	161 832 908	**1 234 076 908**	915 107 681	**(318 969 227)**	56
'Total revenue from exchange transactions'	337 172 015	(37 489 000)	**299 683 015**	380 564 345	**80 881 330**	
'Total revenue from non-exchange transactions'	1 072 244 000	161 832 908	**1 234 076 908**	915 107 681	**(318 969 227)**	
Total revenue	**1 409 416 015**	**124 343 908**	**1 533 759 923**	**1 295 672 026**	**(238 087 897)**	
Expenditure						
Personnel	(308 843 097)	-	**(308 843 097)**	(342 135 086)	**(33 291 989)**	56
Remuneration of councillors	(11 071 478)	(1 773 911)	**(12 845 389)**	(11 665 226)	**1 180 163**	56
Depreciation and amortisation	(140 000 000)	-	**(140 000 000)**	(155 529 513)	**(15 529 513)**	56
Finance costs	-	-	**-**	(266 610)	**(266 610)**	56
Debt Impairment	(200 000 000)	10 800 000	**(189 200 000)**	(173 390 698)	**15 809 302**	56
Bulk purchases	(26 139 000)	-	**(26 139 000)**	(19 156 293)	**6 982 707**	56
Contracted Services	(368 099 315)	(60 291 000)	**(428 390 315)**	(247 570 691)	**180 819 624**	56
Transfers and Subsidies	-	-	**-**	(29 339 125)	**(29 339 125)**	56
General Expenses	(227 105 017)	4 259 487	**(222 845 530)**	(205 380 888)	**17 464 642**	56
Total expenditure	**(1 281 257 907)**	**(47 005 424)**	**(1 328 263 331)**	**(1 184 434 130)**	**143 829 201**	
	1 409 416 015	124 343 908	**1 533 759 923**	1 295 672 026	**(238 087 897)**	
	(1 281 257 907)	(47 005 424)	**(1 328 263 331)**	(1 184 434 130)	**143 829 201**	
Operating surplus	**128 158 108**	**77 338 484**	**205 496 592**	**111 237 896**	**(94 258 696)**	
Loss on disposal of assets and liabilities	-	-	**-**	(155 654)	**(155 654)**	
Actuarial gains/losses	-	-	**-**	(1 632 651)	**(1 632 651)**	
	-	**-**	**-**	**(1 788 305)**	**(1 788 305)**	

Chris Hani District Municipality Consolidation

Consolidated Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	128 158 108	77 338 484	**205 496 592**	111 237 896	**(94 258 696)**	
	-	-	**-**	(1 788 305)	**(1 788 305)**	
Surplus before taxation	**128 158 108**	**77 338 484**	**205 496 592**	**109 449 591**	**(96 047 001)**	
Deficit before taxation	128 158 108	77 338 484	**205 496 592**	109 449 591	**(96 047 001)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**128 158 108**	**77 338 484**	**205 496 592**	**109 449 591**	**(96 047 001)**	

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

All figures have been rounded of to the nearest rand.

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

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

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

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

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

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

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

Accounting Policies

1.3 Consolidation (continued)

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

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

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

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

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

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

Accounting Policies

1.4 Transfer of functions between entities under common control

Definitions

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

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

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

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

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

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

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

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

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

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

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

Identifying the acquirer and transferor

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

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

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

Determining the transfer date

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

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

Accounting Policies

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

Accounting by the entity as acquirer

Initial recognition and measurement

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

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

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

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

Measurement period

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

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

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

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

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

Subsequent measurement

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

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

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

Accounting Policies

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

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

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

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

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

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

Effective interest rate

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

Allowance for doubtful debts

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.7 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

1.8 Investments in controlled entities

Controlling entity consolidated annual financial statements

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

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

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

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

1.9 Financial instruments

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Classification

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

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

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

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

1.9 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

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

Accounting Policies

1.10 Leases (continued)

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

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

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

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

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

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

Accounting Policies

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

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

1.15 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Accounting Policies

1.15 Employee benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.16 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

1.16 Provisions and contingencies (continued)

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.19 Revenue from non-exchange transactions

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

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

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

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

Government grants

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

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

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

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

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

1.23 Unauthorised expenditure

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

Accounting Policies

1.23 Unauthorised expenditure (continued)

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

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.25 Irregular expenditure

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

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

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

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

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

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

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

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

1.26 Budget information

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

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

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

Accounting Policies

1.26 Budget information (continued)

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

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

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

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The economic entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the economic entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the economic entity is exempt from the disclosures in accordance with the above, the economic entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its consolidated annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

2. New standards and interpretations

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

Economic entity	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	14 018 229	-	14 018 229	14 018 229	-	14 018 229
Buildings	99 595 703	(10 614 895)	88 980 808	69 017 394	(9 269 661)	59 747 733
Machinery and Equipment	19 243 648	(2 093 236)	17 150 412	18 380 889	(6 227 686)	12 153 203
Furniture and Office Equipment	24 174 172	(16 481 863)	7 692 309	23 836 539	(12 384 139)	11 452 400
Transport Assets	97 367 070	(48 413 738)	48 953 332	80 156 113	(40 954 395)	39 201 718
Office equipment	640 428	(447 163)	193 265	640 428	(246 500)	393 928
Computer equipment	14 219 349	(6 855 897)	7 363 452	13 423 880	(8 594 554)	4 829 326
Infrastructure: Water	3 844 987 647	(977 429 096)	2 867 558 551	3 771 398 390	(853 855 131)	2 917 543 259
Infrastructure: Sanitation	432 703 707	(157 061 716)	275 641 991	432 443 504	(140 063 494)	292 380 010
Infrastructure: Roads	13 684 165	(2 287 127)	11 397 038	11 760 838	(1 869 712)	9 891 126
Work-in-progress: Water	717 838 579	-	717 838 579	507 872 021	-	507 872 021
Total	**5 278 472 697**	**(1 221 684 731)**	**4 056 787 966**	**4 942 948 225**	**(1 073 465 272)**	**3 869 482 953**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Controlling entity	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	11 450 900	-	11 450 900	11 450 900	-	11 450 900
Buildings	87 851 294	(9 390 581)	78 460 713	57 272 985	(8 632 567)	48 640 418
Machinery and Equipment	19 243 648	(2 093 236)	17 150 412	18 380 889	(6 227 686)	12 153 203
Furniture and Office Equipment	23 142 327	(15 983 249)	7 159 078	22 804 694	(12 034 768)	10 769 926
Transport Assets	96 335 559	(47 743 007)	48 592 552	79 124 602	(40 489 967)	38 634 635
Computer equipment	13 000 565	(5 964 724)	7 035 841	12 268 483	(7 973 911)	4 294 572
Infrastructure: Water	3 844 987 647	(977 429 096)	2 867 558 551	3 771 398 390	(853 855 131)	2 917 543 259
Infrastructure: Sanitation	432 703 707	(157 061 716)	275 641 991	432 443 504	(140 063 494)	292 380 010
Infrastructure: Roads	13 684 165	(2 287 127)	11 397 038	11 760 838	(1 869 712)	9 891 126
Work-in-progress: Water	717 838 579	-	717 838 579	507 872 021	-	507 872 021
Total	**5 260 238 391**	**(1 217 952 736)**	**4 042 285 655**	**4 924 777 306**	**(1 071 147 236)**	**3 853 630 070**

Reconciliation of property, plant and equipment - Economic entity - 2019

3. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	14 018 229	-	-	-	-	-	-	-	-	14 018 229
Buildings	59 747 733	-	-	30 578 309	-	-	(1 345 234)	-	-	88 980 808
Machinery and Equipment	12 153 203	1 171 465	-	-	-	5 873 288	(2 047 544)	-	-	17 150 412
Furniture and Office Furniture	11 452 400	2 156 825	-	-	-	(3 132 324)	(2 784 592)	-	-	7 692 309
Transport Assets	39 201 718	18 064 867	(157 551)	-	-	1 304 660	(9 460 362)	-	-	48 953 332
Office equipment	393 928	-	-	-	-	-	(200 663)	-	-	193 265
Computer equipment	4 829 326	452 969	(101 459)	-	(9 590)	3 645 930	(1 478 380)	-	24 656	7 363 452
Infrastructure - Water	2 917 543 259	7 836 939	-	65 752 318	-	-	(121 581 441)	(1 992 524)	-	2 867 558 551
Infrastructure - Sanitation	292 380 010	260 203	-	-	-	-	(16 998 222)	-	-	275 641 991
Infrastructure - Roads	9 891 126	-	-	1 505 912	-	-	-	-	-	11 397 038
Work-in-progress: Water	507 872 021	298 293 123	-	-	(88 326 565)	-	-	-	-	717 838 579
	3 869 482 953	**328 236 391**	**(259 010)**	**97 836 539**	**(88 336 155)**	**7 691 554**	**(155 896 438)**	**(1 992 524)**	**24 656**	**4 056 787 966**

