CITY OF
TSHWANE
IGNITING EXCELLENCE

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

Legal form of entity	Municipality (MFMA)
Mayoral committee	
Executive Mayor	Ramokgopa, Kgosientso
	Mosupyoe, Morakane (Speaker)
Councillors	Mabona, Jabu (Chief Whip)
	Pillay, Subesh (MMC: Economic Development & Planning)
	Ngonyama, Joshua(MMC: Housing and Sustainable Human Settlement)
	Malapane, Nkele (Ms) (MMC: Agriculture and Environment)
	Mashego, Terence (MMD: Safety and Security)
	Mabiletsa, Dorothy (Ms) (MMC: Finance)
	Kgaditse, Faith (Ms) (MMC: Sport, Recreation, Arts and Culture)
	Matjila, George (MMC: Roads and Transport)
	Zitha, Percy (MMC: Public Works and Infrastructure)
	Moselelane, Sibongile (Ms) (MMC: Health and Social Development)
	Mmoko, Thembi (Ms) (MMC: Corporate and Shared Services)
Grading of local authority	High Capacity (Metro)
Accounting Officer	Ngobeni, Jason Telephone: 012-358 4901
Chief Financial Officer (CFO)	Dyakala, Andile Telephone: 012-358 8100
Registered office	Isivuno House cnr Madiba Rd and Lillian Ngoyi Street PRETORIA 0002
Postal address	P O Box 408 PRETORIA 0002
Bankers	Standard Bank
Auditors	Auditor-General South Africa (AGSA)
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa (Act 108 of 1996) Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Entities consolidated	Consistent with the prior financial year the following Municipal entities were included in the Consolidated Annual Financial Statements: Housing Company Tshwane Sandspruit Works Association Tshwane Economic Development Agency (TEDA)
Entities dormant/being disestablished	Metsweding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA

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

CERTIFICATION BY CITY MANAGER

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 annual consolidated financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual consolidated 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 audit opinion on the annual consolidated financial statements and are given unrestricted access to all financial records and related data of the municipality.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the group and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal controls 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 annual consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these annual consolidated financial statements, which are set out from pages 22 to 131, in terms of Section 126(1) of the Municipal Finance Management Act, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Jason Ngobeni
CITY MANAGER

Pretoria
30 September 2012

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND COUNCIL ON THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the City of Tshwane Metropolitan Municipality set out on pages 24 to 132, which comprise the consolidated and separate statement of financial position as at 30 June 2012, and the consolidated and separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the City of Tshwane Metropolitan Municipality (municipality) and its entities as at 30 June 2012, and their financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

8. As disclosed in note 53 to the financial statements, the municipality is the defendant in various court cases and disputes. The ultimate outcome of these matters cannot presently be determined and / or reliably measured, therefore no provision for any liabilities that may result has been made in the financial statements.

Restatement of corresponding figures

9. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of various errors discovered during the year ended 30 June 2012.

Material losses

10. As disclosed in note 59 to the financial statements, material losses amounting to R389 200 000 (2011: R296 760 000) were incurred as a result of water distribution losses, which represent 24,70% (2011: 28,64%) of total water available for sale and are due to burst pipes, non-metering of water and unauthorised consumption.

11. As disclosed in note 60 to the financial statements, material losses amounting to R673 475 523 (2011: R375 939 558) were incurred as a result of electricity distribution losses which represent 12,11% (2011: 9,32%) of total electricity available for sale. The total technical losses of electricity amounted to R333 675 523 (2011: R242 039 558). Non-technical losses amounted to R339 800 000 (2011: R139 000 000) and are due to theft, tampering and faulty meters.

Material impairments

12. As disclosed in note 19 to the financial statements, receivables have been significantly impaired. The impairment of receivables amounts to R2 945 403 331 (2011: R2 233 923 917) which represent 52% (2011: 46%) of consumer debtors and the contribution to provision for doubtful debts for the year under review amounted to R711 479 414 (2011: R319 839 109).

Additional matter

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

14. The supplementary information set out on pages 133 to 142 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

PREDETERMINED OBJECTIVES

16. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages … to … of the annual report.

17. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information* (FMPPI).

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

18. The material findings are as follows:

City of Tshwane (Municipality)

Reliability of information

Accuracy – reported performance not accurate

19. The FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 31% of the actual reported performance relevant to provision of basic service, roads and storm water and sustainable communities with clean, healthy and safe environments and integrated social services were not accurate when compared to source information. This was due to a lack of monitoring and review by senior management of the recording of actual achievements and non-compliance with internal reporting processes.

Sandspruit Works Association SOC Ltd (Sandspruit Work Association)

Usefulness of information

Presentation - Measures taken to improve performance not disclosed

20. Improvement measures in the annual performance report that were not achieved for a total of 41% of the planned targets was not disclosed as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Housing Company Tshwane SOC Ltd (Housing Company Tshwane)

Usefulness of information

Presentation - Measures taken to improve performance not disclosed

21. Improvement measures in the annual performance report that were not achieved for a total of 100% of the planned targets was not disclosed as required by section 46 of the MSA. This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency of information

Reported objectives are not consistent with planned objectives/indicators/targets

22. Section 41(c) of the MSA requires that the actual achievements against all planned indicators and targets must be reported annually. One hundred percent of the objectives, indicators and targets as per the annual performance report and the mid year performance assessment report did not agree to the initial objectives, indicators and targets set out in the business plan for 2011-12. This was due to inadequate internal policies and procedures over the monitoring of compliance with laws and regulations and over processes pertaining to the reporting on performance information.

No budget allocation for the reported strategic objectives

23. There was no budget allocation for the reported strategic objectives because the reported objectives were not approved by the parent municipality and are not consistent with the approved business plan which is in line with the service delivery agreement. This was due to inadequate internal policies and procedures over the monitoring of compliance with laws and regulations.

Measurability of information

Performance targets not specific

24. The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 34% of the targets relevant to the development of up to 1078 new units of affordable and quality rental units by 2014 (Greenfield projects), the promotion and guarantee of excellent service provision, striving for financial stability, the management of rental housing stock effectively and efficiently, ensuring that Housing Company Tshwane is financially sustainable and liquid by 2012-13, improving occupancy rate to 100% on all our buildings under management and effective management of finances, assets, systems and human capital were not specific in clearly identifying the nature and the required level of performance. Management was aware of the requirements of the FMPPI but did not comply with it.

Performance targets not measurable

25. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 80% of the targets relevant to the recovery and rehabilitation of “bad buildings” with rental capacity of 1701 units by 2014 (Brownfields projects), development up to 1078 new units of affordable and quality rental units by 2014 (Greenfields projects), the promotion and guarantee of excellent service provision, striving for financial stability, the management of rental housing stock effectively and efficiently, ensuring that Housing Company Tshwane is financially sustainable and liquid by 2012-13, improving occupancy rate to 100% on all our buildings under management and designing and implementing an institutional transformation plan strategy to improve corporate governance structure and ensure adequate capacity to achieve the 5 year strategic objectives. Management was aware of the requirements of the FMPPI but did not comply with it.

Performance targets not time bound

26. The FMPPI requires that the time period or deadline for delivery be specified. A total of 71% of the targets relevant to the recovery and rehabilitation of “bad buildings” with rental capacity of 1701 units by 2014 (Brownfields projects), development up to 1078 new units of affordable and quality rental units by 2014 (Greenfields projects), the promotion and guarantee of excellent service provision, striving for financial stability, the management of rental housing stock effectively and efficiently, effective management of finances, assets, systems and human capital, designing and implementing an institutional transformation plan strategy to improve corporate governance structure and ensure adequate capacity to achieve the 5 year strategic objectives were not time bound in specifying a time period or deadline for delivery. Management was aware of the requirements of the FMPPI but did not comply with it.

Performance Indicators not well defined

27. The FMPPI requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 30% of the indicators relevant to the development of up to 1078 new units of affordable and quality rental units by 2014 (Greenfield projects), the promotion and guarantee of excellent service provision, striving for financial stability, the management of rental housing stock effectively and efficiently, ensuring that Housing Company Tshwane is financially sustainable and liquid by 2012-13, improving occupancy rate to 100% on all our buildings under management, designing and implementing an institutional transformation plan strategy to improve corporate governance structure and ensure adequate capacity to achieve the 5 year strategic objectives were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. Management was aware of the requirements of the FMPPI but did not comply with it.

Indicators not verifiable

28. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 86% of the indicators relevant to development of up to 1078 new units of affordable and quality rental units by 2014 (Greenfield projects), the promotion and guarantee of excellent service provision, striving for financial stability, the management of rental housing stock effectively and efficiently, ensuring that Housing Company Tshwane is financially sustainable and liquid by 2012-13, improving occupancy rate to 100% on all our buildings under management, effective management of finances, assets, systems and human capital and designing and implementing an institutional transformation plan strategy to improve corporate governance structure and ensure adequate capacity to achieve the 5 year strategic objectives were not verifiable in that valid processes and systems that produce the information on actual performance did not exist.

Reliability of information

Validity - reported performance not valid

29. The FMPPI requires that processes and systems which produce the indicator should be verifiable. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity of the actual reported performance relevant to 64% of the objectives. This was due to lack of processes and information systems and Housing Company Tshwane's records not permitting the application of alternative audit procedures.

Additional matter

30. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

31. Of the total number of 19 targets planned, 8 targets were not achieved during the year under review for the Municipality. This represents 42% of total planned targets that were not achieved. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process and the municipality not considering appropriate systems to measure the objectives during the annual strategic planning process.

32. Of the total number of 32 targets planned, only 19 were achieved during the year under review for Sandspruit Work Association. This represents 41% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

33. One hundred percent of planned targets were not achieved during the year under review for Housing Company Tshwane. This was mainly due to the fact that indicators and targets were not suitably set during the strategic planning process and different objectives were adopted by the entity.

Material adjustments to the annual performance report done for municipality

34. Material adjustments in the annual performance report were identified during the audit, all of which were corrected by management.

COMPLIANCE WITH LAWS AND REGULATIONS

35. I performed procedures to obtain evidence that the municipality and its municipal entities has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Budget

36. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

37. The total unforeseen and unavoidable expenditure incurred exceeded R15 000 000 in contravention of Municipal Budget and Reporting Regulation 72.

Annual financial statements

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements in the provision for doubtful debts, liabilities and investment property for the municipality, Sandspruit Works Association and Housing Company Tshwane respectively, identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

39. Awards were made to providers whose directors/ principal shareholders are persons in the service of the municipality, in contravention of National Treasury's Municipal Supply Chain Management regulation (SCM regulation) 44. Furthermore the providers failed to declare that they were in the service of the municipality, as required by SCM regulation 13(c). Reasonable steps taken were not fully effective to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

40. Awards were made to providers whose directors/ principal shareholders are persons in the service of other state institutions for both the municipality and Sandspruit Works Association, in contravention of SCM regulation 44. Similar awards, in contravention of SCM regulation 44, were identified in the prior year and the steps taken were not fully effective to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

41. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

42. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

43. Quotations and deviation contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Expenditure Management

44. The accounting officer of the municipality and Housing Company Tshwane did not take effective steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

INTERNAL CONTROL

45. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

46. The accounting officer inadequately reviewed the monthly and quarterly financial and performance reports. Material adjustments were therefore required on both the annual financial statements and the annual performance report. The municipality and entities did not have sufficient monitoring controls to ensure the proper implementation of the process of reporting on predetermined objectives as information on both Sandspruit Works Association and Housing Company Tshwane were found not to be useful and the actual performance reported for the municipality and Housing Company Tshwane were not reliable.

Financial and performance management

47. The municipality's system of record management that provides for the maintenance of information which supports the reported performance contained in the annual performance report was not fully effective. This includes information that relates to the collection, collation, verification, storing and reporting of actual performance information. Non-compliance with laws and regulations such as the MFMA, SCM regulations and PPPF Act regulations could have been prevented had compliance been properly reviewed and monitored.

OTHER REPORTS

Investigations

48. In terms of Proclamation no. R62 of 2010, the President of South Africa has assigned the Special Investigation Unit to investigate various issues on the state of affairs of the municipality. The investigation includes SCM, fraud and financial misconduct.

49. The forensic audit section of the internal audit division investigated and finalised 275 cases for the financial year under review. The nature of the cases covered a wide spectrum of activities including supply chain management, fraud and financial misconduct.

Auditor - General

Johannesburg
14 December 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

Towards the end of the previous financial year, Statistics South-Africa stated that the country is formally out of the global recession. This means that the economy is rallying and that we are therefore on our way back to financial stability. Further, the financial turnaround strategies engineered by the City were showing a positive impact which resulted in the credit rating changing from negative to stable till the end of November 2011.

The political leadership of the city had a significant role to play in strengthening the link between government's priorities and spending plans, with the goal to enhance service delivery aimed at improving the quality of life for all people within the City.
The main challenges experienced during the 2011/12 financial year can be summarised as follows:

- Cost of absorbing temporary workers employed through the labour brokers, in a phased manner, as permanent employees and provision for the payment of benefits from 1 July 2012
- Additional requests for funds regarding capital and operating expenditure
- Limited funds for the filling of critical vacancies
- Tariff increases in bulk purchases from Eskom and Rand Water
- Increasing upward pressure on affordability of services by residents - continuous high tariff increases are clearly not sustainable currently
- Inclusion of costs regarding the incorporation of the Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities and expectations regarding increased service delivery
- Cash backing of capital reserves, provisions and unspent conditional grants

In all of the above the City had to do more with less as a budget principle. To ensure that the City continues to deliver on its core mandate and achieve its developmental goals, measures such as the Cash-flow-Management Intervention Initiatives and Strategy, Long-term Financial Model, the Budget Policy, revenue enhancement, budget principles, fund management tool, etc are in place. From its inception the City of Tshwane has always been guided by the national imperative of building a democratic developmental government and will continue to do so as the largest metropolitan municipality in the country

2. Operational and Financial Performance Review

The City of Tshwane, during the State of the City Address launched a new logo with the slogan “Igniting Excellence”. It is a pleasure for me as the Chief Financial Officer to present the annual financial statements for the year ended 30 June 2012 as part of igniting excellence.

It is our responsibility to ensure that the annual financial statements of the City of Tshwane present the financial position of the City and financial performance and cash flows for the year ended required by South African Standards of Generally Recognised Accounting Practice and Municipal Finance Management Act 56 of 2003. The management and leadership of the City played a significant role to fulfil this mandate and responsibility, thereby also managing limited resources and economic condition challenges while focusing on effective service delivery.

It is the City's commitment to promote sound and good governance in pursuit of a clean audit opinion from the Auditor General. This concept is institutionalized in the City through implementing a sound and effective internal control environment.

For the year ended 30 June 2012 the City of Tshwane showed growth in revenue, capital expenditure and uncompromising commitment to the people of Tshwane to support social infrastructure despite the resources being constrained. Indeed people of Tshwane come first “Batho pele”. It was important for the City not to compromise in adapting to circumstances and change to do things differently in ensuring that the basic needs of the community are addressed.

Various financial initiatives were continuously implemented during the financial year in anticipation of these adverse economic conditions to place City of Tshwane in its best possible position to mitigate the economic impact.

The prudent financial management has paid off as indicated by the credit rating granted by Moody's credit rating company during the first half of the financial year. This reflects the effectiveness of the City's efforts towards fiscal recovery and improved liquidity position. Despite the increase of electricity and water tariffs, which had resulted in lower usage, a constant revenue growth was still experienced by the City of Tshwane. Notwithstanding improved results, the City of Tshwane remains conscious of the fact that demand for services continues to outstrip its resources while key performance indicators show the municipality and its entities to be within its internal targets.

Cost control has also become more important to maintain affordability and ensure that City of Tshwane honours its financial commitments to all stakeholders.

City of Tshwane financial framework:

Assessment rates and service charges	Grants and subsidies	Other revenue	Total revenue	Total expenditure	Surplus *
Up 22.3% (Group = 22.2%) R 14.091 billion (Group = R14.070 billion)	Up 42.2% R3.561 billion	Down 6.6% (Group = 6.8%) R0.562 billion billion (Group = R0.597 billion)	Up 30.3% (Group = 30.0%) R19.795 billion (Group = R19.832 billion)	Up 23.3% (Group = 23.2%) R17.738 billion (Group = R17.806 billion)	Up 156.9% (Group = 151.8%) R2.033 billion (Group = R2.026 billion)

Assessment Rates
Service Charges

Employee Costs

General Expenditure
Bulk Purchases

Economic infrastructure

Social infrastructure

Community returns

Finance cost

Surplus and cash generation

*High increase due to net gain on transfer of functions

The City of Tshwane's financial framework is shown to indicate strong operational performance allowing the group to pay its finance costs and interest.

The incorporation of the Metsweding District Municipality and the local municipalities of Nokeng-tsa-Taemane and Kungwini resulted in the City of Tshwane becoming the largest metropolitan municipality in South Africa. The incorporation also provided the City the wide range of new opportunities to diversify its revenue base and the new areas brought valuable resources e.g. vast tracts of vacant, undeveloped land, agricultural or farming communities, mining enterprises, eco-tourism, forestry and fishing.

3. ACCOUNTING FRAMEWORK FOR 2011/12

No changes to the accounting framework were implemented during the 2011/12 financial year. Additional standards were approved by the Accounting Standards Board during the financial year, but no standards became effective before 30 June 2012.

4. FINANCIAL STATISTICS AND FINANCIAL RATIO'S

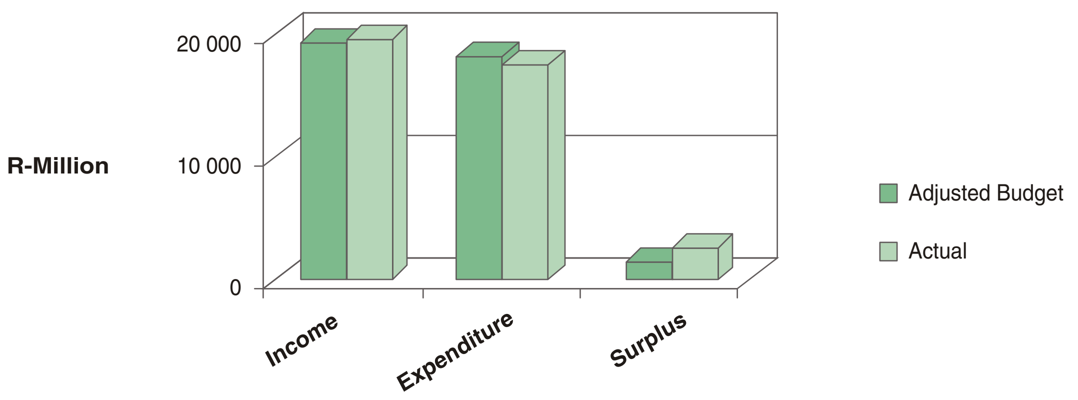
Financial statistics	2011/12		2010/11	
	Municipality	Group	Municipality	Group
Cash and Investment balances (R)	1 015 280 639	1 055 105 035	983 431 653	1 034 292 901
Growth in total revenue (%)	30.3%	30.0%	12.4%	14.1%
Growth in total expenditure (%)	23.3%	23.2%	10.4%	12.4%
Growth in grants (%)	42.2%	42.2%	0.01%	(0.2%)
Growth in assessment rates (%)	16.3%	16.3%	8.0%	8.5%
Growth in service charges (%)	24.4%	24.3%	22.6%	18.4%
Growth in capital expenditure (%)	38.9%	38.9%	1.8%	1.8%
Surplus (R)	R2 032 579 408	R2 025 848 090	R791 190 815	R804 522 236
Growth in total gross debtors (%)	18.4%	20.1%	12.6%	10.7%
Growth in total net debtors (%)	10.2%	7.5%	9.3%	7.4%
Growth in net consumer debtors (%)	6.8%	3.6%	11.5%	10.1%

3. REVIEW OF OPERATING RESULTS

The 2011/12 budget of the City of Tshwane was approved by Council on 28 April 2011 and the Adjustment Budget was approved by Council on 23 February 2012.

3.1 General

Details of the 2011/12 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. Below is a graphical presentation of the operating results:



The overall operating results for the year ending 30 June 2012 are as follows:

Description	Adjusted Budget 2012	Adjusted Budget 2012	Actual 2012	Actual 2012	Variance Actual/ Adjusted Budget	Actual 2011 Restated	Actual 2011 Restated
	Group R'000	Municipality R'000	Municipality R'000	Group R'000	Group %	Municipality R'000	Group R'000
Accumulated surplus: Opening			1 877 166	1 915 999		1 391 050	1 416 552
Operating revenue	19 668 700	19 316 632	19 795 286	19 832 542	0.83	15 197 243	15 254 371
	19 668 700	**19 316 632**	**21 672 452**	**21 748 541**		**16 588 293**	**16 670 923**
Operating expenditure	18 403 369	18 051 301	17 762 707	17 806 694	(3.24)	14 406 052	14 449 849
Sundry transfers *	1 265 331	1 265 331	(7 351 194)	(7 351 195)		305 075	305 075
Accumulated surplus: Year End			11 260 939	11 293 042		1 877 166	1 915 999
	19 668 700	**19 316 632**	**21 672 452**	**21 748 541**		**16 588 293**	**16 670 923**

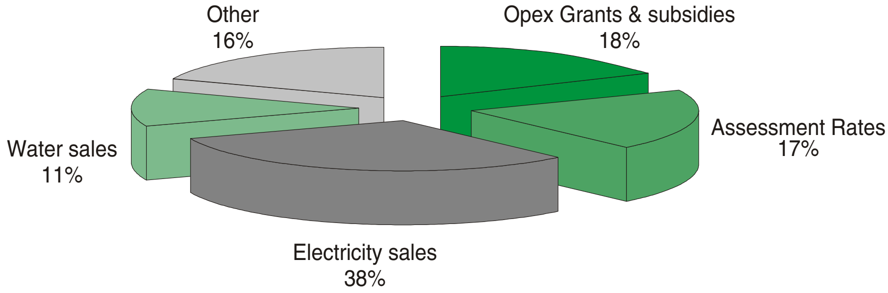
*Sundry transfers consist of transfers from the reserves as the Capital replacement reserve, Capitalisation reserve and Capital Grants and Donations reserve were written back against the accumulated surplus during 2011/12

The actual net expenditure of the Municipality reflects an increase of 23.3 %(Group = 23.2%) while the actual revenue of the Municipality has increased by 30.3% (Group = 30.0%) since 2011/12. The largest increase on revenue occurred on Assessment rates (16.3%), service charges (24.3%), government grants and subsidies (42.2%). A further factor contributing to the large increase in revenue is the net gain on the transfer of functions in the municipality (not cash but the net effect of all assets and liabilities taken over on 1 July 2011).

The largest increase on expenditure occurred on remuneration (11.9%), bulk purchases (37.6%), repair and maintenance (13.7%), general expenditure (17.3%) depreciation (25.2%), debt impairment (35.7%) and loss on disposal of PPE (100%).

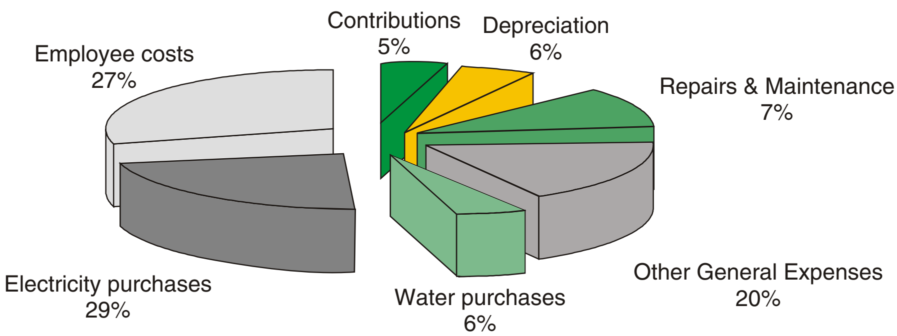
5.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



5.3 Operating expenditure

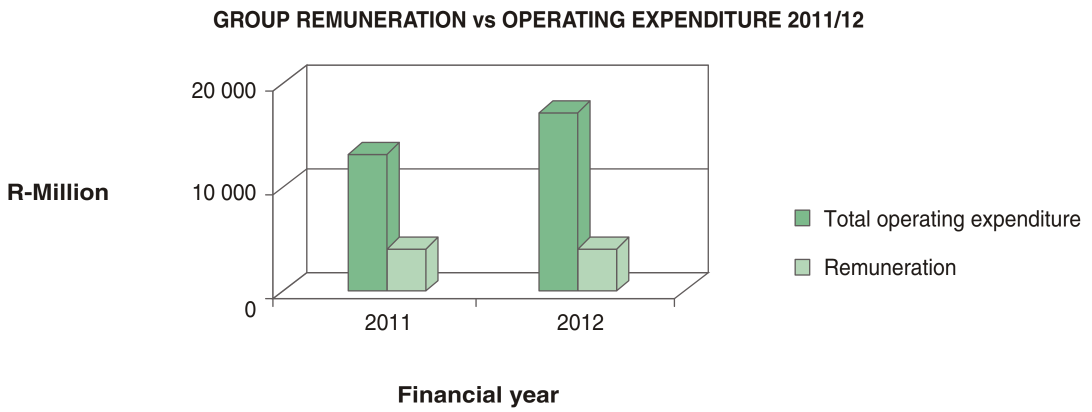
The graph below indicates the breakdown per main expenditure group.



5.4 Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a decrease from 29.41% in 2010/11 to 26.72% in 2011/12. The group decreased from 29.79% to 27.04%. This decrease is due to the fact that the remuneration increased at a lower percentage (11.9%) compared to the increase in the total expenditure (23.3%). According to INCA a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33%.

Description	2011/12		2010/11	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Total operating expenditure	17 738 401	17 806 694	14 406 052	14 449 849
Total operating revenue	19 795 286	19 832 542	15 197 243	15 254 371
Employee remuneration	4 739 894	4 815 285	4 236 966	4 304 766
Ratio: % of total expenditure	26.72%	27.04%	29.41%	29.79%
Ratio: % of total revenue	23.94%	24.28%	27.88%	28.22%
% Growth in remuneration	11.9%	11.9%	20.4%	20.5%

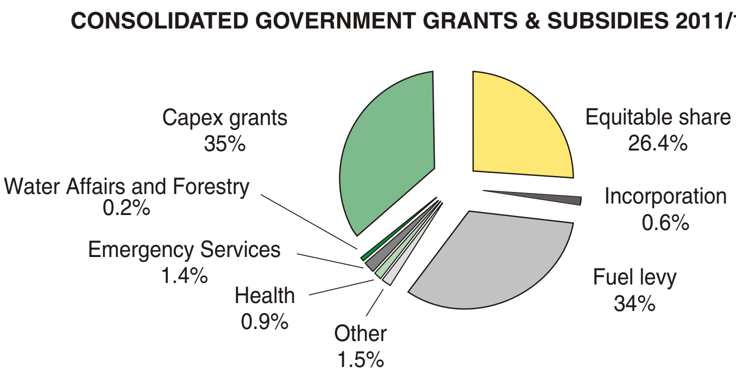


5.5 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

Description	2011/12		2010/11	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Equitable share	923 020	923 020	717 978	717 978
Primary Health Care subsidy	27 325	27 325	27 272	27 272
Emergency Management Subsidy	47 902	47 902	44 415	44 415
Equitable Share Fuel Levy	1 191 521	1 191 521	1 085 816	1 085 816
Opex grants and donations	2 814	2 814	41 186	41 186
Finance Management Grant	5 116	5 116	673	673
DWAF grant	6 926	6 926	6 664	6 664
DACE	0	0	103	103
Topstructure grant	93 057	93 057	13 294	13 294
HIV/AIDS	5 310	5 310	1 627	1 627
Community Library services	5 848	5 848	6 427	6 427
Capex grants and donations	1 225 796	1 225 796	496 494	496 494
PTIS opex	3 645	3 645	60 816	60 816
USDG (MIG) opex	3 060	3 060	1 685	1 685
Incorporation grant	20 000	20 000	0	0
	3 561 340	**3 561 340**	**2 504 450**	**2 504 450**

Below is a graphical presentation of the categories.



6. ANALYSIS OF FINANCIAL POSITION AS AT 30 JUNE 2012

Type	June 2012 Municipality R'000	June 2012 Group R'000	June 2011 Municipality R'000	June 2011 Group R'000	Variance (R) Group R'000	Variance Group (%)
Current assets	4 963 653	5 030 379	4 476 430	4 465 261	565 118	12.66
Non-current assets	20 723 469	20 750 912	17 161 048	17 190 635	3 560 277	20.71
Total Assets	**25 687 122**	**25 781 291**	**21 637 478**	**21 655 896**	**4 125 395**	**19.05**
Current liabilities	5 978 879	6 037 826	4 922 023	4 897 878	1 139 948	23.27
Non-current liabilities	8 077 149	8 080 270	7 116 942	7 120 671	959 599	13.48
Total liabilities	**14 056 028**	**14 118 095**	**12 038 965**	**12 018 549**	**2 099 546**	**17.47**
Net Assets	**11 631 093**	**11 663 196**	**9 598 514**	**9 637 348**	**2 025 848**	**21.02**

The following is a summary of the most critical ratios:

Financial Statistics	2011/12		2010/11	
	Municipality	Group	Municipality	Group
Current asset ratio	0.80:1	0.80:1	0.90:1	0.90:1
Acid test ratio	0.73:1	0.73:1	0.84:1	0.84:1
Solvability ratio	1.83:1	1.83:1	1.80:1	1.80:1
Total long-term debt to total revenue*	34.02%	33.98%	39.60%	39.48%
Inventory turnover	2.62 times	2.62 times	2.86 times	2.86 times
Overdraft (cashbook) plus short-term loans to total operating revenue	4.69% #	4.88% #	5.66% #	5.97% #
Cash to interest coverage	6.39:1	6.37:1	3.33:1	3.38:1
Capital charges to total operating revenue	11.88:1	11.88:1	10.65:1	10.651
Debt to cash ratio	1.66:1	1.67:1	3.00:1	2.95:1
Financing to capital expenditure ratio	0.15:1	0.15:1	0.31:1	0.30:1
Repairs & maintenance to annual operating revenue	6.01%	6.03%	6.85%	6.77%
Net debtors to total annual operating revenue	17.80%	16.63%	20.96%	19.85%
Borrowings to PPE Assets (%)	32.8%	32.8%	35.6%	35.5%

#According to credit rating companies the benchmark for local government is a ration of less than 5%.

7. CASH AND CASH EQUIVALENTS, INVESTMENTS AND LIQUIDITY RATIO'S

Type	2011/12		2010/11	
	Municipality	Group	Municipality	Group
Cash and cash equivalents	603 807 191	643 631 587	363 242 350	414 103 598
Liquidity ratio	6.45	6.24	5.73	5.38
Acid test ratio	0.73:1	0.73:1	0.84:1	0.84:1
Gearing ratio *	34.02%	33.98%	39.60%	39.48%

* According to credit rating companies the benchmark for local government is a ratio of less than 50%.

8. DEBTORS

Details regarding the debtors are provided in Note 17 (Long-term receivables), Note 19 (Consumer Debtors) and Note 20 (Other Debtors) of the Notes to the Consolidated Annual Financial Statements.

8.1 Long-term receivables (note 17)

The long-term receivables show an increase of R27,713 million (9.86%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R2,305 million) and an increase in the sale of land (R25.164 million).

8.2 Other debtors (note 20)

The Other Debtors (debtors other than consumer debtors) for the Municipality in total increased with an amount of R160.472 million (18.78%). This is mainly the result of Sundry persons increasing with an amount of R11.362 million and the public contributions debtor increasing with an amount of R51,729 million (34.3%) as well as the AARTO debtor increasing with an amount of R14.583 million (41.7%) and waste management debtors increasing with R32.804 million (89.2%).

For the group, the other debtors increased with R267.779 million (34.1%) mainly due to sundry debtors of Sandspruit Works Association under the category of miscellaneous debtors (increase of 94.0%).

8.3 Consumer debtors (note 19)

For the Municipality the consumer debtors increased in total with an amount of R834.423 million (18.3 %). The debtors taken over from the erstwhile Nokeng-tsa-Taemane and Kungwini Local Municipalities amounted to R580 million. The increase in debt per customer classification is made up as follows:

Customer classification	Municipality 2011/12		Group 2011/12	
	Total R-million	Increase/ (Decrease) R-million	Total R-million	Increase/ (Decrease) R-million
Households	3 357 672	306 505	3 700 814	344 176
Industrial/Commercial	1 455 640	439 271	1 455 640	439 271
National and Provincial government	139 552	124 503	139 552	124 503
Other	619 211	(35 855)	619 211	(35 855)
Total	**5 572 075**	**834 424**	**5 915 217**	**872 095**

The increase in consumer debt per ageing analysis is as follows:

Age analysis group	Municipality 2011/12		Group 2011/12	
	Total R-million	Increase/ (Decrease) R-million	Total R-million	Increase/ (Decrease) R-million
Current (0-30 days)	1 738 997	278 519	2 082 138	316 190
31 – 60 days	513 759	412 456	513 759	412 456
61 – 90 days	109 615	15 675	109 616	15 675
91 + days	3 209 704	127 774	3 209 704	127 774
Total	**5 572 075**	**834 424**	**5 915 217**	**872 095**

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2011/12		2010/11	
	Municipality R'000	Group R'000	Municipality R'000	Group R'000
Debits levied : Consumer debtors	14 194 253	14 172 585	11 545 892	11 537 309
Balance on 1 July	4 737 652	5 043 121	4 253 786	4 522 054
Balance on 30 June	5 572 076	5 915 216	4 737 652	5 043 121
Average balance	5 154 864	5 479 169	4 495 719	4 782 588
Days in the financial year	366	366	365	365
Turnover: Number of days	133	141	142	151
Turnover: Number of times (levies/average balance)	2.75	2.59	2.57	2.41

For the municipality a collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 105.4% (2011 = 105.7% and 2010 = 105.0%) was maintained by the Municipality during the 2011/12 financial year regardless of the incorporation of Nokeng-tsa-Taemane and Kungwini Local Municipalities.

9. CAPITAL EXPENDITURE AND FINANCING (only with regard to the Municipality)

The Municipality's original approved Capital Expenditure Budget for 2011/12 amounted to R3 185 417 740 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 23 February 2012 to R3 403 637 183 in total, which resulted in an increase of R218 219 443 in the total Capital Expenditure Budget, primarily to address additional National and Provincial grant allocations, to accommodate unspent grant allocations from the 2010/11 financial year approved by National Treasury in terms of the DoRA for roll-over, as well as other contributions, corrections and re-allocations of savings identified by Strategic Units requested to review the performance of the capital programme.