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	14 186 429	-	(163 200)	-	-	-	14 018 229
Buildings	53 501 322	-	(401 199)	8 199 234	(376 996)	(1 174 628)	59 747 733
Machinery and Equipment	9 695 701	4 514 242	-	-	-	(2 056 740)	12 153 203
Furniture and Office Equipment	12 329 952	2 164 920	(141 254)	376 995	-	(3 278 213)	11 452 400
Transport assets	36 891 451	11 367 423	(22 465)	-	-	(9 034 691)	39 201 718
Office equipment	449 354	143 012	-	-	-	(198 438)	393 928
Computer equipment	5 465 076	1 599 957	(51 322)	-	(22 000)	(2 162 385)	4 829 326
Infrastructure - Water	2 354 068 959	-	-	668 942 199	-	(105 467 899)	2 917 543 259
Infrastructure - Sanitation	287 298 572	4 763 590	-	17 176 088	-	(16 858 240)	292 380 010
Infrastructure - Roads	10 233 075	-	-	-	-	(341 949)	9 891 126
Work-in-progress: Water	834 391 500	367 798 030	-	-	(694 317 509)	-	507 872 021
	3 618 511 391	**392 351 174**	**(779 440)**	**694 694 516**	**(694 716 505)**	**(140 573 183)**	**3 869 482 953**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	11 450 900	-	-	-	-	-	-	-	11 450 900
Buildings	48 640 418	-	-	30 578 309	-	-	(758 014)	-	78 460 713
Machinery and Equipment	12 153 203	1 171 465	-	-	-	5 873 288	(2 047 544)	-	17 150 412
Furniture and Office Equipment	10 769 926	2 156 825	-	-	-	(3 132 324)	(2 635 349)	-	7 159 078
Transport assets	38 634 635	18 064 867	(157 551)	-	-	1 304 660	(9 254 059)	-	48 592 552
Computer equipment	4 294 572	342 979	(63 176)	-	-	3 645 930	(1 184 464)	-	7 035 841
Infrastructure - Water	2 917 543 259	7 836 930	-	65 752 327	-	-	(121 581 441)	(1 992 524)	2 867 558 551
Infrastructure - Sanitation	292 380 010	260 203	-	-	-	-	(16 998 222)	-	275 641 991
Infrastructure - Roads	9 891 126	-	-	1 923 327	-	-	(417 415)	-	11 397 038
Work-in-progress: Water	507 872 021	298 293 123	-	-	(88 326 565)	-	-	-	717 838 579
	3 853 630 070	**328 126 392**	**(220 727)**	**98 253 963**	**(88 326 565)**	**7 691 554**	**(154 876 508)**	**(1 992 524)**	**4 042 285 655**

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	11 614 100	-	(163 200)	-	-	-	11 450 900
Buildings	41 431 391	-	(401 199)	8 199 234	-	(589 008)	48 640 418
Machinery and Equipment	9 695 701	4 514 242	-	-	-	(2 056 740)	12 153 203
Furniture and Office equipment	11 988 983	2 031 927	(141 254)	-	-	(3 109 730)	10 769 926
Transport assets	36 118 066	11 367 423	(22 465)	-	-	(8 828 389)	38 634 635
Computer equipment	4 871 273	1 368 841	(51 322)	-	-	(1 894 220)	4 294 572
Infrastructure - Water	2 354 056 352	-	-	668 942 199	-	(105 455 292)	2 917 543 259
Infrastructure - Sanitation	287 298 572	4 763 590	-	17 176 088	-	(16 858 240)	292 380 010
Infrastructure - Roads	10 233 076	-	-	-	-	(341 950)	9 891 126
Work-in-progress: Water	834 391 500	367 798 030	-	-	(694 317 509)	-	507 872 021
	3 601 699 014	**391 844 053**	**(779 440)**	**694 317 521**	**(694 317 509)**	**(139 133 569)**	**3 853 630 070**

3. Property, plant and equipment (continued)

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

4. Intangible assets

Economic entity	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	7 844 616	(6 354 909)	1 489 707	8 142 954	(5 976 947)	2 166 007
Computer software (finite)	696 136	(563 110)	133 026	682 033	(408 872)	273 161
Total	**8 540 752**	**(6 918 019)**	**1 622 733**	**8 824 987**	**(6 385 819)**	**2 439 168**

Controlling entity	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	7 844 616	(6 354 909)	1 489 707	8 142 954	(5 976 947)	2 166 007

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	2 166 007	-	(298 338)	(377 962)	1 489 707
Computer software finite	273 161	14 104	-	(154 239)	133 026
	2 439 168	**14 104**	**(298 338)**	**(532 201)**	**1 622 733**

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 543 190	-	(1 377 183)	2 166 007
Computer software finite	361 298	80 314	(168 451)	273 161
	3 904 488	**80 314**	**(1 545 634)**	**2 439 168**

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Disposals	Amortisation	Total
Computer software, other	2 166 007	(298 338)	(377 962)	1 489 707

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Amortisation	Total
Computer software, other	3 543 190	(1 377 183)	2 166 007

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

5. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Investments in controlled entity	Chris Hani District Municipality	100,00 %	100,00 %	-	-

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

6. Operating lease asset (accrual)

Current liabilities	(600 219)	(63 489)	(600 219)	(63 489)

7. Employee benefit obligations

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

Carrying value				
Defined Medical Benefits Obligations	(56 272 624)	(48 552 148)	(56 272 624)	(48 552 148)
Long Service Bonus	(14 915 690)	(13 567 990)	(14 915 690)	(13 567 990)
Bonus Acrrual	(7 502 242)	(7 024 337)	(7 502 242)	(7 024 337)
Performance bonus accrual	-	(1 158 844)	-	(1 158 844)
Prior period error	-	3 643 392	-	3 643 392
	(78 690 554)	**(66 659 927)**	**(78 690 554)**	**(66 659 927)**

Non-current liabilities	(65 893 340)	(59 231 495)	(65 893 340)	(59 231 495)
Current liabilities	(12 797 214)	(7 428 432)	(12 797 214)	(7 428 432)
	(78 690 554)	**(66 659 927)**	**(78 690 554)**	**(66 659 927)**

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

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

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

Opening balance	48 552 148	32 901 878	48 552 148	32 901 878
Benefits paid	(1 338 853)	(1 287 658)	(1 287 658)	(1 287 658)
Net expense recognised in the statement of financial performance	9 059 329	16 937 928	9 059 329	16 937 928
	56 272 624	**48 552 148**	**56 323 819**	**48 552 148**

Net expense recognised in the statement of financial performance

Current service cost	2 715 019	1 827 224	2 715 019	1 827 224
Interest cost	4 711 659	3 103 826	4 711 659	3 103 826
Actuarial (gains) losses	1 632 651	12 006 878	1 632 651	12 006 878
	9 059 329	**16 937 928**	**9 059 329**	**16 937 928**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1 632 651	12 006 878	1 632 651	12 006 878

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,02 %	9,84 %	10,02 %	9,84 %
Consumer Price Inflation (c)	6,02 %	6,13 %	6,02 %	6,13 %
Health care Inflation (h)	7,52 %	7,63 %	7,52 %	7,63 %
Net discount rate (1+D)(I+H)-I)	2,33 %	2,05 %	2,33 %	2,05 %

Other assumptions

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

	One percentage point increase	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	10 337 261	7 617 336	10 337 261	7 617 336
Effect on defined benefit obligation	63 490 609	49 049 989	63 490 609	49 049 989

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

	2019 R	**2018 R**	**2017 R**	**2016 R**	**2015 R**
Defined benefit obligation	56 272 624	48 552 148	32 901 878	35 070 544	32 216 006
Surplus (deficit)	56 272 624	48 552 148	32 901 878	35 070 544	32 216 006
Experience adjustments on plan liabilities	9 059 329	16 937 928	(870 537)	2 854 538	4 393 102

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

8. Long Service Awards

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

Reconciliation of long service awards - June 2019	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	13 567 900	2 897 490	(1 549 790)	14 915 600

Reconciliation of long service awards - June 2018	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	12 018 079	2 858 895	(1 309 074)	13 567 900

The most recent acturial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by One Pangaea Expetise & Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Credit Unit Method.

At year end 857 (2018: 871) employees were eligible for the Long service awards.

The current service cost for the year ending 30 June 2019 was estimated to be R732 152 whereas the cost of the ensuing year is estimated to be R953 064.

The principle assumtpions used for the purpose of the acturial valuation were as follows:

Discount rate	7.94%	8.87%	7.94%	8.87%
Consumer price inflation	4.28%	5.41%	4.28%	5.41%
Normal salary increase rate	5.28%	6.41%	5.28%	6.41%
Net effective discount rate	2.53%	2.31%	2.53%	2.31%
	-	-	-	-

Changes in the present value of the long service awards are as follows:				
Opening balance	13 567 990	12 018 079	13 567 990	12 018 079
Current year service cost	732 152	1 490 523	732 152	1 490 523
Interest cost	1 134 748	957 663	1 134 748	957 663
Benefits paid	(1 549 790)	(1 309 074)	(1 549 790)	(1 309 074)
Acturial (gains) or losses	1 030 590	410 799	1 030 590	410 799
	14 915 690	**13 567 990**	**14 915 690**	**13 567 990**

The amount recognised in the statement of financial position are as follows:				
Present value of the long service awards wholly unfunded	14 915 690	13 567 990	14 915 690	13 567 990

Next expense recognised in the statement of financial performance				
Current service cost	732 152	1 490 523	732 152	1 490 523
Interest cost	1 134 748	957 663	1 134 748	957 663
Actuarial (gains)/ losses	1 030 590	410 799	1 030 590	410 799
	2 897 490	**2 858 985**	**2 897 490**	**2 858 985**

9. Current Employee Benefits

Staff Bonus Accrual	7 502 242	7 024 336	7 502 242	7 024 336

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018
Performance Bonus Accrual	1 014 470	1 158 844	-	1 158 844
Current Portion of Post-Retirement Benefits	2 868 929	1 338 853	2 868 929	1 338 853
Current Portion of Long Service Awards	2 426 045	1 549 790	2 426 045	1 549 790
	13 811 686	**11 071 823**	**12 797 216**	**11 071 823**

Other Current employee benefits - 2019	Opening Balance	Additions	Total
Staff Bonus Accrual	7 024 336	477 906	7 502 242
Performance Bonus Accrual	1 158 844	(144 374)	1 014 470
	8 183 180	**333 532**	**8 516 712**

Other Current employee benefits - 2018	Opening Balance	Additions	Total
Staff Bonus Accrual	5 701 463	1 322 873	7 024 336
Performance Bonus Accrual	1 067 688	91 176	1 158 864
	6 769 151	**1 414 049**	**8 183 200**

10. Prepayments

Prepayment relate to payments made to Eskom for connections as well as software licence fees paid in advance for future period and data for board members paid in advance for the next 22 months starting in July 2019.

Payments made in advance	13 035 256	10 831 010	13 006 341	10 765 507

11. Inventories

Consumable stores	11 398 511	15 950 362	11 398 511	15 950 362
Water for distribution	391 852	391 852	391 852	391 852
Inventories (write-downs)	-	-	-	-
	11 790 363	**16 342 214**	**11 790 363**	**16 342 214**

12. Receivables from non-exchange transactions

Sundry receivables - Roadworks subsidy	13 102 622	25 010 027	13 102 622	25 010 027
Local Municipalities	13 295 015	12 301 293	13 295 015	11 103 108
Rental and Eskom service deposits	9 846 153	8 617 179	9 846 153	8 617 179
Government grants and subsidies	-	1 589 215	-	1 589 215
Other debtors	4 279 262	4 100 271	4 279 262	4 100 271
	40 523 052	**51 617 985**	**40 523 052**	**50 419 800**

Government grants and subsidies consists of debtors raised for MIG.

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

Service deposits consists of rental deposits and Eskom service deposits.

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

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	40 523 052	51 617 985	40 523 052	50 419 800

The fair value of the other trade receivables from non-exchange transactions approximates their carrying amount.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

12. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are past due are not considered to be impaired.

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

0 to 60 days	-	-	-	-
- Roads	6 095 223	-	6 095 223	-
180 days plus	-	-	-	-
- Local Municipalities	13 295 015	12 301 293	13 295 015	11 103 108
- Rental and Eskom deposits	9 846 153	8 617 179	9 846 153	8 617 179
- Other debtors	4 279 262	4 100 271	4 279 262	4 100 271
- Roads subsidy	7 007 399	25 010 027	7 007 399	25 010 027
- Government grants subsidy	-	1 589 215	-	1 589 215
Total	40 523 052	51 617 985	40 523 052	50 419 800

Receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 40 523 052 (2018: R 51 617 985) were not impaired and provided for

None of the financial assets for the period ended 30 June 2019 have been determined individually for impairment

Receivables from non exchange pledged as security

None of the financial assets as disclosed are held as collateral nor have they been used for any other credit enhancements

13. VAT receivable

VAT	169 125 978	-	168 712 503	-

14. Receivables from exchange transactions

Gross balances				
Water	1 184 282 323	923 760 746	1 184 282 323	923 760 746
Sewerage	472 803 743	410 621 454	472 803 743	410 621 454
Sundry debtors	2 588 709	3 467 280	2 588 709	3 467 280
	1 659 674 775	**1 337 849 480**	**1 659 674 775**	**1 337 849 480**
Less: Allowance for impairment				
Water	(978 926 762)	(827 700 246)	(978 926 762)	(827 700 246)
Sewerage	(440 030 089)	(393 222 018)	(440 030 089)	(393 222 018)
Sundry debtors	(2 544 673)	(1 179 957)	(2 544 673)	(1 179 957)
	(1 421 501 524)	**(1 222 102 221)**	**(1 421 501 524)**	**(1 222 102 221)**
Net balance				
Water	205 355 561	96 060 500	205 355 561	96 060 500
Sewerage	32 773 654	17 399 436	32 773 654	17 399 436
Sundry debtors	44 036	2 287 323	44 036	2 287 323
	238 173 251	**115 747 259**	**238 173 251**	**115 747 259**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018

14. Receivables from exchange transactions (continued)

Water				
Current (0 -30 days)	99 255 814	23 105 367	99 255 814	23 105 367
31 - 60 days	40 570 297	29 099 908	40 570 297	29 099 908
61 - 90 days	25 228 548	15 335 721	25 228 548	15 335 721
91 - 120 days	25 455 651	36 154 802	25 455 651	36 154 802
121 - 365 days	238 679 535	101 345 139	238 679 535	101 345 139
> 365 days	755 092 477	718 719 809	755 092 477	718 719 809
Impairment allowance	(978 926 761)	(827 700 246)	(978 926 761)	(827 700 246)
	205 355 561	**96 060 500**	**205 355 561**	**96 060 500**

Sewerage				
Current (0 -30 days)	17 062 593	4 689 128	17 062 593	4 689 128
31 - 60 days	5 616 182	13 304 470	5 616 182	13 304 470
61 - 90 days	5 533 756	4 341 323	5 533 756	4 341 323
91 - 120 days	5 516 439	4 251 101	5 516 439	4 251 101
121 - 365 days	54 941 947	27 523 219	54 941 947	27 523 219
> 365 days	384 132 825	356 512 213	384 117 126	356 512 213
Impairment allowance	(440 030 088)	(393 222 018)	(440 030 088)	(393 222 018)
	32 773 654	**17 399 436**	**32 757 955**	**17 399 436**

Sundry debtors				
Current (0 -30 days)	38 805	28 171	38 505	28 171
31 - 60 days	5 231	18 045	5 231	18 045
61 - 90 days	2 533	9 120	2 533	9 120
91 - 120 days	4 903	31 534	4 903	31 534
121 - 365 days	23 653	89 608	23 653	89 608
> 365 days	2 513 583	3 290 802	2 513 583	3 290 802
Impairment allowance	(2 544 672)	(1 179 957)	(2 544 672)	(1 179 957)
	44 036	**2 287 323**	**43 736**	**2 287 323**

Reconciliation of allowance for impairment				
Balance at beginning of the year	(1 222 102 221)	(954 710 500)	(1 222 102 221)	(954 710 500)
Contributions to allowance	(199 399 303)	(267 391 721)	(199 399 303)	(267 391 721)
	(1 421 501 524)	**(1 222 102 221)**	**(1 421 501 524)**	**(1 222 102 221)**

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 604	4 235	4 200	4 200
Bank balances	104 594 114	(2 869 342)	104 191 343	(5 202 003)
Short-term deposits	273 729 096	266 048 406	273 723 783	266 043 695
	378 327 814	**263 183 299**	**377 919 326**	**260 845 892**

15. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
First National Bank - Current - 62002510693	98 656 166	75 220 724	80 515 606	98 656 166	(13 422 606)	(33 854 007)
First National Bank - Call - 62004499481	61 252	13 588 735	19 349 445	61 252	13 588 735	19 349 445
First National Bank - Call account - 62190652521 (CRR)	212 916 295	242 754 637	86 217 296	212 916 295	242 754 637	86 217 296
First National Bank - Call Account - 62187939784 Infrastructure	59 048 632	7 506 142	115 876 841	59 048 632	7 506 142	115 876 841
First National Bank - Call Account - 62187936532 (National)	1 297 853	1 166 978	7 233 597	1 297 853	1 166 978	7 233 597
First National Bank - Call Account - 62187938538 (Provincial)	399 693	1 027 204	1 254 167	399 693	1 027 204	1 254 167
First National Bank - Public Sector Cheque Account 62610267602	5 535 177	8 220 867	5 857 987	5 535 177	8 220 867	5 857 987
FNB Main 623 636 541 56	383 889	192 264	92 096	383 889	192 264	92 096
FNB Skills 623 960 858 99	1 743	484 812	31 101	1 743	484 812	31 101
FNB INV 623 789 429 18	5 313	4 711	4 374	5 313	4 711	4 374
FNB DEA 624 578 562 96	3 914	1 606 912	9 663	3 914	1 606 912	9 663
FNB CALL 625 418 515 74	3 709	3 991	10 594	3 709	3 991	10 594
FNB MECH 625 407 434 83	8 010	38 828	5 515	8 010	38 828	5 515
FNB PETTY 625 407 426 83	1 510	5 854	598	1 510	5 854	598
Total	**378 323 156**	**351 822 659**	**316 458 880**	**378 323 156**	**263 179 329**	**202 089 267**

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2019

	Capital replacement reserve	Accumulated Surplus	Total
Opening balance	50 896 894	4 052 141 169	4 103 038 063
Surplus	-	107 647 102	107 647 102
	50 896 894	**4 159 788 271**	**4 210 685 165**

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

	Capital replacement reserve	Other	Total
Opening balance	50 896 894	3 944 659 026	3 995 555 920
Surplus	-	194 564 570	194 564 570
	50 896 894	**3 944 659 026**	**3 995 555 920**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

16. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2019

	Capital replacement reserve	Accumulated Surplus	Total
Opening balance	50 896 894	4 044 523 524	4 095 420 418
Surplus	-	109 449 591	109 449 591
	50 896 894	**4 153 973 115**	**4 204 870 009**

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

	Capital replacement reserve	Accumulated Surplus	Total
Opening balance	50 896 894	3 740 700 278	3 791 597 172
Surplus	-	196 341 101	196 341 101
	50 896 894	**3 937 041 379**	**3 987 938 273**

17. Deferred tax

Deferred tax	277 963	272 441	-	-

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Provincial: Treasury	1 606 965	1 606 965	1 606 965	1 606 965
Chris Hani District Municipality irrigation Scheme	-	1 052 227	-	(1)
MIG Grant	80 000 178	-	80 000 178	-
National: Department of Rural Development and Land Reform	402 614	402 614	402 614	402 614
National: Sport and Development	16 140 327	16 140 327	16 140 327	16 140 327
Provincial: Office of the Premier	21 569	21 569	21 569	21 569
Provincial: Department of Transport	1 732 096	1 732 096	1 732 096	1 732 096
Provincial: Department of Economic Affairs	14 308 884	14 308 884	14 308 884	14 308 884
Provincial Department of Housing, Local Gvt and Traditional Affairs	1 158 656	1 158 656	1 158 656	1 158 656
ECDRDAR	1 047 376	924 978	-	-
Other Spheres of Government	7 162 449	7 162 449	7 162 449	7 162 449
Department of environmental affairs	-	1 644 253	-	-
Lapesi Project	42 197	42 197	42 197	42 197
CHDM Agricultural production support	136 929	136 929	-	-
CHDM SEZ facilitation	587 073	587 073	-	-
CHDM SMME Development and investment promotion	1 315 684	511 439	-	-
Provincial: RBIG	101 046 222	29 439 980	101 046 222	29 439 980
Provincial: Department of Economic Affairs and Trade	360 655	360 655	360 655	360 655
National: Finance Management Grant	1	1	1	1
DEDEAT: Rural Sustainable Villages	-	6 200 000	-	6 200 000
CHDM Livestock	1 206 227	-	-	-
National: Rural Roads Asset Management Grant (RRAM)	3 196 975	2 680 975	3 196 975	2 680 975
National: WSIG	49 692 137	-	49 692 137	-
MWIG	29 159 488	32 991 649	29 159 488	32 991 649
Provincial Ememergency housing	1 583 192	-	1 583 192	-
CHDM Bursary Fund	503 783	660 642	-	-
	312 411 677	**119 766 558**	**307 614 605**	**114 249 016**