The table below reflects the net increase / decrease in the various funding sources:

Funding source	Municipality Original Budget 2011/12	Municipality Adjustment Budget 2011/12	Increase/ (Decrease)
	R	R	R
Council funding	1 974 850 453	1 954 871 453	(19 979 000)
Public Transport Infrastructure and Systems Grant (PTIS)	180 000 000	295 057 000	115 057 000
Neighbourhood Development Partnership Grant (NDPG)	46 000 000	83 861 813	37 861 813
Government Housing	-	41 101 421	41 101 421
Urban Settlements Development Grant (USDG)	887 581 000	887 581 000	-
Integrated National Electrification Programme (INEP)	21 000 000	21 000 000	-
Capital Replacement Reserve	35 986 287	36 236 287	250 000
Electricity Efficiency Demand Side Management (EEDSM)	25 000 000	46 531 158	21 531 158
Other contributions	15 000 000	15 515 977	515 977
Financial Management Grant (FMG)	-	304 074	304 074
Community Library Services (CLS)	-	5 980 000	5 980 000
Department of Water Affairs (DWA)	-	15 597 000	15 597 000
TOTAL	**3 185 417 740**	**3 403 637 183**	**218 219 443**

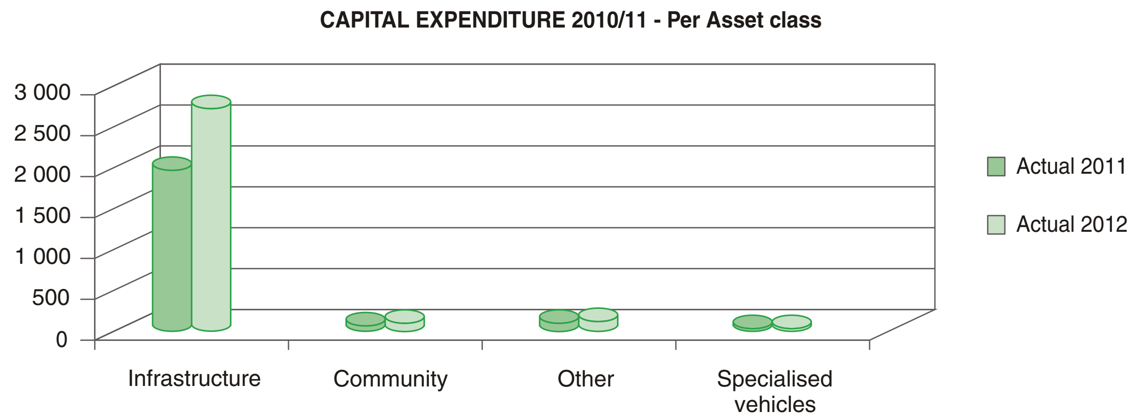
Actual expenditure incurred during the 2011/12 financial year as indicated in the table below amounts to R3 115 999 216 or 92% measured against the adjusted budget, resulting in a variance of R287 637 967 or 8.45% measured against the adjusted budget. The main contributors to this variance were the following projects:

- CBD and Surrounding Areas (2010SWC) HOV/BRT Lanes on Corridors to North and Hatfield (R129 509 559); and
- Tsosoloso/Rekgabisa (R34 557 609).

On comparison of the actual expenditure for the 2011/12 financial year with the actual expenditure of the 2010/11 financial year, an increase in expenditure of R872 747 503 is evident, which indicates that the City increased its investment in Property, Plant and Equipment.

Actual Capital expenditure according to asset class		
Type of Asset	Municipality Actual 2012	Municipality Actual 2011
	R	R
Infrastructure	2 685 962 678	1 957 613 630
Community	178 098 141	97 551 794
Heritage Assets	-	-
Investment Properties	-	-
Other Assets	226 460 912	185 070 012
Specialised Vehicles	25 477 485	3 016 277
Intangibles	-	-
TOTAL	**3 115 999 216**	**2 243 251 713**

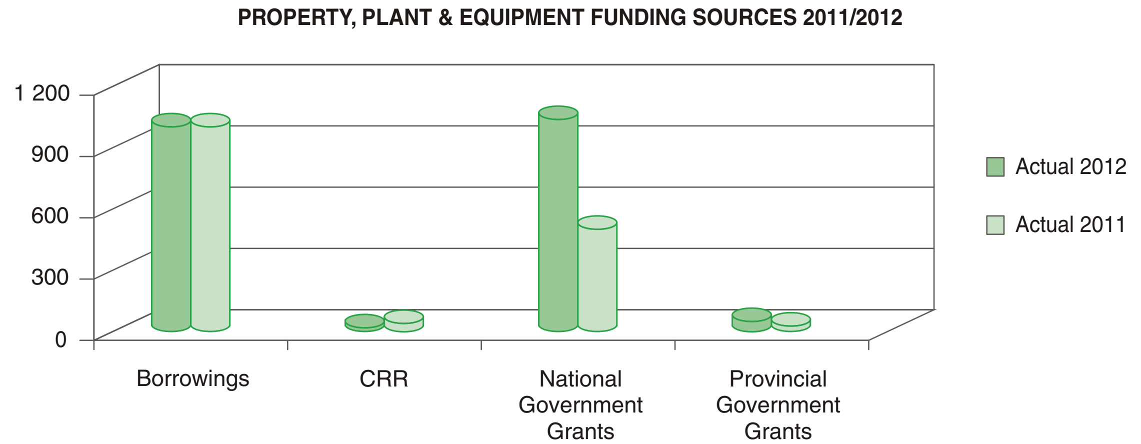
The graph below shows the distribution of the property, plant and equipment according to the type.



The above-mentioned property, plant and equipment were financed from the following sources:

Type of Finance	Municipality Actual 2012	Municipality Actual 2011
	R	R
External loans	1 890 203 416	1 720 026 950
Capital Replacement Reserve	0	26 419 294
National Government Transfers and Grants	1 183 232 736	481 389 242
Provincial Government Transfers and Grants	42 563 064	15 416 227
Total	**3 115 999 216**	**2 243 251 713**

The following is a graphic presentation according to financing sources:



When comparing the actual expenditure to the budgeted expenditure, the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

10. CREDITORS

Creditors as at financial year end mainly related to the following categories:

Type	2011/12		2010/11	
	Municipality R	Group R	Municipality R	Group R
Trade creditors	2 640 416 305	2 686 997 628	1 860 492 313	1 821 151 702
Payment received in advance	22 130 257	22 130 257	46 279 950	46 279 950
Accrued leave pay	542 593 356	547 762 746	486 557 585	490 383 438
Debtors with credit balances	542 142 628	542 142 628	494 021 119	494 021 119
Retention	238 990 712	238 990 712	159 096 715	159 096 715
RTMC: AARTO	77 877 587	77 877 587	53 351 435	53 351 435
Other creditors	463 159 756	466 466 256	308 815 599	311 527 915
Total	**4 527 310 601**	**4 582 367 814**	**3 408 614 716**	**3 375 812 274**

11. LONG-TERM DEBT

For the municipality long-term debt increased from R6 018 318 045 to R6 734 709 984 (R716 385 939 increase) during the year under review. This is as a result of financing required for the funding of capital projects. Two loans were taken up on 29 June 2012 from DBSA and Standard Bank respectively. The maturity dates of the two loans are 29 June 2022 (Standard Bank) and 29 June 2027 (DBSA) and both were for an amount of R500 000 000 respectively. A shortfall of R500 million still remained which will be taken up subsequent to year end.

For the group the long-term debt increased from R6 022 362 138 to R6 738 139 678 (R715 777 540 increase).

12. ACCUMULATED SURPLUS

The year under review was closed with an accounting accumulated surplus of R11 631 093 361 compared to R9 598 513 955. For the group it increased from R9 637 347 526 to R11 663 195 614 since 2010/11. This is a result of:

- The write down of the Capital Replacement Reserve, Capitalisation Reserve and Capital Grants and Donations Reserve to the total value of R7 354 259 526. Note must be taken that this amount does not represent any cash/investments.
- The net gain on the transfer of functions with the incorporation of the 3 municipalities (Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities) which increased the revenue of the Municipality but also does not represent any cash.

13. TREATMENT OF MATTERS RAISED BY THE AUDITOR-GENERAL DURING THE PREVIOUS AUDIT (Municipality)

The City of Tshwane received an unqualified audit report for the 2010/11 financial year. There were, however, emphasis of matter as well as other important matters reported in the audit report due to non-compliance and performance information. In order to ensure a clean audit report, these items need to be properly addressed and rectified.

A high-level Operation Clean Audit (OPCA) project plan was developed. The plan sets out the steps that need to be taken into account and what needs to be in place to ensure a clean audit report. This will be an ever evolving plan, which will be improved as the project progresses and new and/or more appropriate steps become necessary.

As part of enhancing Operation Clean Audit, the City of Tshwane took an initiative to appoint 28 Operation Clean Audit officers, by each service department and region, solely focussing on achieving a clean audit opinion.

In an effort to monitor OPCA activities, a steering committee, chaired by the Executive Mayor, was established to oversee the OPCA project on a strategic level and ensure a clean audit report. The functions of the steering committee include:

- ✓ Overseeing the development of an OPCA strategy
- ✓ Overseeing the development of an overall OPCA plan
- ✓ Assist in the identification of risk areas that might affect OPCA
- ✓ Risk areas to be allocated to relevant divisions and departments for prioritisation and elimination
- ✓ Divisions and department to present specific progress on the risk areas to the steering committee
- ✓ Monitor progress
- ✓ Sign-off on readiness for external audit purposes

14. CREDIT RATING (Municipality)

A credit rating performed on the Municipality during June 2012 by the firm Moody's and issued on 15 June 2012 was as follows:

- **Long term debt rating: -Aa3.za (maturities of one year or greater):** *Defined as high-grade. "Aa" rated are judged to be of a high quality and are subject to very low credit risk.*
- **Short term debt rating: Prime-1.za (maturities of less than one year):** *Defined as the highest quality. A high certainty of timely payment is indicated.*
- **Financial outlook: Negative:** *The negative rating outlook mirrors the outlook on South Africa's government bond rating. An upgrade is regarded as unlikely given the negative rating outlook. A stabilization of the outlook would require a stabilization of the sovereign rating outlook.*

15. MUNICIPAL ENTITIES

15.1 Viable municipal entities

In the 2011/12 financial year the City of Tshwane had three municipal entities of which two were found to be viable and functioning in compliance with the Municipal Finance Management Act and the Local Government Systems Act. These were the following

- Sandspruit Works Association
- Housing Company Tshwane
- Tshwane Economic Development Agency (TEDA) (not in full operation yet)

15.2 Consolidation of municipal entities

Consistent with the previous financial years separate consolidated financial statements were compiled for the City of Tshwane and its operational municipal entities for submission to the Office of the Auditor-General on 30 September 2012, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- TEDA

16. CASH FLOW IMPROVEMENT VS RATIOS (Municipality)

During the 2009/10 financial year the City of Tshwane implemented various cash flow strategies. To ensure sound financial management and sustainability over the medium to long-term the belt tightening intervention initiatives had to continue in the 2010/11 and 2011/12 financial year. These intervention initiatives assisted in the implementation of the City of Tshwane's strategy towards reserves cash backing. The positive effect of these strategies can be seen in the positive cash flow of R721 million during 2010/11 and R859 million during 2011/12 compared to the low cash and cash equivalents of R172 million in 2009/10.

Overall, the cash flow of the municipality increased as the net cash flow from operating activities increased with 99.7% from R2,008 billion to R4,045 billion since 2010/11, although the net cash and cash equivalents only increased with R68.078 million since 2010/11.

17. FIXED ASSET REGISTER (Municipality)

Although it was still a challenge to produce a compliant and purified asset register in the 2011/12 financial year, the improvement was huge compared to the previous three financial years. A service provider was appointed (during 2009/10) to assist the City of Tshwane for two years with the Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were performed during the 2011/12 financial year end to ensure a GRAP compliant fixed asset register.

18. FINANCIAL SUSTAINABILITY (Municipality)

Municipalities are required to move away from short-term to long-term planning, for which a long-term sustainability strategy is needed that complies with financial viability, financial sustainability and value for money. The Long Term Financial Model (LTFM) essentially informs the compilation of the Medium Term Revenue and Expenditure Framework (MTREF) with the emphasis on affordability and long-term sustainability. Although the LTFM is predominantly a financial planning tool to ensure long-term financial sustainability for the organisation, the financial planning process and LTFM run parallel to ensure that the strategies and direction of the Municipality are at all times informed by best practice. One of the salient features of the LTFM is the attentiveness to ultimate sustainability, not only from a municipal finance perspective, but also relating to service delivery in line with the Capital Development Strategy (CDS) imperatives/priorities that drive the five-year Integrated Development Plan (IDP).

As with any organisation, municipalities can experience sustainability challenges if they do not have robust financial planning, management and governance in place. This should include a strong ten-year plan, consistent annual budgets and detailed quarterly financial position reviews. Financial sustainability is defined as whether or not the City will have the financial capacity to continue existing in the long term. The City of Tshwane therefore continuously develops processes in striving for excellence as well as strategies and programmes to deal with the challenges it faces. These strategies are developed in response to projections of a picture of the future over various time frames. Planning enables the City of Tshwane to move towards a proactive target setting approach. Long-term financial planning recognizes the effect that long lived assets (through proper maintenance as well as timeous replacement) have on financial sustainability.

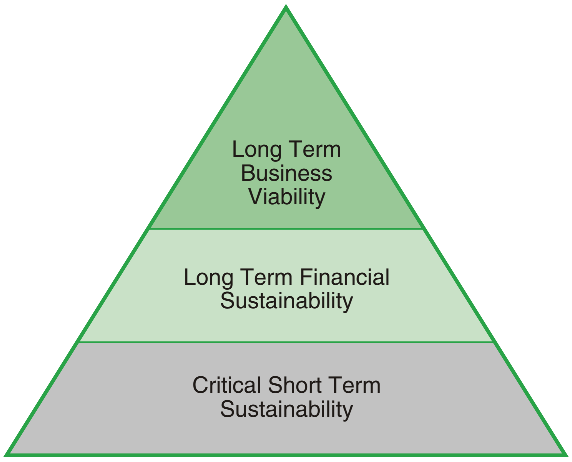
The strategies and measures already implemented to ensure sustainability are the following:

- Long-term Financial Model (main informer)
- Budget policy
- Revenue enhancement strategy
- Budget principles and guidelines
- Cash-flow management intervention initiatives

Long-term financial planning is currently moving towards planning for more capital investment over ten years to result in financial sustainability, growth and a positive economic environment for investors. The strategy is to increase tariffs for the next three years, moderately above the increases anticipated in the approved 2011/12 MTREF, in order to kick-start the ten-year plan with additional revenue. Several initiatives have already been factored into the MTREF for implementation such as the higher tariff increases, the capital expenditure target of 90% that was increased to 93% and the revenue collection rate of 94% that was increased to 95%. However, high-priority issues have left little capacity for a robust increase in the capital budget, and the ten-year strategy will be a live process which will have to be reviewed annually for availability of funds for capital expansion.

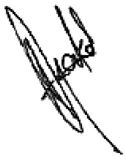
The strategy would further entail to target 100% spending of the capital budget and then increase it to levels to robustly address backlogs, as at that stage, capacity to implement the progress will be in place to ensure delivery on an increased capital budget.

The pyramid of sustainability illustrates the City's goal to move from the bottom to the top of the pyramid within the next ten years:



19. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the City Manager and Strategic Executive Directors for the support they have given me and my staff during the 2011/12 financial year. A sincere word of appreciation to everybody, and in particular the financial staff, for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the annual financial statements within the prescribed period of two months after year end (i.e. 31 August) as well as the consolidated annual financial statements within the prescribed period of 3 months after year end (i.e. 30 September).



Andile Dyakala
GROUP CHIEF FINANCIAL OFFICER

STATEMENT OF FINANCIAL POSITION

		Group		Municipality	
	Note(s)	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Assets					
Current Assets					
Inventories	18	417,521,069	328,973,678	415,004,297	326,869,362
Current portion of long-term receivables	17	108,802,610	102,835,275	108,802,610	102,835,275
Other debtors	20	767,444,290	511,271,956	728,684,788	579,841,922
Consumer debtors	19	2,767,820,966	2,609,511,607	2,782,195,667	2,605,076,220
Call investment deposits	16	323,851,507	496,337,962	323,851,507	496,337,962
Cash and cash equivalents	22	643,631,587	414,103,598	603,807,191	363,242,350
		5,029,072,029	**4,463,034,076**	**4,962,346,060**	**4,474,203,091**
Non-Current Assets					
Investment property	12	582,934,966	419,971,300	567,064,129	404,180,286
Property, plant and equipment	11	19,389,115,485	16,070,955,943	19,377,542,834	16,057,160,604
Leased assets	14	294,663,015	256,999,299	294,663,015	256,999,299
Intangible assets	13	300,980,778	199,924,120	300,980,778	199,924,120
Investments	16	87,621,941	123,851,341	87,621,941	123,851,341
Long-term receivables	17	95,595,894	118,932,709	95,595,894	118,932,709
		20,750,912,079	**17,190,634,712**	**20,723,468,591**	**17,161,048,359**
Assets held for sale	15	1,306,886	2,227,086	1,306,886	2,227,086
Total Assets		**25,781,290,994**	**21,655,895,874**	**25,687,121,537**	**21,637,478,536**
Liabilities					
Current Liabilities					
Long-term liabilities	4	346,018,276	494,949,519	345,702,878	494,634,121
Lease liabilities	5	126,026,714	111,263,325	126,026,714	111,263,325
Payables from exchange transactions	8	4,582,367,814	3,375,812,274	4,527,310,601	3,408,614,716
VAT payable	10	255,560,668	156,473,129	258,534,728	154,453,229
Consumer deposits	7	406,953,225	359,616,961	403,868,672	356,856,244
Unspent grants and receipts	9	319,288,289	398,492,532	317,435,273	396,201,031
Provisions	6	1,610,788	1,269,998	-	-
		6,037,825,774	**4,897,877,738**	**5,978,878,866**	**4,922,022,666**
Non-Current Liabilities					
Long-term liabilities	4	6,088,869,590	5,261,795,691	6,085,749,294	5,258,066,996
Lease liabilities	5	177,225,098	154,353,603	177,225,098	154,353,603
Retirement benefit obligation	42	1,587,376,653	1,499,218,899	1,587,376,653	1,499,218,899
Provisions	6	226,798,265	205,302,417	226,798,265	205,302,417
		8,080,269,606	**7,120,670,610**	**8,077,149,310**	**7,116,941,915**
Total Liabilities		**14,118,095,380**	**12,018,548,348**	**14,056,028,176**	**12,038,964,581**
Net Assets		**11,663,195,614**	**9,637,347,526**	**11,631,093,361**	**9,598,513,955**
Net Assets					
Accumulated surplus	41	11,663,195,614	9,637,347,526	11,631,093,361	9,598,513,955

STATEMENT OF FINANCIAL PERFORMANCE

		Group		Municipality	
		2012	Restated 2011	2012	Restated 2011
	Note(s)	R	R	R	R
Revenue					
Property rates	23	3,391,194,716	2,915,519,543	3,391,312,310	2,915,622,492
Service charges	24	10,679,046,818	8,594,487,739	10,700,597,813	8,602,968,308
Rental of facilities and equipment		100,221,337	103,047,541	97,923,329	101,027,554
Interest received- outstanding consumer debtors		265,720,882	213,994,778	244,643,012	195,141,732
Public contributions and donations		142,084,742	114,594,748	142,084,742	114,594,748
Fines		4,540,725	3,036,431	4,540,725	3,036,431
Licences and permits		52,425,804	35,988,659	52,425,804	35,988,659
Government grants, subsidies, awards and donations	25	3,561,339,848	2,504,449,849	3,561,339,848	2,504,449,849
Gain: Disestablishment of ME		-	2,065,376	-	2,065,376
Other income	26	596,944,196	640,384,194	562,144,367	602,127,271
Interest received - external investments	31	52,933,829	111,038,461	52,185,100	110,142,589
Total Revenue		**18,846,452,897**	**15,238,607,319**	**18,809,197,050**	**15,187,165,009**
Expenditure					
Personnel	27	(4,815,285,269)	(4,304,765,696)	(4,739,894,487)	(4,236,965,765)
Remuneration of councillors	28	(91,436,294)	(61,711,890)	(91,436,294)	(61,711,890)
Depreciation and amortisation	29	(1,035,072,395)	(826,673,527)	(1,032,327,388)	(823,226,718)
Impairment loss/ Reversal of impairments		(29,807,842)	(490,306)	(29,807,842)	(490,306)
Finance costs	30	(633,924,801)	(605,036,018)	(633,408,584)	(604,114,601)
Debt impairment	32	(963,358,574)	(709,796,272)	(880,622,872)	(639,687,334)
Collection costs		(94,983,032)	(84,779,034)	(94,983,032)	(84,779,034)
Repairs and maintenance		(1,202,573,115)	(1,057,521,461)	(1,190,594,684)	(1,040,396,799)
Bulk purchases	33	(6,168,000,853)	(4,483,651,611)	(6,254,715,045)	(4,562,399,704)
Grants and subsidies paid	34	(21,495,798)	(27,625,621)	(21,495,798)	(27,625,621)
General Expenses	35	(2,683,595,673)	(2,287,797,532)	(2,726,260,455)	(2,324,155,481)
Total Expenditure		**(17,739,533,646**	**(14,449,848,968**	**(17,695,546,481**	**(14,405,553,253**
(Loss)/gain on disposal of assets and liabilities		(64,262,776)	10,071,444	(64,262,776)	10,077,632
Loss on foreign exchange transactions		(2,632,952)	-	(2,632,952)	-
Fair value adjustments		(264,454)	5,692,441	(264,454)	(498,573)
Gain on transfer of functions	62	986,089,021	-	986,089,021	-
Surplus for the year		**2,025,848,090**	**804,522,236**	**2,032,579,408**	**791,190,815**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Group		
Opening balance as previously reported	9,217,648,775	9,217,648,775
Adjustments		
Prior year adjustments	(384,823,485)	(384,823,485)
Balance at 01 July 2010 as restated	**8,832,825,290**	**8,832,825,290**
Changes in net assets		
Surplus for the year	804,522,236	804,522,236
Total changes	804,522,236	804,522,236
Opening balance as previously reported	9,794,525,258	9,794,525,258
Adjustments		
Prior year adjustments	(157,177,734)	(157,177,734)
Balance at 01 July 2011 as restated	**9,637,347,524**	**9,637,347,524**
Changes in net assets		
Surplus for the year	2,025,848,090	2,025,848,090
Total changes	2,025,848,090	2,025,848,090
Balance at 30 June 2012	**11,663,195,614**	**11,663,195,614**
Note(s)	41	
Municipality		
Opening balance as previously reported	9,192,146,625	9,192,146,625
Adjustments		
Prior year adjustments	(384,823,485)	(384,823,485)
Balance at 01 July 2010 as restated	**8,807,323,140**	**8,807,323,140**
Changes in net assets		
Surplus for the year	791,190,815	791,190,815
Total changes	791,190,815	791,190,815
Opening balance as previously reported	9,755,691,687	9,755,691,687
Adjustments		
Prior year adjustments	(157,177,734)	(157,177,734)
Balance at 01 July 2011 as restated	**9,598,513,953**	**9,598,513,953**
Changes in net assets		
Surplus for the year	2,032,579,408	2,032,579,408
Total changes	2,032,579,408	2,032,579,408
Balance at 30 June 2012	**11,631,093,361**	**11,631,093,361**
Note(s)	41	

CASH FLOW STATEMENT

	Note(s)	Group 2012 R	Group Restated 2011 R	Municipality 2012 R	Municipality Restated 2011 R
Cash flows from operating activities					
Receipts					
Cash receipts from rate payers, government and other		18,481,594,470	14,266,759,130	18,613,119,178	14,256,656,016
Interest income		52,933,829	111,038,461	52,185,100	110,142,589
		18,534,528,299	14,377,797,591	18,665,304,278	14,366,798,605
Payments					
Cash paid to suppliers and employees		(13,864,607,529)	(11,730,149,314)	(13,986,073,414)	(11,753,946,018)
Finance costs (Interest paid)		(633,924,801)	(605,036,018)	(633,408,584)	(604,114,601)
		(14,498,532,330)	(12,335,185,332)	(14,619,481,998)	(12,358,060,619)
Net cash flows from operating activities	36	**4,035,995,969**	**2,042,612,259**	**4,045,822,280**	**2,008,737,986**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(4,266,615,521)	(2,732,279,203)	(4,266,093,203)	(2,731,805,675)
Purchase of leased assets	14	(110,199,975)	(104,190,496)	(110,199,975)	(104,190,496)
Proceeds from sale of property, plant and equipment	11	(64,262,776)	10,071,444	(64,262,776)	10,077,632
Purchase of investment property	12	(175,023,299)	-	(174,943,476)	-
Purchase of other intangible assets	13	(132,229,283)	(90,418,591)	(132,229,283)	(90,418,591)
Proceeds from sale of financial assets		53,598,880	164,146,371	53,598,880	164,146,371
Net cash flows from investing activities		**(4,694,731,974)**	**(2,752,670,475)**	**(4,694,129,833)**	**(2,752,190,759)**
Cash flows from financing activities					
Proceeds from long-term liabilities		1,022,303,530	1,361,000,000	1,022,303,530	1,361,000,000
Repayment of long-term liabilities		(344,160,874)	(536,736,824)	(343,552,475)	(535,693,935)
Finance lease payments		37,634,884	56,450,490	37,634,884	56,450,490
Net cash flows from financing activities		**715,777,540**	**880,713,666**	**716,385,939**	**881,756,555**
Net increase/(decrease) in cash and cash equivalents		**57,041,535**	**170,655,450**	**68,078,386**	**138,303,782**
Cash and cash equivalents at the beginning of the year		910,441,560	739,786,111	859,580,312	721,276,532
Cash and cash equivalents at the end of the year	22	**967,483,095**	**910,441,561**	**927,658,698**	**859,580,314**

ACCOUNTING POLICIES

1. Basis of Preparation of Annual Financial Statements

The annual consolidated financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with secton 122(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003). The reporting framework is as prescribed by the Accounting Standards Board in Directive 5.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Consolidation

Basis of consolidation

Investments in associates, subsidiaries and joint ventures are carried at cost in the annual financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post-acquisition results of these investments.

1.2 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.
An acquirer is the entity that obtains control of the acquiree or transferor.
Acquisition date is the date on which the acquirer obtains control of the acquiree.

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

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

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

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

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

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

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

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

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

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

The acquisition method

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

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

Identifying the acquirer

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

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

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

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree. All relevant facts and circumstances are considered in identifying the transfer date.

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

Recognition principle

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

Recognition conditions

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

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

Operating leases:

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

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

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

Intangible assets:

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

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

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

Measurement principle

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

Non-controlling interest in an acquiree:

For each transfer of functions, the entity as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:
- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

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

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

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

Exceptions to the recognition principles

Contingent liabilities:

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

Exceptions to both the recognition and measurement principles

Employee benefits:

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

Indemnification assets:

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

Exceptions to the measurement principle

Reacquired rights:

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

Assets held for sale:

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

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

The entity as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

- the aggregate of:
  (i) the consideration transferred (if any) measured in accordance with the Standard, which generally requires acquisition-date fair value (see paragraph . 66);
  (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
  (iii) in a transfer of functions achieved in stages (see paragraphs .70 and .71), the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

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

Contingent consideration:

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

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

A transfer of functions achieved in stages

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

Measurement period

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

Determining what is part of the transfer of functions transaction

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

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

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

If the transfer of functions in effect settles a pre-existing relationship, the entity as acquirer recognises a gain or loss, measured as follows:

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

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

Acquisition-related costs:

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

Subsequent measurement and accounting

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

Reacquired rights

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

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the entity as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:

- the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Indemnification assets

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

Contingent consideration

Some changes in the fair value of contingent consideration that the entity as acquirer recognises after the acquisition date may be the result of additional information that the entity as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The entity as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

- Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
- Contingent consideration classified as an asset or a liability that:
  (i) is a financial instrument and is within the scope of the Standard of GRAP on Financial Instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
  (ii) is not within the scope of the Standard of GRAP on Financial Instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets or other Standards of GRAP as appropriate.

1.3 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality and its municipal entities and are rounded to the nearest Rand.

1.4 Going concern assumption

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

With regard to the municipal entities: The financial statements have also been prepared on a going concern basis as the directors have no reason to believe that the relevant entity will not be a going concern in the foreseeable future.

1.5 Property, plant and equipment

Property, plant and equipment are stated at:

* historical cost less accumulated depreciation and any write-downs, or
* where assets have been acquired by grant or donation the cost is considered to be the fair value of the asset at date of acquisition.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Asset category	**Average useful life (Years)**
Infrastructure: Electricity	
• Cables	20-50
• Control centre	20-35
• Fibre optic cables	25-45
• High mast lighting	10-25
• General electrical equipment	30-40
• Lines: Overhead	20-30
• Lines: Underground	25-45
• Meters: Pre-paid	10-20
• Meters: Credit	20-25
• Pole/structure	20-35
• Substations: Structure	20-30
• Substations: Civil	20-35
• Substations: Equipment	30-40
• Substations: Switchgear	20-30
• Transformers	25-50
Infrastructure: Water	
• Meters	10-20
• Bulk meters	40-120
• Supply/reticulation	40-120
• Pump station: Structure	30-55
• Pump station: Civil	30-55
• Pump station: Electrical	15-40
• Pump station: Mechanical	15-40
• Pump station: Perimeter protection	10-25
• Pump station: Pipe works	40-120
• Pressure relief valve station: Structure	30-55
• Pressure relief valve station: Civil	30-55
• Pressure relief valve station: Electrical	15-40
• Pressure relief valve station: Metal work	10-30
• Pressure relief valve station: Perimeter protection	10-25
• Pressure relief valve station: Pipe works	40-120
• Boreholes; Structure	30-50
• Boreholes: Civil	20-55
• Boreholes: Electrical	15-40
• Boreholes: Mechanical	15-40
• Boreholes: Perimeter protection	10-25
• Boreholes: Pipe works	40-120
• Water treatment plant: Structure	30-50
• Water treatment plant: Civil	30-55
• Water treatment plant: Electrical	15-40
• Water treatment plant: Mechanical	15-40
• Water treatment plant: Perimeter protection	10-25
• Water treatment plant: Pipe works	40-120
• Service reservoir: Structure	30-50
• Service reservoir: Civil	30-55
• Service reservoir: Electrical	1-40
• Service reservoir: Mechanical	15-40
• Service reservoir: Pipe works	40-120
• Dams/Weirs/Fountains: Structure	30-50
• Dams/Weirs/Fountains: Civil	30-55
• Dams/Weirs/Fountains: Electrical	15-40
• Dams/Weirs/Fountains: Mechanical	15-40
• Dams/Weirs/Fountains: Perimeter protection	10-25
• Dams/Weirs/Fountains: Pipe works	40-120

Sewerage	
• Bulk meter	40-120
• Outfall sewer: Civil	30-55
• Outfall sewer: Electrical	15-40
• Sewerage pump station: Structure	30-55
• Sewerage pump station: Electrical	15--40
• Sewerage pump station: Mechanical	50-40
• Sewerage pump station: Perimeter protection	10-25
• Sewerage pump station: Pipe works	40-120
• Sewer reticulation: Structure	30-55
• Sewerage reticulation: Pipe works	40-120
• Waste water treatment plant: Structure	30-55
• Waste water treatment plant: Electrical	15-40
• Waste water treatment plant: Mechanical	15-40
• Waste water treatment plant: Perimeter protection	10-25
• Waste water treatment plant: Pipe works	40-120
• Reservoir	30-50
Buildings	
• Dwellings (hostels, housing schemes, residences, etc)	25-30
• Non-residential (agricultural, clinics, fire stations, museums, etc)	25-30
• Non-residential: Perimeter protection	10-25
Landscaping	**10-15**
Solid waste disposal:	
• Tip site: Structure	25-30
Railways:	
• Sidings	25-30
• Bridges: Vehicles (concrete)	60-80
• Bridges: Pedestrian (concrete)	60-80
• Storm water: Culverts	25-40
• Storm water: Inlet, junction, point, outlet	25-50
• Storm water: Pipes	25-50
• Roads: Kerb and channels	40-50
• Roads: Municipal roads -butimen layer	10-20
• Roads: Municipal roads - butimen surface	10-20
• Roads: Municipal roads - mixed surface layer	30-50
• Roads: Municipal roads - mixed surface surface	20-30
• Roads: Municipal roads - paving blocks layer	10-30
• Roads: Municipal roads - paving blocks surface	20-30
• Roads: Municipal roads - unpaved layer	3-10
• Roads: Municipal roads - unpaved surface	3-10
• Roads: Overhead traffic signs	15-20
• Roads: Street lighting	10-25
• Roads: Traffic signals	15-20
• Roads: Traffic signs	5-15
• Roads: Tunnel	60-80
• Roads: Municipal roads (butimen surface)	30-50
Cemeteries:	**25-30**
Other machinery and equipment:	
• Irrigation equipment	10-15
• Cold room	10-15
• Telecommunication equipment	3-5
Computer equipment:	
• Networks	3-5
Heritage assets:	
• Historical buildings	25-30
Other:	
• Specialist vehicles	8-20
• Other vehicles	8
• Office equipment	5-8
• Furniture and fittings	7-10
• Watercraft	5
• Bins and containers	5
• Specialist plant and equipment	10-15
• Other plant and equipment	2-5
• Landfill sites and quarries	1-50
• Books	5-20
Leased assets	**3-5**

Subsequent expenditure:

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

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

The difference between the depreciation based on the revalued carrying amount of the asset charged to the Statement of Financial Performance and the depreciation based on the asset's original cost is transferred from other reserves to the accumulated surplus/(deficit).

Depreciation:

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use.

Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The actual useful lives of the assets, residual values and depreciation method are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance program are taken into account.

Impairment of property, plant and equipment

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Disposal of property, plant and equipment

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

Heritage assets

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at cost and where heritage assets were received as donation or acquired at nominal value, the cost is recorded as nil. GRAP 103 only becomes effective from 1 July 2012 and then the heritage assets will be reflected at fair value. Heritage assets are not depreciated as they are regarded as having an infinite useful life. Improvements to heritage assets are considered as sub-assets and the useful life of the improvements is determined with reference to the depreciation charge of the relevant property, plant and equipment category.

Land

Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work (Assets under construction)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

1.6 Investment property

Investment property, is property held to earn rental revenue or for capital appreciation or both.

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

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that is attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the municipality or municipal entity and have an probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

1.8 Biological assets (game)

Biological assets (game) are measured at their fair value less point-of-sale costs.

The fair value of livestock (game) is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets (game) or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets (game) is included in surplus or deficit for the period in which it arises. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

1.9 Non-current and current assets held for sale and disposal groups

Non-current and current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current and current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Inventories

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

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.

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.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in setting the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to the development..

1.11 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the statement of financial performance to the Capital replacement reserve in terms of the implementation guidelines on the MFMA.

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. the following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the statement of financial performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the statement of financial performance.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Capitalisation reserve

On the implementation of GAMAP/GRAP, the balances of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

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

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

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

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

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Self insurance reserve

A Self Insurance Reserve was established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers is regarded as expenses and must be shown as such in the statement of financial performance. These premiums do not affect the Self insurance reserve.
- Claim amounts received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the statement of financial performance.
- Claims received to meet repairs of damages on assets are reflected as income in the statement of financial performance.

The Self insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self insurance reserve
- The following liabilities are taken into account in determining this surplus capacity: Reported known outstanding claims; Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophe loss

- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exists based on the assumption that sufficient capacity will be built up to cover that asset through the Self insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy)
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a 5-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budged premium contribution over a 5-year period.

Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R292 032 per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in the statement of financial performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

Donations and public contributions reserve

Revenue received from donations and public contributions may be transferred to the Capital replacement reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

1.12 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997) , which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development fund has its own separate bank account/allocated investments and is backed by cash.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash backed surplus or deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.13 Provisions and contingencies

Provisions are recognised when:

- the group 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.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole, a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

- **Clearing of alien vegetation**
  In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

- **Cleaning up of illegal dumping**
  Currently the Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

- **Landfill sites**
  The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision has been established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

- **Quarries**
  In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

1.14 Retirement benefits

Pension, Provident and Retirement Funds

The Municipality and its employees contribute to various pension, provident and retirement funds and its councilors contribute to the Pension Fund for Municipal Councilors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.