19. Payables from exchange transactions

Trade payables	226 404 446	56 089 416	223 448 284	56 075 795
Payments received in advanced - contract in process	6 192 028	16 828 962	6 192 028	16 828 962
Retentions	34 604 572	32 601 201	34 604 572	32 601 201
Provision for performance bonuses: CHDA	1 202 692	1 014 469	-	-
Accrued leave pay	14 234 352	12 197 116	13 940 707	11 850 403
Deposits received	8 335	8 335	8 335	8 335
Other payables	24 989 777	19 427 859	24 989 777	19 427 859
Provision for 13th cheque	53 653	44 936	-	-
Payroll payables	252 817	20	-	-
	307 942 672	**138 212 314**	**303 183 703**	**136 792 555**

20. Payables from non-exchange

Income tax payable	-	3 024 818	-	-

21. VAT payable

VAT Payable	-	5 842 913	-	5 384 303

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

22. Consumer deposits

Water	441 108	329 186	441 108	329 186

23. Revenue

Service charges	305 466 551	275 035 828	305 466 551	275 035 828
Project income	21 189 059	16 352 260	-	-
Operating income	1 916 076	3 346 471	746 616	2 763 440
Interest received - investment	74 723 515	40 552 860	74 351 178	40 191 999
Government grants & subsidies	918 452 041	1 088 406 807	915 107 681	1 088 406 807
	1 321 747 242	**1 423 694 226**	**1 295 672 026**	**1 406 398 074**

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	305 466 551	275 035 828	305 466 551	275 035 828
Agency services	21 189 059	16 352 260	-	-
Operating income	1 562 057	3 346 471	746 616	2 763 440
Interest income	74 723 515	40 552 860	74 351 178	40 191 999
	402 941 182	**335 287 419**	**380 564 345**	**317 991 267**

The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Government grants & subsidies	918 452 041	1 088 406 807	915 107 681	1 088 406 807

24. Service charges

Service charges	34 711	158 068	34 711	158 068
Sale of water	249 329 356	221 807 577	249 329 356	221 807 577
Sewerage and sanitation charges	56 102 484	53 070 183	56 102 484	53 070 183
	305 466 551	**275 035 828**	**305 466 551**	**275 035 828**

25. Operating Income

26. Operating income

Agency Fees	70 470	379 015	-	41 371
Tender documents	496 629	467 232	471 629	367 512
Commission on collections	-	238 582	-	238 582
Sundry Revenue	719 971	2 261 642	-	2 115 975
Other income	274 987	-	274 987	-
	1 562 057	**3 346 471**	**746 616**	**2 763 440**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

27. Interest income

Interest revenue				
Bank	1 944 952	1 929 363	1 572 615	1 568 502
Interest - investments	34 283 108	27 268 026	34 283 108	27 268 026
Interest - debtors	38 495 455	11 355 471	38 495 455	11 355 471
	74 723 515	**40 552 860**	**74 351 178**	**40 191 999**
	-	-	-	-
	74 723 515	40 552 860	74 351 178	40 191 999

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

28. Transfers and subsidies

Other subsidies				
Adopted schools	-	20 657	-	20 657
VIP Toilets Expenditure (MIG Operational)	-	64 974 419	-	64 974 419
Chris Hani Development Agency	-	-	29 339 125	22 480 000
Sanitation (WSIG operational)	-	10 200 235	-	10 200 235
	-	**75 195 311**	**29 339 125**	**97 675 311**
Grants paid to ME's	-	-	-	-
Other subsidies	-	75 195 311	29 339 125	97 675 311

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

29. Government grants and subsidies

Operating grants				
Equitable share	524 527 000	507 459 000	524 527 000	507 459 000
National: Finance Management Grants	1 250 000	1 500 000	1 250 000	1 500 000
National: Municipal Infrastructure Grant	37 348 362	278 216 152	37 348 362	278 216 152
National: EPWP	6 158 000	10 037 000	6 158 000	10 037 000
National: Department of Transport - Rural Roads Asset Management	-	541 025	-	541 025
Government grant (operating) 6	(1)	-	(1)	-
LGSETA	669 190	364 060	669 190	364 060
Government grant Rural Sustainable Village	6 200 000	-	6 200 000	-
Government grant Roads	20 679 101	29 265 928	20 679 101	29 265 928
CHDA grant	3 344 360	-	-	-
	600 176 012	**827 383 165**	**596 831 652**	**827 383 165**

Capital grants				
Provincial: Treasury - COGTA	-	9 994 496	-	9 994 496
Government grant MIG	151 942 246	-	151 942 246	-
Water Services Infrastructure Grant	75 940 025	74 118 321	75 940 025	74 118 321
Regional Bulk Infrastructure Grant	90 393 758	176 910 825	90 393 758	176 910 825
	318 276 029	**261 023 642**	**318 276 029**	**261 023 642**
	600 176 012	827 383 165	596 831 652	827 383 165
	318 276 029	261 023 642	318 276 029	261 023 642
	918 452 041	**1 088 406 807**	**915 107 681**	**1 088 406 807**

Equitable Share

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

Chris Hani District Municipaity - Irrigation Schemes

Balance unspent at beginning of year	1 052 227	-	-	-
Current-year receipts	3 399 483	4 526 316	-	-
Conditions met - transferred to revenue	(4 451 710)	(3 474 089)	-	-
	-	**1 052 227**	**-**	**-**

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

CHDM Agricultural Production Support

Balance unspent at beginning of year	136 929	136 929	-	-

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

ECDRDAR

Balance unspent at beginning of year	924 978	76 092	-	-
Current-year receipts	2 889 000	3 462 853	-	-
Conditions met - transferred to revenue	(2 766 602)	(2 613 967)	-	-
	1 047 376	**924 978**	**-**	**-**

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

CHDM Livestock improvement grant

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

29. Government grants and subsidies (continued)

Current-year receipts	1 901 668	-	-	-
Conditions met - transferred to revenue	(695 441)	-	-	-
	1 206 227	**-**	**-**	**-**

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

Provincial: COGTA

Opening debtor balance	(1)	(15 725 808)	(1)	(15 725 808)
Current-year receipts	-	19 547 000	-	19 547 000
Conditions met - transferred to revenue	-	(9 994 497)	-	(9 994 497)
Other	-	6 173 304	-	6 173 304
	(1)	**(1)**	**(1)**	**(1)**

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

National: Municipal Infrastructure Grant (MIG)

Current-year receipts	270 880 000	292 340 000	270 880 000	292 340 000
Conditions met - transferred to revenue	(190 879 822)	(278 216 151)	(190 879 822)	(278 216 151)
Transfer to DHS unblocking debtor	-	(9 539 759)	-	(9 539 759)
Transfer to COGTA debtor	-	(6 173 305)	-	(6 173 305)
Transfer to debtor	-	1 589 215	-	1 589 215
	80 000 178	**-**	**80 000 178**	**-**

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

CHDM SEZ Facilitation

Balance unspent at beginning of year	587 073	969 430	-	-
Conditions met - transferred to revenue	-	(382 357)	-	-
	587 073	**587 073**	**-**	**-**

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

National: Regional Bulk Infrasturucture Grant

Opening debtor balance	29 439 980	(2 149 195)	29 439 980	(2 149 195)
Current-year receipts	162 000 000	208 500 000	162 000 000	208 500 000
Conditions met - transferred to revenue	(90 393 758)	(176 910 825)	(90 393 758)	(176 910 825)
	101 046 222	**29 439 980**	**101 046 222**	**29 439 980**

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

National: EPWP

Current-year receipts	6 158 000	10 037 000	6 158 000	10 037 000
Conditions met - transferred to revenue	(6 158 000)	(10 037 000)	(6 158 000)	(10 037 000)
	-	**-**	**-**	**-**

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

29. Government grants and subsidies (continued)

National: Municipal Water Infrastructure Grant

Balance unspent at beginning of year	32 991 649	27 109 961	32 991 649	27 109 961
Current-year receipts	-	80 000 000	-	80 000 000
Conditions met - transferred to revenue	(3 832 161)	(74 118 312)	(3 832 161)	(74 118 312)
	29 159 488	**32 991 649**	**29 159 488**	**32 991 649**

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

Department of Human Settlement Unblocking

Balance unspent at beginning of year	-	(23 037 221)	-	(23 037 221)
Current-year receipts	-	13 497 462	-	13 497 462
Transefer to MIG	-	9 539 759	-	9 539 759
	-	**-**	**-**	**-**

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

National: Finance Management Grant

Balance unspent at beginning of year	1	1	1	1
Current-year receipts	1 250 000	1 500 000	1 250 000	1 500 000
Conditions met - transferred to revenue	(1 250 000)	(1 500 000)	(1 250 000)	(1 500 000)
	1	**1**	**1**	**1**

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

Road subsidies

Opening debtor balance	-	(2 001 858)	-	(2 001 858)
Current-year receipts	32 586 506	21 917 670	32 586 506	21 917 670
Conditions met - transferred to revenue	(20 679 101)	(29 265 929)	(20 679 101)	(29 265 929)
Amount received relating to prior Debtor	(18 002 637)	-	(18 002 637)	-
Transferred to debtors	6 095 232	9 350 117	6 095 232	9 350 117
	-	**-**	**-**	**-**

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

Grant: Emergency Housing

Current-year receipts	1 583 192	-	1 583 192	-

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

CHDM SMME Development and Investment promotion

Balance unspent at beginning of year	511 439	227 165	-	-
Current-year receipts	5 003 725	3 760 713	-	-
Conditions met - transferred to revenue	(4 199 480)	(3 476 439)	-	-
	1 315 684	**511 439**	**-**	**-**

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

29. Government grants and subsidies (continued)

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

National: DOT - Rural Asset Management Grant

Balance unspent at beginning of year	2 680 975	-	2 680 975	-
Current-year receipts	3 229 000	3 222 000	3 229 000	3 222 000
Conditions met - transferred to revenue	(2 713 000)	(541 025)	(2 713 000)	(541 025)
	3 196 975	**2 680 975**	**3 196 975**	**2 680 975**

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

Department of Environmental Affairs

Balance unspent at beginning of year	1 644 253	-	-	-
Current-year receipts	15 329 419	6 968 640	-	-
Conditions met - transferred to revenue	(16 973 672)	(5 324 387)	-	-
	-	**1 644 253**	**-**	**-**

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

Water services Infrastructure Grant (WSIG)

Current-year receipts	137 300 000	-	137 300 000	-
Conditions met - transferred to revenue	(87 607 863)	-	(87 607 863)	-
	49 692 137	**-**	**49 692 137**	**-**

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

CHDM Bursary fund

Balance unspent at beginning of year	660 642	425 485	-	-
Current-year receipts	2 500 000	2 000 000	-	-
Conditions met - transferred to revenue	(2 656 859)	(1 764 843)	-	-
	503 783	**660 642**	**-**	**-**

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

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

CHDM Livestock improvement

Current-year receipts	1 901 668	-	-	-
Conditions met - transferred to revenue	(695 441)	-	-	-
	1 206 227	**-**	**-**	**-**

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

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

CHDA Grant

Current-year receipts	20 680 000	-	-	-
Conditions met - transferred to revenue	(3 344 360)	-	-	-

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018
29. Government grants and subsidies (continued)				
Intercompany transfer	(17 335 640)	-	-	-
	-	**-**	**-**	**-**

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

30. Employee related costs

Basic	206 644 417	194 101 273	195 665 015	183 329 519
Bonus	16 262 099	15 795 196	15 059 407	13 876 194
Medical aid - company contributions	29 305 360	13 565 988	28 855 465	13 181 272
UIF	1 602 571	1 541 842	1 561 898	1 503 887
WCA	49 046	33 765	-	-
SDL	32 924	-	-	-
Leave pay provision charge	7 979 918	5 177 886	7 816 668	4 992 463
Industrial Council Levies	86 256	71 140	86 256	71 140
Defined contribution plans	8 469 694	732 488	7 720 477	-
Travel, motor car, accommodation, subsistence and other allowances	25 377 367	26 521 791	25 377 367	26 521 791
Overtime payments	11 791 339	11 683 692	11 791 339	11 683 692
Long-service awards	3 031 387	2 599 522	3 031 387	2 599 522
Housing benefits and allowances	2 166 271	1 866 978	2 166 271	1 866 978
Pensions Fund Contributions	30 824 821	28 060 208	30 824 821	28 060 208
Group Life Insurance	1 229 283	817 289	1 229 283	817 289
	344 852 753	**302 569 058**	**331 185 654**	**288 503 955**

Remuneration of Municipal Manager - M.A. Mene

Annual Remuneration	-	801 890	-	801 890
Car Allowance	-	344 148	-	344 148
Performance Bonuses	635 891	-	635 891	-
Contributions to UIF, Medical and Pension Funds	-	184 544	-	184 544
Other	-	255 595	-	255 595
	635 891	**1 586 177**	**635 891**	**1 586 177**

The municipal manager resigned on 13 March 2018.

Remuneration of Chief Finance Officer - N. Fetsha

Annual Remuneration	1 320 084	1 158 365	1 320 084	1 158 365
Car Allowance	372 268	281 197	372 268	281 197
Performance Bonuses	169 833	-	169 833	-
Contributions to UIF, Medical and Pension Funds	1 785	8 473	1 785	8 473
Service bonus	83 204	-	83 204	-
Other	7 615	127 776	7 615	127 776
Housing Allowance	-	161 110	-	161 110
	1 954 789	**1 736 921**	**1 954 789**	**1 736 921**

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

Annual Remuneration	1 069 346	978 643	1 069 346	978 643
Car Allowance	395 837	392 636	395 837	392 636
Contributions to UIF, Medical and Pension Funds	229 777	8 473	229 777	8 473
Service bonus	169 926	-	169 926	-
Other	-	571 966	-	571 966
	1 864 886	**1 951 718**	**1 864 886**	**1 951 718**

Remuneration of Director: Health Services - Y. Sinyanya

Annual Remuneration	1 179 763	998 454	1 179 763	998 454
Car Allowance	408 448	400 420	408 448	400 420
Contributions to UIF, Medical and Pension Funds	217 848	213 892	217 848	213 892

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018
30. Employee related costs (continued)				
Service Bonus	169 967	83 204	169 967	83 204
Other	7 720	6 923	7 720	6 923
	1 983 746	**1 702 893**	**1 983 746**	**1 702 893**

Remuneration of Director: Integrated Planning and Development - Z. Shasha

Annual Remuneration	1 057 180	976 952	1 057 180	976 952
Car Allowance	406 976	393 738	406 976	393 738
Performance Bonuses	165 441	-	165 441	-
Contributions to UIF, Medical and Pension Funds	213 411	208 279	213 411	208 279
Other	7 643	96 561	7 643	96 561
	1 850 651	**1 675 530**	**1 850 651**	**1 675 530**

Remuneration of Director: Strategic Services - B. Mthembu

Annual Remuneration	1 240 882	1 158 365	1 240 882	1 158 365
Car Allowance	402 898	377 924	402 898	377 924
Contributions to UIF, Medical and Pension Funds	157 013	43 737	157 013	43 737
Service bonus	83 204	-	83 204	-
Other	105	203 698	105	203 698
	1 884 102	**1 783 724**	**1 884 102**	**1 783 724**

Remuneration of Director: Technical Services - M. Dungu

Annual Remuneration	525 230	1 158 365	525 230	1 158 365
Car Allowance	146 242	384 749	146 242	384 749
Contributions to UIF, Medical and Pension Funds	20 767	52 788	20 767	52 788
Service bonus	80 021	-	80 021	-
Other	3 105	231 610	3 105	231 610
	775 365	**1 827 512**	**775 365**	**1 827 512**

Remuneration of the Chief Executive Officer: CHDA

Annual Remuneration including social contributions	812 248	1 450 204	-	-
Performance Bonuses	151 823	141 257	-	-
Contributions to UIF, Medical and Pension Funds	54 592	100 092	-	-
	1 018 663	**1 691 553**	**-**	**-**

Remuneration of Chief Finance Officer : CHDA

Annual Remuneration including social contributions	1 348 078	1 203 471	-	-
Performance Bonuses	128 640	117 896	-	-
Contributions to UIF, Medical and Pension Funds	115 708	110 098	-	-
	1 592 426	**1 431 465**	**-**	**-**

Remuneration of Executive Manager Operations: CHDA

Annual Remuneration including social contributions	1 258 534	1 195 126	-	-
Performance Bonuses	128 640	119 821	-	-
Contributions to UIF, Medical and Pension Funds	121 885	110 098	-	-
	1 509 059	**1 425 045**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

31. Remuneration of councillors

Executive Major	1 215 547	1 002 142	1 215 547	1 002 142
Deputy Executive Mayor	277 865	-	277 865	-
Mayoral Committee Members	5 141 791	5 096 343	5 141 791	5 096 343
Speaker	843 697	878 310	843 697	878 310
Councillors	3 420 208	3 417 091	3 420 208	3 417 091
Chief Whip	766 117	767 890	766 117	767 890
	11 665 225	**11 161 776**	**11 665 225**	**11 161 776**

32. Depreciation and amortisation

Property, plant and equipment	156 468 092	140 731 059	154 876 510	139 135 600
Intangible assets	653 003	1 378 308	653 003	1 378 308
	157 121 095	**142 109 367**	**155 529 513**	**140 513 908**

33. Finance costs

Interest cost	266 610	117 085	266 610	117 085
Late payment of tax	730 445	139 979	-	-
	997 055	**257 064**	**266 610**	**117 085**

34. Debt impairment

Debt impairment	173 390 698	267 391 721	173 390 698	267 391 721

35. Bulk purchases

Electricity - Eskom	628 938	196 550	-	-
Water	19 156 293	16 178 054	19 156 293	16 178 054
	19 785 231	**16 374 604**	**19 156 293**	**16 178 054**

36. Contracted services

Presented previously				
Outsourced Services	97 336 459	113 259 658	97 336 459	113 259 658
Consulting and professional fees	32 368 540	10 531 076	32 368 540	10 531 076
Other Contractors	151 058 235	89 679 254	117 865 692	71 326 993
Total	280 763 234	213 469 988	247 570 691	195 117 727