Current contributions are charged against the relevant expense account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councilors. Pension contributions in respect of employees who were not members of a pension fund (e.g. gratuity) are recognised as an expense then incurred.

The Tshwane Pension fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service cost.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that the assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of IAS 19.

Medical Aid: Continued members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality.

According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognise immediately.

1.15 Leases

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

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

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The City of Tshwane leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges as to achieve a constant rate on the finance balance outstanding. the corresponding rental obligations, net of finance charges, are included in other long-term payables. the interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The Municipality will not incur a foreign currently lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Operating leases - lessor

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

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.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.16 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Interest bearing borrowings

Classification depends on the purpose for which the financial instruments were obtained / incurred and management determines the classification at initial recognition. With regard to reclassifications, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

Counter party exposure:

The City of Tshwane limits its counter party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Impairment of financial assets

At each end of the reporting period the group assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. they are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date.

Regular purchase and sales of financial assets are recognised on the trade date - the date on which the City of Tshwane commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

Trade and other receivables

Long-term and short-term trade receivables are initially recognised at fair value, and are subsequently measured at the amortised cost method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue).

In terms of the electricity by-laws the municipality may charge interest on overdue accounts at a rate determined from time to time.

Long-term and short-term receivables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice for municipalities to allow consumers a period of time, after issuing an invoice, to settle for example, their water and electricity accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide and indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

The carrying amount of the asset is reduced through the use of a provision for bad debt account and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the provision for bad debt account for trade receivables after obtaining Council approval for the write-off. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

Provision for Doubtful Debt

Provision for doubtful debt is made by means of an annual contribution of rates, sanitation, sewerage, electricity and water levies, debtor's revenue from Fire Brigade Services, Ambulance Services, Wonderboom Airport and Rentals excluding the Tshwane Market. The percentage contribution is calculated during the budget process each year.

The annual contribution is determined by calculating the estimated non-payment (recovery rate) by debtors for the financial year.

Trade and other payables

Trade payables (ncluding consumer deposits) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality.

Consumer deposits:
In terms of the electricity by-laws a deposit equal to twice the average monthly consumption is required. A minimum deposit is required to open a contract account with move in. After 3 months consumption have been billed, the security deposit will be reviewed and increased to equal twice the average consumption of electricity and water.

Payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice to allow municipalities a period of time, after issuing an invoice, to settle their accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide and indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

Bank overdraft and borrowings

Bank overdrafts and interest bearing borrowings are initially measured at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest rate method.

Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings.

Derivatives

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Payments and receipts under interest rate swap contracts are recognised in the Statement of Financial Performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

Held to maturity

Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity. These investments have been normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

HTM financial instruments originated by the municipality and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and minus any write-down for impairment of uncollectability.

Hedging activities

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The City of Tshwane's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

Offsetting of financial assets and liabilities

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when and only when:
(a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
(b) The City of Tshwane intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not quality for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

Disposal and derecognition

Disposal:

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

Derecognition:

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

1.17 Translation of foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Municipality (i.e. SA Rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rte at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.18 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgment in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

Measurement

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- 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 charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed (up to a maximum of 3 months). The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Services provided on a prepayment basis

Various services are provided on a pre-payment basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

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

Housing rental and installments

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred.

Interest, royalties and dividends

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

Fines

From 1 July 2008 the City of Tshwane was part of the pilot project of the new AARTO fines and act as an issuing authority. The new revenue from traffic fines is recognised on an agency basis.

1.19 Revenue from non-exchange transactions

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from rates is recognised when the legal entitlement to this revenue arises. A site rating system is applied.

In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

1.20 Grants, donations and receipts

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

1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.22 Value added tax

The Municipality accounts for Value Added Tax on the cash basis.

1.23 Segmental information

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

Segmental information on property, plant and equipment, as well as income and expenditure is set out the Appendices consistent with the prior year.

1.24 Grants-in aid (Expense)

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the Municipality does not:

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

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 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.

1.28 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical 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 it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

1.29 Tax

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)(c)B(i)(ff) of the Income Tax Act.

1.30 Significant judgements and sources of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

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

The group 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 municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale financial assets

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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 group 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 group 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.

Impairment testing

The group 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 42.

Effective interest rate

The municipality used the weighted average interest rate on external borrowings 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 at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

1.31 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which are given effect through authorising legislation, appropriation or similar procedures.

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

The 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 annual financial statements. Refer to note 61.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2012 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the group. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the group's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 1 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the group.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the group is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual consolidated financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual consolidated financial statements. Where the budget and annual consolidated financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual consolidated financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual consolidated financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the group; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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.

A group 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, an entity estimates the recoverable service amount of that asset.

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an group with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a group estimates the recoverable amount of the asset. When estimating the value in use of an asset, a group estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a group applies the appropriate discount rate to those future cash flows.

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.

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, a group 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, an 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.

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.

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.

A group 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, a group estimates the recoverable amount of that asset.

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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual consolidated financial statements.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a group to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a group consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions. GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a group in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
    - pool the assets contributed by various entities that are not under common control; and
    - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the group that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a group provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
    - an entity's decision to terminate an employee's employment before the normal retirement date; or
    - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
    - All short-term employee benefits;
    - Short-term compensated absences;
    - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
    - Actuarial valuation method;
    - Attributing benefits to periods of service;
    - Actuarial assumptions;
    - Actuarial assumptions: Discount rate;
    - Actuarial assumptions: Salaries, benefits and medical costs;
    - Actuarial gains and losses;
    - Past service cost.
- Plan assets:
    - Fair value of plan assets;
    - Reimbursements;
    - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one group and a financial liability or residual interest in another group. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a group to a portion of another group's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a group considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a group subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another group on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A group measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A group is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a group can however designate such an instrument to be measured at fair value.

A group can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a group has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an group has transferred control of the asset to another group.

A group derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an group modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A group cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a group's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a group is exposed to as a result of its annual consolidated financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A group is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:
- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 1 April 2013.

The group expects to adopt the interpretation for the first time in the 2014 annual consolidated financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2014.

The group expects to adopt the standard for the first time in the 2015 annual consolidated financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2014.

The group expects to adopt the standard for the first time in the 2015 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2014.

The group expects to adopt the standard for the first time in the 2015 annual consolidated financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual consolidated financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual consolidated financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 1 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107. The group expects to adopt the interpretation for the first time in the 2015 annual consolidated financial statements.
The adoption of this interpretation is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107. The group expects to adopt the interpretation for the first time in the 2015 annual consolidated financial statements.
The adoption of this interpretation is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual consolidated financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual consolidated financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. The group expects to adopt the amendment for the first time in the 2015 annual consolidated financial statements.
It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual consolidated financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. The group expects to adopt the amendment for the first time in the 2015 annual consolidated financial statements.
It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The group expects to adopt the amendment for the first time in the 2015 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets. All amendments to be applied retrospectively. The effective date of the amendment's is for years beginning on or after 1 April 2013

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to Changes in Accounting Policies. The effective date of the amendment is for years beginning on or after 1 April 2013

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously. Amendments were made to Definitions. All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to the Scope and Definitions. All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the annual consolidated financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously. Amendments were made to Measurement after recognition. All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.
The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to Disclosures. All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure. All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to Measurement after recognition, Derecognition and Disclosure. All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously.

Amendments were made to Definitions, Recognition and measurement and Disclosure. All amendments to be applied prospectively.
The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously: Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:
- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases thatare integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:
- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The group expects to adopt the amendment for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

3. Housing development fund

Unappropriated surplus	197,857,941	197,857,941	197,857,941	197,857,941
Less: Loans extinguished by Government on 1 April 1998	(69,006,463)	(69,006,463)	(69,006,463)	(69,006,463)
Housing development fund	128,851,478	128,851,478	128,851,478	128,851,478

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	20,395,710	20,219,221	20,395,710	20,219,221
Housing debtors	32,366,390	26,981,442	32,366,390	26,981,442
Bank and cash	76,089,378	81,650,815	76,089,378	81,650,815
Housing Development Fund Assets	**128,851,478**	**128,851,478**	**128,851,478**	**128,851,478**

4. Long-term liabilities

Summary of Long Term Borrowings:				
Term loan	134,971,505	361,755,853	131,536,811	358,028,158
Local registered stock	98,052,671	97,274,513	98,051,671	97,273,513
Annuity loans	6,201,863,690	5,297,399,446	6,201,863,690	5,297,399,446
	6,434,887,866	**5,756,429,812**	**6,431,452,172**	**5,752,701,117**

Held at amortised cost				
Term loan				
ABSA Bank Ltd (1-01)	-	227,950,578	-	227,950,578
Secured structured 15 year loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 October 2011. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.				
Development Bank of South Africa (1-02)	79,718,642	78,331,528	79,718,642	78,331,528
Secured 20 year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 October 2019. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.				
Development Bank of South Africa (1-400)	51,818,169	51,746,052	51,818,169	51,746,052
Secured 20 year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 September 2018. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.				
Gauteng Partnership Fund (Housing Company Tshwane)	-	293,000	-	-
This loan is unsecured, interest free and has no fixed term of repayments.				
National Housing Finance Corporation (Housing Company Tshwane)	3,434,694	3,750,093	-	-
This loan is secured, bears interest at 14% per annum and is repayable in 153 monthly installments of R69 792.33. The loan is secured by a mortgage bond over Eloff building which has a fair value of R15 335 631.				

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
4. Long-term liabilities (continued)				
Local registered stock				
First Rand Bank Ltd 2 Secured bond paying fixed interest semi-annually. As security sinking fund investments were made which together with interest capitalised, will be utilised to redeem on 30 June 2014	98,045,858	97,267,701	98,045,858	97,267,701
Development Bank of South Africa (1-1250) Unsecured bond paying fixed interest semi-annually.	5,813	5,812	5,813	5,812
TEDA Municipal Entity Shares Share capital in municipal entity (loan bears no interest and has no fixed terms of repayment)	1,000	1,000	-	-
Annuity loans				
Standard Bank (1-1300) Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.	963,546,944	1,000,000,000	963,546,944	1,000,000,000
Development Bank of South Africa (1-1250) Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025.	355,204,913	354,740,557	355,204,913	354,740,557
Development Bank of South Africa (1-951) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	669,603,702	648,786,396	669,603,702	648,786,396
Development Bank of South Africa (1-950) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	144,950,286	142,305,704	144,950,286	142,305,704
Development Bank of South Africa (1-851) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	101,113,389	107,297,726	101,113,389	107,297,726
Development Bank of South Africa (1-800) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	200,957,380	191,991,667	200,957,380	191,991,667
Development Bank of South Africa (1-700) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	92,657,256	91,382,256	92,657,256	91,382,256
Development Bank of South Africa (1-701) Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	202,191,994	191,689,206	202,191,994	191,689,206
Development Bank of South Africa (1-501) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	325,146,835	319,587,132	325,146,835	319,587,132
Development Bank of South Africa (1-500) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	73,031,583	74,144,325	73,031,583	74,144,325
Development Bank of South Africa (1-200) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.	216,299,390	213,818,951	216,299,390	213,818,951

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
4. Long-term liabilities (continued)				
INCA (1-100) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.	158,674,099	171,323,140	158,674,099	171,323,140
Development Bank of South Africa (1-52) Secured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 Sept 2018.	183,239,644	199,772,612	183,239,644	199,772,612
Development Bank of South Africa (1-51) Unsecured fixed interest 10 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2012.	4,299,892	5,853,131	4,299,892	5,853,131
Development Bank of South Africa (1-50) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2018.	194,376,969	192,840,442	194,376,969	192,840,442
iVuzi Investments (1-550) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.	153,922,487	163,951,984	153,922,487	163,951,984
iVuzi Investments (1-450) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.	61,719,094	65,608,985	61,719,094	65,608,985
iVuzi Investments (1-300) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.	74,627,296	79,733,310	74,627,296	79,733,310
iVuzi Investments (1-150) Unsecured fixed interest 15 year loan repayable semi-annually in equal installment of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.	36,007,660	38,695,134	36,007,660	38,695,134
iVuzi Investments (1-0) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.	13,294,498	14,499,099	13,294,498	14,499,099
Nedbank (1-1150) Unsecured variable interest rate 10 year loan repayable in semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.	312,167,474	338,630,811	312,167,474	338,630,811
Nedbank (1-1100) Unsecured variable interest rate 10 year loan repayable in semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020.	313,853,431	340,378,960	313,853,431	340,378,960
Nedbank (1-852) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	134,590,448	142,650,186	134,590,448	142,650,186
ABSA Bank Ltd (1-850) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	196,024,229	207,717,732	196,024,229	207,717,732

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
4. Long-term liabilities (continued)				
Development Bank of South Africa (1-1351) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2013. Loan taken over from Nokeng Municipality on 1 July 2011.	345,345	-	345,345	-
Development Bank of South Africa (1-1352) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 August 2016. Loan taken over from Nokeng Municipality on 1 July 2011.	878,718	-	878,718	-
Development Bank of South Africa (1-1400) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2016. Loan taken over from Kungwini Municipality on 1 July 2011.	17,933,306	-	17,933,306	-
Standard Bank - Magalies Water (1-1401) Unsecured fixed interest rate loan repayable with monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2014. Loan taken over from Kungwini Municipality on 1 July 2011.	975,303	-	975,303	-
Development Bank of South Africa (1-1600) Unsecured (Jibar) variable interest 15 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2027.	500,000,000	-	500,000,000	-
Standard Bank (1-1601) Unsecured (Jibar) variable interest 10 year loan repayable with semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.	500,230,125	-	500,230,125	-
	6,434,887,866	**5,756,745,210**	**6,431,452,172**	**5,752,701,117**
Non-current liabilities				
At amortised cost	6,088,869,590	5,261,795,691	6,085,749,294	5,258,066,996
Current liabilities				
At amortised cost	346,018,276	494,949,519	345,702,878	494,634,121
	6,434,887,866	**5,756,745,210**	**6,431,452,172**	**5,752,701,117**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

5. Lease liabilities

Minimum lease payments due				
- within one year	150,559,406	132,053,651	150,559,406	132,053,651
- in second to fifth year inclusive	187,822,824	169,833,763	187,822,824	169,833,763
	338,382,230	301,887,414	338,382,230	301,887,414
Less: future finance charges	(35,130,418)	(36,270,486)	(35,130,418)	(36,270,486)
Present value of minimum lease payments	**303,251,812**	**265,616,928**	**303,251,812**	**265,616,928**
Present value of minimum lease payments due				
- within one year	126,026,714	111,263,325	126,026,714	111,263,325
- in second to fifth year inclusive	177,225,098	154,353,603	177,225,098	154,353,603
	303,251,812	**265,616,928**	**303,251,812**	**265,616,928**
Non-current liabilities	177,225,098	154,353,603	177,225,098	154,353,603
Current liabilities	126,026,714	111,263,325	126,026,714	111,263,325
	303,251,812	**265,616,928**	**303,251,812**	**265,616,928**
Collateral held in terms of the above leases (Net book amount of leased assets)	303,251,812	265,616,928	303,251,812	265,616,928
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default	294,663,015	256,999,299	294,663,015	256,999,299

6. Provisions

Reconciliation of provisions - Group - 2012

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegatation	25,519,617	2,575,068	(3,176,895)	443,962	25,361,752
Rehabilitation of landfill sites	163,319,115	32,788,828	(16,129,690)	4,627,645	184,605,898
Performance bonus: Sandspruit	1,269,998	340,790	-	-	1,610,788
Rehabilitation of quarries	16,463,685	1,626,560	(1,196,026)	(63,604)	16,830,615
	206,572,415	**37,331,246**	**(20,502,611)**	**5,008,003**	**228,409,053**

Reconciliation of provisions - Group - 2011

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegatation	7,005,253	2,435,386	(2,467,850)	18,546,828	25,519,617
Rehabilitation of landfill sites	135,780,097	19,385,843	(21,558,628)	29,711,803	163,319,115
Performance bonus: Sandspruit	997,981	272,017	-	-	1,269,998
Rehabilitation of quarries	13,988,038	3,506,833	(445,748)	(585,438)	16,463,685
	157,771,369	**25,600,079**	**(24,472,226)**	**47,673,193**	**206,572,415**

6. Provisions (continued)

Reconciliation of provisions - Municipality - 2012

	Opening Balance	Additions	Utilised during the year	Reversed/ adjusted during the year	Total
Clearing of alien vegatation	25,519,617	2,575,068	(3,176,895)	443,962	25,361,752
Rehabilitation of landfill sites	163,319,115	32,788,828	(16,129,690)	4,627,645	184,605,898
Rehabilitation of quarries	16,463,685	1,626,560	(1,196,026)	(63,604)	16,830,615
	205,302,417	**36,990,456**	**(20,502,611)**	**5,008,003**	**226,798,265**

Reconciliation of provisions - Municipality - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegatation	7,005,253	2,435,386	(2,467,850)	18,546,828	25,519,617
Rehabilitation of landfill sites	135,780,097	19,385,843	(21,558,628)	29,711,803	163,319,115
Rehabilitation of quarries	13,988,038	3,506,833	(445,748)	(585,438)	16,463,685
	156,773,388	**25,328,062**	**(24,472,226)**	**47,673,193**	**205,302,417**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Total Provisions				
Non-current liabilities	226,798,265	205,302,417	226,798,265	205,302,417
Current liabilities	1,610,788	1,269,998	-	-
	228,409,053	**206,572,415**	**226,798,265**	**205,302,417**

7. Consumer deposits

	Group 2012 R	Group Restated 2011 R	Municipality 2012 R	Municipality Restated 2011 R
Electricity and water	406,953,225	359,616,961	403,868,672	356,856,244
Guarantees held:				
Electricity and water consumers (who do not have deposits)	154,920,913	158,315,818	154,920,913	158,315,818
Guarantees held in lieu of Township Development	193,848,803	299,588,556	193,848,803	299,588,556
	348,769,716	**457,904,374**	**348,769,716**	**457,904,374**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

8. Payables from exchange transactions

Trade payables	2,686,997,628	1,821,151,702	2,640,416,305	1,860,492,313
Payments received in advance	22,130,257	46,279,950	22,130,257	46,279,950
Accrued leave pay	547,762,746	490,383,438	542,593,356	486,557,585
Deposits received	22,792,550	19,899,287	22,355,062	19,551,499
Debtors with credit balances	542,142,628	494,021,119	542,142,628	494,021,119
Other creditors	434,997,304	278,767,236	432,128,292	276,402,708
Retention creditors	238,990,712	159,096,715	238,990,712	159,096,715
RTMC: AARTO	77,877,587	53,351,435	77,877,587	53,351,435
Deferred operating lease liability	8,676,402	12,861,392	8,676,402	12,861,392
	4,582,367,814	**3,375,812,274**	**4,527,310,601**	**3,408,614,716**

9. Unspent grants and receipts

Unspent grants and receipts comprises of:

DoRA: Department Water Affairs & Forestry (DWAF)	2,143,382	3,441,339	290,366	1,149,838
DoRA: INEP (Electricity for All)	387,274	1,526,274	387,274	1,526,274
DoRA: Finance Management Grant (FMG)	-	938,998	-	938,998
DoRA: Restructuring Grant	-	11,479,345	-	11,479,345
Provincial: Housing Projects	93,758,781	40,571,990	93,758,781	40,571,990
DoRA: Urban Settlement Development Grant (USDG)	10,117,921	-	10,117,921	-
DoRA: PTIS	137,609,647	282,319,532	137,609,647	282,319,532
Provincial: DPLG - Health	89,650	303,052	89,650	303,052
DoRA: 2010 Host Cities	-	2,125,801	-	2,125,801
Neighbourhood Development Program	34,017,099	381,813	34,017,099	381,813
Bontle ke Botho award	763,315	521,450	763,315	521,450
Arts and Culture grant (Libraries)	4,429,968	1,673,147	4,429,968	1,673,147
Economic Development grant	8,750,000	8,750,000	8,750,000	8,750,000
Gautrans job creation	1,408,211	1,408,211	1,408,211	1,408,211
Blue IQ	24,998,876	39,998,820	24,998,876	39,998,820
LG SETA Merit Awards	-	5,625	-	5,625
Sport and Recreation	515,977	515,977	515,977	515,977
Performance Management	268,665	-	268,665	-
Electricity Demand Side	29,523	2,531,158	29,523	2,531,158
	319,288,289	**398,492,532**	**317,435,273**	**396,201,031**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

9. Unspent grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	398,492,532	329,318,555	396,201,031	323,638,362
Additions during the year	3,682,088,085	2,547,600,825	3,681,383,150	2,549,286,265
Income recognition during the year	(3,562,483,268)	(2,514,734,034)	(3,561,339,848)	(2,513,030,782)
Transfer between grants	(2,074,060)	30,325,315	(2,074,060)	30,325,315
Prior year restatements	-	5,981,871	-	5,981,871
Returned	(196,735,000)	-	(196,735,000)	-
	319,288,289	**398,492,532**	**317,435,273**	**396,201,031**

The figures above shows:

- The nature and extent of government grants recognised in the annual consolidated financial statements and an indication of other forms of government assistance from which the group has directly benefited; and
- The unfulfilled conditions and other contingencies attaching to government assistance that have been recognised.

Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

See note 25 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

10. VAT

VAT payable	(258,534,728)	(156,473,129)	(258,534,728)	(154,453,229)
VAT receivable	2,974,060	-	-	-
	(255,560,668)	**(156,473,129)**	**(258,534,728)**	**(154,453,229)**

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

11. Property, plant and equipment

Group

	2012 Cost / Valuation	2012 Accumulated depreciation and accumulated impairment	2012 Carrying value	2011 Cost / Valuation	2011 Accumulated depreciation and accumulated impairment	2011 Carrying value
Land	704,297,277	-	704,297,277	700,018,836	-	700,018,836
Buildings	1,599,707,095	(709,605,396)	890,101,699	1,129,090,014	(433,020,263)	696,069,751
Biological assets (game)	12,706,506	-	12,706,506	12,970,960	-	12,970,960
Infrastructure	18,330,918,464	(3,870,278,054)	14,460,640,410	14,903,616,996	(3,326,100,900)	11,577,516,096
Community	1,967,155,118	(497,794,480)	1,469,360,638	1,733,461,302	(431,886,217)	1,301,575,085
Other property, plant and equipment	2,365,547,907	(934,979,394)	1,430,568,513	2,523,331,904	(1,036,472,078)	1,486,859,826
Housing stock	39,343,705	-	39,343,705	3,769,730	-	3,769,730
Heritage	26,058,896	(325,319)	25,733,577	25,844,496	(235,353)	25,609,143
Housing	356,638,872	(275,712)	356,363,160	266,805,100	(238,584)	266,566,516
Total	**25,402,373,840**	**(6,013,258,355)**	**19,389,115,485**	**21,298,909,338**	**(5,227,953,395)**	**16,070,955,943**

Municipality

	2012 Cost / Valuation	2012 Accumulated depreciation and accumulated impairment	2012 Carrying value	2011 Cost / Valuation	2011 Accumulated depreciation and accumulated impairment	2011 Carrying value
Land	704,297,277	-	704,297,277	700,018,836	-	700,018,836
Buildings	1,591,872,525	(707,256,237)	884,616,288	1,121,277,382	(431,068,812)	690,208,570
Biological assets (game)	12,706,506	-	12,706,506	12,970,960	-	12,970,960
Infrastructure	18,318,267,684	(3,862,512,273)	14,455,755,411	14,891,029,504	(3,319,738,872)	11,571,290,632
Community	1,967,155,118	(497,794,480)	1,469,360,638	1,733,461,302	(431,886,217)	1,301,575,085
Other property, plant and equipment	2,355,572,737	(926,206,465)	1,429,366,272	2,513,770,348	(1,028,619,216)	1,485,151,132
Housing stock	39,343,705	-	39,343,705	3,769,730	-	3,769,730
Heritage	26,058,896	(325,319)	25,733,577	25,844,496	(235,353)	25,609,143
Housing	356,638,872	(275,712)	356,363,160	266,805,100	(238,584)	266,566,516
Total	**25,371,913,320**	**(5,994,370,486)**	**19,377,542,834**	**21,268,947,658**	**(5,211,787,054)**	**16,057,160,604**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	-	-	-	704,297,277
Buildings	696,069,751	23,550,734	-	246,152,499	-	21,869,192	(75,671,285)	(21,869,192)	890,101,699
Biological assets (game)	12,970,960	-	-	-	(264,454)	-	-	-	12,706,506
Infrastructure	11,577,516,096	3,452,823,064	(5,713,535)	(3,973,437)	-	7,443,288	(567,436,893)	(18,173)	14,460,640,410
Community	1,301,575,085	223,512,830	(14,103,009)	22,696,734	-	(31)	(64,320,971)	-	1,469,360,638
Other property, plant and equipment	1,486,859,826	417,935,215	(59,624,268)	(261,519,878)	-	7,532,154	(153,082,381)	(7,532,155)	1,430,568,513
Housing stock	3,769,730	41,072,830	(1,729,124)	-	-	(3,769,731)	-	-	39,343,705
Heritage	25,609,143	214,400	-	-	-	-	(89,966)	-	25,733,577
Housing	266,566,516	102,567,561	-	(12,733,787)	-	-	(37,130)	-	356,363,160
	16,070,955,943	**4,266,615,521**	**(81,749,002)**	**(9,459,249)**	**(264,454)**	**33,074,872**	**(860,638,626)**	**(29,419,520)**	**19,389,115,485**

Reconciliation of property, plant and equipment - Group - 2011

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	705,754,663	-	(452,130)	(5,283,697)	-	-	-	-	700,018,836
Buildings	641,229,727	64,510,939	-	-	-	25,456,673	(35,127,588)	-	696,069,751
Biological assets (game)	13,322,433	-	-	-	(351,473)	-	-	-	12,970,960
Infrastructure	10,136,186,276	1,866,923,386	-	(17,056,499)	-	(3,023,397)	(405,513,670)	-	11,577,516,096
Community	1,259,317,349	105,860,475	(39,183)	(8,033,114)	-	-	(55,530,442)	-	1,301,575,085
Other property, plant and equipment	1,117,241,635	651,486,592	(3,042,095)	(66,449,946)	-	(27,166,302)	(184,331,430)	(878,628)	1,486,859,826
Housing stock	1,142,732	-	-	-	-	2,626,998	-	-	3,769,730
Heritage	5,478,201	20,169,639	-	-	-	-	(38,697)	-	25,609,143
Housing	240,716,923	23,328,172	-	2,558,549	-	-	(37,128)	-	266,566,516
	14,120,389,939	**2,732,279,203**	**(3,533,408)**	**(94,264,707)**	**(351,473)**	**(2,106,028)**	**(680,578,955)**	**(878,628)**	**16,070,955,943**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	-	-	-	704,297,277
Buildings	690,208,570	23,528,796	-	246,152,499	-	21,869,192	(75,273,577)	(21,869,192)	884,616,288
Biological assets (game)	12,970,960	-	-	-	(264,454)	-	-	-	12,706,506
Infrastructure	11,571,290,632	3,452,759,777	(5,713,535)	(3,973,437)	-	7,443,290	(566,033,143)	(18,173)	14,455,755,411
Community	1,301,575,085	223,512,830	(14,103,009)	22,696,734	-	(31)	(64,320,971)	-	1,469,360,638
Other property, plant and equipment	1,485,151,132	417,498,122	(59,624,268)	(261,519,878)	-	7,532,154	(152,138,835)	(7,532,155)	1,429,366,272
Housing stock	3,769,730	41,072,830	(1,729,124)	-	-	(3,769,731)	-	-	39,343,705
Heritage	25,609,143	214,400	-	-	-	-	(89,966)	-	25,733,577
Housing	266,566,516	102,567,561	-	(12,733,787)	-	-	(37,130)	-	356,363,160
	16,057,160,604	**4,266,093,203**	**(81,749,002)**	**(9,459,249)**	**(264,454)**	**33,074,874**	**(857,893,622)**	**(29,419,520)**	**19,377,542,834**

Reconciliation of property, plant and equipment - Municipality - 2011

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	705,754,663	-	(452,130)	(5,283,697)	-	-	-	-	700,018,836
Buildings	634,993,266	64,489,647	-	-	-	25,456,675	(34,731,018)	-	690,208,570
Biological assets (game)	13,322,433	-	-	-	(351,473)	-	-	-	12,970,960
Infrastructure	10,128,463,154	1,865,349,004	-	(15,454,123)	-	(3,023,392)	(404,044,011)	-	11,571,290,632
Community	1,259,317,349	105,860,473	(39,183)	(8,033,112)	-	-	(55,530,442)	-	1,301,575,085
Other property, plant and equipment	1,114,432,591	652,608,740	(3,042,095)	(46,383,080)	-	(48,835,546)	(182,750,850)	(878,628)	1,485,151,132
Stock	1,142,732	-	-	-	-	2,626,998	-	-	3,769,730
Heritage	5,478,201	20,169,639	-	-	-	-	(38,697)	-	25,609,143
Housing	240,716,923	23,328,172	-	2,558,549	-	-	(37,128)	-	266,566,516
	14,103,621,312	**2,731,805,675**	**(3,533,408)**	**(72,595,463)**	**(351,473)**	**(23,775,265)**	**(677,132,146)**	**(878,628)**	**16,057,160,604**

11. Property, plant and equipment (continued)

Useful lives

The useful lives of the assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within the City of Tshwane.

Impairment

The City of Tshwane tested it's property, plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount. Impairment tests were performed on the following group of assets:

- **Assets held for sale:** Fair values were determined based on the selling price of the items as per previous auctions held taking into consideration its current condition. Where the net book value of the item exceeded the fair market value less the cost to sell, the assets were impaired to reflect the recoverable cost. The impairment loss of these assets were R1 274 138.
- **Assets with a condition rating of poor or very poor:** Items with a condition rating that is either "poor" or "very poor" have been subjected to an impairment test. The following percentages were used in performing the impairment test:
  - Items with a condition rating of "poor", 25% of its expected useful life; and
  - Items with a condition rating of "very poor", 10% of its expected useful life. Only items with an impairment value of more than R100 were impaired.
- Library books: After performing a 100% verification on library books, books with a condition rating of "poor" and "very poor/scrap" were identified and impaired in terms of the Local Government Capital Asset Management Guideline 2008.
  - Items with a condition rating of "poor", 30% of its expected useful life; and
  - Items with a condition rating of "very poor/scrap", 20% of its expected useful life.
- Other indicators:
  - Busses no longer in use - a list of busses (that is no longer in use by the City due to their physical condition) was provided by the Roads and Transport Department.
  - Munitoria Offices to be demolished and re-built - as at 30 June 2012 the offices were not utilised at maximum capacity. Majority of the offices and officials have been relocated to Isivuno House. An impairment test was performed in both instances - no further impairment was however done due to the fact that the net book value of these assets is lower than the depreciated replacement cost.
  - Schubart Park and Kruger Park: Both these properties of the municipality will be demolished due to the fact that they are structurally unsound and do not comply with current SANS regulations. Both these properties have been impaired to R1, the value of the impairment being R21 869 192.

12. Investment property

Group

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	623,604,835	(40,669,869)	582,934,966	459,883,476	(39,912,176)	419,971,300

Municipality

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	607,733,998	(40,669,869)	567,064,129	444,092,462	(39,912,176)	404,180,286

Reconciliation of investment property - Group - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	419,971,300	175,023,299	(11,300,433)	(759,200)	582,934,966

Reconciliation of investment property - Group - 2011

	Opening balance	Disposals	Transfers	Fair value adjustments	Depreciation	Total
Investment property	415,762,519	(161,352)	(7,928)	6,191,014	(1,812,953)	419,971,300

Reconciliation of investment property - Municipality - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	404,180,286	174,943,476	(11,300,433)	(759,200)	567,064,129

Reconciliation of investment property - Municipality - 2011

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	406,162,519	(161,351)	(7,929)	(1,812,953)	404,180,286

13. Intangible assets

Group

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software, other	525,579,878	(224,599,100)	300,980,778	360,064,799	(160,140,679)	199,924,120

Municipality

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software, other	525,579,878	(224,599,100)	300,980,778	360,064,799	(160,140,679)	199,924,120

Reconciliation of intangible assets - Group - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Computer software, other	199,924,120	132,229,283	12,513,588	(43,686,213)	300,980,778

Reconciliation of intangible assets - Group - 2011

	Opening balance	Additions	Transfers	Depreciation	Total
Computer software, other	107,248,103	90,418,591	44,121,381	(41,863,955)	199,924,120

Reconciliation of intangible assets - Municipality - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Computer software, other	199,924,120	132,229,283	12,513,588	(43,686,213)	300,980,778

Reconciliation of intangible assets - Municipality - 2011

	Opening balance	Additions	Transfers	Depreciation	Total
Computer software, other	107,248,103	90,418,591	44,121,381	(41,863,955)	199,924,120

14. Leased assets

Group

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets	418,360,561	(123,697,546)	294,663,015	430,447,267	(173,447,968)	256,999,299

Municipality

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets	418,360,561	(123,697,546)	294,663,015	430,447,267	(173,447,968)	256,999,299

Reconciliation of leased assets - Group - 2012

	Opening balance	Additions	Other changes	Depreciation	Total
Leased assets	256,999,299	110,199,975	57,452,096	(129,988,355)	294,663,015

Reconciliation of leased assets - Group - 2011

	Opening balance	Additions	Other changes	Depreciation	Total
Leased assets	198,868,256	104,190,496	56,358,211	(102,417,664)	256,999,299

Reconciliation of leased assets - Municipality - 2012

	Opening balance	Additions	Other changes	Depreciation	Total
Leased assets	256,999,299	110,199,975	57,452,096	(129,988,355)	294,663,015

Reconciliation of leased assets - Municipality - 2011

	Opening balance	Additions	Other changes	Depreciation	Total
Leased assets	198,868,256	104,190,496	56,358,211	(102,417,664)	256,999,299

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

15. Assets held for sale

Assets and liabilities

Non-current assets	9,944,699	5,619,097	9,944,699	5,619,097
Non-current assets: Accumulated depreciation	(9,600,109)	(4,183,833)	(9,600,109)	(4,183,833)
Inventory held for sale	962,296	791,822	962,296	791,822
	1,306,886	**2,227,086**	**1,306,886**	**2,227,086**

The abovementioned non-current groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and are in the auction yard at year end.

Inventory held for sale also include obsolete inventory to the amount of R962 296 (2011 = R791 822; 2010 = R1 094 831) which have been transferred /marked for disposal.

16. Investments

Available-for-sale Investments				
Short-term deposits	323,851,507	496,337,962	323,851,507	496,337,962
Held to maturity investments				
Municipal stock	3,033,003	3,033,003	3,033,003	3,033,003
Assurance companies	3,867,827	3,592,836	3,867,827	3,592,836
Fixed deposits	80,721,111	117,225,502	80,721,111	117,225,502
	87,621,941	**123,851,341**	**87,621,941**	**123,851,341**
Total Investments	**411,473,448**	**620,189,303**	**411,473,448**	**620,189,303**
Non-current Investments				
Long-term investments	87,621,941	123,851,341	87,621,941	123,851,341
Current Investments				
Short-term deposits	323,851,507	496,337,962	323,851,507	496,337,962

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

Market value of listed investments and management's valuation of unlisted investments:				
Unlisted investments	282,571,456	638,915,619	282,571,456	638,915,619
Average rate of return:				
Average rate of return on long-term investments:	7.77 %	11.17 %	7.77 %	11.17 %
Average rate of return on short-term investments:	5.19 %	5.36 %	5.19 %	5.36 %

No impairment occurred during the financial year under review

Carrying amount of investments to the amount of R282 571 456 (2011 = R458 973 046; 2010 = R675 797 922) is ceded over to all secured long-term liabilities as per note 4. Also refer to note 21 and note 37.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

17. Long-term receivables

Consumers: Arrangement debtors	201,991,222	199,685,823	201,991,222	199,685,823
Housing loans	20,395,710	20,219,221	20,395,710	20,219,221
Loans to sports clubs	1,569,306	1,448,713	1,569,306	1,448,713
Motor car loans	11,710	63,748	11,710	63,748
Study loans	-	2,126	-	2,126
Sale of land	84,754,405	59,589,719	84,754,405	59,589,719
	308,722,353	281,009,350	308,722,353	281,009,350
Short-term portion of Long-term receivables	(108,802,610)	(102,835,275)	(108,802,610)	(102,835,275)
	199,919,743	178,174,075	199,919,743	178,174,075
Provision: Bad debt housing debtors	(104,323,849)	(59,241,366)	(104,323,849)	(59,241,366)
	95,595,894	**118,932,709**	**95,595,894**	**118,932,709**

Reconciliation of provision for bad debt housing debtors				
Balance at the beginning of year	(59,241,366)	(43,113,788)	(59,241,366)	(43,113,788)
Write back of provision during the year	-	(16,127,578)	-	(16,127,578)
Contribution to provision during the year	(45,082,483)	-	(45,082,483)	-
	(104,323,849)	**(59,241,366)**	**(104,323,849)**	**(59,241,366)**

Consumer: Arrangement debtors

A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.

Housing loans

Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attract interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.

Motor car loans

Senior staff were entitled to motor car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in the next financial year.

Loans to sport clubs

Sports Clubs that do qualify, sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.

Study loans

Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying. Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.

Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14%) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

18. Inventories

General stores	345,159,767	244,573,033	342,642,995	242,468,717
Bulk Water	8,243,672	3,865,476	8,243,672	3,865,476
Catering (Premos restaurant)	29,080	19,425	29,080	19,425
Wonderboom Airport	1,923,883	1,587,401	1,923,883	1,587,401
Bus Tickets	405,242	474,372	405,242	474,372
Plants (Nursery)	72,381	79,907	72,381	79,907
Quarries	706,173	380,817	706,173	380,817
Coal (power stations)	60,980,871	77,993,247	60,980,871	77,993,247
	417,521,069	**328,973,678**	**415,004,297**	**326,869,362**

19. Consumer debtors

The City of Tshwane has a consolidated account billing system. The division of debtors per service category is done on a pro-rata basis based on the levies. The provision for bad debt is also not available per income/service group.

Service debtors:				
Rates	1,334,358,528	1,180,769,541	1,334,358,528	1,180,769,541
Electricity	2,519,497,934	2,186,675,924	2,519,497,934	2,186,675,924
Water	1,501,154,055	1,192,164,208	1,158,014,440	886,694,899
Sewerage	259,698,005	225,154,900	259,698,005	225,154,900
Refuse	300,506,996	258,356,774	300,506,996	258,356,774
	5,915,215,518	5,043,121,347	5,572,075,903	4,737,652,038
Less: Arrangement debtors	(201,991,221)	(199,685,823)	(201,991,221)	(199,685,823)
	5,713,224,297	**4,843,435,524**	**5,370,084,682**	**4,537,966,215**
Less: Provision for debt impairment				
Provision for bad debt	(2,945,403,331)	(2,233,923,917)	(2,587,889,015)	(1,932,889,995)
Net balance				
Rates	1,334,358,528	1,180,769,541	1,334,358,528	1,180,769,541
Electricity	2,519,497,934	2,186,675,924	2,519,497,934	2,186,675,924
Water	1,501,154,055	1,192,164,208	1,158,014,440	886,694,899
Sewerage	259,698,005	225,154,900	259,698,005	225,154,900
Refuse	300,506,996	258,356,774	300,506,996	258,356,774
Less: Arrangement debtors	(201,991,221)	(199,685,823)	(201,991,221)	(199,685,823)
Less: Provision for bad debt	(2,945,403,331)	(2,233,923,917)	(2,587,889,015)	(1,932,889,995)
	2,767,820,966	**2,609,511,607**	**2,782,195,667**	**2,605,076,220**

An amount of R111 208 265 (R126 777 422 inclusive of VAT) was written off during 2011/12 [2010/11 = R202 849 828 (R231 248 804 inclusive of VAT)] in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of indigent households are written off. In terms of a Council Resolution dated 29 June 2012 interest on arrear amounts up to 30 June 2011 as well as indigent debtors were written off to the value of R549 212 459. Although the actual write off was only effected on the individual accounts in July 2012, the write off was done on the 2011/12 financial statements already.

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Rates				
Current (0 -30 days)	387,350,045	278,566,981	387,350,045	278,566,981
31 - 60 days	76,281,065	41,488,783	76,281,065	41,488,783
61 - 90 days	44,713,014	34,119,794	44,713,014	34,119,794
91 + days	826,014,404	826,593,983	826,014,404	826,593,983
	1,334,358,528	**1,180,769,541**	**1,334,358,528**	**1,180,769,541**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

19. Consumer debtors (continued)

Electricity				
Current (0 -30 days)	874,612,665	844,100,169	874,612,665	844,100,169
31 - 60 days	298,923,955	31,302,700	298,923,955	31,302,700
61 - 90 days	29,635,804	33,436,767	29,635,804	33,436,767
91 + days	1,316,325,510	1,277,836,288	1,316,325,510	1,277,836,288
	2,519,497,934	**2,186,675,924**	**2,519,497,934**	**2,186,675,924**
Water				
Current (0 -30 days)	694,906,883	543,121,133	351,767,268	237,651,824
31 - 60 days	93,642,632	20,079,852	93,642,632	20,079,852
61 - 90 days	24,423,468	17,838,145	24,423,468	17,838,145
91 + days	688,181,072	611,125,078	688,181,072	611,125,078
	1,501,154,055	**1,192,164,208**	**1,158,014,440**	**886,694,899**
Sanitation				
Current (0 -30 days)	75,882,783	60,713,320	75,882,783	60,713,320
31 - 60 days	21,598,626	3,497,524	21,598,626	3,497,524
61 - 90 days	4,787,659	3,729,946	4,787,659	3,729,946
91 + days	157,428,937	157,214,110	157,428,937	157,214,110
	259,698,005	**225,154,900**	**259,698,005**	**225,154,900**
Solid waste				
Current (0 -30 days)	49,384,444	39,445,504	49,384,444	39,445,504
31 - 60 days	23,312,922	4,934,958	23,312,922	4,934,958
61 - 90 days	6,055,394	4,815,877	6,055,394	4,815,877
91 + days	221,754,236	209,160,435	221,754,236	209,160,435
	300,506,996	**258,356,774**	**300,506,996**	**258,356,774**
Ageing: Total				
Current (0 -30 days)	2,082,136,820	1,765,947,106	1,738,997,205	1,460,477,798
31 - 60 days	513,759,200	101,303,818	513,759,200	101,303,818
61 - 90 days	109,615,339	93,940,529	109,615,339	93,940,529
91 + days	3,209,704,159	3,081,929,894	3,209,704,159	3,081,929,894
	5,915,215,518	**5,043,121,347**	**5,572,075,903**	**4,737,652,039**
Consumer debtors - past due and impaired				
90 days and beyond	2,945,403,331	2,233,923,917	2,587,889,015	1,932,889,995
Consumer debtors - past due and not impaired				
90 days and beyond	466,407,440	431,403,053	452,841,623	429,631,824

Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age-analysis as the municipality only impair from 90 days onward.

Summary of debtors by customer classification

Consumers				
Household	3,700,813,784	3,356,637,959	3,357,672,169	3,051,168,651
Industrial/Commercial	1,455,639,538	1,016,368,590	1,455,639,538	1,016,368,590
National and Provincial Government	139,551,641	15,048,763	139,551,641	15,048,763
Other	619,210,555	655,066,035	619,210,555	655,066,035
	5,915,215,518	**5,043,121,347**	**5,572,073,903**	**4,737,652,039**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Reconciliation of debt impairment provision				
Balance at beginning of the year	(2,233,923,917)	(1,934,433,608)	(1,932,889,995)	(1,682,944,157)
Contributions to provision	(711,479,414)	(314,407,187)	(654,999,020)	(270,294,638)
Transfer to other provisions	-	20,348,800	-	20,348,800
Reversal of provision	-	(5,431,922)	-	-
	(2,945,403,331)	**(2,233,923,917)**	**(2,587,889,015)**	**(1,932,889,995)**

20. Other debtors

Municipal Infrastructure Grant	21,915,045	24,075,135	21,915,045	24,075,135
Housing debtors	32,366,390	26,981,442	32,366,390	26,981,442
Government subsidies	45,029,500	41,595,500	45,029,500	41,595,500
Miscellaneous	280,134,308	144,386,121	241,584,737	210,922,591
Lease revenue	59,740,873	55,975,628	59,460,834	55,893,356
DWAF outstanding grant	4,750,000	4,750,000	4,750,000	4,750,000
Waste management	69,581,130	36,777,366	69,581,130	36,777,366
Sundry rentals	56,345,371	47,332,600	56,345,371	47,332,600
Sundry Persons	197,748,586	184,363,048	197,793,251	186,431,015
Public contributions	202,422,820	150,693,464	202,422,820	150,693,464
Sandspruit	34,298,530	34,298,530	34,298,530	34,298,530
RTMC: AARTO debtor	49,526,846	34,943,480	49,526,846	34,943,480
National Treasury	91,655	-	91,655	-
	1,053,951,054	786,172,314	1,015,166,109	854,694,479
Less: Provision for bad debt other debtors	(286,506,764)	(274,900,358)	(286,481,321)	(274,852,557)
	767,444,290	**511,271,956**	**728,684,788**	**579,841,922**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(274,900,358)	(191,424,952)	(274,852,557)	(191,305,855)
Contributions to provision	(62,588,529)	(63,197,902)	(62,588,529)	(63,197,902)
Transfer from consumer debtor provision	-	(20,348,800)	-	(20,348,800)
Write back of provision	50,959,765	-	50,959,765	-
Other: Municipal entities	22,358	71,296	-	-
	(286,506,764)	**(274,900,358)**	**(286,481,321)**	**(274,852,557)**

21. Call investment deposits ring-fencing

Other deposits of R311 607 094 (2011 = R638 915 619; 2010 = R701 869 596 and 2009 = R660 332 240) are ring-fenced and attributable to the Capital Replacement Reserve of R536 779 891 (2010 = R460 173 985 and 2009 = R361 254 474).

Fixed deposits amounting to R282 571 456 (2011 = R458 973 046; 2010 = R675 797 922 and 2009 = R598 458 250) have also been ring-fenced for the purpose of repaying long-term liabilities.

22. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	332,865	291,927	323,306	283,027
Bank balances	643,298,722	413,811,671	603,483,885	362,959,323
Short-term deposits	323,851,507	496,337,962	323,851,507	496,337,962
	967,483,094	**910,441,560**	**927,658,698**	**859,580,312**
Cash and bank	643,631,587	414,103,598	603,807,191	363,242,350
Call investments deposits	323,851,507	496,337,962	323,851,507	496,337,962
	967,483,094	**910,441,560**	**927,658,698**	**859,580,312**

22. Cash and cash equivalents (continued)

The municipality and municipal entities have the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Absa - 4060738263	4,271,940	22,589,302	8,808,030	4,271,940	26,957,877	8,822,546
FNB - 51420107207	24,467,226	9,458,968	4,686,127	24,467,226	9,464,455	4,784,071
Standard - 410801453	509,325,696	249,163,354	66,606,728	539,879,039	303,717,749	47,513,098
Insurance Contingency - Absa - 4062593950	9,813,883	1,985,425	62,724	9,813,883	1,985,425	62,274
Tshwane Market - FNB - 51421161509	25,502,452	21,853,817	19,593,055	25,051,797	20,833,817	18,781,373
Nedbank - 1454121963	1,597,115	1,356,360	-	-	-	-
Civirelo: Absa - 4052561692	-	-	18,521	-	-	18,521
Civirelo: Absa - 9078443130	-	-	136,740	-	-	136,740
Housing Company: Absa - 4065722829	3,208,599	672,493	70,705	3,208,599	672,493	70,705
Housing Company: Absa - 4057481879	14,776,125	8,588,453	8,475	14,776,125	8,588,453	8,475
Housing Company: Absa - 911408066	517,671	409,444	342,958	517,671	409,444	342,958
Sandspruit: Standard - 32250738	2,205,649	22,150,482	3,075,461	1,572,856	21,890,068	2,477,666
Sandspruit: Standard - 11020	128,192	67,536	86,535	128,192	67,536	86,536
Sandspruit: Standard - 11030	18,508,342	16,827,485	15,005,198	18,508,342	16,827,485	15,005,198
Sandspruit: Absa - 4051139634	954,575	2,256,070	31,494	954,575	2,256,070	31,494
Sandspruit: Absa Money Market - 9074185817	148,477	140,799	-	148,477	140,799	-
Total	**615,425,942**	**357,519,988**	**118,532,751**	**643,298,722**	**413,811,671**	**98,141,655**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

23. Property rates

Rates received

Property rates	3,420,875,611	2,931,317,574	3,420,993,205	2,931,420,523
Less: Interdepartmental charges	(29,680,895)	(15,798,031)	(29,680,895)	(15,798,031)
	3,391,194,716	**2,915,519,543**	**3,391,312,310**	**2,915,622,492**

Valuations

Residential	235,554,628,015	222,674,062,806	235,554,628,015	222,674,062,806
Other	94,486,436,697	71,245,851,141	94,486,436,697	71,245,851,141
	330,041,064,712	**293,919,913,947**	**330,041,064,712**	**293,919,913,947**

The site value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.

No difference is made between land value and improvement value and only market value appears on the valuation roll. Applicable tariff - with the implementation of the MPRA categories of properties are levied at different tariffs with different rebates applicable.

Persons of 60 years or older and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

24. Service charges

Sale of electricity	7,651,792,599	6,079,619,578	7,654,382,250	6,081,674,916
Sale of water	2,105,922,806	1,685,138,490	2,124,884,150	1,691,563,721
Solid waste	491,342,951	404,476,313	491,342,951	404,476,313
Sewerage and sanitation charges	502,650,860	436,756,624	502,650,860	436,756,624
Other service charges	159,214,759	173,819,888	159,214,759	173,819,888
Less: Interdepartmental charges	(231,877,157)	(185,323,154)	(231,877,157)	(185,323,154)
	10,679,046,818	**8,594,487,739**	**10,700,597,813**	**8,602,968,308**

25. Government grants and subsidies

DoRA: Equitable share	923,020,000	717,977,936	923,020,000	717,977,936
Opex: Grants & donations	2,813,903	41,186,161	2,813,903	41,186,161
Provincial ambulance subsidy	47,901,500	44,414,500	47,901,500	44,414,500
DoRA: Equitable Share: Fuel levy	1,191,521,000	1,085,816,000	1,191,521,000	1,085,816,000
DoRA: Finance Management Grant	5,116,485	673,026	5,116,485	673,026
DoRA: DWAF grant	6,926,472	6,664,316	6,926,472	6,664,316
Provincial: DACE (operational)	-	102,450	-	102,450
Top structure grant	93,056,868	13,294,443	93,056,868	13,294,443
Provincial: Health subsidy	27,324,561	27,270,614	27,324,561	27,270,614
Provincial: HIV and AIDS	5,310,401	1,626,676	5,310,401	1,626,676
Provincial: Community library services	5,848,016	6,427,479	5,848,016	6,427,479
Capex: Grants and donations	1,225,795,800	496,494,461	1,225,795,800	496,494,461
PTIS opex	3,644,603	60,816,322	3,644,603	60,816,322
USDG (MIG) opex	3,060,239	1,685,465	3,060,239	1,685,465
Incorporation grant	20,000,000	-	20,000,000	-
	3,561,339,848	**2,504,449,849**	**3,561,339,848**	**2,504,449,849**

Equitable Share

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

All registered indigents receive a monthly subsidy of R378 (2011 = R251; 2010 = R 223 and 2009 = R 186), which is funded from the grant.

Primary Health Care Subsidy (Provincial)

Current-year receipts	27,324,561	19,414,474	27,324,561	19,414,474
Conditions met - transferred to revenue	(27,324,561)	(27,270,614)	(27,324,561)	(27,270,614)
Transfers	-	7,856,140	-	7,856,140
	-	-	-	-

Conditions still to be met - remain liabilities (see note 9)

The Municipality renders health services on behalf of the Provincial Government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services included in the Social Development vote in Appendix D). The conditions of the grant have been met. The subsidy for the last quarter of 2010/11 have not been paid over to the municipality yet and a debtor was created to the value of R8 956 000.

The percentage of expenditure incurred refunded during the financial year = 15.55 % (2011 = 15.99%)

Emergency Mangement Services Subsidy (Provincial)

Current-year receipts	47,901,500	21,725,000	47,901,500	21,725,000
Conditions met - transferred to revenue	(47,901,500)	(44,414,500)	(47,901,500)	(44,414,500)
Transfers	-	22,689,500	-	22,689,500
	-	-	-	-

Conditions still to be met - remain liabilities (see note 9)

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

The municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effect emergency care. This subsidy has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the grant have been met. The subsidy for the last quarter of 2010/11 and the last 2 quarters of 2011/12 have not been paid over the the municipality yet and a debtor was created to the value of R11 827 000 and R24 246 500 respectively.

The percentage of expenditure incurred refunded during the financial year = 54.98% (2011 = 55.49%)

Gauteng Sport & Recreation (Loftus Upgrade) (DoRA)

	Group 2012	Group 2011	Municipality 2012	Municipality 2011
Balance unspent at beginning of year	-	9,851,876	-	9,851,876
Current-year receipts	-	2,270,328	-	2,270,328
Conditions met - transferred to revenue	-	(12,122,204)	-	(12,122,204)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9)

This grant was received for the upgrade of sporting facilities during the 2010 Soccer World Cup.

Department of Water Affairs & Forestry (DoRA)

	Group 2012	Group 2011	Municipality 2012	Municipality 2011
Balance unspent at beginning of year	3,441,339	8,214,447	1,149,838	2,534,254
Transfer	-	(100)	-	(100)
Current-year receipts	23,323,935	11,257,000	22,619,000	5,280,000
Conditions met - transferred to revenue	(23,666,892)	(16,030,008)	(22,523,472)	(6,664,316)
Returned	(955,000)	-	(955,000)	-
	2,143,382	**3,441,339**	**290,366**	**1,149,838**

Conditions still to be met - remain liabilities (see note 9)

The balance consists of the unspent portion of the 2010/11 balance of which R955 000 was already repaid to National Treasury during 2011/12.

The purpose of this grant is to subsidise and build capacity in water schemes owned and/or operated by the Department of W ater Affairs or by other agencies on behalf of the department and transfer these schemes to local government. This grant was received for the supply of water services for community upliftment.

Electricity for All (INEP) (DoRA)

	Group 2012	Group 2011	Municipality 2012	Municipality 2011
Balance unspent at beginning of year	1,526,274	1,139,262	1,526,274	1,139,262
Current-year receipts	21,000,000	55,000,000	21,000,000	55,000,000
Conditions met - transferred to revenue	(21,000,000)	(54,612,988)	(21,000,000)	(54,612,988)
Returned	(1,139,000)	-	(1,139,000)	-
	387,274	**1,526,274**	**387,274**	**1,526,274**

Conditions still to be met - remain liabilities (see note 9)

Request for roll over of the balance was submitted to Department Mineral and energy and National Treasury. An amount of R1 139 000 was already repaid to National Treasury during 2011/12.

The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Finance Management Grant (FMG) (DoRA)

Balance unspent at beginning of year	938,998	843,155	938,998	843,155
Current-year receipts	5,250,000	1,000,000	5,250,000	1,000,000
Conditions met - transferred to revenue	(5,438,998)	(1,843,155)	(5,438,998)	(1,843,155)
Returned	(750,000)	-	(750,000)	-
Prior year restatements	-	938,998	-	938,998
	-	**938,998**	**-**	**938,998**

Conditions still to be met - remain liabilities (see note 9)

An amount of R750 000 relating to the previous year was returned to National Treasury during 2011/12.

The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in municipalities the grant provides funding for water and energy internship program to graduates in selected ward boards and municipalities. No funds have been withheld.

Restructuring grant (DoRA)

Balance unspent at beginning of year	11,479,345	11,479,345	11,479,345	11,479,345
Conditions met - transferred to revenue	-	(11,315,919)	-	(11,315,919)
Prior year restatements	-	11,315,919	-	11,315,919
Returned	(11,571,000)	-	(11,571,000)	-
Transfers	91,655	-	91,655	-
	-	**11,479,345**	**-**	**11,479,345**

Conditions still to be met - remain liabilities (see note 9)

An amount of R11 571 000 relating to the previous financial year were returned to National Treasury during 2011/12.

This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy.

Housing Grants (Provincial)

Balance unspent at beginning of year	40,571,990	(29,132,756)	40,571,990	(29,132,756)
Current-year receipts	184,711,560	124,894,000	184,711,560	124,894,000
Conditions met - transferred to revenue	(131,524,769)	(22,834,017)	(131,524,769)	(22,834,017)
Transfers	-	(26,082,191)	-	(26,082,191)
Prior year restatements	-	(6,273,046)	-	(6,273,046)
	93,758,781	**40,571,990**	**93,758,781**	**40,571,990**

Conditions still to be met - remain liabilities (see note 9)

The balance consists of amounts received in advance for the 2012/13 financial year.

Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Municipal System Improvement Grant (MSIG) (DoRA)

Balance unspent at beginning of year	-	28	-	28
Conditions met - transferred to revenue	-	(28)	-	(28)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9)

The R28 balance of the previous financial year has been recognised as revenue during 2010/11. During 2010/11 the balance was due to an administrative error during the previous financial year.

This grant was used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000 and related legislation, policies and local government turnaround strategy.

Urban Settlement Development Grant (USDG) (previously MIG) (DoRA)

Balance unspent at beginning of year	-	36,080,486	-	36,080,486
Current-year receipts	891,081,000	314,739,000	891,081,000	314,739,000
Conditions met - transferred to revenue	(880,963,079)	(374,754,167)	(880,963,079)	(374,754,167)
Transfers	-	23,934,681	-	23,934,681
	10,117,921	**-**	**10,117,921**	**-**

Conditions still to be met - remain liabilities (see note 9)

Request for roll over of the balance was submitted to National Treasury.

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

Public Transport Infrastructure System Grant (PTIS) (DoRA)

Balance unspent at beginning of year	282,319,532	264,094,990	282,319,532	264,094,990
Current-year receipts	200,000,000	100,000,000	200,000,000	100,000,000
Conditions met - transferred to revenue	(162,389,885)	(81,630,964)	(162,389,885)	(81,630,964)
Transfer (correction of incorrect allocation)	-	(144,494)	-	(144,494)
Returned	(182,320,000)	-	(182,320,000)	-
	137,609,647	**282,319,532**	**137,609,647**	**282,319,532**

Conditions still to be met - remain liabilities (see note 9)

Request for roll over of the balance was submitted to National Treasury and Department of Transport. An amount of R182 320 000 relating to previous years has already been returned to National Treasury during 2011/12.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

HIV and AIDS (Provincial Health Department) (Provincial)

Balance unspent at beginning of year	303,052	929,728	303,052	929,728
Current-year receipts	5,097,000	1,000,000	5,097,000	1,000,000
Conditions met - transferred to revenue	(5,310,402)	(1,626,676)	(5,310,402)	(1,626,676)
	89,650	**303,052**	**89,650**	**303,052**

Conditions still to be met - remain liabilities (see note 9)

Request was submitted by the department for the roll forward of the unspent portion at year end as the payments have already been committed in the next financial year.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support ward structures to address AIDS in the local community.

2010 Host Cities (DoRA)

	Group 2012 R	Group Restated 2011 R	Municipality 2012 R	Municipality Restated 2011 R
Balance unspent at beginning of year	2,125,801	17,721,573	2,125,801	17,721,573
Current-year receipts	-	10,900,000	-	10,900,000
Conditions met - transferred to revenue	(5,500)	(26,495,772)	(5,500)	(26,495,772)
Transfers	(2,120,301)	-	(2,120,301)	-
	-	**2,125,801**	**-**	**2,125,801**

Conditions still to be met - remain liabilities (see note 9)

This grant is received for the expenditures of the 2010 World Cup Soccer Host Cities.

Monument Golf Club donation

	Group 2012 R	Group Restated 2011 R	Municipality 2012 R	Municipality Restated 2011 R
Balance unspent at beginning of year	-	214,837	-	214,837
Transfers	-	(214,837)	-	(214,837)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9)

The balance of 2009/10 was utilised during the 2010/11 financial year to finalise the project.

This amount relates to a donation that was received from the Monument Golf Club to build a golf driving range in Mabopane.

Neighbourhood Development Program (DoRA)

	Group 2012 R	Group Restated 2011 R	Municipality 2012 R	Municipality Restated 2011 R
Balance unspent at beginning of year	381,813	1	381,813	1
Current-year receipts	82,000,000	11,116,460	82,000,000	11,116,460
Conditions met - transferred to revenue	(48,304,204)	(10,734,648)	(48,304,204)	(10,734,648)
Transfers	(60,510)	-	(60,510)	-
	34,017,099	**381,813**	**34,017,099**	**381,813**

Conditions still to be met - remain liabilities (see note 9).

Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted under served neighbourhoods (townships generally).

Bontle ke Botho (Award)

	Group 2012 R	Group Restated 2011 R	Municipality 2012 R	Municipality Restated 2011 R
Balance unspent at beginning of year	521,450	880,150	521,450	880,150
Current-year receipts	595,000	380,000	595,000	380,000
Conditions met - transferred to revenue	(353,135)	(738,700)	(353,135)	(738,700)
	763,315	**521,450**	**763,315**	**521,450**

Conditions still to be met - remain liabilities (see note 9).

The unspent portion of this award as at 30 June will normally roll forward for usage in projects during the next financial year due to the timing of the receipt of the prize money.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Community Library Services (Provincial Department of Sport, Arts, Culture and Recreation)

Balance unspent at beginning of year	1,673,147	3,334,231	1,673,147	3,334,231
Current-year receipts	12,700,000	6,220,000	12,700,000	6,220,000
Conditions met - transferred to revenue	(9,943,179)	(6,427,479)	(9,943,179)	(6,427,479)
Transfers	-	(1,453,605)	-	(1,453,605)
	4,429,968	**1,673,147**	**4,429,968**	**1,673,147**

Conditions still to be met - remain liabilities (see note 9).

Request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial and local government level.

DACE (Department Agriculture, Conservation and Environmental) (Provincial)

Balance unspent at beginning of year	-	102,450	-	102,450
Conditions met - transferred to revenue	-	(102,450)	-	(102,450)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

The purpose of the grant is to ensure a sustainable environment, equitable agricultural development and an efficient waste management service through innovative use of technologies in partnership with stakeholders.

Local Economic Development (Provincial)

Balance unspent at beginning of year	8,750,000	192,578	8,750,000	192,578
Current-year receipts	-	8,750,000	-	8,750,000
Other (corrections and transfers)	-	(192,578)	-	(192,578)
	8,750,000	**8,750,000**	**8,750,000**	**8,750,000**

Conditions still to be met - remain liabilities (see note 9).

The purpose of the grant is in support of the urban renewal programme. An assessment has been undertaken on the requirements and a scope exercise conducted looking at the viability of current projects which the department are undertaking in other townships. The grant will be utilised in the 2012/13 financial year after an agreement has been signed.

Gautrans job creation (DoRA)

Balance unspent at beginning of year	1,408,211	1,553,167	1,408,211	1,553,167
Conditions met - transferred to revenue	-	(144,956)	-	(144,956)
	1,408,211	**1,408,211**	**1,408,211**	**1,408,211**

Conditions still to be met - remain liabilities (see note 9).

The balance consists of funds from the previous financial year, a request was received from the relevant Department for the roll over of the balance.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Expanded Public Works Program (EPWP) (DoRA)

Balance unspent at beginning of year	-	454,357	-	454,357
Transfers	-	(454,357)	-	(454,357)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

The purpose of this grant is to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.

NDMC Reservists (Donation)

Balance unspent at beginning of year	-	1,364,650	-	1,364,650
Conditions met - transferred to revenue	-	(1,364,650)	-	(1,364,650)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

Funding was received for the appointment of 80 reservist fire fighters during the 2010 Soccer World Cup.

Blue IQ

Balance unspent at beginning of year	39,998,820	-	39,998,820	-
Current-year receipts	-	39,998,820	-	39,998,820
Conditions met - transferred to revenue	(14,999,944)	-	(14,999,944)	-
	24,998,876	**39,998,820**	**24,998,876**	**39,998,820**

Conditions still to be met - remain liabilities (see note 9).

The amount was received in advance and will be ring-fenced until the project has been finalised.

The amount was received with the purpose of ring-fencing a contribution towards bulk contributions for electricity infrastructure supply.

LG SETA Merit awards

Balance unspent at beginning of year	5,625	-	5,625	-
Current-year receipts	-	24,375	-	24,375
Conditions met - transferred to revenue	-	(24,375)	-	(24,375)
Transfers	(5,625)	5,625	(5,625)	5,625
	-	**5,625**	**-**	**5,625**

Conditions still to be met - remain liabilities (see note 9).

This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.

Public Works

Current-year receipts	930,000	-	930,000	-
Conditions met - transferred to revenue	(928,490)	-	(928,490)	-
Transfers	(1,510)	-	(1,510)	-
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

The grant was received from Public Works for the repair of the Basden Street Sinkhole.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Event sponsorship

Current-year receipts	-	258,268	-	258,268
Conditions met - transferred to revenue	-	(258,268)	-	(258,268)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

This amount was received as a sponsorship for the Mayoral Lekgotla.

Sport and Recreation

Balance unspent at beginning of year	515,977	-	515,977	-
Current-year receipts	21,000,000	515,977	21,000,000	515,977
Conditions met - transferred to revenue	(21,000,000)	-	(21,000,000)	-
	515,977	**515,977**	**515,977**	**515,977**

Conditions still to be met - remain liabilities (see note 9).

The department will request a roll over of the balance to be utilised in the next financial year.

This amount was received during 2010/11 for the HM Pitje Stadium.

Drakensberg Promotions

Current-year receipts	132,529	-	132,529	-
Conditions met - transferred to revenue	(94,250)	-	(94,250)	-
Transfers	(38,279)	-	(38,279)	-
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 9).

These funds are a donation for the development density programme in the Northern Areas.

Performance Management (DPLG)(DoRA)

Current-year receipts	1,500,000	-	1,500,000	-
Conditions met - transferred to revenue	(1,231,335)	-	(1,231,335)	-
	268,665	**-**	**268,665**	**-**

Conditions still to be met - remain liabilities (see note 9).

These funds were received to provide funding for the upgrading of the municipality"s performance management system, the quality performance result system and the enterprise project management system to include the newly merged municipalities.

Electricity Demand Side (DoRA)

Balance unspent at beginning of year	2,531,158	-	2,531,158	-
Current-year receipts	44,000,000	23,000,000	44,000,000	23,000,000
Conditions met - transferred to revenue	(46,501,635)	(20,468,842)	(46,501,635)	(20,468,842)
	29,523	**2,531,158**	**29,523**	**2,531,158**

Conditions still to be met - remain liabilities (see note 9).

The department has request a roll over of the unspent portion from Department Mineral and Energy and National Treasury.

The purpose of this grant is to provide subsidies to municipalities to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

25. Government grants and subsidies (continued)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Other income

Market fees	97,750,161	90,463,491	97,750,161	90,463,491
Land sales	837,912	2,464,335	837,912	2,464,335
Sale of unusable stock	2,997,043	2,360,261	2,997,043	2,360,261
Drain cleaning fees	1,170,355	1,167,399	1,170,355	1,167,399
Sundry services	11,486,913	4,954,229	11,486,913	4,954,229
Interest on property sales	1,521,829	2,684,724	1,521,829	2,684,724
Donated:Assets	84,000	8,530,000	84,000	8,530,000
Dumping fees	493,382	6,330,053	493,382	6,330,053
Building plan fees	25,805,902	24,344,682	25,805,902	24,344,682
Income from grave services	5,202,005	5,050,730	5,202,005	5,050,730
Refund: Motor vehicles licences	66,927,537	62,170,777	66,927,537	62,170,777
Training fees recovered	25,686,003	11,258,435	25,686,003	11,258,435
Newly identified assets	4,372,633	64,039,184	4,372,633	64,039,184
Insurance claims	42,151,721	40,830,086	42,151,721	40,830,086
Sundry fees	41,212,195	42,928,777	6,412,366	4,671,854
Airside income	4,515,991	3,467,362	4,515,991	3,467,362
Ambulance fees	5,566,923	4,460,593	5,566,923	4,460,593
Reminder fees	39,350,729	32,456,527	39,350,729	32,456,527
Discount on prompt payments	453,440	1,215,931	453,440	1,215,931
Approval fees: advertisements	39,272,765	35,093,842	39,272,765	35,093,842
Cemetery fees	4,684,796	4,917,841	4,684,796	4,917,841
Application fees	2,650,908	2,672,975	2,650,908	2,672,975
Income from bulk containers	405	18,424,308	405	18,424,308
Sales: Aeroplane fuel	34,439,614	27,855,176	34,439,614	27,855,176
Transport fees	43,509,528	35,503,357	43,509,528	35,503,357
Miscellaneous	94,799,506	104,739,119	94,799,506	104,739,119
	596,944,196	**640,384,194**	**562,144,367**	**602,127,271**

27. Employee related costs

Salaries and wages	3,245,719,589	2,882,537,840	3,170,328,807	2,814,737,909
Medical aid contributions	253,309,926	217,848,969	253,309,926	217,848,969
UIF	23,971,510	22,910,482	23,971,510	22,910,482
Pension fund contributions	519,602,678	456,192,488	519,602,678	456,192,488
Travel, motor car, accommodation, subsistence and other allowances	246,704,278	224,086,584	246,704,278	224,086,584
Overtime payments	302,506,855	284,968,204	302,506,855	284,968,204
Long-service awards	7,975,137	8,192,846	7,975,137	8,192,846
Performance bonus	474,808	206,917	474,808	206,917
Other allowances	165,170,313	161,571,464	165,170,313	161,571,464
Housing benefits and allowances	21,984,094	21,423,613	21,984,094	21,423,613
Compensation Commissioner (COIDA)	27,866,081	24,826,289	27,866,081	24,826,289
	4,815,285,269	**4,304,765,696**	**4,739,894,487**	**4,236,965,765**

Remuneration of City Manager

Annual Remuneration	1,750,000	767,432	1,750,000	767,432
Contributions to UIF, Medical and Pension Funds	-	38,208	-	38,208
Cell phone allowance	24,000	9,600	24,000	9,600
Non pension allowance	750,000	290,692	750,000	290,692
	2,524,000	**1,105,932**	**2,524,000**	**1,105,932**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

27. Employee related costs (continued)

Remuneration of Deputy City Managers

Annual Remuneration	5,129,727	-	5,129,727	-
Travel allowance	648,000	-	648,000	-
Cell phone allowance	86,400	-	86,400	-
Non pension allowance	1,329,585	-	1,329,585	-
	7,193,712	**-**	**7,193,712**	**-**

There are 4 Deputy City Managers appointed during 2011/12 which relate to the above figures.