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

37. General expenses

Accounting fees	8 400	-	-	-
Advertising	4 236 216	3 568 245	3 994 470	3 173 829
Auditors remuneration	8 706 928	7 678 740	6 840 434	5 878 066
Bank charges	1 545 915	1 493 226	1 495 684	1 463 108
Cleaning	62 174	66 198	-	-
Commission paid	-	385 101	-	385 101
Computer expenses	9 085 722	8 157 486	9 085 722	8 157 486
Consumables	6 292 938	466 340	6 292 938	466 340
Tools and equipment	-	863 883	-	863 883
Entertainment	2 773 225	1 586 802	2 652 423	1 453 734
Hire	1 032 631	284 618	1 032 631	284 618
Insurance	1 943 972	1 001 366	1 779 440	840 568
Education and Marketing	985 845	1 070 006	985 845	1 070 006
IT expenses	250 708	335 681	-	-
Motor vehicle expenses	1 961 418	1 638 872	1 959 738	1 638 872
Fuel and oil	26 081 648	22 869 177	25 962 962	22 757 669
Postage and courier	308 216	1 130 336	304 820	1 126 484
Printing and stationery	8 287 919	7 829 530	8 114 969	7 589 073
Protective clothing	2 052 387	1 089 890	2 052 387	1 089 890
Security (Guarding of municipal property)	153 943	78 375	-	-
Software expenses	366 283	303 644	-	-
Staff welfare	17 823 539	834 040	17 823 539	834 040
Subscriptions and membership fees	11 587 288	3 820 798	11 560 779	3 808 520
Telephone and fax	3 787 777	4 526 954	3 655 933	4 406 677
Bad debts written off	-	-	-	213 181
Travel - local	20 057 198	16 784 445	19 361 095	16 161 309
Travel - overseas	-	150 412	-	-
Annual report	71 125	63 743	-	-
Corporate research	105 841	60 096	-	-
Assets expensed	3 373 731	947 893	3 358 363	907 568
Electricity	36 261 223	40 139 384	36 148 109	40 050 043
Rates	401 595	376 975	401 595	376 975
Water sampling	145 626	637 874	145 626	637 874
Refuse	77 132	38 450	77 132	38 450
Rates	10 406	9 169	-	-
Penalties	9 351 124	-	9 351 124	-
Public events/ Imbizo	1 078 097	2 806 690	1 078 097	2 806 690
Study assistance reimbursements	1 260 369	1 249 747	157 042	160 570
Board fees	842 750	805 661	-	-
Communication	1 274 313	970 072	1 266 435	967 051
Approved courses	-	778	-	-
Recruitment costs	3 164	10 657	-	-
Indingent Subsidy	11 350 853	23 447 875	11 350 853	23 447 875
Staff training and development	231 946	14 880 029	-	14 533 961
Chemicals	8 651 931	4 440 688	8 651 931	4 440 688
Skills Development Levy	2 824 134	2 319 211	2 824 134	2 319 211
Operating lease	5 614 638	5 855 599	5 614 638	5 855 300
Repairs and Mantenance (CHDA)	46 341	47 391	-	-
	212 368 629	**187 122 147**	**205 380 888**	**180 204 710**

38. Auditors' remuneration

External audit fees	7 779 118	6 874 187	6 840 434	5 878 066
Internal audit fees	927 810	804 553	-	-
	8 706 928	**7 678 740**	**6 840 434**	**5 878 066**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

39. Cash generated from operations

Surplus	107 647 102	194 564 570	109 449 591	196 341 101
Adjustments for:				
Depreciation and amortisation	157 121 095	142 109 367	155 254 470	140 510 752
Gain on sale of assets and liabilities	155 654	741 888	155 654	741 888
Debt impairment	173 390 698	267 391 721	173 390 698	267 391 721
Bad debts written off	-	-	-	-
Movements in operating lease assets and accruals	536 730	(1 106)	536 730	(1 106)
Movements in retirement benefit assets and liabilities	12 030 627	14 970 840	12 030 627	14 970 840
Changes in working capital:				
Inventories	4 551 851	(5 300 464)	4 551 851	(5 300 464)
Receivables from exchange transactions	(123 999 735)	(43 656 497)	(122 425 992)	(43 740 713)
Other receivables from non-exchange transactions	11 094 933	26 246 370	9 896 748	27 444 555
Prepayments	(2 204 246)	(65 503)	(2 240 834)	-
Payables from exchange transactions	169 730 356	(72 786 811)	166 391 148	(71 593 957)
VAT	(174 968 890)	68 987 555	(174 096 806)	68 272 680
Trade and other payables from non exchange)	(3 024 818)	302 025	-	-
Unspent conditional grants and receipts	192 645 119	47 885 074	193 365 589	44 202 633
Consumer deposits	111 922	114 226	111 922	114 226
	524 818 398	**641 503 255**	**526 371 396**	**639 354 156**

40. Tax refunded

Current tax for the year recognised in surplus or deficit	5 522	261 635	-	-

41. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2019

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	239 831 672	239 831 672
Other receivables from non-exchange transactions	-	40 523 052	40 523 052
Cash and cash equivalents	378 327 814	-	378 327 814
	378 327 814	**280 354 724**	**658 682 538**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	307 942 672	307 942 672

Economic entity - 2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	115 831 937	115 831 937
Other receivables from non-exchange transactions	-	51 617 985	51 617 985
Cash and cash equivalents	276 605 905	-	276 605 905

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

41. Financial instruments disclosure (continued)

	276 605 905	**167 449 922**	**444 055 827**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	138 212 314	138 212 314
Bank overdraft	13 422 606	-	13 422 606
	13 422 606	**138 212 314**	**151 634 920**

Controlling entity - 2019

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	238 173 251	238 173 251
Other receivables from non-exchange transactions	-	40 523 052	40 523 052
Cash and cash equivalents	377 919 326	-	377 919 326
	377 919 326	**278 696 303**	**656 615 629**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	303 183 703	303 183 703

Controlling entity - 2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	115 747 259	115 747 259
Other receivables from non-exchange transactions	-	50 419 800	50 419 800
Cash and cash equivalents	274 264 498	-	274 264 498
	274 264 498	**166 167 059**	**440 431 557**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	136 792 552	136 792 552
Bank overdraft	13 422 606	-	13 422 606
	13 422 606	**136 792 552**	**150 215 158**

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Infrastructure	625 591 235	840 842 992	625 591 235	863 688 560
• Buildings	188 181 242	184 152 833	188 181 242	203 949 280
• Other	64 466 605	61 887 331	55 241 311	59 824 297
• Community	3 684 641	17 711 225	3 684 641	18 466 721
	881 923 723	**1 104 594 381**	**872 698 429**	**1 145 928 858**

Total capital commitments				
Already contracted for but not provided for	881 923 723	1 104 594 381	872 698 429	1 145 928 858

Authorised operational expenditure

Total commitments

Total commitments				
Authorised capital expenditure	881 923 723	1 104 594 381	872 698 429	1 145 928 858

This committed expenditure relates to property, plant and equipment and will be mainly financed by Infrastructure grants as well as available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (Buildings)

Minimum lease payments due				
- within one year	1 968 300	1 139 643	1 897 977	1 069 320
- in second to fifth year inclusive	109 030	729 519	103 170	653 336
	2 077 330	**1 869 162**	**2 001 147**	**1 722 656**

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

Operating leases - as lessee (Other Equipment)

Minimum lease payments due				
- within one year	2 228 812	-	2 228 812	-
- in second to fifth year inclusive	3 714 686	-	3 714 686	-
	5 943 498	**-**	**5 943 498**	**-**

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

The total future minimum lease payments expected to received under non-cancellable sublease	7 841 475	7 122 656	7 841 475	1 722 656

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

43. Contingent Liabilities

The municipality is party to the following litigation matters.

Litigations				
Contractual claim by Ziphi-niphi Enterprise against Eyethu Engineers and CHDM. There has been no further action by plaintiff.	-	196 660	-	196 660
Claim by Volcano Sales & Transport CC regarding the supply and delivery of materials.Plea of denial of alleged cession and delivery note and denial that cession is valid in law. The matter has not been taken further.	-	78 885	-	78 885
Claim by GK Water (t/a GK water solutions) against CHDM in respect of services rendered.Defendant has raised an Exception and exception is pending. The matter has not been taken further for more than a year. The plaintiff lodged 2 claims of R648,399.50 and R742,687.38	-	1 591 027	-	1 591 027
Claim by Cradock Golf Club against CHDM and one other in respect of damages. Special Plea of non-compliance with Section 3 of Act 40 of 2002 and misjoinder and Plea overfilled The matter has not been taken further since May 2016.	-	57 265	-	57 265
Claim by Civil and General Construction CC	500 000	-	500 000	-
Claim by T O Madywabe against CHDM in respect of damages for personal injury.	-	17 000	-	17 000
Claim by Norland Construction (Pty) Limited against CHDM in respect of services rendered. There has been no further action plaintiff since 30 November 2016.	-	2 362 442	-	2 362 442
Claim by Element Consulting Engineers (Pty) Ltd against CHDM for goods supplied and services rendered. Summons issued for breach of contract. Action defended. Plaintiff applied for Summary Judgment. Summary Judgment opposed. Leave to Defend granted. No further action taken by Plaintiff.	-	1 517 246	-	1 517 246
Claim by City Square Trading 204 (Pty) Ltd against CHDM and one other for goods supplied and services rendered.	8 500 000	5 559 088	8 500 000	5 559 088
Claim by Edward Silas Bikitsha against CHDM for damages suffered due to unlawful utilisation of land.	-	858 000	-	858 000
Application by Vezizinto Co-operative to interdict CHDM and 4 others for using applicant's land.	-	100 000	-	100 000
Claim by Oducure Eastern Cape (Pty) Ltd for breach of contract. The case has been inactive since the special pleas of non-joinder and lack of locus standi and also of authority were filed. Instead a new action against the party that was joined has been instituted.	-	230 052	-	230 052
Plaintiff, Total Laboratory Technologies, issued summons against the Municipality for goods allegedly, supplied and delivered. Judgment was granted by default. The Municipality partially disputes the claim, and hence is in the process of applying for the rescission of judgment.	125 000	221 296	125 000	221 296