Remuneration of Chief Financial Officer

Annual Remuneration	1,155,000	767,424	1,155,000	767,424
Car Allowance	60,000	60,000	60,000	60,000
Contributions to UIF, Medical and Pension Funds	39,338	15,442	39,338	15,442
Cell phone allowance	21,600	9,600	21,600	9,600
Non pension allowance	395,662	344,810	395,662	344,810
	1,671,600	**1,197,276**	**1,671,600**	**1,197,276**

Remuneration: Strategic Executive Directors

Annual Remuneration	9,791,852	12,293,081	9,791,852	12,293,081
Car Allowance	1,730,400	2,140,800	1,730,400	2,140,800
Contributions to UIF, Medical and Pension Funds	880,989	693,918	880,989	693,918
Cell phone allowance	204,000	121,200	204,000	121,200
Non pension allowance	2,348,721	2,433,685	2,348,721	2,433,685
	14,955,962	**17,682,684**	**14,955,962**	**17,682,684**

Remuneration:Technical services

Annual Remuneration	2,039,688	2,402,862	2,039,688	2,402,862
Car Allowance	1,128,000	432,000	1,128,000	432,000
Contributions to UIF, Medical and Pension Funds	102,264	129,840	102,264	129,840
Cell phone allowances	43,200	37,200	43,200	37,200
Non pension allowance	421,488	467,958	421,488	467,958
	3,734,640	**3,469,860**	**3,734,640**	**3,469,860**

Remuneration:Corporate services

Annual Remuneration	997,388	4,986,635	997,388	4,986,635
Car Allowance	96,000	1,118,400	96,000	1,118,400
Contributions to UIF, Medical and Pension Funds	23,832	61,918	23,832	61,918
Cell phone allowances	21,600	18,000	21,600	18,000
Non pension allowance	307,620	956,751	307,620	956,751
	1,446,440	**7,141,704**	**1,446,440**	**7,141,704**

Remuneration: Community Services

Annual Remuneration	6,754,776	4,903,584	6,754,776	4,903,584
Car Allowance	506,400	590,400	506,400	590,400
Contributions to UIF, Medical and Pension Funds	754,893	502,160	754,893	502,160
Cell phone allowances	139,200	66,000	139,200	66,000
Non pension allowance	1,619,613	1,008,976	1,619,613	1,008,976
	9,774,882	**7,071,120**	**9,774,882**	**7,071,120**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

28. Remuneration of councillors

Executive Mayor's allowance	44,466	977	44,466	977
Councillors' allowances	60,436,125	39,454,784	60,436,125	39,454,784
Councillors' pension contribution	24,658	3,339,855	24,658	3,339,855
Travelling allowance	28,944,567	15,737,707	28,944,567	15,737,707
Councillor's medical contributions	-	982,387	-	982,387
Councillor's housing allowance	1,986,478	2,196,180	1,986,478	2,196,180
	91,436,294	**61,711,890**	**91,436,294**	**61,711,890**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.

According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.

29. Depreciation and amortisation

Depreciation: Property, plant & equipment	901,119,703	689,448,180	898,374,696	686,001,371
Depreciation: Leased assets	129,988,355	102,417,664	129,988,355	102,417,664
Depreciation: Rehabilitation assets	3,964,337	34,807,683	3,964,337	34,807,683
	1,035,072,395	**826,673,527**	**1,032,327,388**	**823,226,718**

30. Finance costs (Interest paid)

Long-term liabilities (external loans)	540,171,362	524,966,675	539,657,344	524,395,348
Finance leases	34,064,937	26,187,769	34,064,937	26,187,769
Bank overdraft	4,118,842	5,929,714	4,116,643	5,579,624
Other finance cost (bank charges, transit banking, etc)	33,255,479	26,259,534	33,255,479	26,259,534
Amortisation: provisions	22,314,181	21,692,326	22,314,181	21,692,326
	633,924,801	**605,036,018**	**633,408,584**	**604,114,601**

31. Investment revenue

Interest revenue (interest received)				
Bank	8,953,289	11,243,243	8,953,289	11,243,243
Investments	5,639,381	2,924,815	4,890,652	2,028,943
Long-term investments	31,472,505	88,210,251	31,472,505	88,210,251
Contingency insurance	6,868,654	8,660,152	6,868,654	8,660,152
	52,933,829	**111,038,461**	**52,185,100**	**110,142,589**

32. Debt impairment

Contributions to bad debt provision	809,349,004	418,518,436	762,395,592	385,680,104
Amounts written off	154,009,570	291,277,836	118,227,280	254,007,230
	963,358,574	**709,796,272**	**880,622,872**	**639,687,334**

33. Bulk purchases

Electricity	5,140,035,720	3,657,561,551	5,142,610,831	3,659,189,935
Water	1,027,965,133	826,090,060	1,112,104,214	903,209,769
	6,168,000,853	**4,483,651,611**	**6,254,715,045**	**4,562,399,704**

34. Grants and subsidies paid

Other subsidies				
Grants-In-Aid: Property Rates	21,495,798	27,625,621	21,495,798	27,625,621

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

34. Grants and subsidies paid (continued)

The grant-in-aid is in respect of the funding of Non-Governmental Organisation involved in empowerment programs for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.

The municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the municipality in writing, for such grant-in-aid.

35. General expenses

Rates and services	261,558,052	201,121,185	261,558,052	201,121,185
Rental of property, plant and equipment	328,390,711	245,415,037	328,390,711	245,415,037
Insurance	69,109,494	70,439,613	69,109,494	70,439,613
Implementation: OITPS	59,850,386	55,355,243	59,850,386	55,355,243
Restructuring/Transformation	-	11,243,136	-	11,243,136
Leasing of property	157,865,055	134,638,593	157,865,055	134,638,593
Advertising and marketing	17,556,077	11,621,889	17,556,077	11,621,889
Employment benefit provision expense	54,439,588	329,957,429	54,439,588	329,957,429
Consultant fees	29,260,248	37,363,593	29,260,248	37,363,593
Private sector labour	42,815,923	71,453,308	42,815,923	71,453,308
Electricity disconnections	38,376,184	63,587,860	38,376,184	63,587,860
Telecommunication	78,303,884	60,068,037	78,303,884	60,068,037
Service providers	107,660,589	70,926,077	150,325,371	107,284,026
Project Linked Housing: Top structures	93,056,868	13,294,443	93,056,868	13,294,443
Soccer World Cup 2010 related expenses	-	579,880	-	579,880
Special projects	30,447,316	42,356,233	30,447,316	42,356,233
Coal	209,885,226	199,446,765	209,885,226	199,446,765
EPWP: Job creation	29,191,304	-	29,191,304	-
Management information	20,118,723	9,051,889	20,118,723	9,051,889
Formalisation: Informal sector	33,527,340	38,156,837	33,527,340	38,156,837
Medical aid fund	43,612,405	38,767,303	43,612,405	38,767,303
Water care: Private	39,405,570	35,804,591	39,405,570	35,804,591
Locomotion allowance	20,464,804	19,481,897	20,464,804	19,481,897
Household refuse removal	148,292,983	97,224,053	148,292,983	97,224,053
Rental vehicles	45,338,628	27,999,986	45,338,628	27,999,986
Tanker water services	32,912,773	17,245,029	32,912,773	17,245,029
CCTV	26,232,790	14,784,000	26,232,790	14,784,000
Petrol and diesel fuel	199,173,487	136,303,330	199,173,487	136,303,330
Prepaid Electricity Commission	17,811,447	5,397,019	17,811,447	5,397,019
Legal costs	28,796,596	24,532,605	28,796,596	24,532,605
Licences	31,721,966	36,842,361	31,721,966	36,842,361
Stationary	25,430,419	16,605,405	25,430,419	16,605,405
Tshwane Inner City	19,233,473	-	19,233,473	-
Internet fees	27,281,451	21,554,143	27,281,451	21,554,143
Training Board fees	38,348,260	33,255,345	38,348,260	33,255,345
Hostel charges	215,867,199	147,511,036	215,867,199	147,511,036
Other expenses	323,816,506	149,533,567	323,816,506	149,533,567
	2,945,153,725	2,488,918,717	2,987,818,507	2,525,276,666
Less: Interdepartmental charges	(261,558,052)	(201,121,185)	(261,558,052)	(201,121,185)
	2,683,595,673	**2,287,797,532**	**2,726,260,455**	**2,324,155,481**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

36. Cash generated from operations

Surplus	2,025,848,090	804,522,236	2,032,579,408	791,190,815
Adjustments for:				
Depreciation and amortisation	1,035,072,395	826,673,527	1,032,327,388	823,226,718
(Loss) /gain on sale of assets and liabilities	64,262,776	(10,071,444)	64,262,776	(10,077,632)
Fair value adjustments	264,454	(5,692,441)	264,454	498,573
Impairment deficit	29,807,842	490,306	29,807,842	490,306
Debt impairment	963,358,574	709,796,272	880,622,872	639,687,334
Movements in retirement benefit assets and liabilities	88,157,754	329,957,429	88,157,754	329,957,429
Movements in provisions	21,836,638	48,801,046	21,495,848	48,529,029
Changes in working capital:				
Inventories	(88,547,391)	(113,957,711)	(88,134,935)	(141,799,333)
Other debtors	(256,172,334)	34,246,088	(148,842,866)	6,202,565
Consumer debtors	(1,121,667,933)	(961,240,638)	(1,057,742,319)	(903,474,829)
Payables from exchange transactions	1,206,555,544	275,021,664	1,118,695,889	320,630,578
VAT	99,087,539	(5,517,114)	104,081,499	(8,832,075)
Unspent grants and receipts	(79,204,243)	71,773,039	(78,765,758)	75,161,731
Consumer deposits	47,336,264	37,810,000	47,012,428	37,346,777
	4,035,995,969	**2,042,612,259**	**4,045,822,280**	**2,008,737,986**

37. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	6,434,887,866	5,756,745,210	6,431,452,172	5,752,701,117
Used to finance property, plant and equipment	(9,873,888,530)	(8,374,369,154)	(9,873,888,530)	(8,374,369,154)
	(3,439,000,664)	(2,617,623,944)	(3,442,436,358)	(2,621,668,037)
Cash set aside for the repayment of long-term liabilities	(252,571,456)	(458,973,046)	(282,571,456)	(458,973,046)
	(3,691,572,120)	**(3,076,596,990)**	**(3,725,007,814)**	**(3,080,641,083)**

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

Included in the amount used to finance property, plant & equipment (2011 = R8 374 369 154) were amounts financed temporarily out of revenue in expectation of the receipt of external loans over the year end.

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,861,602	1,816,320	1,861,602	1,816,320
Amount paid - current year	(1,861,602)	(1,816,320)	(1,861,602)	(1,816,320)
	-	-	-	-

Audit fees

Opening balance	951,750	2,753,844	951,750	2,753,844
Current year audit fee	26,401,686	18,304,671	24,753,877	16,514,700
Amount paid - current year	(26,401,686)	(17,352,921)	(24,753,877)	(15,562,950)
Amount paid - previous years	(951,750)	(2,753,844)	(951,750)	(2,753,844)
	-	**951,750**	**-**	**951,750**

The balance of the previous financial year was paid in the following financial year.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

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

PAYE and UIF

Opening balance	51,166,441	41,146,641	51,166,441	40,221,054
Current year payroll deductions	681,043,743	595,323,874	670,062,489	586,725,257
Amount paid - current year	(624,033,529)	(543,508,123)	(613,895,036)	(535,558,815)
Amount paid - previous years	(51,166,440)	(41,146,641)	(51,166,441)	(40,221,054)
	57,010,215	**51,815,751**	**56,167,453**	**51,166,442**

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	1,161,084,141	1,010,723,288	1,150,295,107	1,003,253,545
Amount paid - current year	(1,161,084,141)	(1,010,723,288)	(1,150,295,107)	(1,003,253,545)
	-	-	-	-

VAT

VAT receivable	2,974,060	-	-	-
VAT payable	(258,534,728)	(156,473,129)	(258,534,728)	(154,453,229)
	(255,560,668)	**(156,473,129)**	**(258,534,728)**	**(154,453,229)**

VAT output payables and VAT input receivables are shown in note 10.

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

Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Without payoff arrangements	With payoff arrangements	Total R
Joosub U	-	14,307	14,307
Campbell A W	-	1,143	1,143
Singh S	-	3,780	3,780
Makitla N B	-	3,082	3,082
Makeke D V & N P	14,164	-	14,164
Nkosi W M S	2,520	-	2,520
Marema M P	39,347	-	39,347
Matsena M M	-	11,868	11,868
Mathebe M R	-	2,392	2,392
Katake N S	436	-	436
Nemuthenga L N	2,023	-	2,023
Morudu M T & M G	-	5,153	5,153
Marotola	953	-	953
Buthelezi F K & N L E	8,374	-	8,374
Maila K P & V H S	3,333	-	3,333
Makgatho & Bofu AL & J T	341	-	341
Thobejane H S	9,768	-	9,768
Boshoff C H	4,420	-	4,420
Wannenburg D G	2,535	-	2,535
	88,214	**41,725**	**129,939**

30 June 2011	Without payoff arrangements	With payoff arrangements	Total R
Ledwaba D C	129	-	129

39. Non-compliance with applicable legislation

MFMA: Section 116(3)

Contracts were amended or extended without notifying the public as required by section 116(3) of the MFMA.

MFMA: Section 65(e) and Section 99(2)(b)

All invoices of the parent are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression.

Supply Chain Management Regulations

In terms of Supply Chain Management Regulation 44 awards may not be made to a person who is in service of the state. Awards were made by the municipality to persons who are in the service of the state.

Certain deviations from the supply chain management process were not in accordance with: inter alia the requirements of Supply Chain Management regulation 36(1).

Tshwane Economic Development Agency (TEDA):

The entity did not trade and therefore it was not deemed practical/feasible to adhere to the Municipal Systems Act and the following requirements of the MFMA:
Section 85(1): Open and maintain a bank account
Section 87: Annual budget
Section 87(5)(d): Multi-year business plan
Section 87(11): Monthly financial/budget statements
Section 97: Revenue management policies
Section 99(2)(b): Payment of creditors
Section 111, 112, 115: Supply chain management policies
Section 165: Internal audit and risk based audit plan
Section 165(2)(b): Report to the Accounting Officer and audit committee on controls and risks
No service delivery agreement between the City of Tshwane and the company has as yet been signed as required by section 76 and 80 of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended).

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

40. Commitments

Authorised capital expenditure

Approved and contracted for				
Infrastructure	3,262,603,977	2,052,825,852	3,262,603,977	2,052,825,852
Community	444,150,806	264,881,350	444,150,806	264,881,350
Other	423,114,000	381,456,390	423,114,000	381,456,390
Housing	25,955,044	33,301,000	25,955,044	33,301,000
	4,155,823,827	**2,732,464,592**	**4,155,823,827**	**2,732,464,592**
Approved but not yet contracted for				
Infrastructure	68,172,072	329,090,148	68,172,072	329,090,148
Community	80,700,000	68,250,000	80,700,000	68,250,000
Other	48,351,000	40,613,000	48,351,000	40,613,000
Housing	-	15,000,000	-	15,000,000
	197,223,072	**452,953,148**	**197,223,072**	**452,953,148**
	4,353,046,899	**5,464,929,184**	**4,353,046,899**	**3,185,417,740**

This expenditure will be financed from:				
Council funding	637,383,777	1,974,850,453	637,383,777	1,974,850,453
Borrowings	1,640,000,000	-	1,640,000,000	-
Other contributions	14,355,044	-	14,355,044	-
FMG - Financial Management Grant	500,000	-	500,000	-
CLS - Community Library Services	2,300,000	-	2,300,000	-
Public Contributions & Donations	88,571,223	-	88,571,223	-
EPWP Incentive - Expanded Public Works Programme	10,151,000	-	10,151,000	-
Capital replacement reserve	63,260,000	35,986,287	63,260,000	35,986,287
Provincial grants	-	16,000,000	-	16,000,000
Human Settlements Development Grant (Government Housing)	72,186,855	-	72,186,855	-
PTIS	738,702,000	180,000,000	738,702,000	180,000,000
MIG/Urban Settlements Development Grant	996,070,000	887,581,000	996,070,000	887,581,000
National Electrification Fund/INEP	30,000,000	21,000,000	30,000,000	21,000,000
Energy Efficiency Demand Side Management	-	25,000,000	-	25,000,000
Neighbourhood Development Partnership Grant	59,567,000	45,000,000	59,567,000	45,000,000
	4,353,046,899	**3,185,417,740**	**4,353,046,899**	**3,185,417,740**

41. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
	R	R	R	R	R	R	R	R	R
Opening balance	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,915,999,141	9,637,347,528
Net surplus for the year	-	-	-	-	-	-	-	2,025,848,090	2,025,848,090
Transfer reserve to accumulated surplus	(210,179,636)	(1,578,325,738)	(5,240,670,219)	(325,083,933)	-	-	-	7,354,259,526	-
Transfer to/(from) reserves	-	-	-	-	(25,938,380)	29,003,019	-	(3,064,639)	-
	-	**-**	**-**	**-**	**109,653,107**	**131,648,915**	**128,851,478**	**11,293,042,118**	**11,663,195,618**

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2011

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
	R	R	R	R	R	R	R	R	R
Opening balance	222,734,008	1,690,411,195	4,902,333,894	237,439,978	146,257,158	88,247,216	128,849,720	1,259,374,391	8,675,647,560
Prior year correction	-	-	-	-	-	-	-	157,177,732	157,177,732
Net surplus for the year	-	-	-	-	-	-	-	804,522,236	804,522,236
Transfer to/(from) reserves	-	-	-	87,643,955	(10,665,671)	14,398,680	1,758	(91,378,722)	-
Capital grants used to purchase property, plant and equipment	-	-	492,893,260	-	-	-	-	(492,893,260)	-
Property, plant and equipment purchases	(27,176,397)	27,176,397	-	-	-	-	-	-	-
Asset purifications/retirements	14,622,025	(705,600)	(1,048,454)	-	-	-	-	(12,867,971)	-
Offsetting of depreciation	-	(138,556,254)	(153,508,481)	-	-	-	-	292,064,735	-
	210,179,636	**1,578,325,738**	**5,240,670,219**	**325,083,933**	**135,591,487**	**102,645,896**	**128,851,478**	**1,915,999,141**	**9,637,347,528**

41. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
	R	R	R	R	R	R	R	R	R
Opening balance	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,877,165,571	9,598,513,958
Net surplus for the year	-	-	-	-	-	-	-	2,032,579,408	2,032,579,408
Transfer reserve to accumulated surplus	(210,179,636)	(1,578,325,738)	(5,240,670,219)	(325,083,933)	-	-	-	7,354,259,526	-
Transfer to/(from) reserves	-	-	-	-	(25,938,380)	29,003,019	-	(3,064,639)	-
	-	**-**	**-**	**-**	**109,653,107**	**131,648,915**	**128,851,478**	**11,260,939,866**	**11,631,093,366**

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2011

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
	R	R	R	R	R	R	R	R	R
Opening balance	222,734,008	1,690,411,195	4,902,333,894	237,439,978	146,257,158	88,247,216	128,849,720	1,233,872,242	8,650,145,411
Prior year adjustments	-	-	-	-	-	-	-	157,177,732	157,177,732
Net surplus for the year	-	-	-	-	-	-	-	791,190,815	791,190,815
Property, plant and equipment purchases	(27,176,397)	27,176,397	-	-	-	-	-	-	-
Offsetting of depreciation	-	(138,556,254)	(153,508,481)	-	-	-	-	292,064,735	-
Capital grants used to purchase property, plant and equipment	-	-	492,893,260	-	-	-	-	(492,893,260)	-
Asset purification/retirements	14,622,025	(705,600)	(1,048,454)	-	-	-	-	(12,867,971)	-
Transfer to/(from) reserves	-	-	-	87,643,955	(10,665,671)	14,398,680	1,758	(91,378,722)	-
	210,179,636	**1,578,325,738**	**5,240,670,219**	**325,083,933**	**135,591,487**	**102,645,896**	**128,851,478**	**1,877,165,571**	**9,598,513,958**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

42. Employee benefit obligations

Pension funds

Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.

Defined contribution plan (as classified by the relevant fund):

The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 27.

Tshwane Municipal Provident Fund: 3 092 (23.69 %) of the Municipality's employees are members of this fund.	168,322,343	148,536,590	168,322,343	148,536,590
Pension Fund for Municipal Councillors: The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 66 (0.51%) of the Municipality's employees are members of this fund.	3,918,433	6,222,096	3,918,433	6,222,096
National Fund for Municipal Workers: 3 695 (28.31%) of the Municipality's employees are members of this fund.	229,094,052	208,634,870	229,094,052	208,634,870
SALA Provident Fund: 70 (0.54%) of the Municipality's employees are members of this fund.	1,086,421	1,079,895	1,086,421	1,079,895
SAMWU National Pension Fund: 16 (0.12%) of the Municipality's employees are members of this fund.	786,042	766,760	786,042	766,760
SAMWU National Provident Fund: 1 070 (8.20%) of the Municipality's employees are members of this fund.	43,154,598	38,743,968	43,154,598	38,743,968
Germiston Municipal Retirement Fund: 5 (0.04%) of the Municipality's employees are a member of this fund.	423,354	67,364	423,354	67,364
Meshawu National Local Authorities Retirement Fund: 47 (0.36%) of the Municipality's employees are members of this fund.	1,494,483	1,512,416	1,494,483	1,512,416
	448,279,726	**405,563,959**	**448,279,726**	**405,563,959**

Defined benefiit plan (as classified by the relevant funds):

Tshwane Municipal Pension Fund

The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 95%. as at 31 December 2009. 331 (2.54%) of the Municipality's employees are members of this fund.

Included in general expenses are:				
Current service cost	25,564,438	25,566,160	25,564,438	25,566,160
Interest cost	62,559,247	62,731,461	62,559,247	62,731,461
Expected return on assets	(59,988,825)	(58,568,112)	(59,988,825)	(58,568,112)
Recognised Net (Gain)/Loss	(34,188,261)	(13,436,813)	(34,188,261)	(13,436,813)
Defined benefit expense	**(6,053,401)**	**16,292,696**	**(6,053,401)**	**16,292,696**

Post-employment benefit liability (funded status)				
Present value of the obligation	(726,140,957)	(721,072,962)	(726,140,957)	(721,072,962)
Fair value of plan assets	616,219,065	588,125,731	616,219,065	588,125,731
Take-on of disestablished municipalities	(28,650,680)	-	(28,650,680)	-
Liability recognised in statement of financial position	**(138,572,572)**	**(132,947,231)**	**(138,572,572)**	**(132,947,231)**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

42. Employee benefit obligations (continued)

Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	721,072,962	686,903,774	721,072,962	686,903,774
Interest cost	62,559,247	62,731,461	62,559,247	62,731,461
Current service cost	25,564,438	25,566,160	25,564,438	25,566,160
Member contributions	6,781,774	6,846,464	6,781,774	6,846,464
Risk premiums	(2,181,498)	(2,242,963)	(2,181,498)	(2,242,963)
Actuarial (gain)/loss on obligation	(87,655,966)	(58,731,934)	(87,655,966)	(58,731,934)
Present value of obligation at end of year	**726,140,957**	**721,072,962**	**726,140,957**	**721,072,962**

Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)				
	588,125,731	552,529,361	588,125,731	552,529,361
Expected return on plan assets	59,988,825	58,568,112	59,988,825	58,568,112
Contributions	23,753,713	24,566,342	23,753,713	24,566,342
Risk premiums	(2,181,498)	(2,242,963)	(2,181,498)	(2,242,963)
Actuarial (gain)/loss on obligation	(53,467,706)	(45,295,121)	(53,467,706)	(45,295,121)
Fair value of plan assets at end of year	**616,219,065**	**588,125,731**	**616,219,065**	**588,125,731**

Composition of plan assets:				
Cash	10.50 %	8.30 %	10.50 %	8.30 %
Equity	58.50 %	58.20 %	58.50 %	58.20 %
Bonds	16.70 %	21.60 %	16.70 %	21.60 %
Property	1.20 %	0.50 %	1.20 %	0.50 %
Other	1.00 %	0.50 %	1.00 %	0.50 %
International	12.10 %	10.90 %	12.10 %	10.90 %
Total	**100.00 %**	**100.00 %**	**100.00 %**	**100.00 %**

Actual return on plan assets	**6,521,026**	**13,272,991**	**6,521,026**	**13,272,991**

Estimated contributions payable in the next financial period	**23,843,713**	**24,115,356**	**23,843,713**	**24,115,356**

Municipal gratuity fund

Actuarial valuations are carried out every 2 years.1 629 (12.48%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund. The interim actuarial valuation done at 30 June 2010 indicated that the fund was financially sound as at 30 June 2010.

Included in general expenses are:				
Current service cost	4,446,790	3,594,632	4,446,790	3,594,632
Interest cost	7,815,575	6,388,063	7,815,575	6,388,063
Expected return on assets	(7,890,260)	(4,764,251)	(7,890,260)	(4,764,251)
Recognised Net (Gain)/Loss	(4,865,624)	9,512,018	(4,865,624)	9,512,018
Defined benefit expense	**(493,519)**	**14,730,462**	**(493,519)**	**14,730,462**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

42. Employee benefit obligations (continued)

Post-employment benefit liability (funded status)				
Present value of the obligation	(90,222,065)	(75,491,604)	(90,222,065)	(75,491,604)
Net (expense)/income recognised	493,519	(14,730,461)	493,519	(14,730,461)
Liability recognised in statement of financial position	**(89,728,546)**	**(90,222,065)**	**(89,728,546)**	**(90,222,065)**

Reconciliation of defined benefit obligation:				
Obligation: Present value - beginning of year	90,222,066	75,491,604	90,222,066	75,491,604
Interest cost	7,815,575	3,594,632	7,815,575	3,594,632
Current service cost	4,446,790	6,388,063	4,446,790	6,388,063
Benefits paid	(7,890,260)	(4,764,251)	(7,890,260)	(4,764,251)
Actuarial (gain)/loss on obligation	(4,865,624)	9,512,018	(4,865,624)	9,512,018
Present value of obligation at end of year	**89,728,547**	**90,222,066**	**89,728,547**	**90,222,066**
Estimated benefit payable in next financial period	**8,980,401**	**7,890,290**	**8,980,401**	**7,890,260**

Multi-employer funds

The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 27).

SALA Pension Fund: The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81.9% funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 million. 773 (5.92%) of the Municipality's employees are members of this fund.	34,598,206	33,561,876	34,598,206	33,561,876
The Government Employees Pension Fund: Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 30 (0.23%) of the Municipality's employees are members of this fund.	635,161	353,311	635,161	353,311
Joint Municipal Pension Fund: Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104,9% and the fund was in a sound financial position at the valuation date. 108 (0.83%) of the Municipality's employees are members of this fund.	3,770,511	3,415,837	3,770,511	3,415,837
Municipal Employees Pension Fund: The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 119 (16.24%) of the Municipality's employees are members of this fund.	81,586,745	61,592,917	81,586,745	61,592,917
	120,590,623	**98,923,941**	**120,590,623**	**98,923,941**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

42. Employee benefit obligations (continued)

Medical aid funds

Included in general expenses are:				
Current service cost	11,754,554	12,366,000	11,754,554	12,366,000
Interest cost	73,991,057	57,568,000	73,991,057	57,568,000
Expected Employer Benefit Payments	(37,485,048)	(31,132,000)	(37,485,048)	(31,132,000)
Recognised Net (Gain)/Loss	80,241,199	198,686,000	80,241,199	198,686,000
Defined benefit expense	**128,501,762**	**237,488,000**	**128,501,762**	**237,488,000**

Post-employment benefit liability (funded status)				
Present value of the unfunded obligation	(867,854,000)	(630,366,000)	(867,854,000)	(630,366,000)
Recognised actuarial gains	(128,502,198)	(237,488,000)	(128,502,198)	(237,488,000)
Liability recognised in statement of financial position	**(996,356,198)**	**(867,854,000)**	**(996,356,198)**	**(867,854,000)**

Reconciliation of defined benefit obligation:				
Present value of unfunded obligation at beginning of year	867,854,000	630,366,000	867,854,000	630,366,000
Interest cost	73,991,057	57,568,000	73,991,057	57,568,000
Current service cost	11,754,554	12,366,000	11,754,554	12,366,000
Employer contributions	(37,485,048)	(31,132,000)	(37,485,048)	(31,132,000)
Actuarial Gains/Losses	80,241,199	198,686,000	80,241,199	198,686,000
Present value of obligation at end of year	**996,355,762**	**867,854,000**	**996,355,762**	**867,854,000**

Actuarial (gains)/losses recognised in other comprehensive income:				
Tshwane Pension Fund	(34,188,261)	(13,436,813)	(34,188,261)	(13,436,813)
Gratuities	(4,865,624)	9,512,018	(4,865,624)	9,512,018
Medical aid funds	80,241,199	198,686,000	80,241,199	198,686,000
Total amount of actuarial (gains)/losses recognised	**41,187,314**	**194,761,205**	**41,187,314**	**194,761,205**

Estimated benefit payable in next financial period	**38,676,240**	**37,485,000**	**38,676,240**	**37,485,000**

Sensitivity Results

The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:

Subsidy Increase rate:				
Accrued liability 30 June	96,356,198	867,854,000	996,356,198	867,854,000
Decrease of 1 %	856,523,000	751,838,000	856,523,000	751,838,000
% change	(14.0)%	(13.0)%	(14.0)%	(13.0)%
Increase of 1 %	1,170,397,000	1,011,241,000	1,170,397,000	1,011,241,000
% change	17.0 %	17.0 %	1.0 %	17.0 %

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

42. Employee benefit obligations (continued)

Long service awards

Included in general expenses are:				
Current service cost	42,284,040	31,283,171	42,284,040	31,283,171
Interest cost	25,800,630	28,678,386	25,800,630	28,678,386
Expected Employer Benefit Payments	(32,112,586)	(30,377,644)	(32,112,586)	(30,377,644)
Recognised Net (Gain)/Loss	(80,890,568)	49,882,237	(80,890,568)	49,882,237
Defined benefit expense	**(44,918,484)**	**79,466,150**	**(44,918,484)**	**79,466,150**
Post-employment benefit liability (funded status)				
Present value of the unfunded obligation	(408,195,603)	(329,029,453)	(408,195,603)	(329,029,453)
Recognised actuarial gains	44,918,484	(79,166,150)	44,918,484	(79,166,150)
Liability recognised in statement of financial position	**(363,277,119)**	**(408,195,603)**	**(363,277,119)**	**(408,195,603)**
Reconciliation of defined benefit obligation:				
Present value of unfunded obligation at beginning of year	408,195,603	329,029,453	408,195,603	329,029,453
Interest cost	25,800,630	28,678,386	25,800,630	28,678,386
Current service cost	42,284,040	31,283,171	42,284,040	31,283,171
Employer contributions	(32,112,586)	(30,677,644)	(32,112,586)	(30,677,644)
Actuarial gains/losses	(80,890,568)	49,882,237	(80,890,568)	49,882,237
Present value of obligation at end of year	**363,277,119**	**408,195,603**	**363,277,119**	**408,195,603**
Actuarial (gains)/losses recognised in other comprehensive income:				
Long service awards	(80,890,568)	49,882,237	(80,890,568)	49,882,237
Estimated benefit payable in next financial period	**28,041,819**	**32,112,586**	**28,041,819**	**32,112,586**

Sensitivity Results

The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:

Salary Increase rate:				
Accrued liability 30 June	363,277,119	408,195,603	363,277,119	408,195,603
Decrease of 1 %	337,864,000	377,133,000	337,864,000	377,133,000
% change	(7.0)%	(8.0)%	(7.0)%	(8.0)%
Increase of 1 %	391,721,000	443,460,000	391,721,000	443,460,000
% change	8.0 %	9.0 %	8.0 %	9.0 %
Post-employment benefit liability (funded status)				
Pension Fund	(138,014,790)	(132,947,231)	(138,014,790)	(132,947,231)
Municipal gratuity fund	(89,728,546)	(90,222,065)	(89,728,546)	(90,222,065)
Medical aid funds	(996,356,198)	(867,854,000)	(996,356,198)	(867,854,000)
Long service awards	(363,277,119)	(408,195,603)	(363,277,119)	(408,195,603)
Total per Statement of Financial Position	**(1,587,376,653)**	**(1,499,218,899)**	**(1,587,376,653)**	**(1,499,218,899)**

42. Employee benefit obligations (continued)

Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

Economic assumptions (pension fund and gratuities):				
Discount rate	7.99 %	8.68 %	7.99 %	8.68 %
Inflation rate	5.03 %	5.44 %	5.03 %	5.44 %
Salary Increase rate	6.03 %	6.44 %	6.03 %	6.44 %
Expected rate of return on assets	9.50 %	10.20 %	9.50 %	10.20 %
Pension increase allowance	3.75 %	4.75 %	3.75 %	4.75 %
Health Care Cost Inflation	6.78 %	7.19 %	6.78 %	7.19 %

Discount rate (pension fund and gratuities):

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability is to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 7.99% per annum has been used.

Inflation rate (pension fund and gratuities):

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 5.03% per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3 % to 6 % per annum.

Salary increase:

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1% (pension funds) and 1 % (gratuities).

Expected return on assets:

The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of the asset spilt as at 30 June 2012. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 7.99 % per annum. The expected long-term rate of return on equities was set at a level of 3 % above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2 % below the bond rate. Return on overseas equity was assumed at 1% above the bond rate. Adjustments were made to reflect the effect of expenses.

Pension rate increase:

We have made use of a post-retirement discount rate of 3.75 % per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 3.75 % per annum.

Health Care Cost Inflation:

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 5.46 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.75 % per annum over the long-term.

43. Events after the reporting date

No material events occurred with respect to the 2011/12 financial year end after the date of the statement of financial position in respect of loans and investments..

The City will still be issuing a R500 million bond in 2012/13 which was a shortfall of the 2011/12 financial year for the funding of capital projects.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

44. Related parties

The following municipal entities were under the control of the erstwhile/disestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.

Related party balances

Amounts included in trade receivables and loans regarding related parties				
Sandspruit Works Association			34,298,530	34,928,530
TEDA			44,665	16,857
Amounts included in trade payables regarding related parties				
Sandspruit Works Association			8,534,659	17,975,806

Related party transactions

Sales to related parties				
Housing Company Tshwane			314,836	324,296
Sandspruit Works Association			94,568,387	71,852,790
Sandspruit Works Association			2,575,111	-
Purchases by related parties				
Sandspruit Works Association			84,139,081	76,914,102
Expenses paid/ revenue received on behalf of related parties				
Cenbis			-	40,635
Housing Company Tshwane			7,085	8,276
Housing Company Tshwane			-	25,074
Grants to related parties				
Housing Company Tshwane			13,727,275	15,265,254
Sandspruit Works Association: DWAF subsidy			4,185,000	5,977,000
Sandspruit Works Association: CoT subsidy			98,379,175	77,904,973
Disestablishment of municipal entities:				
Civirelo Water			-	(2,715,175)
Metsweding Economic Development Agency (MEDA)			480,474	-

MEDA was part of the former Metsweding District Municipality and it was resolved by Council on 25 August 2011 to disestablish the municipal entity. During the 2011/12 financial year all assets and liabilities of MEDA were taken over by the City of Tshwane and creditors outstanding were paid by the City of Tshwane. The amount of R480 474 relates to the net balance (accumulated surplus) between assets and liabilities on 1 July 2011. The final close down financial statements are still to be compiled and finalised.

Civirelo Water, a municipal entity, was disestablished on 30 June 2010. All transactions, assets and liabilities were taken over by the City of Tshwane on 1 July 2010. A summary of the transactions can be seen below:

Gain on disestablishment consists of:				
Civirelo: Operating loss 2010/11	-	2,860,672	-	2,860,672
Civirelo:Accumulated surplus 2009/10	-	(5,575,844)	-	(5,575,844)
Civirelo: Property, plant & equipment - Cost	-	136,394	-	136,394
Civirelo: Property, plant & equipment - Accumulated Depreciation	-	(117,022)	-	(117,022)
Civirelo: Creditors	-	(2,277,442)	-	(2,277,442)
Civirelo: Sundry debtor	-	2,611,738	-	2,611,738
Civirelo: Work in progress (asset under construction)	-	5,416,171	-	5,416,171
Civirelo: Expenditure paid by City of Tshwane during 2010/11	-	(5,769,836)	-	(5,769,836)
Enterprise SA: final bank balance	-	(1,528)	-	(1,528)
Tswaing Electricity: final bank balance	-	(234)	-	(234)
	-	**(2,716,931)**	**-**	**(2,716,931)**

45. Prior period restatements

Change in accounting policy

None

Reclassification

AARTO fines to the value of R4 954 228 have been reclassified from Fines to Other income due to the fact that it is an agency revenue item rather than fine revenue.

The following items (with a total value of R173 819 888) were reclassified from other revenue to other service charges under service charges:
Reconnection fees (R97 390 357)
Sewerage fees: Industrial effluent (R32 045 351)
Bulk containers billing (R10 440 156)
Connection fees: Urban areas (R5 246 375)
Connection fees (R16 789 956).

Reclassification to the value of R392 851 767 between other income to general expenses which relate to assets recognised for the first time in the asset register. The first time take-on of the library books and meters will affect general expenses and depreciation as well. This amount consist of:

- Library books which were newly identified (R15 624 484)
- Meters to the value of R377 227 253 were taken onto the asset register for the first time

Correction of errors

Revenue:

Restatements due to subsequent corrections on assessment rates (R8 235 494).

Service charges were corrected due to errors in cut-off during year end and incorrect accruals (R35 071 738).

Government grants were restated due to incorrect recognition of revenue on the Finance Management Grant, Restructuring Grant and Topstructures grant. (R8 580 933).

Public contributions and donations were restated due to changes in the accrual done at year end relating to bulk service contributions for rezoning for services rendered and not paid (R4 559 461).

Gain: Disestablishment of municipal entity was corrected due to the incorrect clearing of debtors and creditors of Civirelo Water during 2010/11 (R651 554).

Rental of facilities: Business rentals were accounted for incorrectly during 2010/11. (R1 480 825).

Other income: Restatement due to first time take-on of meters and library books on the asset register, calculation errors in library books and bulk waste debtors revenue (R390 886 303 - refer to reclassification paragraph for detail breakdown of amounts relating to meters and library books).

Expense:

Finance cost: Restatement due to calculation corrections in interest of lease liabilities (R1 158 198).

Depreciation and amortisation were restated to the value of R10 895 847 as a result of a calculation error with respect to library books and leased assets during 2010/11 as well as the first time take-on of meters and library books on the asset register.

General expenses were restated to the value of R12 527 223 as a result of calculation errors in lease expenses and year end accruals.

Statement of Financial Position:

Inventories were restated to the value of R2 100 911 due to stock differences picked up during the current financial year.

Other debtors were restated to the value of R 3 053 775 as a result of corrections to rental of facilities and public contributions and donations debtors.

Consumer debtors were restated to the value of R48 781 372 as a result of adjustments to property rates and cut-off errors at year end.

Cash and cash equivalents were restated with an amount of R4 008 871 which was incorrectly handled in the cashbook.

The restatement of property, plant and equipment to the value of R533 183 583 consist mostly of:
* First time take-on of meters (R377 227 253)
* First time take-on of library books (R15 624 514)
* Calculation errors in depreciation on library books (R32 044 411)
* Calculation errors in depreciation on land (R11 528 980)
* Fair value restatements on library books (R185 947 648)

Leased assets were calculated incorrectly during 2010/11 therefore the restatement to the value of R3 247 338.

Leased liabilities were restated due to calculation errors in amortisation during 2010/11 to the value of R4 282 729.

VAT payable was restated to the amount of R9 990 231 due to the change in the VAT apportionment percentage from 100% to 91%.

Unspent grants and receipts were restated as a result of the incorrect recognition of revenue during 2010/11 to the value of R5 981 872.

Presented below are the prior period adjustments contained in the Statement of Financial Performance, Statement of Position and Cash flow statements:

Group	As previously reported	Reclassi-fication	Correction of errors	Restated
2011	R	R	R	R
Statement of Financial Performance				
Revenue:				
Property rates	2,907,284,048	-	8,235,495	2,915,519,543
Service charges	8,387,430,103	173,819,888	33,237,748	8,594,487,739
Rental of facilities and equipment	101,719,839	-	1,327,702	103,047,541
Interest received outstanding consumer debtors	213,994,778	-	-	213,994,778
Public contributions and donations	119,154,209	-	(4,559,461)	114,594,748
Fines	7,990,659	(4,954,228)	-	3,036,431
Licences and permits	35,988,659	-	-	35,988,659
Government grants and subsidies	2,513,030,783	-	(8,580,934)	2,504,449,849
Gain: Disestablishment of ME	2,716,931	-	(651,555)	2,065,376
Other income	811,168,866	(561,717,427)	390,932,745	640,384,184
Interest received - external investments	111,038,461	-	-	111,038,461
Total Revenue	**15,211,517,336**	**(392,851,767)**	**419,941,740**	**15,238,607,309**
Expenditure:				
Remuneration	4,304,325,951	-	439,745	4,304,765,696
Remuneration of Councilors	61,711,890	-	-	61,711,890
Depreciation and amortisation	815,777,680	-	10,895,847	826,673,527
Impairment loss/reversal of impairments	490,306	-	-	490,306
Finance cost	603,863,842	-	1,172,176	605,036,018
Debt impairment	709,796,272	-	-	709,796,272
Collection costs	84,779,034	-	-	84,779,034
Repairs and maintenance	1,057,463,847	-	57,614	1,057,521,461
Bulk purchases	4,485,501,342	-	(1,849,731)	4,483,651,611
Grants and subsidies paid	27,625,621	-	-	27,625,621
General expenses	2,668,546,275	(392,851,767)	12,103,024	2,287,797,532
Total expenditure	**14,819,882,060**	**(392,851,767)**	**22,818,675**	**14,449,848,968**
Gain (loss) on disposal of assets	9,770,203	-	301,241	10,071,444
Fair value adjustments	5,692,441	-	-	5,692,441
Surplus for the year	**407,097,920**	**-**	**397,424,306**	**804,522,226**
Statement of Financial Position				
Current assets				
Inventory	326,872,767	-	2,100,911	328,973,678
Other debtors	514,350,383	-	(3,078,427)	511,271,956
Consumer debtors	2,560,730,236	-	48,781,371	2,609,511,607
Cash and cash equivalents	410,094,727	-	4,008,871	414,103,598
Non-current assets				
Property, plant and equipment	15,537,772,361	-	533,183,582	16,070,955,943
Leased assets	253,751,962	-	3,247,337	256,999,299
Investment property	419,971,300	-	-	419,971,300
Intangible assets	199,924,120	-	-	199,924,120
Current liabilities				
Trade and other payables	3,372,136,356	-	3,675,918	3,375,812,274
VAT payable	146,482,898	-	9,990,231	156,473,129
Unspent conditional grants and receipts	392,510,660	-	5,981,872	398,492,532
Non-current liabilities				
Long-term receivables	231,846,251	-	(10,078,267)	221,767,984
Lease liabilities	261,701,620	-	3,915,308	265,616,928
Equity				
Accumulated surplus	9,082,745,477	-	554,602,049	9,637,347,526

Group 2011	As previously reported R	Reclassi-fication R	Correction of errors R	Restated R

45. Prior period restatements (continued)

Cash flow statement

Cash generated from operations				
Cash receipts from ratepayers government & other	14,252,966,543	-	13,792,587	14,266,759,130
Cash paid to suppliers and employees	(12,115,755,712)	-	385,606,398	(11,730,149,314)
Finance costs (interest paid)	(603,863,842)	-	(1,172,176)	(605,036,018)
Interest Income	111,038,461	-	-	111,038,461
Net cash generated from operations	**1,644,385,450**	**-**	**398,226,809**	**2,042,612,259**
Cash flow from investing activities				
Purchase of property, plant & equipment	(2,340,599,098)	-	(391,680,105)	(2,732,279,203)
Purchase of leased assets	(107,061,505)	-	2,871,009	(104,190,496)
Proceeds from sale of financial assets	9,770,203	-	301,241	10,071,444
Purchase of intangible assets	(90,418,591)	-	-	(90,418,591)
Proceeds from sale of financial assets	163,923,881	-	222,490	164,146,371
Net cash from investing activities	**(2,364,385,110)**	**-**	**(388,285,365)**	**(2,752,670,475)**
Cash flow from financing activities				
Proceeds from long-term liabilities	1,361,000,000	-	-	1,361,000,000
Repayment of long-term liabilities	(536,736,824)	-	-	(536,736,824)
Finance lease repayments	62,383,062	-	(5,932,572)	56,450,490
Net cash from financing activities	**886,646,238**	**-**	**(5,932,572)**	**880,713,666**
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	166,646,578	-	4,008,872	170,655,450
Cash and cash equivalents at the beginnig of the year	739,786,111	-	-	739,786,111
Cash and cash equivalents at the end of the year	**906,432,689**	**-**	**4,008,872**	**910,441,561**

Municipality 2011	As previously reported R	Reclassi-fication R	Correction of errors R	Restated R
Statement of Financial Performance				
Revenue:				
Property rates	2,907,386,997	-	8,235,494	2,915,622,491
Service charges	8,394,076,681	173,819,888	35,071,738	8,602,968,307
Rental of facilities and equipment	99,546,729	-	1,480,825	101,027,554
Interest received outstanding consumer debtors	195,141,732	-	-	195,141,732
Public contributions and donations	119,154,209	-	(4,559,461)	114,594,748
Fines	7,990,659	(4,954,228)	-	3,036,431
Licences and permits	35,988,659	-	-	35,988,659
Government grants and subsidies	2,513,030,783	-	(8,580,933)	2,504,449,850
Gain: Disestablishment of ME	2,716,931	-	(651,554)	2,065,377
Other income	772,958,393	(561,717,427)	390,886,303	602,127,269
Interest received - external investments	110,142,589	-	-	110,142,589
Total Revenue	**15,158,134,362**	**(392,851,767)**	**421,882,412**	**15,187,165,007**

Municipality 2011	As previously reported R	Reclassi-fication R	Correction of errors R	Restated R

45. Prior period restatements (continued)

Expenditure:				
Remuneration	4,236,965,765	-	-	4,236,965,765
Remuneration of Councilors	61,711,890	-	-	61,711,890
Depreciation and amortisation	812,330,871	-	10,895,847	823,226,718
Impairment loss/reversal of impairments	490,306	-	-	490,306
Finance cost	602,956,403	-	1,158,197	604,114,600
Debt impairment	639,687,334	-	-	639,687,334
Collection costs	84,779,034	-	-	84,779,034
Repairs and maintenance	1,040,344,500	-	52,298	1,040,396,798
Bulk purchases	4,562,399,704	-	-	4,562,399,704
Grants and subsidies paid	27,625,621	-	-	27,625,621
General expenses	2,704,480,025	(392,851,767)	12,527,223	2,324,155,481
Total expenditure	**14,773,771,453**	**(392,851,767)**	**24,633,565**	**14,405,553,251**
Gain/(loss) on disposal of assets	9,776,391	-	301,242	10,077,633
Fair value adjustments	(498,573)	-	-	(498,573)
Surplus for the year	**393,640,727**	**-**	**397,550,089**	**791,190,816**
Statement of Financial Position				
Current assets				
Inventory	324,768,451	-	2,100,911	326,869,362
Other debtors	582,895,696	-	(3,053,775)	579,841,921
Consumer debtors	2,556,294,849	-	48,781,372	2,605,076,221
Cash and cash equivalents	359,233,479	-	4,008,871	363,242,350
Non-current assets				
Property, plant and equipment	15,523,977,022	-	533,183,583	16,057,160,605
Leased assets	253,751,962	-	3,247,338	256,999,300
Long-term receivables	129,010,976	-	(10,078,267)	118,932,709
Current liabilities				
Trade and other payables	3,405,039,917	-	3,574,796	3,408,614,713
Lease liabilities	106,980,596	-	4,282,729	111,263,325
VAT payable	144,462,998	-	9,990,231	154,453,229
Unspent grants and receipts	390,219,159	-	5,981,871	396,201,030
Non-current liabilities				
Long-term receivables	231,846,251	-	(10,078,268)	221,767,983
Lease liabilities	154,721,024	-	(367,421)	154,353,603
Equity				
Accumulated surplus	9,043,786,134	-	554,727,821	9,598,513,955
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers government & other	14,230,798,684	-	25,857,332	14,256,656,016
Cash paid to suppliers and employees	(12,127,473,693)	-	373,527,676	(11,753,946,017)
Finance costs (interest paid)	(602,956,403)	-	(1,158,198)	(604,114,601)
Interest Income	110,142,589	-	-	110,142,589
Net cash generated from operations	**1,610,511,177**	**-**	**398,226,810**	**2,008,737,987**
Cash flow from investing activities				
Purchase of property, plant & equipment	(2,340,125,571)	-	(391,680,107)	(2,731,805,678)
Purchase of leased assets	(107,061,505)	-	2,871,009	(104,190,496)
Proceeds from sale of financial assets	9,776,391	-	301,241	10,077,632
Purchase of intangible assets	(90,418,591)	-	-	(90,418,591)
Proceeds from sale of financial assets	163,923,881	-	222,490	164,146,371
Net cash from investing activities	**(2,363,905,395)**	**-**	**(388,285,367)**	**(2,752,190,762)**

Municipality 2011	As previously reported R	Reclassi-fication R	Correction of errors R	Restated R

45. Prior period restatements (continued)

Cash flow from financing activities				
Proceeds from long-term liabilities	1,361,000,000	-	-	1,361,000,000
Repayment of long-term liabilities	(535,693,935)	-	-	(535,693,935)
Finance lease repayments	62,383,062	-	(5,932,572)	56,450,490
Net cash from financing activities	**887,689,127**	**-**	**(5,932,572)**	**881,756,555**
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	134,294,909	-	4,008,872	138,303,781
Cash and cash equivalents at the beginning of the year	721,276,532	-	-	721,276,532
Net cash from financing activities	**855,571,441**	**-**	**4,008,872**	**859,580,313**

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

46. Unauthorised expenditure

Opening balance	56,990,535	483,434,212	56,990,535	593,210,770
Unauthorised expenditure in current year	488,022,276	56,990,535	488,022,276	56,990,535
Less: Approved/condoned by Council in respect of previous financial year	(56,990,535)	(483,434,212)	(56,990,535)	(593,210,770)
	488,022,276	**56,990,535**	**488,022,276**	**56,990,535**

2012:
Unauthorised expenditure as a result of overspending of the budget amounted to R488 022 276 for the municipality and R488 022 276 for the group. These over expenditure amounts are not recoverable and a deviation report will be submitted to Council for approval and/or condonement in terms of section 28 and 29 of the MFMA on 25 August 2011 in respect of the over expenditures of the parent municipality.

For the Municipality the over expenditure can mainly be attributed to the electricity purchases from Eskom to the extent of R481.5 million, repairs and maintenance to the amount of R23.9 million, grants and subsidies paid to the ammount of R7.2 million and councillor remuneration to the amount of R1.1 million. For the group the over expenditure mainly lies with repairs and maintenance and bulk purchases.

2011:
Unauthorised expenditure as a result of overspending of the budget amounted to R56 990 535 for the municipality and R56 990 535 for the group. These over expenditure amounts are not recoverable and a deviation report served before Council for approval and/or condonement in terms of section 28 and 29 of the MFMA on 25 August 2011 in respect of the over expenditures of the parent municipality.

The over expenditure can be attributed mainly to the electricity purchases from Eskom to the extent of R47.9 million, which is owing to volatility in demand due to seasonality and natural elements, that is beyond the control of the municipality.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

47. Fruitless and wasteful expenditure

Opening balance	4,409,212	4,345,072	1,761,482	2,165,519
Add: Fruitless and wasteful expenditure - erstwhile Kungwini Local Municipality	4,573,503	-	4,573,503	-
Add: Fruitless and wasteful expenditure - erstwhile Nokeng Local Municipality	450,000	-	450,000	-
Fruitless and wasteful expenditure in current year	8,252,063	469,472	8,252,063	1,295
Fruitless and wasteful expenditure - current year: Housing Company	7,507	-	-	-
Less: Transferred to irregular expenditure	-	(404,576)	-	(404,576)
Less: Approved by Council/Condoned	(1,898,024)	(756)	(1,898,024)	(756)
	15,794,261	**4,409,212**	**13,139,024**	**1,761,482**

47. Fruitless and wasteful expenditure (continued)

2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200.
Disciplinary steps: Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.

2008: Incident 2: Petty Cash - Late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Report to be written for amount to be written off.

2008: Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager. Disciplinary steps: A waiting authorisation. Authorisation given during 2008/09 (R57 414)

2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps: Investigation underway (R1 160 594)

2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from cost centre. Disciplinary steps: None taken - amount was transferred to irregular expenditure during 2010/11.

2010: Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SED condoned as there was no wilful misconduct.

2010: Incident 2: Office of the Executive Mayor - approval of incorrect art work on bill board - SED condoned as there was no wilful misconduct.

2010: Incident 3: Office of the Executive Mayor - appointment of service provider for distribution of newsletter not approved - SED condoned there was no wilful misconduct.

2011: Incident 1: Housing & Sustainable Development - Official opening event of Loftus Gardens Clinic - name plate was already made when date was changed. No action taken as there was no wilful misconduct.

2010: Civirelo - Penalties for late/non-payment of taxes (R501 878) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2010: Civirelo - Interest on late/non-payment of taxes (R335 608) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2011: Sandspruit Works Association - Interest paid to City of Tshwane (R33 313). All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by City of Tshwane.

2011: Sandspruit Works Association - Interest paid to Rand Water due to late payment of account to the value of R199 509 (2010 = R1 160 516) and penalties and interest for SARS to the amount of R142 801. All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by City of Tshwane.

2011 and 2012: Housing Company Tshwane - Interest, penalties, legal fees and recovery fees was incurred as a result of non-payment of the entity's creditors when due to the amount of R7 507 and 2011 = R80 820 (2010 = R89 329). Objection was lodged and outcome is still pending.

2011: Civirelo - Penalties for late/non-payment of taxes (R16 019) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2011: Civirelo - Penalties for late/non-payment of taxes (R16 019) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2012: Incident 1: Emergency Services - Establishment and launch of water pod system and BESAFE centres in identified areas - condoned by Council.

2012: Incident 2: City Planning - insurance claims repudiated - survey equipment, digital camera and laptop - to be recovered from employee and discussion to be held with other two employees.

2012: Housing - SARS penalties to be paid - in process to reconcile with SARS.

2012: Public Works (Electricity) - payment of storage fees and repairs for vehicles on tenders CB65/2005 and CB22/2006 - investigation to be conducted.

2012: Fruitless and wasteful expenditure - erstwhile Kungwini Local Municipality as per the annual financial statements of 2010/11 - take-on in terms of the transfer of functions.

2012: Fruitless and wasteful expenditure - erstwhile Nokeng Local Municipality as per the annual financial statements of 2010/11 - take-on in terms of the transfer of functions

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

48. Irregular expenditure

Opening balance	46,906,295	166,842,709	46,072,743	166,842,709
Add: Irregular expenditure 2010/11 erstwhile Kungwini Local Municipality	139,470,071	-	139,470,071	-
Add: Sandspruit - non compliance with SCM regulations	4,312,195	-	-	-
Add: Irregular expenditure 2010/11 erstwhile Nokeng Tsa Taemane Local Municipality	595,684	-	595,684	-
Add: Irregular Expenditure (from declarations) - current year	3,415,229	700,826	3,415,229	700,826
Add: irregular expenditure due to non-compliance with Section 44 of MFMA	8,577,860	20,020,727	8,577,860	20,020,727
Add: Irregular expenditure during 2011/12 iro deviations relating to 2009/10	3,241,819	94,454,151	3,241,819	94,454,151
Add: Irregular expenditure during 2011/12 iro deviations relating to 2010/11	7,898,220	24,316,618	7,898,220	24,316,618
Add: Irregular expenditure iro deviations for 2011/12	37,662,225	-	37,662,225	-
Add: Irregular expenditure for 2011/12 due to non-compliance with MFMA SCM regulation 13	37,860,195	-	37,860,195	-
Add: Transfer from deviations in respect of irregular expenditure arising from non-compliance with MFMA SCM regulation 13	6,600,773	-	6,600,773	-
Add: Irregular expenditure in respect of non-compliance with MFMA SCM regulation 36	359,504	-	359,504	-
Add: Expenditure iro awards deemed irregular in the 2010/11 financial year for the erstwhile Kungwini Local Municipality	7,073,250	-	7,073,250	-
Less: Approval/repayment during the current year	(2,585,155)	(393,226)	(2,585,155)	(393,226)
Less: Irregular expenditure due to deviations approved by Council during 2010/11	-	(161,584,434)	-	(161,584,434)
Less: Non-compliance condoned relating to 2009/10	(3,241,819)	(2,996,925)	(3,241,819)	(3,830,477)
Less: Irregular expenditure iro 2010 deviations approved by accounting officer & noted by council	-	(94,454,151)	-	(94,454,151)
Less: Non-compliance condoned relating to 2011/12 (Council Resolution 19 July 2012)	(37,662,225)	-	(37,662,225)	-
Less: Sandspruit 2010/11 - condonement	(159,980)	-	-	-
	260,324,141	**46,906,295**	**255,338,374**	**46,072,743**

48. Irregular expenditure (continued)

Details of irregular expenditure condoned	Condoned by Council/City Manager/SED	Amount (R)
2007: Unapproved travelling to Swaziland	None - report to be written	15,175
2009: Corporate & Shared Services - fraudulent payment of salaries	Reported in October 2008	150,337
2009: Sport, Recreation, Arts & Culture - New Year celebration	Implementation of City Manager Report recommendation	553,360
2010: Sport Recreation Arts & Culture - procurement procedures not followed SAFA U/19 reception	Awaiting outcome of Auditors and Legal Services	104,000
2010: Office of the Executive Mayor	Purchase of furniture outside official procurement process. Forensic Audit is underway	10,837
2011: Health & Social Development - repudiated claims	Repudiated insurance claims originating from October 2008, November 2008 and January 2009	404,576
2011: Health & Social Development - spending for Madiba bash	Blankets, marquee and party packs expenditure- ex facto payments	296,250
2011: Non disclosure by CoT employees - owning companies that rendered services to municipality	Non-compliance with section 44 of the Municipal Supply Chain Management Regulations	20,020,727
2010 Office	None - World Cup Soccer 2010 related expenditure	200,863
2009/10 actual expenditure on contracts during 2010/11	Non-compliance with MFMA - no condonement by National Treasury	94,454,151
2011: Irregular expenditure relating to 2010/11	Non-compliance with MFMA - no condonement by National Treasury	24,316,618
2012; Sport, Recreation, Arts & Culture - Support to Office of Executive Mayor after contract expired	Non-compliance section 32 of MFMA - steps to be taken against SED	265,000
2012: Communication: Marketing & Events - Celebrations during Freedom day - payment of artists	Non-compliance with SCM Regulations - requested legal advice on action to be taken	195,430
2012: Public Works (Electricity) - payment of service provider	Investigation to be conducted by department	32,630
2012: Agriculture & Environmental Management - Freshmark Systems	Delays in tender process - deviation report approved by council	108,110
2012: Economic Development - proper supply chain procedures not followed	Disciplinary action will be taken against relevant employee	52,950
2012: Metro Police - Security services	Condoned by Council - no further action taken	1,951,231
2012; Emergency Services - annual renewal of ESS system	Deviation report to be tabled at bid evaluation committee and submitted to Internal Audit for investigation	472,863
2012: Health & Social Development - celebration of International day for the elderly 14 October	Needed to obtain 3rd caterer - report tabled at EAC meeting	337,014
Deviations approved by Council relating to 2009/10 - actual expenditure on contracts during 2011/12	Non-compliance with MFMA - no condonement by National Treasury	3,241,819
2012: Non-disclosure by CoT employees	Non-compliance with section 44 of Municipal Supply Chain Management Regulations	8,577,860
2012: Irregular expenditure relating to 2010/11	Non-compliance with MFMA - no condonement by National Treasury	6,600,773
2012: Irregular expenditure relating to 2011/12	Non-compliance with MFMA - no condonement by National Treasury	37,662,225
2011: Erstwhile Kungwini Local Municipality	Irregular expenditure as per annual financial statements of 2010/11	139,470,071
2011: Erstwhile Kungwini Local Municipality	Expenditure iro awards deemed irregular in 2010/11	7,073,250
2011: Erstwhile Nokeng Local Municipality	Irregular expenditure as per annual financial statements of 2010/11	595,684
2012: Sandspruit Works Association	Non-compliance with SCM regulations	4,312,195
Civirelo Water	None - salary related costs resolved by SARS now recovery process under taken by Legal Services	673,572
		352,149,571

48. Irregular expenditure (continued)

Details of irregular expenditure condoned	Condoned by Council/City Manager/SED	Amount (R)
2008: Cash shortage at Premos restaurant	Manager undertook in writing to replace cash shortage	6,980
2010: Community Safety - Payment of ESS system	City Manager condoned payment on 26 July 2010	152,617
2010: 2010 Office - Printing of Host Cities brochure	Condoned on 26 April 2010	148,232
Deviations not in line with criteria of section 36 of SCM Regulations (refer note 56)	Condoned by Accounting Officer and noted by Council	161,584,434
2009: Electricity & Energy Department - issuing of gas stove cost centre 109 30	Condoned according to declaration	112,269
2010: Health & Social Development	Irregular expenditure iro Multi Sectorial Aids Unit was condoned ex facto by City Manager	92,340
2010: None disclosure by CoT employees - owning companies that rendered services to municipality	Condoned by Accounting Officer and noted by Council	212,120
2010: Misrepresentation by owners/directors of companies who are in service of state	Condoned by Accounting Officer and noted by Council	3,618,357
2009/10 actual expenditure on contracts during 2010/11	Condoned by Accounting Officer and noted by Council	94,454,151
2012: Agriculture & Environmental Management - Freshmark Systems	Delays in tender process - deviation report approved by council	108,110
2012: Economic Development - proper supply chain procedures not followed	Disciplinary action will be taken against relevant employee	52,950
2012: Metro Police - Security services	Condoned by council - no further action taken	1,951,231
2012: Emergency Services - annual renewal of ESS system	Deviation report to be tabled at bid evaluation committee and submitted to Internal Audit for investigation	472,863
Deviations approved relating to 2009/10 - actual expenditure in 2011/12	Condoned by accounting officer and noted by council	3,241,819
Deviations approved relating to 2010/11 - actual expenditure in 2011/12	Condoned by accounting officer and noted by council	6,600,773
Sandspruit Works Association	World Cup Soccer 2010 related expenditure - no actions taken	159,980
		272,969,226

The irregular expenditure of R3 241 819 (2011 = R94 454 151) relates to the prior year deviations that were condoned in terms of the Supply Chain Management Policy by the Accounting Officer and were noted by Council initially. This irregular expenditure was then viewed as irregular subsequently to have not complied with section 36 of the Supply Chain Management Policy, which allows the Accounting Officer to dispense with the official procurement process established by policy to procure any required goods or services through any convenient process, but only:
(i) in an emergency
(ii) if such goods or services are produced or available from single provider only
(iii) in any other exceptional case where it is impractical or impossible to follow the official procurement process.

The prerogative of approval and condonement of deviation is a permission granted to the accounting officer of the municipality and to be noted by Council, however this particular deviations were viewed as not having complied with regulation 36, namely not being emergency or impractical or impossible to follow official procurement process, in the prior year.

These prior year deviations were also contracts running for the future years, however condoned and certified by Council as irrecoverable which is the core competency and function of the Council.

49. Section 45 SCM regulations

As per section 45 of the MFMA SCM regulations, awards to close family members of persons in the service of the state, the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months indicating:

- The name of that person
- The capacity in which that person is in the service of the state; and
- The amount of the award.

49. Section 45 SCM regulations (continued)

Municipality		
Name of person	Position	Value of awards 2012
Themba Stephen Mokoena	Senior Storekeeper	1,997,907
Willem Jacob Snyman	Storekeeper	1,530,815
Mosike Sandra Matsimela	Planner	498,256
Gabriel Gerhardus Jacobs	Functional Head	387,203
Noma Pearl Kekana	Student constable	445,006
Bridgette Radebe	Programme Co-ordinator	249,027
Tsholofelo Hazel Mashilo	Management Support Officer	221,680
Cornelius Jansen Lemmer	Chief Technical Support Officer	242,749
Gladys Maria Komapi	Administrative Officer	160,360
Lorraine Swangele Teffo	Senior Administrative Officer	124,075
Merriam Losvina Shabalala	Community Health Nurse	114,184
Evelyn Nkupe Nkgadima	Functional Head	138,708
Madimetja Paulus Mabaso	Artisan	87,510
Felistus Cheeky Ndlovu	Councillor	85,000
Johannes Christoffel Greyling	Administrative Officer	58,542
Gesten Owen Authur Rennie	Deputy Director	56,828
Andries Malatsi	Cultural Officer	55,138
Kgaogelo Rosina Nkosi	Strategic Support Specialist	29,890
Adventia Thete	Accountant	8,950
Rammule Oria Molai	Messenger	8,950
Albert Johannes van Wyk	Engineering Technician	2,780
		6,503,558

50. Financial instruments

Risks

In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

Year ended 30 June 2012

		Fixed rate			Non-interest bearing		
Description	Floating rate	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	Total
	R	R	%	Years	R	Years	R
Assets							
Investments	176,300,510	235,172,938	12.91	15.90			411,473,448
Long-term receivables:							
Housing loans		20,395,710	13.87	30.00			20,395,710
Motor car loans		11,710	8.66	6.00			11,710
Loans to sport clubs		1,569,306	11.99	10.00			1,569,306
Sale of Land		84,754,405	11.09	5.00			84,754,405
Arrangement debtors		10,179,294	-		191,811,927		201,991,221
Trade receivables:							
Consumer		3,575,659,864	9.00	1.00	2,137,564,433		5,713,224,297
Other					1,053,951,054		1,053,951,054
Cash		643,631,587					643,631,587
Total financial assets	**176,300,510**	**4,571,374,814**			**3,383,327,414**		**8,131,002,738**

50. Financial instruments

Year ended 30 June 2012

Description	Floating rate	Fixed rate			Non-interest bearing		Total
		Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
	R	R	%	Years	R	Years	R
Liabilities							
Interest bearing borrowings	3,650,036,342	2,650,195,417	9.92	13.92			6,300,231,759
Interest rate swaps		134,656,107	9.92	13.92			134,656,107
Lease liabilities		303,251,812					303,251,812
Trade payables:							
Creditors					4,343,377,102	0.08	4,343,377,102
Retention					238,990,712	1.00	238,990,712
Consumer deposits					406,953,225	0.08	406,953,225
Unspent grants and receipts					319,288,289	0.08	319,288,289
VAT					255,560,668	0.08	255,560,668
Total financial assets	**3,650,036,342**	**3,088,103,336**			**5,564,169,996**		**12,302,309,674**

Year ended 30 June 2011

Description	Floating rate	Amount	Weighted average effective interest rate	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	Total
Assets							
Investments	403,746,642	216,442,661	11.17	13.67			620,189,303
Long-term receivables:							
Housing loans		20,219,221	13.87	30.00			20,219,221
Motor car loans		63,748	8.66	6.00			63,748
Loans to sport clubs		1,448,713	11.99	10.00			1,448,713
Study loans					2,126		2,126
Sale of Land		59,589,719	11.09	5.00			59,589,719
Arrangement debtors		6,548,805			193,137,018		199,685,823
Trade receivables:							
Consumer		3,508,537,753		9.30	1,334,897,771		4,843,435,524
Other					786,172,134		786,172,134
Cash		414,103,598					414,103,598
Total financial assets	**403,746,642**	**4,226,954,218**			**2,314,209,049**		**6,944,909,909**
Liabilities							
Interest bearing borrowings	2,760,798,459	2,767,996,173	9.91	15.00			5,528,794,632
Interest rate swaps		227,950,578	20.61	18.00			227,950,578
Lease liabilities		265,616,928					265,616,928
Trade payables:							
Creditors					3,216,715,559	0.08	3,216,715,559
Retention					159,096,715	1.00	159,096,715
Consumer deposits					359,616,961	0.08	359,616,961
Unspent grants and receipts					398,492,532	0.08	398,492,532
VAT					156,473,129	0.08	156,473,129
Total financial assets	**2,760,798,459**	**3,261,563,679**			**4,290,394,896**		**10,312,757,034**

Interest rate swaps

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the statement of financial position date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

50. Financial instruments (continued)

	Fair value R	Estimated fair value gain/(loss) R
Year ended 30 June 2011	-	200,000,000

Currency risk

The Municipality undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The Municipality, however, manages this risk by entering into contracts where the risk is carried by the service provider.

Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The Municipality limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency.The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

	Fair value R	Estimated fair value gain/(loss) R
	30 June 2012	**30 June 2011**
Consumer debtors:		
Household	50	52
Industrial/Commercial	21	17
National and Provincial Government	2	1
Other consumer debtors	9	11
Long-term receivables	4	5
Other (long-term receivables and other)	-	-
Sundry debtors	14	14
	100	**100**

50. Financial instruments (continued)

Liquidity risk

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

	30 June 2012	30 June 2013	30 June 2014
	R	R	R
External funding: capital expenditure	1,500,000,000	1,640,000,000	1,500,000,000

Market risk

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities

Fair values

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

50. Financial instruments (continued)

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date are as follows:

30 June 2011	Liabilities	Fair value R	Carrying amounts R
Interest rate swaps		200,000,000	200,000,000

Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

Year ended 30 June 2012	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	323,851,508	86,911,420	710,520	411,473,448
Long-term receivables:				
Housing loans			20,395,710	20,395,710
Motor car loans	11,710			11,710
Loans to sport clubs			1,569,306	1,569,306
Sale of Land		84,754,405		84,754,405
Arrangement debtors	106,371,323	95,619,898		201,991,221
Cash	643,631,587			643,631,587
Total financial assets	**1,073,866,128**	**267,285,723**	**22,675,536**	**1,363,827,387**
Liabilities				
Interest bearing borrowings	4,305,705	98,045,858	6,332,536,303	6,434,887,866
Lease liabilities	126,026,714	177,225,098		303,251,812
Trade payables:				
Creditors		4,343,377,102		4,343,377,102
Retention		238,990,712		238,990,712
Consumer deposits		406,953,225		406,953,225
Unspent grants and receipts		319,288,289		319,288,289
VAT		252,267,366		252,267,366
Total financial liabilities	**130,332,419**	**5,836,147,650**	**6,332,536,303**	**12,299,016,372**

Year ended 30 June 2011	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	496,337,962	123,820,833	30,508	620,189,303
Long-term receivables:				
Housing loans			20,219,221	20,219,221
Motor car loans	63,748			63,748
Loans to sport clubs			1,448,713	1,448,713
Study loans	2,126			2,126
Sale of Land		59,589,719		59,589,719
Arrangement debtors	100,345,675	99,340,148		199,685,823
Cash	414,103,598			414,103,598
Total financial assets	**1,010,853,109**	**282,750,700**	**21,698,442**	**1,315,302,251**
Liabilities				
Interest bearing borrowings	237,853,613	97,267,701	5,421,623,896	5,756,745,210
Lease liabilities	111,263,325	154,353,603		265,616,928
Trade payables:				
Creditors		3,216,614,440		3,216,614,440
Retention		159,096,715		159,096,715
Consumer deposits		359,616,961		359,616,961
Unspent grants and receipts		398,492,532		398,492,532
VAT		156,473,129		156,473,129
Bank overdrafts		12,979,239		12,979,239
Total financial liabilities	**349,116,938**	**4,554,894,320**	**5,421,623,896**	**10,325,635,154**

50. Financial instruments (continued)

Hedging

Hedging is not applicable in the environment of the Municipality.

51. In-kind donations and assistance

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

- Assistance from Provincial Treasury with reconciliation of merger take-on accounts.
- City Planning and Development: Receipt of tools and equipment to assist in the curbing of illegal outdoor advertising transgressions occuring within City of Tshwane boundaries.
- The City of Tshwane received various sponsorships for prizes for the Tshwane Service Excellence Awards e.g. iPod, laptops, iPads, iPhone, chauffeur driven vehicles to the gala dinner, overnight packages at hotels, books, etc.

52. Operating leases

The municipality leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10%. The municipality has the option to extend the agreement for periods ranging between one month and three years.

The amounts of minimum lease payments under non-cancelable operating leases in respect of office equipment and properties are as follows:

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Non-cancelable office equipment				
Payable within a year	4,454,144	6,609,866	1,507,826	3,104,037
Payable within 2 to 5 years	2,602,778	5,319,948	410,198	1,780,020
	7,056,922	**11,929,814**	**1,918,024**	**4,884,057**
Non-cancelable property leases				
Payable within a year	46,735,365	110,225,728	46,735,365	110,225,728
Payable within 2 to 5 years	44,074,015	75,373,160	44,074,015	75,373,160
	90,809,380	**185,598,888**	**90,809,380**	**185,598,888**

53. Rental income straightlining

Gross investment in the lease due				
- within one year	16,672,905	16,363,665	16,672,905	16,363,665
- in second to fifth year inclusive	56,842,782	61,456,602	56,842,782	61,456,602
- later than five years	232,221,075	238,589,690	232,221,075	238,589,690
	305,736,762	**316,409,957**	**305,736,762**	**316,409,957**

54. Contingencies

Housing loan guarantees				
Guarantees for housing loans to employees at financial institutions	389,685	442,485	389,685	442,485

With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default of payments.

Indemnification				
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	53,260,876	49,229,513	53,260,876	49,229,513

The capitalised value as at 31 December as calculated by the department of Labour amounted to R53 260 876 (2011 = R49 229 513). The actual amount ceded is R53 455 350. Consistent with prior years the amendment to the cession will be addressed in the following financial year.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R

54. Contingencies (continued)

Guarantees issued				
Guarantees issued in favour of Eskom	213,500	213,500	213,500	213,500
Insurance claims				
Pending claims iro asset-, motor own damage-contractors and electricity claims	378,524	821,890	378,524	821,890
Pending claims iro public liabilities	59,137,354	24,052,072	59,137,354	24,052,072
	59,515,878	**24,873,962**	**59,515,878**	**24,873,962**

Above mentioned insurance claims originated before 30 June.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R109 653 107 (2011 = R134.4 million).

Housing Company Tshwane have two pending court cases against the entity by a security company and a building construction company for unpaid services rendered to the amount of R715 475 and R47 303 respectively. These amounts have been fully provided for. During 2011/12 the case of the building construction company was closed but the case of the security company is still ongoing.

Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups:

a. General litigations:

City Planning, Development & Regional Services Department:

Case 1:
The applicant requested information from the City of Tshwane to enable the applicant to institute proceedings against the respondent. The information was provided as per the granted Court Order. The applicant then brought an action for damages against the respondent. The City of Tshwane is not involved as the applicant requested no legal relief against the City of Tshwane. The City of Tshwane however decided to inform the court of our approach on the matter. This matter is being reported as there is a potential for the respondent to sue. The matter is still pending as a trial date and judgement is awaited.

Case 2:
The claimant had entered into agreements in respect of various advertising sites that were allocated to the claimant in terms of a council resolution in 2002. The various agreements were entered into in 2005 and in terms of the agreements, the claimant was to erect advertising structures. These advertising structures were to generate income for the claimant and the City of Tshwane would, in turn, be entitled to monthly payment for the allocation of the sites. In 2007 the City of Tshwane cancelled the agreements because the claimant failed to comply with various terms of the agreements. City of Tshwane already pleaded in this matter. The consolidation of the claims and the counter claims has been approved by the court. Due to reluctance of the plaintiff to set the matter down for hearing, the City of Tshwane is now in the process to apply for a trial date. Summons were issued against the City of Tshwane for the specific performance of the contracts between the plaintiff and City of Tshwane, alternatively damages to the amount of R15 300 000.

Case 3:
Claimant is suing City of Tshwane for R44 000 000 for cancellation of the contract agreement to build new Munitoria Offices as architectures. During 1997 the former City Council of Pretoria invited entries to a competition for the design of the new Munitoria offices. The winner of the competition would form part of the team to manage the project. The claimant won the competition and were commissioned as the architects. This agreement was eventually cancelled/or repudiated around 2006 & 2007 by the City of Tshwane hence claimant is suing for breach of contract. A date of cancellation of the agreement was also disputed. The City of Tshwane has filed an amended plea. A trial date was set for 5 August 2011.

Case 4:
The City of Tshwane had previously sold a piece of land to the claimant in an amount of R29 000. Part of the condition of the land sale agreement was that the claimant would apply for street closure and rezoning; and affect all incidental requirements related therefore. The plaintiff was never party to the agreement. However, the plaintiff is of the opinion that they have an interest in the sale agreement as the relevant property sold borders their property. The proposed sale was advertised according tot he prescribed procedure and no objections were received. The City of Tshwane awaits the confirmation of the trial date which must be requested by the plaintiff.

54. Contingencies (continued)

Case 5:
The applicant brought an application that the City of Tshwane declared to be ordinary members of the Boskoop Estate Property Owners Association (section 21 company) and that the City of Tshwane be compelled to enforce the conditions of establishment of Wapadrand Extension 44. The application was served on the City of Tshwane on 17 February 2011. In this regard the applicant brought the application against the developer of the estate as well as against the City of Tshwane and request the court to compel the City of Tshwane to enforce the conditions of establishment and to be declared to be in default of enforcing the conditions. If this application succeeds it will force the City of Tshwane to get involved in all section 21 companies which was created through the process of land use applications i.e. rezoning, township establishment and subdivisions. Attorneys were instructed to oppose the matter and an opposing affidavit was filed. A trial date is awaited.

Housing and Sustainable Human Settlement Development Department:

Case 1:
In this matter the property was expropriated by the City of Tshwane and compensation was paid. The owners did not agree with the compensation paid and brought action for additional compensation. This is a complicated matter and will have a bearing on other claimant's claims in the area as another expropriation was done in the area to provide low cost housing.) The relief sought amounts to: R746 110 (compensation), R43 700 as solatium in terms of the Expropriation Act and payment of interest on R746 110. There is also a potential risk of a flood of claims. The matter was postponed "sine die" and cost reserved. The matter is set down for trial on 6 October 2011.

Case 2:
The matter relates to the expropriation of portion 34 of the farm Kameelzynkraal in order to establish an agri-village on the property. The expropriation was executed; however the matter was taken on review. The matter is still pending in court and confirmation from Housing Department is awaited regarding the suitability of the envisaged land for human habitation and the concomitant finances related thereto.

Case 3:
The plaintiff issued summonses against the municipality for the loss of rental in respect of the illegal occupiers and money lost for the cleaning of the property after the illegal occupiers were removed. The matter is defended and is pending.

Financial Service Department:

Case 1:
Plaintiff claims damages to the amount of R11 461 450 as she maintains that the tender for network maintenance should have been awarded to her. The application brought by the applicant was defective. The City of Tshwane is at present awaiting the amended claim, where after a decision will be taken on the way forward. A n otice of exception was served on the applicant's attorneys as the amended particulars of the claim were still excipiable.

Case 2:
Claim against City of Tshwane for fees outstanding for work done in terms of contract to the amount of R207 589.99. T he matter is defended as no agreement exists. However, the City of Tshwane entered into an agreement with a consortium to do certain work of which the plaintiff was a party. The consortium has been paid for the service rendered. This matter was set down for trial on 10 November 2009 but he plaintiff withdrew the application. The City of Tshwane is awaiting further report from our attorneys whether the plaintiff is prepared to pay the City of Tshwane's legal costs. Only after this report has become available a decision will be taken on whether an application must be brought to compel the plaintiff to pay the City of Tshwane's legal costs. The Legal Services Department is still in process to recover legal costs from the plaintiff.

Case 3:
In this matter a summons was issued against the City of Tshwane for an amount of R2 622 000 being for services rendered. In this matter the plaintiff claims that a written and oral agreement was concluded with the City of Tshwane in terms of which the applicant would develop a long term financial sustainability plan for the City of Tshwane. The matter was heard by the Court. The City of Tshwane opposed the application for summary judgement as lodged by the applicant as it does not conform to the requirements of a summary judgement in this specific case. The Court granted the City of Tshwane leave to defend and the cost was reserved. In the meantime the applicant has lodged his amended application. This amendment to the application as aforementioned will be opposed by the City of Tshwane. The City of Tshwane awaits a trial date.

Case 4:
The plaintiff issued a summons in which debatement (reconciliation) of two service accounts are requested as the plaintiff avers that these accounts are defective and inadequate in certain respects. The summons was served on the City of Tshwane on 1 March 2011. In this regard the plaintiff avers that two service accounts are not correct and defective. The plaintiff also avers that the plaintiff has requested the City of Tshwane to debate the service accounts which were not done. This is the reason why they issued summons. to defend the action and put the City of Tshwane's version of the history of the two accounts (debit to the amount of R49 636.10 and credit to the amount of R5 000.00) before the court. The City of Tshwane is proceeding to file an exception to the summons.

Case 5:
The plaintiff issued a summons against the City of Tshwane in which the plaintiffs request delivery of all accounts and documents that relate to all bulk services contributions claimed by the City of Tshwane from subsequent developers that connected to the sewer line erected by the plaintiff which must be refunded by the plaintiffs. The plaintiffs further aver that the City of Tshwane might owe them money. The City of Tshwane is proceeding to file an exception to the summons.

54. Contingencies (continued)

Case 6:
Implementation of the NERSA (electricity regulator) ruling regarding the adjustment and crediting of the applicant's account. The applicant had queried an account on the basis of electricity charges. The applicant questioned the accuracy of the City of Tshwane's meter. As such the applicant approached the Court on an urgent basis to compel the City of Tshwane to refer the dispute to NERSA and not to implement credit control policies pending ruling by NERSA. The matter did eventually go to NERSA and NERSA made a ruling to the effect that the City of Tshwane had to credit the applicant's account with an amount of R42 599.19. Despite this ruling being made in 2009 the Finance Department has not implemented the NERSA decision. It is the view of the Finance Department that the NERSA decision is wrong as it was based on a report which contained wrong calculations.

Case 7:
The matter pertains to a dispute relating to legal fees. Apparently the municipality verbally ("orally engaged the services of") instructed a service provider in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm R 657 251 (being legal cost on work done on 951 files). Matter is defended.

Case 8:
The plaintiff instituted an action for the re-payment of property rates paid to the municipality and which is alleged not to have been due. The matter is on the roll for 14 September 2011.

Case 9:
The plaintiff instituted action for the re-payment of property rates paid to the municipality and which is alleged not to have been due in the amount of R438 640.94. Matter removed from the roll on 20 April 2011. Each party pays its own cost. New trial date received 26 November 2011.

Corporate and Shared Services Property Management:

Case 1:
The applicant and the municipality entered into a written agreement for the sale of erf 549 Erasmus Extension 2. The agreement was subject to the suspensive condition which neither the applicant nor the municipality fulfilled for a period of 5 years. The plaintiff subsequently instituted an action for the transfer of the property at the original purchase price, the property which is worth a considerable amount more now. The matter was defended successfully in court, however, the applicant applied for leave of appeal. The matter is set down for trial in the Supreme Court of Appeal on 20 August 2012.

Case 2:
Payment of invoices for repairs done to one of the vehicles. Awaiting trial date.

Case 3:
Motor vehicle accident. The plaintiff alleges that the traffic officer caused the accident on 1 September at Poort Primary School on the Kameeldrift Road and since, at all material times, the traffic officer was acting within the scope of his employment the municipality is vicariously liable for the damages caused to the plaintiff's car to the amount of R29 238.04. The applicant secured a default judgement against the former Nokeng Municipality without the said municipality being aware of the application since it was not served on the municipality. Matter is defended to set aside the default judgement.

Public Works and Infrastructure Development Department: Roads & Storm water:

Case 1:
The plaintiff is suing the City of Tshwane for an amount of R2 616 642 plus interest and costs. This matter stems from three contracts entered into between the then Northern Pretoria Metropolitan Sub-Structure on the one hand and plaintiff together with a third party as a joint venture on the other hand. The contractors had to, in terms of the agreements, construct and complete the work, as defined and remedy any defects therein, in accordance with the provision of the three contracts. The contractor claimed to have constructed and completed the works to the satisfaction of the engineer and the City of Tshwane. The contractor alleges, that due to the non performance on the part of the municipality in not providing them information and the failure to move the existing services (to allow construction to progress), the project suffered serious delays which resulted in time delays and they suffered damages.

Case 2:
The plaintiff was injured in 1996 when she drove through a pothole, lost control of her car and collided into a tree. Summons was issued in 1999 for an amount of R450 000 plus interest for injuries sustained. The matter was defended. A trial date for the adjudication of the quantum is awaited for the settlement.

Case 3:
Breach of contract, tender awarded to plaintiff. Plaintiff failed to live up to tender specifications and the City of Tshwane cancelled the contract and is now being sued for R1 401 516. The matter is defended.

54. Contingencies (continued)

Case 4:
Breach of contract. Plaintiff awarded tender to construct roads and storm water drainage in Winterveld. Plaintiff failed to live up to tender specifications and is now suing the City of Tshwane for the tender amount of R690 446.30. The City of Tshwane instructed another contractor to complete the work. Matter is defended.

Case 5:
Breach of contract. Plaintiff instructed to sandblast and paint 1 820 cubic meter bins which wer not collected and now kept as lien. Plaintiff is suing for storage cost at R2 299 500. Matter is defended.

Case 6:
Contractual claim for payment, arising out of contractual disputes consisting of payment for work done and costs incurred due to adverse conditions experienced on site, over and above amounts paid as the contract price. The consulting engineer refused to pay for claims. Adjudicator ruled that the contractor was entitled to claim additional payment. Plaintiff issued summons to claim payment of R6 683 428.18. The matter is defended.

Case 7:
Contractor alleged that they encountered adverse conditions on site which led them expanding more work and expenses inorder to carry out the construction of the sewer network infrastructure in Temba, Ramotse, Marokolong, Kudube (5, 8, 9), Leboneng, Stinkwater (A-D). There is a compliant about labour unrest and a disagreement about the measurement of manholes. Contractor had submitted claims for payment for the additional work and expenses incurred but the consulting engineer had refused topay or make a determination on them. As result, a dispute was declared and the matter is now in arbitration. The matter is defended.

Case 8:
Plaintiff was appointed as project manager for the Refilwe Extension 2, 3 and 5 Housing Project at a cost of R1 650 per stand, inclusive of VAT, for a maximum of 670 stands. For some reason the construction project agreement between the municipality and Gauteng Department of Housing was never finalised. The appointment of the applicant was conditional upon the commencement of the Construction Project Agreement between the municipality and the Gauteng Department of Housing. The amount owing on 10 January 2007 was R1 012 000. The service provider is suing for this amount plus 15.5% interest. The matter is defended.

Case 9:
Personal injury allegedly caused by the municipality's negligence, by leaving cables hanging and the substation's door open and as a result a young boy was electrocuted and his body sustained 90 degree burns. The municipality's approach is to proceed with the matter and finalise it as the municipality was not negligent on this matter. The matter was defended and was later removed from the roll. Awaiting trial date.

Agricultural and Environmental Management Department

Case 1:
The plaintiff issued summons for damages for the alleged breach of contract by appointing two new contractors before the expiry of the tender. Relief sought is payment in the amount of R99 689.00 (excluding VAT); interest on the aforesaid amount and at the rate of 15.5% per annum as from 30 June 2009 to date of payment; payment in the amount of R82 696 (excluding VAT). Interest on the aforesaid amount at the rate of 15.5% per annum from 31 July 2009; payment in the amount of R97 349.00, interest on the aforesaid amount at the rte of 15.5% per annum as from 30 September 2009 to date of payment; payment in the amount of R79 181. Interest on the aforesaid amount at the rate of 15.5% per annum as from 31 October 2009 to date of payment. Cost of the suit. Further and/or alternative relief.

Social Development Department, Sport and Recreation

Case 1:
Application for rescission of judgement taken against the Stadsraad van Centurion for payment of license fees relating to music licenses (music was allegedly piped through the City of Tshwane's systems in public halls). The City of Tshwane is seeking an order setting aside the judgement taken in default by the Southern African Music Rights Organisation for payment of an amount of R14 969.66 in license fees. The City of Tshwane has launched an application for rescission of judgement. The City of Tshwane's contention is that the summons was not properly served. The summons was issued against the Centurion Town Council which no longer exists. The summons was also issued in Johannesburg Magistrates Court while the said court does not have jurisdiction. In addition the amounts claimed have prescribed. Awaiting court date.

b. Court matters for Finance Service Department (Debt Collection):

Urgent applications were also served on the City of Tshwane to obtain a Court order to re-connect disconnected services. Further legal actions, including applications for Contempt of Court, were instituted by the applicants to compel the City of Tshwane to adhere to the orders granted. The cost orders that were granted against the City of Tshwane amounts to a minimum of R20 000 per case. Currently 67 such cases are pending.

54. Contingencies (continued)

c. Labour prosecutions:

The municipality is involved in litigation with certain employees whose employment was terminated as a result of re-organization or dismissals due to disciplinary reasons, disputes in respect of allowances, placing policies, disputes with unions and SALGA, etc. The following is a summary of the cases:

Case 1:
Senior employees of disestablished municipalities e.g. City Council of Pretoria, Centurion Town Council, GPMC and Northern Pretoria Metropolitan Sub-structure: These employees are stating that they have not been employed in the positions they used to occupy before the disestablishment. It could have a huge financial implication as these employees will have to be paid severance packages. Settlement agreement signed on behalf of SALGA and various municipalities that revolve around the re-employment of former permanent employees on fixed term contracts (commonly known as "section 56 employees"). The case is still to be heard in court. The applicants will in all probability not proceed with there case against City of Tshwane.

Case 2:
An employee issued summons against Council out of the High Court. Applicant approached court on the pretext that City of Tshwane breached his section 57 contract. Applicant is suing the municipality from all fora available to him. The City of Tshwane could be liable for breach of contract as well as other costs. The court ordered that the matter be removed from the roll and costs to be awarded against applicant. The applicant has submitted a request for rescission of the initial award and the order of 6 December 2010. The City of Tshwane is waiting for the outcome of the matter.

Case 3:
Approximately 43 metro police members: Unfair labour practice relating to promotion. Applicants claimed that they should be promoted to senior superintendents in the Metro Police Division.

Case 4:
Unfair dismissal: The employee's services had been terminated after it was discovered that their re-employment to the City of Tshwane had not been in line with the recruitment and selection policy of the City of Tshwane. The approached the SALGBC with a dispute of unfair dismissal. The court order is awaited.

Case 5:
Claimant and 99 other metro police constables: Applicants lodged an application at the High Court claiming to be accelerated progressed to the rank of sergeants in terms of the grading scheme and on grounds of a legitimate expectation created by the City of Tshwane in this respect. A Notice of Opposition was filed and an opposing affidavit. Applicants seem not to pursue their case any further and the City of Tshwane has instructed the attorney to close his file and provide the Legal Services with his account.

Case 6:
Claimant is taking an award against him on review to Labour Court. Claimant approached an arbitrator and requested that he be promoted to the rank of Director in the Community Safety Department (Metro Police). He complained that he applied for the position but was not short listed nor invited to job interviews. The Arbitrator ruled that he in fact did not apply for the position and dismissed his claim. He is now taking this award on review to Labour Court. A Notice of Opposition was filed. City of Tshwane are awaiting the transcript of the record of the arbitration where after the parties need to comply with the rules of the court before the matter will be set down for hearing.

Case 7:
Unfair dismissal: The employee had been dismissed for misconduct at the Disciplinary Tribunal of the City of Tshwane. The employee now challenges the dismissal as being both procedurally and substantively unfair. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 8:
Unfair Labour Practice relating to promotion in terms of the ASD Migration and Placement Collective Agreement. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process. The applicant has in the meantime approached the City of Tshwane with an offer to resign should an amount of R600 000 be paid to him as settlement. This is the approximate amount he lost would he have been appointed to the position he claimed to be in. Electricity and Energy Division is in favour of this settlement and a report to this effect has been prepared for approval by the Accounting Officer.

Case 9:
Solidarity o.b.o. Augusto & 28 others: Claim i.t.o. sec. 77(3) & 77(A) of the B.C.E.A., claim for unpaid salaries, unlawful deductions and their contracts of service. Applicants were employed by a labour broker contracting to the City of Tshwane. The broker deducted certain amounts from the salaries of the employees. The broker then went into liquidation leaving the employees only with a claim against Council as we are held jointly and severally liable with the broker i.t.o. labour legislation. The Department has however withheld certain payments to the broker due to invoices not submitted and the bulk of their claims centred on these outstanding amounts. A settlement was negotiated with the contractors and we are in the process of finalizing the case. Council has done away with hiring workers via labour broking firms. Figures were given through and the City of Tshwane are awaiting a final reply.

Case 10:
Unfair Labour Practice relating to promotion: The employee had successfully obtained an arbitration award in his favour against the City of Tshwane at the SALGBC that he be appointed and/or promoted to a senior position. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

54. Contingencies (continued)

Case 11:
Applicant alleges that he was demoted when the structure changed and he now had to report to an official in higher job level as previously he reported to the Speaker. Applicant's attorney approached the City of Tshwane to investigate the possibility of termination of his contract but that he is paid out for the rest of his fixed term.

Case 12:
Review of an award made against the former Kungwini Local Municipality to the amount of appoximately R4 million based on the wrongful interpretation and aplication of an upgrading of the local authority to a higher grade culminating in the abolishment of job levels 14 and 15 and the employees on those levels transgressing to level 13. Applicants argued that all other employees of the municipality should likewise be transgressed to higher levels and the arbitrator agreed with them and made such an order. The matter is being defended. Heads of argument to be filed by the parties.

Case 13:
Dismissal after a disciplinary hearing. The applicant was charged with fraud pertaining to the issuing of clearance certificates and subsequent refunds that were due to the applicant (members of the community) for the clearance certificate if the property was transferred before the expiry date. He was subsequently found guilty in absentia by the disciplinary committee since he failed to attend the hearing without a valid reason and was dismissed. The matter is defended and the municipality shall claim costs.

d. Litigation matters that have a strategic and financial impact on the management of City of Tshwane:

Case 1:
The applicant referred a claim to the amount of R32 000 000 to arbitration which claim eminates from services the applicant allegedly rendered for the City of Tshwane in terms of a contract to refurbish Loftus Versveld for the 2010 World Cup. In this matter the applicant had a contract with the City of Tshwane to refurbish Loftus Versveld stadium. His contract was cancelled. He now avers that there are monies owed to him. The matter will be referred to arbitration and we expect that an arbitrator will be appointed soon. This matter is still in process.

55. Change in estimate

Property, plant and equipment

Sandspruit Municipal Entity: The useful life of certain plant, equipment and vehicles was revised during the year under review. The effect of this revision has increased the depreciation charge for the current and future periods.

Housing Company Tshwane Municipal Entity: The useful life of certain plant, equipment and vehicles was revised during the previous year. The effect of this revision has decreased the depreciation charge for the current and future periods.

For the municipality the useful lives of all asset classes have been reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. Taking into consideration the condition of the assets where the cost of these assets would have depreciated completely to Rnil at year end or within the following 12 to 24 months. The useful lives were adjusted on the following basis:

- Remaining useful life: less than 12 months:-
- Condition: Excellent, fair, good   Additional useful life = 24 months
- Condition: Scrap   Additional useful life = 12 months
- Remaining useful life: between 12 and 24 months:-
- Condition: Excellent, fair, good   Additional useful life = 12 months
- Condition: Scrap   Additional useful life = 12 months
- The effect of changing the remaining useful lives has decreased the depreciation charge for the current and future periods.
- The total number of assets affected is 103 246 with respect to the parent municipality.

Landfill sites

For the municipality the useful lives of landfill sites have been reviewed and adjusted after closure of some sites to more accurately reflect the life spans of the assets. The closure of Valhalla resulted in a decrease of useful life for Garankuwa, Hatherley, Onderstepoort and Soshanguve landfill sites to 15 years. The effect of this revision has decreased the depreciation charges for the current and future periods.

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Effect of change in estimates				
Other and infrastructure assets	11,513,046	62,938,926	11,513,046	62,938,926
Library books	-	13,174,320	-	13,174,320
Landfill sites	3,723,913	15,359,594	3,723,913	15,359,594
Housing Company Tshwane: review of useful lives	-	153,713	-	-
Sandspruit: review of useful lives	44,432	669,594	-	-
	15,281,391	**92,296,147**	**15,236,959**	**91,472,840**

56. 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 consolidated financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special works of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos and/or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes

Deviation from tender and quotation process:
Most of the reasons why the deviations were necessary was due to the following:
* Sole suppliers
* Emergency
* Impracticality:

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by Council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

	Group		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Deviation from tender process (amounts above R200 000)				
Other deviations: various reasons	207,447,934	435,809,355	207,447,934	435,809,355
Sandspruit Works Association (ME)	1,069,953	-	-	-
Less: Transfer to Irregular expenditure (note 48)	(5,903,837)	(24,316,618)	(5,903,837)	(24,316,618)
	202,614,050	**411,492,737**	**201,544,097**	**411,492,737**
Deviation from quotation process				
Amounts below R200 000	10,463,298	23,386,182	10,463,298	23,386,182
Less: Transfer to irregular expenditure (note 48)	(696,936)	-	(696,936)	-
	9,766,362	**23,386,182**	**9,766,362**	**23,386,182**

57. Co-operative relationships

The City of Tshwane is involved in the following PPP's (only co-operative relationships) (existing contracts/agreements)

- Health & Social Development with Foundation for Professional Development iro Multi Sectorial AIDS Management
- Health Care Service with Elisabeth Glaser Pediatric Aids Foundation - prevention of AIDS transmission from mother to child
- Health & Social Development with Carel du Toit Hearing Centre - conduct audiometric tests targeting hearing acuity for children
- Health & Social Development with Foundation for Professional Development - public service to identify epidemiological and
- community service data that will assis in directing public, private, international and other non-governmental bodies in
- addressing needs of people affected by HIV.
- Health & Social Development with Znimpilo (NGO) - conduct research project on why males are reluctant to visit PHC clinics in
- Atteridgeville
- Health & Social Development with NAFCI: Establishing youth friendly services in Mamelodi W est, Lotus Gardens, Atteridgeville
- and Saulsville PHC clinics
- Emergency Services: Fire Protection Associations (FPA's) in the rural areas - Their role is to assist in fire fighting on veld and
- forest fires in terms of the National Veld and Forest Fire Act, 1998 (Act 101 of 1998).

58. Joint Ventures

The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements)

- Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities
- Health & Social Development with HSRC iro prevention strategy targeting commercial sex workers
- City of Tshwane has a joint venture with GDARD on mechanization scheme. MoV was signed between the 2 parties articulating association of the 2 organisations.

59. Distribution losses: Water

Water is supplied to the City of Tshwane from Rand Water and from the City's own water sources. Monthly meter readings of supply are used to monitor the total gross supply of the City. Monthly meter readings of water exported from Tshwane to Madibeng, Moretele Thembisile and Johannesburg are also taken, so that the net water input to the city can be determined.

Water loss management in the City is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management Strategies. The primary outcome of these strategies are to reduce:
* Technical losses (where not all water supplied reached the consumer), and
* Financial losses (where not all water reaching the consumer is paid for).

These losses are caused by:

- Real losses (physical loss of water from the system), and
- Apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed not properly measured, accounted and paid for).

From the above, water losses in the city is determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption.

At the end of June 2012 the non-revenue water (NRW) for the Group is calculated at 85 559 752 kl (24.70% of the total input into the system). This is a 3.94% decrease in NRW in the city as compared to June 2011 where the NRW was 73 581 075 kl (28.64% of the total input into the system). The Water and Sanitation Division of the parent and Sandspruit Works Association (municipal entity) has managed to reduce water loss over the past few years even though the input volume, number of consumers and length of water mains increased significantly over the same period. The unexpected increase in NRW for the previous financial year may be attributed to the inclusion of the Metsweding area (regions 5, 6 and 7) which has excessive water losses, calculated to be in excess of 44%.

It must be noted that the inclusion of the Metsweding area has negatively influenced the Group's ability to achieve the envisaged "City Target" of a 1% annual reduction in NRW. The losses in R-value amounts to R389.2 million (2011 = R296.76 million). The calculation is based on the unit tariff of R4.5508 (2011 = R4.0326) per kilolitre on Rand Water purchases. The total loss in Rand value is likewise considerably higher than last year, due to the substantial increase in NRW and the Rand Water tariff.

60. Distribution losses: Electricity

The electricity distribution loss comprises of technical and non-technical losses. Technical losses are losses on the electricity sub-transmission and distribution equipment due to attenuation of the power signal by conductors like copper and aluminium.

Non-technical losses are losses due to electricity theft, tampering, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.

The loss [difference between the total kWh available for selling i.e. own generation plus purchases, and consumed (billing system)] for the City of Tshwane amounts to 12.11% or 1 276 475 419 kWh [6.0% for technical losses and 6.11% for non-technical losses] for the 2011/12 financial year which compares favourably with the standard. Various measures are in place to reduce the losses. During the 2010/11 financial year the figures were: 9.32% or 908 354 950 kWh [6.0% for technical losses and 3.32% for non-technical losses].

Non-technical losses:

The value of the non-technical loss amounts to R339.8 million or 644 035 079 kWh (2011 = R133.9 million or 323 577 085 kWh) based on the cost per unit purchased/generated namely 52.76 c/kWh (2010/11 = 41.39c/kWh) for the 2011/12 financial year.

Technical losses:

The value of the technical loss amounts to R333,7 million or 632 440 340 kWh (2011 = R242,0 million or 584 777 865 kWh) based on the cost per unit purchased/generated namely 52.76 c/kWh (2010/11 = 41.39c/kWh) for the 2011/12 financial year.