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018
43. Contingent Liabilities (continued)				
Plaintiff, Arise and Shine Security &Cleansing Services, brought a claim for services rendered and outstanding claims against the Municipality. Matter has been defended and the Municipality is in the process of filing a counterclaim for a lost generator.	400 000	452 500	400 000	452 500
The Applicant, Mawethu Magida, is making an application to rescind a judgement that was granted in default on behalf of the Respondent.	500 000	650 000	500 000	650 000
The Defendant has defended the action brought by Telkom so as to ascertain where the incident occurred.	100 000	164 940	100 000	164 940
Applicant (Moppo Mene) making an application to set the decision of Council to rescind his appointment aside. Matter has been opposed, and papers in opposition have been filed. No replying affidavit has been filed. Matter is still pending. The liability will be limited to the remuneration amount for the remainder of the contract of employment.	200 000	500 000	200 000	500 000
Great Fish River Water Users Association: Payment of government water charges and sub-area scheme charges. The Defendant has defended the action.	-	1 007 923	-	1 007 923
Claim by A.M. Putter and 4 others regarding obligation of CHDM to pay medical aid contributions to surviving spouse of deceased employee/ retired employee. Awaiting judgment and amount is indeterminable.	300 000	300 000	300 000	300 000
Claim by Zuziwe Booi against CHDM and 2 other.	-	250 000	-	250 000
Claim by Civil and General Construction CC: Application to interdict and restrain CHDM from continuing with tender process and are awarding tender to Urban Africa Services pending hearing of main Application which is for the review and setting aside of the decision to award the bid to Urban Africa Services. Opposed Main Application enrolled for hearing on 4 August 2016. Matter decided in the municipality's favour, but the Applicant has applied for leave to appeal the decision of the Court. Application for Leave to Appeal granted. Appellant has prosecuted Appeal. Appeal heard, and granted in favour of the Appellant. Municipality has filed Leave to Appeal to the SCA.	-	400 000	-	400 000
Claim by Ikamva Architects and MMPA Quantity Surveyors and projects managers (Pty) Ltd: Application to interdict and restrain CHDM from continuing with tender process and are awarding tender to Clarence Bobie & Partners pending hearing of main Application which is for the review and setting aside of the decision to award the bid to Clarence Bobie & Partners. Matter settled and settlement made Order of Court.	-	400 000	-	400 000
Claim by Zandisile Yafele: Plaintiff brought an application for an order for an order to declare the refusal to grant him access to information unlawful. Matter has been opposed.	-	70 000	-	70 000
Claim by MEC for COGTA - EC: The Applicant is making an application to declare the appointment of the 4th Respondent as null and void. Matter not opposed	-	200 000	-	200 000

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018
43. Contingent Liabilities (continued)				
Directors have performance agreements which were signed in the begining of the year. Performance reviews are done and submitted to council for approval, after which the director will recieve a bonus. At year end, performance reviews were not done. Once reviews are done and directors have met thier performance targets, the council will have the final approval for the payment of the bonus. Depending on the approval of by council, the municipality might be liable to pay R992 952 as perfomance bonus to the directors who has met their targets.	992 952	-	992 952	-
	11 617 952	**17 184 324**	**11 617 952**	**17 184 324**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

44. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Ultimate controlling entity	Chris Hani Distric Municipality
Controlling entity	Chris Hani Distric Municipality
Controlled entities	Chris Hani Development Agency 5
Close family member of key management	Qwati Tolo Farms - Wife Ms. Bolekwa Kama is working at DWS.
Joint venture of key management	Amatola Irrigation & Civils (Daughter Rebecca Ross is working for DOE)
Associate of close family member of key management	Nombeza - Wife Zanele Sodladla is working at Ingquza Hill Municipality.
Emakhonzeni Harvey World	Spouse of directors are in the service of the state: MR TC Madikane spouse to Mrs Madikane is a CETA Board Member MR SR Zikode spouse to Mrs Zikode is working at DTI as Deputy Director General
Members of key management	Key Management of the Municipality have Relationships with Businesses as Indicated Below
Somkoko Mvuyeleni	Member of Jange and Mlungu Civils; Spouse is a member of Kuvala 205 Trading Enterprise
Delubom Lindile	Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares
Memani Thobela Headwell	Child is a Member of Vunoleo Building & Civil Youth Construction
Makonza Asanda	100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction &Projects
Shasha Mzwamadoda Moses	100% Membership in Safika Rural Development Consultants
Mapatwana Ntombizanele	Member of Brainwave Project 205
Katsere Tendai	35% Membership of Mazvita Trading; 100% Membership of Jekeso Communications; Member of Relilite Investments; Spouse is a member of Umzali Trading Enterprise
Gobeni Nonelela	Director of Hi-Lite Development Agency; Member Of Ulutho Funerals
Makwabe Thandisizwe	50% Membership in Mokoti Construction
Tito Sibongile	Director of Smith Tabata
Lucando Bulelani	33% membership in El Shaddai Civil and Building Contractors
Petela Neziwe	Member of Kumbu &Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas 1413
Baatjies Eldridge Denzil	Director in BS Holdings
Dlova Zingisile Gidion	Director in Zinbar Enterprise
Madikane Thozama	50% Membership in Secreets Trading; 50% Membership in Koelro No 106; 100% Membership In Silkyline Hair Studio
Nqwemeshe Nomvuyo	Spouse is a member of Liso Security Services &Trading

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

44. Related parties (continued)

COUNCILLORS	Refer to list of councillors disclosed under general information. Councillors of the municipality have relationships With businesses as indicated below:
Cengani Jongumzi	25% Membership in Four of us Construction & Development; 50% Membership in Manga Trading Enterprise; 100% Membership in Ntandoyam Trading 44; 33% Membership in CMZTours
Deliwe Zanemvula	Director of Beyond 2030 Consulting Services; Member of Top-Town Farmers Agricultural Cooperation
Dyantyi Sinethemba Reginald	Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre
Gela Wongama	Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuselu'Iuntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading
Goniwe Nyameka	33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions
Koyo Mxolisi Clifford	Director of Tsomo Valley Farmers; 100% Membershipin MBK Consulting Services; Spouse Has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service
Mdwayingana William	Member of Mdwamtwa Construction &faciliation; Member of Mpoza-mpoza Business Solutions; Member of Masichume Fattening Agriculture; Director of Bring About
Mfundsi Nomalizo	33% Membership in Hewu Farming Project
Myataza Saziso	Member of Hluthamhlali Multi-purpose Trading
Nquma Nombuyiselo Patricia	33,40% Membership in Fenas and Nquma Civils And Property Developers
Radzilani NR	Member of Forecast Traders
Roskruge N	0% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

44. Related parties (continued)

Shweni ZR	Spouse is a member of Shweni Trading, Ngxongounathi security, Bomi investment Holdings, Bomi investment Holdings, Eand So civil engineering and construction, Hlumisa Travelling Agency, Ezomso training and conference centre, Lilitha vehicle hire, Manzana Mancoba and Shweni Heavy Duty Transportation Olona Trading and Project.
Twani Sylvia	Director of Qamata Tembisile Hani Intergrated Energy Centre Co-operative limited
Vimbayo Kholisa	Member of Border Rural Committee; 50% membership in Sikho Social Development Facilitators
MUNICIPAL EMPLOYEES	Employees of the municipality have Relationships with businesses as Indicated below:
Hlahla Mtibe NNV	Spouse is a member of Yovo Trading Enterprise
MR MM Shasha- Senior manager WSA	Spouse/Partner/Associate NOMALIZO MONICA DAMOYI has an interest in BITLINE SA 1060CC
MR MT MAVUNDHLA- WSP: O & M techn (Inkwanca)	Spouse/Partner/Associate AGNES MAKAZI MATROSS has an interest in MAMA TROSKIE TRADING ENTERPRISE

Related party transactions

	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018
Transactions with related parties				
K2011115430 (Pty) Ltd			-	3 900
Phaletu 0513 Event Management			-	40 000
Wezi Gqiza			9 450	52 525
Buyile No 88 Construction and Catering			15 200	14 600
Kokwenu Bed and Breakfast			-	3 200
Mduba General Trading			7 500	8 250
Mesilane Projects			-	20 400
Ubomi Civils Construction Services			717 568	2 169 232
Unako Fencing and Construction			-	12 500
Chris Hani Choral Music Association			249 600	176 500
Ntribo General Trading			-	28 200
Nqantiko Construction and Projects			-	40 000
Valotone 94 CC			-	1 905 628
Amagqika Trading Enterprise (Pty) Ltd			-	7 825
Keith Ngesi Media (Pty) Ltd			211 250	29 350
My Kyns Services and Suppliers			-	8 000
Ian S Development Services			55 770	54 780
Vodacom (Pty) Ltd			834 164	281 197
Mangwane na Maqwathi Holdings			-	2 400
Nonala Tose Productions			-	30 000
Likhamandla Trading			-	11 490
Ngcobo Multi Media Trading			-	15 580
Arcon Projects			-	6 450
Izaphetha Trading and Projects			9 900	-
Guardrisk Life Limited (Medway)			3 000	-
Rumdel Construction (CAPE) (PTY) (LTD)			5 050 548	-
Chris Hani Development agency : Employee with interest			38 661 185	-
Amounts inclued in Trade Receiveable/ Payable regarding related parties				
Operational grant short fall			-	1 198 185

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

44. Related parties (continued)

Other outstanding Invoices (Assets)			-	20 657

Transactions Conducted with Service Providers with family members in the service of the state

Qwati Tolo Farms			-	695 760
Nombeza			-	13 350
Emakhonzeni Harvey World			109 766	-

45. Prior period errors

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

Errors 1

CHDM : Decrease in payables from exchange transactions. 17 121 970
Corrections of rentions liability for 2017/18 and recognition of accruals 2017/18 financial year...

CHDA: Increase in payables 1 904
Correction of understated invoice

The following prior period errors adjustments occurred:

Error 2

CHDM : Increase in VAT Payable 1 84 7727
Correction of transactions incorrectly posted to the VAT account

CHDA : Decrease in VAT Payable 248
Vat Payable overstated- due to the invoice under trade payables that was submitted late the vat portion of it R 248.39 to the invoice under trade payables that was submitted late the vat portion of it

CHDA: Increase in Income Tax Liability 162 046
Income tax liability was understated and the actual assessed amount is R 162 04.79

CHDA: Increase in deferred tax 85 148
Deffered tax liability has been understated due to changes made on PPE due to classification of airconditioners and blinds from building to furniture and fittings amounting to R 85 148.00.

Error 3

Increase in the receivables from exchange transactions (Consumer debotrs) 2 479 212

Recognition of transactions from age analysis to the general ledger

Error 4

CHDM: Decrease in property, plant and equipment 371 264 285

Restatement of Work in Progress.

CHDA: Decrease in Property, plant and equipment 47 718
During Asset review in it was identified that blinds and airconditioner should be
classified as furniture and fitting not to be included in the buildind therefore making depreciation for furniture accumulated to be understated by R 47 718.00.

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

45. Prior period errors (continued)

Error 5

Increase in intangible assets				15 867

Change in useful lifes of intangible assets for 2018 and the adjustment of amortisation expense thereof.

Error 6

CHDM: Opening accumulated surplus				95 614 890

Differences identifed in the accumulated surplus.

CHDA: Opening accumulated surplus				9 117 647

Differences identifed in the accumulated surplus

Error 7

CHDM: Decrease in employee benefit obligation				3 643 392

Restatement of obligation with adjustments from actuarial valuation

CHDA: Increase in perfomance bonus				1 014 470

Error 8

Decrease in other income				532 998

Correction of vat on conditional granted incorrectly accounted for

Error 9

Decrease in subsidies and transfers				94 533 599

Reclassification of community projects and CSPS to contracted services

Error 10

Decrease in general expenditure				3 813 400

Reclassification of expenditure that incorrectly classified and reclassification of transfers to conform with MSCOA.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

45. Prior period errors (continued)

Error 11

Decrease in employee related costs. 4 931 050

Adjustments with regards to movements in employee benefit obligation.

Error 12

Decrease in depreciation 7 867

Adjustments of buildings depreciation which was overstated

Error 13

Increase in contracted services 98 346 959

Reclassification of transfer to conform with MSCOA alignment

Error 14

Increase in loss and disposal of liabilities 635 200

Adjustments of register ,write off land and buildings from fixed asset register

Error 15

Increase in commitments 257 407 063

Adjustments of commitments register and update with new contracts identified

46. Risk management

Financial risk management

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

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

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

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

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

46. Risk management (continued)

Liquidity risk

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

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

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

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

Credit risk

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

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

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

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

Financial instrument	**Economic entity - 2019**	**Economic entity - 2018**	**Controlling entity - 2019**	**Controlling entity - 2018**
Cash and Cash equivalents - FNB	378 327 814	263 183 299	377 919 326	260 845 892

Market risk

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

47. Events after the reporting date

There were no non- adjusting events after the reporting date.

48. Unauthorised expenditure

Opening balance as previously reported	616 684 082	619 064 041	-	619 064 041
Opening balance as restated	**616 684 082**	**619 064 041**	**-**	**619 064 041**
Add: Unauthorised Expenditure - prior period	-	657 381	-	657 381
Less: Amount written off - current	-	(3 037 340)	-	(3 037 340)
Closing balance	**616 684 082**	**616 684 082**	**-**	**616 684 082**

49. Fruitless and wasteful expenditure

Opening balance as previously reported	3 994 633	3 597 638	3 854 654	3 597 638
Opening balance as restated	**3 994 633**	**3 597 638**	**3 854 654**	**3 597 638**
Add: Fruitless and Wasteful Expenditure: CHDM	267 617	257 016	267 617	257 016
Add: Fruitless and Wasteful Expenditure: CHDA	923 617	166 225	-	-
Less: Amount recovered from staff - CHDA	(17 011)	(6 615)	-	-
Less: Amount recovered from staff - CHDA	(176 160)	(19 631)	-	-
Add: Penalty and interest from Department of labour (CHDM)	9 351 124	-	9 351 124	-
Add: Advance payment for services not recieved (CHDM)	584 348	-	584 348	-
Closing balance	**14 928 168**	**3 994 633**	**14 057 743**	**3 854 654**

Investigation for Fruitless and Wasteful expenditure is in progress

The Fruitless and Wasteful Expenditure is made up of interest and penalty for late payment and services not received.

50. Irregular expenditure

Opening balance	1 382 073 473	1 247 716 185	1 382 073 473	1 247 716 185
Add: Irregular Expenditure - current year	94 803 866	134 357 288	94 759 714	134 357 288
Add: Irregular Expenditure - prior year (adjustment)	**1 476 877 339**	**1 382 073 473**	**1 476 833 187**	**1 382 073 473**
Closing balance	**1 476 877 339**	**1 382 073 473**	**1 476 833 187**	**1 382 073 473**

Analysis of Irregular expendiure awaiting condonation per age analysis

Current year	94 803 866	134 357 288	94 759 714	134 357 288
Prior years	1 382 073 473	1 247 716 473	1 382 073 473	1 247 716 185
	1 476 877 339	**1 382 073 761**	**1 476 833 187**	**1 382 073 473**

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

50. Irregular expenditure (continued)

Details of irregular expenditure

1. Proof that the bidder has no undisputed commitments for municipal services for which payment is overdue for more than 90 days, Could not be obtained; No proof of registration with CIBD; Original or certified copy of BEE Certificate could not be obtained; Company registration documents not attached.	35 463 838	106 655 742	35 463 838	106 655 742
2. Inherited from LM - No documentation could be found as the appointment was made before SCM came into effect	91 559	740 739	91 559	740 739
3. No documentation could be found as the appointment was made before SCM came into effect	11 457 377	12 640 505	11 457 377	12 640 505
4. Incorrect PPPFA Points used in the advert, specificaton, evaluation and adjudication, as the project was advertised after 01 April 2017 using the old regulation after the implementation of the revised PPPFA.	19 763 080	-	19 763 080	-
5. No declaration made by winning bidders regarding past 5 years; No evidence of risk assessmnet being conducted by CHDM for the awarded bidder.	10 071 904	-	10 071 904	-
6. The tender was adevrtised for less than the required number of days as per the SCM regulations (i.e <30 days)	186 300	-	186 300	-
7. Procurement process not followed (Operating)	17 769 808	3 164 658	17 725 656	3 164 658
8, Procured as RFQ and extension of scope was done without following the bidding process	-	11 155 644	-	11 155 644
	94 803 866	**134 357 288**	**94 759 714**	**134 357 288**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	3 140 930	2 838 641	3 140 930	2 838 641
Amount paid - current year	(3 140 930)	(2 838 641)	(3 140 930)	(2 838 641)
	-	-	-	-

Audit fees

Current year subscription / fee	9 675 935	7 678 740	7 809 441	5 878 066
Amount paid - current year	(9 675 935)	(7 678 740)	(7 809 441)	(5 878 066)
	-	-	-	-

PAYE and UIF

Current year subscription / fee	35 937 873	41 852 636	35 751 375	41 852 636
Amount paid - current year	(35 937 873)	(41 852 636)	(35 751 375)	(41 852 636)
	-	-	-	-

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

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

Pension and Medical Aid Deductions

Current year subscription / fee	46 201 270	41 445 845	45 751 375	41 061 129
Amount paid - current year	(46 201 270)	(41 445 845)	(45 751 375)	(41 061 129)
	-	-	-	-

VAT

VAT receivable	169 125 978	-	168 712 503	-
VAT payable	-	5 842 913	-	5 384 303
	169 125 978	**5 842 913**	**168 712 503**	**5 384 303**

All VAT returns have been submitted during the year based on a 1 month, category C tax period, ie submission is due on the last day of each of the 12 months. The municipality uses the payments Basis to account for the tax payable.

52. Deviation from supply chain management regulations

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

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

The municipality does not have any deviations for the 2018/19 financial year.

53. Water Distribution Losses

Water losses	8 404 804	119 259 745	8 404 804	119 259 745

The Municiplaity incurred water distribution losses in the current year estimated at 15% amounting to R8 408 804.

The Municiplaity incurred water distribution losses in the current year estimated at 59% amounting to R119 259 745.

54. Deferred tax

55. Taxation

Tax Reconciliation	-	-	-	-
Accounting profit	(1 802 491)	(1 776 531)	-	-
Taxation @ 28%	(504 697)	(497 429)	-	-
Tax effect on non deductible amounts	204 525	39 194	-	-
Portion of tax loss previously not recognised now used to reduce deferred tax	5 522	99 589	-	-
Portion deductible temporary differences recognised in deferred tax	294 650	358 646	-	-
	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2019	2018	2019	2018

56. Budget differences

Material differences between budget and actual amounts

The following reasons for differences between actual and budget encompasses both the consolidated and the controlling entity.

Revenue:
1. Service charges: increase on billing is caused by the fixed tariff implemented during the financial year 2018/19
2. Other Income: The budget was based on the actual budget; Employee telephone bill was cancelled in the current year; Vat on conditional grants corrected in the year for prior year.
3.Interest Income : The municipality has invested more and interst charge on debtors during the financial year
4. Government Grants and subsidies: This amount includes capital grants
5. Project Income:The agency anticipated to receive funds as per the agreements signed but there were delays in project implementation therefore delaying the receipt funds.
6. Agency Fees: Management fees were anticipated to be received from external funders that we are implementing projects on their bahalf but the conditions of the projects didnt allow management fees to used outside the project scope.

Expenditure

1. Employee related : Over expenditure arose due to increase on bonus and pension fund contribution.
2. Remunerationn of Councillors: The decrease is caused by the changes in the council
3. Depreciation and armotization: CHDM did accommodate the adjustement budget, however the actual deprecaition increase was not anticipated by the municipality
4. Finance cost: The budget is sitting at general expence.
5. Bulk Purchase: The budget was based on the prior actuals
6. Contracted services: The under expenditure was caused by the underspending on the MIG VIP
7. Transfers and subsidies: The budget for transfers and subsidies is reflected under general expenses as CHDA.
8. General expenses: Under expenditure was due to the budget that was allocated, however the municipality paid less than the budgeted amount as the projects moved over 2019/2020
9. Debt Impairment: The underspending was caused by the CHDM did not done the bad write off.
In the Prior year there was backdated billing amounting to R 45million which was fully impaired as they were above 180 days old, per the credit policy. The budget was done based on the prior year impairment

Differences between budget and actual amounts basis of preparation and presentation
Changes from the approved budget to the final budget
The changes between the final and adjusted budget are consequence of changes in the municipal performance and additional funding receipts from states institutions. For details on these changes please refer to the annual report.