61. Statement of comparative and actual information

Group - 2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R
Financial Performance								
Property rates	3,461,000,000	3,461,000,000	3,461,000,000	3,391,194,716		69,805,284	98 %	98 %
Service charges	10,690,754,542	10,880,754,542	10,880,754,542	10,679,046,818		201,707,724	98 %	100 %
Investment revenue	55,876,899	50,191,534	50,191,534	52,933,829		(2,742,295)	105 %	95 %
Transfers recognised - operational	2,380,128,554	2,273,208,298	2,273,208,298	2,335,544,048		(62,335,750)	103 %	98 %
Other own revenue	1,643,741,480	1,591,016,265	1,591,016,265	2,005,941,965		(414,925,700)	126 %	122 %
Total revenue (excluding capital transfers and contributions)	**18,231,501,475**	**18,256,170,639**	**18,256,170,639**	**18,464,661,376**		**(208,490,737)**	**101 %**	**101 %**
Employee costs	(4,904,395,010)	(4,835,880,724)	(4,835,880,724)	(4,815,285,269)	-	(20,595,455)	100 %	98 %
Remuneration of councillors	(91,019,321)	(90,972,569)	(90,972,569)	(91,436,294)	1,142,933	463,725	101 %	100 %
Debt impairment	(840,147,310)	(922,144,311)	(922,144,311)	(963,358,574)	-	41,214,263	104 %	115 %
Depreciation and asset impairment	(859,810,412)	(1,042,446,246)	(1,042,446,246)	(1,064,880,237)	-	22,433,991	102 %	124 %
Finance charges	(737,057,639)	(673,218,329)	(673,218,329)	(633,924,801)	-	(39,293,528)	94 %	86 %
Materials and bulk purchases	(6,328,267,944)	(5,858,972,090)	(5,858,972,090)	(6,168,000,853)	479,665,145	309,028,763	105 %	97 %
Transfers and grants	(14,281,600)	(14,281,600)	(14,281,600)	(21,495,798)	7,214,198	7,214,198	151 %	151 %
Other expenditure	(4,443,864,402)	(4,965,453,091)	(4,965,453,091)	(4,048,312,002)	-	(917,141,089)	82 %	91 %
Total expenditure	**(18,218,843,638)**	**(18,403,368,960)**	**(18,403,368,960)**	**(17,806,693,828)**	**488,022,276**	**(596,675,132)**	**97 %**	**98 %**
Surplus/(Deficit)	**12,657,837**	**(147,198,321)**	**(147,198,321)**	**657,967,548**		**(805,165,869)**	**(447)%**	**5,198 %**
Transfers recognised - capital	1,174,581,000	1,412,529,443	1,412,529,443	1,225,795,800		186,733,643	87 %	104 %
Contributions recognised - capital and contributed assets	-	-	-	142,084,742		(142,084,742)	- %	- %
Surplus/(Deficit) after capital transfers and contributions	**1,187,238,837**	**1,265,331,122**	**1,265,331,122**	**2,025,848,090**		**(760,516,968)**	**160 %**	**171 %**
Surplus/(Deficit) for the year	**1,187,238,837**	**1,265,331,122**	**1,265,331,122**	**2,025,848,090**		**(760,516,968)**	**160 %**	**171 %**

61. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R
Capital expenditure and funds sources								
Sources of capital funds								
Transfers recognised - capital	1,174,581,000	1,412,529,443	1,412,529,443	1,225,795,800		186,733,643	87 %	104 %
Public contributions and donations	130,723,700	51,106,000	51,106,000	142,084,742		(90,978,742)	278 %	109 %
Borrowing	1,500,000,000	1,500,000,000	1,500,000,000	-		1,500,000,000	- %	- %
Internally generated funds	380,113,040	440,001,740	440,001,740	-		440,001,740	- %	- %
Total sources of capital funds	**3,185,417,740**	**3,403,637,183**	**3,403,637,183**	**1,367,880,542**		**2,035,756,641**	**40 %**	**43 %**
Cash flows								
Net cash from (used) operating	2,179,135,056	2,232,451,147	2,232,451,147	4,035,995,969		(1,803,544,822)	181 %	185 %
Net cash from (used) investing	(2,452,915,178)	(2,951,458,253)	(2,951,458,253)	(4,694,731,974)		1,743,273,721	159 %	191 %
Net cash from (used) financing	1,043,646,596	1,050,180,479	1,050,180,479	715,777,540		334,402,939	68 %	69 %
Net increase/(decrease) in cash and cash equivalents	**769,866,474**	**331,173,373**	**331,173,373**	**57,041,535**		**274,131,838**	**17 %**	**7 %**
Cash and cash equivalents at the beginning of the year	1,056,093,281	868,025,895	868,025,895	910,441,560		(42,415,665)	105 %	86 %
Cash and cash equivalents at year end	**1,825,959,755**	**1,199,199,268**	**1,199,199,268**	**967,483,095**		**231,716,173**	**81 %**	**53 %**
Municipality 2012								
Property rates	3,461,000,000	3,461,000,000	3,461,000,000	3,391,312,310		69,687,690	98 %	98 %
Service charges	10,489,788,500	10,679,788,500	10,679,788,500	10,700,597,813		(20,809,313)	100 %	102 %
Investment revenue	55,876,899	49,901,534	49,901,534	52,185,100		(2,283,566)	105 %	93 %
Transfers recognised - operational	2,363,729,187	2,259,708,298	2,259,708,298	2,335,544,048		(75,835,750)	103 %	99 %
Other own revenue	1,521,390,749	1,453,703,889	1,453,703,889	1,947,766,258		(494,062,369)	134 %	128 %
Total revenue (excluding capital transfers and contributions)	**17,891,785,335**	**17,904,102,221**	**17,904,102,221**	**18,427,405,529**		**(523,303,308)**	**103 %**	**103 %**
Employee costs	(4,828,223,054)	(4,758,655,561)	(4,758,655,561)	(4,739,894,487)	-	(18,761,074)	100 %	98 %
Remuneration of councillors	(90,293,361)	(90,293,361)	(90,293,361)	(91,436,294)	1,142,933	1,142,933	101 %	101 %
Debt impairment	(840,147,310)	(851,547,311)	(851,547,311)	(880,622,872)	-	29,075,561	103 %	105 %
Depreciation and asset impairment	(856,860,412)	(1,039,496,246)	(1,039,496,246)	(1,062,135,230)	-	22,638,984	102 %	124 %
Finance charges	(737,057,639)	(690,308,757)	(690,308,757)	(633,408,584)	-	(56,900,173)	92 %	86 %
Materials and bulk purchases	(5,660,049,900)	(5,775,049,900)	(5,775,049,900)	(6,254,715,045)	479,665,145	479,665,145	108 %	111 %
Transfers and grants	(14,281,600)	(14,281,600)	(14,281,600)	(21,495,798)	7,214,198	7,214,198	151 %	151 %
Other expenditure	(4,852,214,845)	(4,831,667,806)	(4,831,667,806)	(4,078,998,353)	-	(752,669,453)	84 %	84 %
Total expenditure	**(17,879,128,121)**	**(18,051,300,542)**	**(18,051,300,542)**	**(17,762,706,663)**	**488,022,276**	**(288,593,879)**	**98 %**	**99 %**
Surplus/(Deficit)	**12,657,214**	**(147,198,321)**	**(147,198,321)**	**664,698,866**		**(811,897,187)**	**(452)%**	**5,252 %**

61. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R
Transfers recognised - capital	1,174,581,000	1,412,529,443	1,412,529,443	1,225,795,800		186,733,643	87 %	104 %
Contributions recognised - capital and contributed assets	130,723,700	51,106,000	51,106,000	142,084,742		(90,978,742)	278 %	109 %
Surplus/(Deficit) after capital transfers and contributions	**1,317,961,914**	**1,316,437,122**	**1,316,437,122**	**2,032,579,408**		**(716,142,286)**	**154 %**	**154 %**
Surplus/(Deficit) for the year	**1,317,961,914**	**1,316,437,122**	**1,316,437,122**	**2,032,579,408**		**(716,142,286)**	**154 %**	**154 %**
Capital expenditure and funds sources								
Sources of capital funds								
Transfers recognised - capital	1,174,581,000	1,412,529,443	1,412,529,443	1,225,795,800		186,733,643	87 %	104 %
Public contributions and donations	130,723,700	51,106,000	51,106,000	142,084,742		(90,978,742)	278 %	109 %
Borrowing	1,500,000,000	1,500,000,000	1,500,000,000	-		1,500,000,000	- %	- %
Internally generated funds	380,113,040	440,001,740	440,001,740	-		440,001,740	- %	- %
Total sources of capital funds	**3,185,417,740**	**3,403,637,183**	**3,403,637,183**	**1,367,880,542**		**2,035,756,641**	**40 %**	**43 %**
Cash flows								
Net cash from (used) operating	2,176,310,623	2,224,553,376	2,224,553,376	4,045,822,280		(1,821,268,904)	182 %	186 %
Net cash from (used) investing	(2,454,319,178)	(2,946,952,167)	(2,946,952,167)	(4,694,129,833)		1,747,177,666	159 %	191 %
Net cash from (used) financing	1,043,446,596	1,050,588,875	1,050,588,875	716,385,939		334,202,936	68 %	69 %
Net increase/(decrease) in cash and cash equivalents	**765,438,041**	**328,190,084**	**328,190,084**	**68,078,386**		**260,111,698**	**21 %**	**9 %**
Cash and cash equivalents at the beginning of the year	1,043,638,827	855,571,441	855,571,441	859,580,312		(4,008,871)	100 %	82 %
Cash and cash equivalents at year end	**1,809,076,868**	**1,183,761,525**	**1,183,761,525**	**927,658,698**		**256,102,827**	**78 %**	**51 %**

62. Transfer of functions

During the current reporting period

Transfer of function 1

The name of the acquiree	Metsweding District Municipality
Description of the acquiree	District Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities on 1 July 2011.
The acquisition-date fair value of the total consideration transferred	Zero

Assets and liabilities

Major class of asset and liabilties	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	895,369	895,369	-
Cash and cash equivalents	27,525	27,525	-
Property, plant and equipment	6,245,461	7,059,877	814,416
Intangible assets	301,268	301,268	-
Provisions	(409,973)	(409,973)	-
Unspent conditional grants	(2,371,568)	(2,371,568)	-
Trade and other payables	(2,190,469)	(1,755,406)	435,063
Reserves	-	-	2,497,613
	2,497,613	**3,747,092**	**3,747,092**

Transfer of function 2

The name of the acquiree	Nokeng-tsa-Taemane Local Municipality
Description of the acquiree	Local Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities on 1 July 2011
The acquisition-date fair value of the total consideration transferred	Zero

Acquired assets and liabilities

Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	20,099,327	19,953,423	(145,904)
Inventory	52,233	52,233	-
Cash and cash equivalents	3,676,949	3,676,949	-
Property, plant and equipment	379,462,061	420,429,289	40,967,228
Intangible assets	286,392	286,392	-
Loans and receivables	448,987	370,344	(78,643)
Provisions	(19,850,727)	(19,036,798)	813,926
Consumer deposits	(2,525,842)	(2,525,842)	-
Unspent conditional grants	(28,616,727)	(28,616,727)	-
Trade and other payables	(62,939,326)	(61,479,466)	1,459,860
Long-term loans	(2,869,517)	(2,869,517)	-
Finance leases	(474,322)	(252,879)	221,443
Bank overdraft	(912,772)	(912,772)	-
Accumulated surplus	-	-	285,836,716
	285,836,716	**329,074,629**	**329,074,626**

Transfer of function 3

The name of the acquiree	Kungwini Local Municipality
Description of the acquiree	Local Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities
The acquisition-date fair value of the total consideration transferred	Zero

Acquired assets and liabilities

Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of functions
Receivables	123,384,014	100,235,644	(23,148,370)
Inventory	1,928,004	1,925,254	(2,750)
Cash and cash equivalents	1,690,997	1,690,997	-
Property, plant and equipment	783,194,004	840,231,215	57,037,211
Intangible assets	663,518	663,518	-
Provisions	(33,221,460)	(24,250,921)	8,970,539
Consumer deposits	(11,939,062)	(11,939,062)	-
Unspent conditional grants	(16,421,156)	(16,421,156)	-
Trade and other payables	(241,076,588)	(217,918,172)	23,158,416
Long-term loans	(20,750,543)	(20,750,543)	-
Finance leases	(214,296)	(199,471)	14,825
Accumulated surplus	-	-	587,237,432
	587,237,432	**653,267,303**	**653,267,303**

Gain/(loss) recognised in current reporting period

Gain/(loss) recognised	986,089,021	-	986,089,021	-

The trial balances and audited annual financial statements as at 30 June 2011 of the 3 municipalities were used to bring in the balances on 1 July 2011 via take-on accounts. All these balances were then verified and reconciled by the relevant officials and any amounts that could not be satisfactorily verified or substantiated by acceptable supporting documentation were transferred to the net gain/(loss) on the transfer of function account. Hence the net gain realising on an amount of R986 089 021.

The net gain of R986 089 021 is equal to the take-on assets less liabilities of the disestablished municipalites at fair value.

Supplementary unaudited information

Schedule of external loans as at 30 June 2012

	Interest Rate (%)	Redeemable	Balance at 30 June 2011 R	Received R	Redeemed/ written R	Amortised value R	Balance at 30 June 2012 R	Carrying Value of PPE R
LOCAL REGISTERED STOCK : Issued								
Loan 105 (Issued 1997)	16.65	2014.06.30	97,267,701	-	-	778,157	98,045,858	150,524,928
Loan 43 (Issued 1984)	16.25	2004.04.30	5,812	-	-	-	5,812	8,924
			97,273,513	**-**	**-**	**778,157**	**98,051,670**	**150,533,852**
TERM LOANS								
DBSA: Bullet portion	13.50	2018.04.30	51,746,052	-	-	72,117	51,818,169	79,553,856
DBSA: Floating rate	Variable	2019.10.31	78,331,528	-	-	1,387,114	79,718,642	122,388,065
ABSA Bank Arbitrage	19.13	2011.10.31	227,950,578	-	200,000,000	(27,950,578)	-	-
Housing Company: Gauteng Partnership Fund	0.00		293,000	-	293,000	-	-	-
Housing Company: National Housing Finance Corp	14.00		3,819,885	-	385,191	-	3,434,694	3,434,694
TEDA			1,000	-	-	-	1,000	-
			362,142,043		**200,678,191**	**(26,491,347)**	**134,972,505**	**205,376,615**
ANNUITY LOANS:								
DBSA	13.5	2018.04.30	199,772,612	-	16,192,323	(340,645)	183,239,644	281,318,708
DBSA Local Authorities	13.5	2012.12.31	5,853,130	-	1,824,431	271,192	4,299,891	6,601,410
DBSA (Restructuring)	10.87	2018.12.31	192,840,445	-	8,544,415	10,080,942	194,376,972	298,417,290
INCA	11.66	2019.06.30	14,499,099	-	1,204,601	-	13,294,498	20,410,381
INCA	9.52	2020.03.31	171,323,142	-	12,437,366	(211,677)	158,674,099	243,604,450
INCA	11.01	2020.06.30	38,695,134	-	2,687,474	-	36,007,660	55,280,769
DBSA	9.36	2020.12.31	213,818,951	-	7,159,570	9,640,009	216,299,390	332,073,691
INCA	10.92	2020.12.31	79,733,309	-	5,106,014	-	74,627,295	114,571,574
INCA	10.81	2021.06.30	65,608,984	-	3,889,891	-	61,719,093	94,754,254
DBSA	5.0	2021.12.31	74,144,325	-	2,889,239	1,776,497	73,031,583	112,121,756
DBSA	9.835	2021.12.31	319,587,132	-	9,640,181	15,199,883	325,146,834	499,181,758
Ivuzi	13.5	2021.12.31	163,951,985	-	10,029,497	-	153,922,488	236,309,537
DBSA	6.25	2028.06.30	91,382,257	-	1,525,336	2,800,336	92,657,257	142,252,074
DBSA	12.81	2028.06.30	191,689,207	-	1,614,088	12,116,876	202,191,995	310,415,309
DBSA	11.32	2028.06.30	191,991,667	-	1,776,105	10,741,817	200,957,379	308,519,866
ABSA Roodeplaat Temba	12.5	2021.03.31	207,717,731	-	10,850,239	(843,263)	196,024,229	300,946,245
DBSA Roodeplaat Temba	11.99	2021.03.31	107,297,726	-	5,737,771	(446,566)	101,113,389	155,234,355
Nedbank Roodeplaat Temba	12.51	2021.03.31	142,650,186	-	7,459,539	(600,200)	134,590,447	206,630,018
DBSA TIP	6.75	2029.06.30	142,305,704	-	2,050,137	4,694,719	144,950,286	222,534,962
DBSA IIP	10.84	2029.06.30	648,786,396	-	7,452,011	28,269,317	669,603,702	1,028,009,249
Nedbank	9.27	2020.05.18	340,378,960	-	26,361,608	(163,920)	313,853,432	481,843,558
Nedbank	9.32	2020.06.16	338,630,811	-	26,404,402	(58,935)	312,167,474	479,255,191
DBSA	10.18	2010.12.01	354,740,557	-	8,317,844	8,782,200	355,204,913	545,328,430
Standard Bank	7.72	2026.06.30	1,000,000,000	-	36,453,580	523	963,546,943	1,479,285,683
DBSA	16.55	2011.12.31	-	17,425	17,425	-	-	-
DBSA	5.00	2013.03.31	-	705,985	362,054	1,413	345,344	530,192
DBSA	5.00	2016.08.31	-	1,040,568	165,446	3,596	878,718	1,349,053
DBSA	15.04	2016.06.30	-	19,353,456	2,066,462	646,313	17,933,307	27,532,113
Standard Bank - Magalies Water	13.50	2014.09.30	-	1,186,096	241,177	30,384	975,303	1,497,334
DBSA	Jibar	2027.06.29	-	500,000,000	-	-	500,000,000	767,625,124
Standard Bank	Jibar	2022.06.29	-	500,000,000	-	230,125	500,230,125	767,978,423
			-	-	-	-	-	-
			5,297,399,450	**1,022,303,530**	**220,460,226**	**102,620,936**	**6,201,863,690**	**9,521,412,757**
			5,756,815,006	**1,022,303,530**	**421,138,417**	**76,907,746**	**6,434,887,865**	**9,877,323,224**
FINANCE LEASES								
Absa	Variable *		5,706,887	54,728,794	9,844,464	-	50,591,217	50,037,875
Datacentrix	Variable *		5,327,057	421,727	5,619,428	-	129,356	103,852
Debis Fleet Management	Variable *		89,394,011	147,704,208	68,782,595	-	168,315,624	162,665,937
Fleet Africa	Variable *		393,720	25,058	104,062	-	314,716	308,393
Man Financial Services	Variable *		30,369,875	1,818,316	32,188,191	-	-	-
Molpone	Variable *		19,686,286	2,041,903	6,343,000	-	15,385,189	14,887,845
Standard Bank	Variable *		834,667	9,178	843,845	-	-	-
Zeda	Variable *		4,666,773	3,788,650	1,521,932	-	6,933,491	6,838,056
Tshwane Auto Leasing	Variable *		80,243,024	6,236,417	30,407,543	-	56,071,898	54,402,848
Bidvest	Variable *		21,616,684	1,131,054	21,630,844	-	1,116,894	1,113,112
Vuswa	Variable *		7,377,944	473,612	3,505,969	-	4,345,587	4,263,497
Absa Sol	Variable *		-	67,471	19,631	-	47,840	41,600
			265,616,928	**218,446,388**	**180,811,504**	**-**	**303,251,812**	**294,663,015**

Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation						Accumulated depreciation						
	Opening Balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing Balance	Opening Balance	Additions	Impairment	Disposals	Transfers	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Infrastructure													
Assets under construction	1,880,721,693	1,829,857,573	-	(716,491,110)	-	**2,994,088,156**	-	-	-	-	-	**-**	2,994,088,156
Electricity	3,610,830,152	474,827,099	(846,364)	251,449,493	-	**4,336,260,380**	(829,402,699)	(107,768,233)	(18,173)	102,443	-	**(937,086,662)**	3,399,173,718
General	122,414,534	13,560,948	-	(16,349,766)	-	**119,625,716**	(77,256,919)	(20,657,260)	-	-	23,037,388	**(74,876,791)**	44,748,925
Roads	4,929,692,762	646,529,769	(258,751)	126,941,579	-	**5,702,905,359**	(1,385,644,442)	(256,845,090)	-	138,082	-	**(1,642,351,450)**	4,060,553,909
Water and sanitation	4,347,370,364	495,427,676	(4,848,946)	327,438,980	-	**5,165,388,074**	(1,027,434,813)	(180,762,560)	-	-	-	**(1,208,197,373)**	3,957,190,701
Sandspruit	12,587,491	63,287	-	-	-	**12,650,778**	(6,362,027)	(1,403,752)	-	-	-	**(7,765,779)**	4,884,999
	14,903,616,996	**3,460,266,352**	**(5,954,061)**	**(27,010,824)**	**-**	**18,330,918,463**	**(3,326,100,900)**	**(567,436,895)**	**(18,173)**	**240,525**	**23,037,388**	**(3,870,278,055)**	**14,460,640,408**
Community Assets													
General	1,688,309,768	165,961,355	(14,900,557)	65,859,908	-	**1,905,230,474**	(431,886,217)	(64,320,971)	-	797,548	(2,384,839)	**(497,794,479)**	1,407,435,995
Assets under construction	45,151,534	57,551,446	-	(40,778,335)	-	**61,924,645**	-	-	-	-	-	**-**	61,924,645
	1,733,461,302	**223,512,801**	**(14,900,557)**	**25,081,573**	**-**	**1,967,155,119**	**(431,886,217)**	**(64,320,971)**	**-**	**797,548**	**(2,384,839)**	**(497,794,479)**	**1,469,360,640**
Heritage assets													
General	25,844,496	214,400	-	-	-	**26,058,896**	(235,353)	(89,965)	-	-	-	**(325,318)**	25,733,578
	25,844,496	**214,400**	**-**	**-**	**-**	**26,058,896**	**(235,353)**	**(89,965)**	**-**	**-**	**-**	**(325,318)**	**25,733,578**
Housing													
Housing assets	253,694,176	38,468,160	-	-	-	**292,162,336**	(238,584)	(37,129)	-	-	-	**(275,713)**	291,886,623
Assets under construction	13,110,922	64,099,401	-	(12,733,788)	-	**64,476,535**	-	-	-	-	-	**-**	64,476,535
	266,805,098	**102,567,561**	**-**	**(12,733,788)**	**-**	**356,638,871**	**(238,584)**	**(37,129)**	**-**	**-**	**-**	**(275,713)**	**356,363,158**
Stock													
Stock	3,769,730	41,072,830	(1,729,124)	(3,769,730)		**39,343,706**							39,343,706
	3,769,730	**41,072,830**	**(1,729,124)**	**(3,769,730)**	**-**	**39,343,706**	**-**	**-**	**-**	**-**	**-**	**-**	**39,343,706**
Land													
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	**704,297,277**	-	-	-	-	-	**-**	704,297,277
	700,018,836	**4,938,887**	**(579,066)**	**(81,380)**	**-**	**704,297,277**	**-**	**-**	**-**	**-**	**-**	**-**	**704,297,277**
Buildings													
Buildings	1,120,987,130	45,397,986	-	425,487,408	-	**1,591,872,524**	(431,068,811)	(75,273,577)	(21,869,192)	-	(179,044,657)	**(707,256,237)**	884,616,287
Assets under construction	290,254	-	-	(290,254)	-	**-**	-	-	-	-	-	**-**	-
Sandspruit	7,812,631	21,938	-	-	-	**7,834,569**	(1,951,450)	(397,708)	-	-	-	**(2,349,158)**	5,485,411
	1,129,090,015	**45,419,924**	**-**	**425,197,154**	**-**	**1,599,707,093**	**(433,020,261)**	**(75,671,285)**	**(21,869,192)**	**-**	**(179,044,657)**	**(709,605,395)**	**890,101,698**

APPENDIX B

Supplementary unaudited information

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation						Accumulated depreciation						
	Opening Balance	Acquisitions	Disposals	Transfers	Additions and adjustments	Closing Balance	Opening Balance	Additions	Impairment	Disposals	Transfers	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Other													
General	2,281,045,269	334,702,259	(132,783,289)	(403,995,262)	-	**2,078,968,977**	(924,296,263)	(148,562,819)	(7,532,156)	73,159,021	183,448,575	**(823,783,642)**	1,255,185,335
Rehabilitation assets	179,689,260	17,033,832	-	-	-	**196,723,092**	(107,347,359)	(3,964,337)	-	-	(711,236)	**(112,022,932)**	84,700,160
Non-current assets held for sale (transfer)	(4,524,267)	-	(5,420,432)	-	-	**(9,944,699)**	4,183,833	-	-	-	5,416,277	**9,600,110**	(344,589)
Assets under construction	56,400,660	79,407,092	-	(45,982,385)	-	**89,825,367**	-	-	-	-	-	**-**	89,825,367
Cenbis	580,824	-	-	-	-	**580,824**	(580,824)	-	-	-	-	**(580,824)**	-
Sandspruit	9,212,014	376,846	-	-	-	**9,588,860**	(7,653,946)	(864,829)	-	-	-	**(8,518,775)**	1,070,085
Housing Company	349,543	60,248	-	-	-	**409,791**	(198,917)	(78,718)	-	-	-	**(277,635)**	132,156
Civirelo	75,272	-	-	-	-	**75,272**	(75,272)	-	-	-	-	**(75,272)**	-
	2,522,828,575	**431,580,277**	**(138,203,721)**	**(449,977,647)**	**-**	**2,366,227,484**	**(1,035,968,748)**	**(153,470,703)**	**(7,532,156)**	**73,159,021**	**188,153,616**	**(935,658,970)**	**1,430,568,514**
Total property plant and equipment	**21,285,435,048**	**4,309,573,032**	**(161,366,529)**	**(43,294,642)**	**-**	**25,390,346,909**	**(5,227,450,063)**	**(861,026,948)**	**(29,419,521)**	**74,197,094**	**29,761,508**	**(6,013,937,930)**	**19,376,408,979**
Biological assets													
Game (livestock)	12,970,960	-	-	-	(264,454)	**12,706,506**	-	-	-	-	-	**-**	12,706,506
	12,970,960	**-**	**-**	**-**	**(264,454)**	**12,706,506**	**-**	**-**	**-**	**-**	**-**	**-**	**12,706,506**
Investment properties													
Investment assets	444,092,462	174,943,476	(11,301,940)	-	-	**607,733,998**	(39,912,176)	(759,200)	-	1,508	-	**(40,669,868)**	567,064,130
Housing Company	15,791,014	79,823	-	-	-	**15,870,837**	-	-	-	-	-	**-**	15,870,837
	459,883,476	**175,023,299**	**(11,301,940)**	**-**	**-**	**623,604,835**	**(39,912,176)**	**(759,200)**	**-**	**1,508**	**-**	**(40,669,868)**	**582,934,967**
Intangible assets													
Computer software	306,139,199	132,229,283	(57,900)	87,269,294	-	**525,579,876**	(160,140,679)	(43,686,213)	-	57,900	(20,830,107)	**(224,599,099)**	300,980,777
Civirelo	61,140	-	-	-	-	**61,140**	(61,140)	-	-	-	-	**(61,140)**	-
Assets under construction	53,925,600	-	-	(53,925,600)	-	**-**	-	-	-	-	-	**-**	-
	360,125,939	**132,229,283**	**(57,900)**	**33,343,694**	**-**	**525,641,016**	**(160,201,819)**	**(43,686,213)**	**-**	**57,900**	**(20,830,107)**	**(224,660,239)**	**300,980,777**
Total													
Land	700,018,836	4,938,887	(579,066)	(81,380)	-	**704,297,277**	-	-	-	-	-	**-**	704,297,277
Infrastructure	14,903,616,996	3,460,266,352	(5,954,061)	(27,010,824)	-	**18,330,918,463**	(3,326,100,900)	(567,436,895)	(18,173)	240,525	23,037,388	**(3,870,278,055)**	14,460,640,408
Community Assets	1,733,461,302	223,512,801	(14,900,557)	25,081,573	-	**1,967,155,119**	(431,886,217)	(64,320,971)	-	797,548	(2,384,839)	**(497,794,479)**	1,469,360,640
Heritage assets	25,844,496	214,400	-	-	-	**26,058,896**	(235,353)	(89,965)	-	-	-	**(325,318)**	25,733,578
Housing	266,805,098	102,567,561	-	(12,733,788)	-	**356,638,871**	(238,584)	(37,129)	-	-	-	**(275,713)**	356,363,158
Other	2,522,828,575	431,580,277	(138,203,721)	(449,977,647)	-	**2,366,227,484**	(1,035,968,748)	(153,470,703)	(7,532,156)	73,159,021	188,153,616	**(935,658,970)**	1,430,568,514
Biological assets	12,970,960	-	-	-	(264,454)	**12,706,506**	-	-	-	-	-	**-**	12,706,506
Intangible assets	360,125,939	132,229,283	(57,900)	33,343,694	-	**525,641,016**	(160,201,819)	(43,686,213)	-	57,900	(20,830,107)	**(224,660,239)**	300,980,777
Investment properties	459,883,476	175,023,299	(11,301,940)	-	-	**623,604,835**	(39,912,176)	(759,200)	-	1,508	-	**(40,669,868)**	582,934,967
Buildings	1,129,090,015	45,419,924	-	425,197,154	-	**1,599,707,093**	(433,020,261)	(75,671,285)	(21,869,192)	-	(179,044,657)	**(709,605,395)**	890,101,698
Stock	3,769,730	41,072,830	(1,729,124)	(3,769,730)	-	**39,343,706**	-	-	-	-	-	**-**	39,343,706
	22,118,415,423	**4,616,825,614**	**(172,726,369)**	**(9,950,948)**	**(264,454)**	**26,552,299,266**	**(5,427,564,058)**	**(905,472,361)**	**(29,419,521)**	**74,256,502**	**8,931,401**	**(6,279,268,037)**	**20,273,031,229**

APPENDIX C

Supplementary unaudited information

Segmental analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance R	Additions R	Disposals R	Classified as held for sale R	Transfers R	Other changes & movements R	Closing Balance R	Opening Balance R	Additions R	Classified as held for sale R	Disposals, transfers & adjustments R	Impairment deficit R	Closing Balance R	Carrying value R
Municipality														
Office of Executive Mayor and Municipal Manager	126,112,984	1,919,054	(801,675)	(177,477)	(22,075)	-	**127,030,811**	(22,294,160)	(4,586,634)	(58,722)	759,656	(18,514)	**(26,198,374)**	100,832,437
Financial Services	77,008,289	13,912,286	(1,414,864)	(317,076)	(1,559)	-	**89,187,076**	(38,971,353)	(6,086,395)	86,144	1,370,994	(92,177)	**(43,692,787)**	45,494,289
General Assessments	34,764,622	1,035,029	(251,733)	(4,809)	(1,200)	-	**35,541,909**	(17,701,149)	(2,920,862)	36,865	223,267	(29,474)	**(20,391,353)**	15,150,556
Corporate and Shared Services	2,037,651,706	172,237,003	(3,912,956)	(958,571)	(4,104,261)	-	**2,200,912,921**	(583,202,693)	(94,932,017)	337,635	13,171,750	(207,419)	**(664,832,744)**	1,536,080,177
Community Safety	260,114,339	44,761,745	(4,670,719)	250,617	(786)	-	**300,455,196**	(102,531,907)	(31,469,100)	526,967	4,277,415	(22,961)	**(129,219,586)**	171,235,610
City Planning	71,422,440	316,633,344	(30,956,441)	(360,669)	14,770	-	**356,753,444**	(23,345,812)	(9,298,752)	181,237	1,217,479	(36,148)	**(31,281,996)**	325,471,448
Health and Social Development	185,100,292	20,188,450	(1,350,788)	(559,238)	(9,084,690)	-	**194,294,026**	(58,659,809)	(12,121,122)	109,768	(2,105,187)	(208,464)	**(72,984,814)**	121,309,212
Sport, Recreation, Arts & Culture	1,050,860,633	81,771,885	(113,400,678)	(59,457)	(5,724,586)	-	**1,013,447,797**	(297,230,274)	(55,062,029)	1,493,811	57,727,290	(5,978,643)	**(299,049,845)**	714,397,952
Housing and Sustainable Human Settlement Development	2,396,148,896	663,796,153	(2,593,382)	(76,199)	(1,374,956)	-	**3,055,900,512**	(387,509,684)	(97,344,454)	286,724	5,022,517	(21,875,782)	**(501,420,679)**	2,554,479,833
Agriculture & Environmental Management	933,841,727	103,145,597	(1,807,753)	(288,918)	9,108,344	-	**1,043,998,997**	(288,323,212)	(42,084,083)	81,565	3,714,893	(35,005)	**(326,645,842)**	717,353,155
Transport & Roads: Transport	742,067,919	122,078,721	(323,918)	24,618	-	-	**863,847,340**	(124,953,607)	(24,571,699)	40,228	321,378	(15,644)	**(149,179,344)**	714,667,996
Transport & Roads: Roads and Storm water	4,297,682,804	964,378,217	(920,618)	(208,637)	82,006	-	**5,261,013,772**	(1,320,698,492)	(231,961,729)	45,127	879,231	(36,577)	**(1,551,772,440)**	3,709,241,332
Public Works - Water and Sanitation	5,260,734,520	1,015,802,141	(604,904)	(1,390,283)	1,391,575	-	**6,275,933,049**	(1,038,672,660)	(153,461,293)	812,723	1,325,788	(207,427)	**(1,190,202,869)**	5,085,730,180
Public Works - Electricity	4,246,229,523	1,059,046,196	(3,629,851)	(1,199,903)	(4,216)	-	**5,300,441,749**	(955,351,275)	(125,981,296)	1,348,014	2,830,355	(627,341)	**(1,077,781,543)**	4,222,660,206
Economic Development	96,465,883	4,240,222	(140,037)	(113,899)	(229,312)	-	**100,222,857**	(23,496,568)	(4,704,839)	41,238	667	(18,471)	**(28,177,973)**	72,044,884
Emergency Services	255,738,917	31,277,429	(790,072)	19,466	-	-	**286,245,740**	(127,737,827)	(19,826,847)	46,953	719,927	(9,473)	**(146,807,267)**	139,438,473
Municipal entities	46,469,930	602,145	(2)	-	-	-	**47,072,073**	(16,883,577)	(2,745,007)	-	-	-	**(19,628,584)**	27,443,489
	22,118,415,424	**4,616,825,617**	**(167,570,391)**	**(5,420,435)**	**(9,950,946)**	**-**	**26,552,299,269**	**(5,427,564,059)**	**(919,158,158)**	**5,416,277**	**91,457,420**	**(29,419,520)**	**(6,279,268,040)**	**20,273,031,229**

APPENDIX D

Supplementary unaudited information

Segmental Statement of Financial Performance for the year ended						
Prior Year (30 June 2011)				Current Year (30 June 2012)		
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
			Municipality			
51,515,141	349,451,956	(297,936,815)	Office of Executive Mayor and Municipal Manager	52,429,015	468,947,271	(416,518,256)
74,784,248	1,043,282,897	(968,498,649)	Corporate and Shared Services	18,950,417	1,139,942,826	(1,120,992,409)
2,398,006	58,346,796	(55,948,790)	Economic Development	2,209,296	62,803,481	(60,594,185)
145,108,732	648,629,049	(503,520,317)	Financial Services	91,630,904	507,080,115	(415,449,211)
4,871,410,614	782,569,217	4,088,841,397	General Assessments	6,686,393,274	631,087,731	6,055,305,543
59,243,098	368,759,042	(309,515,944)	Housing and Sustainable Human Settlement Development	555,318,521	468,409,459	86,909,062
43,889,143	196,984,925	(153,095,782)	Sport, Recreation , Arts and Culture	33,894,141	287,917,757	(254,023,616)
116,181,046	869,072,955	(752,891,909)	Community Safety	131,845,310	1,006,439,049	(874,593,739)
627,259,597	1,508,424,993	(881,165,396)	Agriculture & Environmental Management	674,476,210	1,556,998,052	(882,521,842)
32,474,880	251,948,356	(219,473,476)	Health and Social Development	31,831,838	296,051,109	(264,219,271)
101,096,070	161,021,565	(59,925,495)	City Planning	131,666,157	211,319,416	(79,653,259)
156,107,040	718,009,194	(561,902,154)	Transport & Roads: Roads and Storm water	297,942,998	895,093,269	(597,150,271)
159,117,172	440,255,514	(281,138,342)	Transport & Roads: Transport	201,178,892	467,515,250	(266,336,358)
6,425,789,101	5,016,941,399	1,408,847,702	Public Works - Electricity	7,950,963,693	7,241,467,254	709,496,439
2,459,681,906	1,846,579,422	613,102,484	Public Works - Water and Sanitation	2,879,542,888	2,129,213,664	750,329,224
75,151,540	349,739,239	(274,587,699)	Emergency Services	56,899,770	394,308,215	(337,408,445)
61,541,934	48,210,513	13,331,421	Municipal entities	37,255,849	43,987,165	(6,731,316)
15,462,749,268	**14,658,227,032**	**804,522,236**		**19,834,429,173**	**17,808,581,083**	**2,025,848,090**

Supplementary unaudited information

Actual Operating Revenue & Expenditure vs Budget for the year ended 30 June 2012					
	Current year 2012 Actual Balances Including Eliminating Journals	Current year Adjusted 2012 budget	Variance	Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
Revenue					
Property rates	3,391,194,716	3,446,037,600	(54,842,884)	(1.59)	Some factors cannot be accurately determined, e.g. growth in properties, re-categorisation of properties, growth in indigent registrations and legislative changes in tariffs
Service charges	10,679,046,818	10,847,249,842	(168,203,024)	(1.55)	Electricity sales lower and refuse removal revenue lower due to the service not expanding as anticipated.
Rental of facilities and equipment	100,221,337	116,821,051	(16,599,714)	(14.21)	Bus rentals realised lower owing to strike action and unavailability of sufficient busses.
Interest received - external investment	52,933,828	50,191,534	2,742,294	5.46	Result of improved cash-flow therefore more interest was earned than anticipated during budget process.
Interest received - outstanding debtors	265,720,882	314,967,456	(49,246,574)	(15.64)	Interest rate is adjusted twice annually. Declining interest rates and the targeted credit control actions all impacted on arrear balances
Fines	4,540,725	3,170,642	1,370,083	43.21	Payment of fines realised higher than anticipated during budget process
Licences and permits	52,425,804	42,253,600	10,172,204	24.07	Actual raised realised more than originally projected on drivers licences and motor vehicle licenses
Government grants & subsidies	3,561,339,849	3,685,737,741	(124,397,892)	(3.38)	Under spending on grant funded projects hence revenue could not be recognised.
Other income	596,944,194	779,195,716	(182,251,522)	(23.39)	Gain due to review of useful lives of assets which could not be budgeted for
Public contributions and donations	142,084,742	131,225,400	10,859,342	8.28	Township Development Contributions for Rezoning realised higher than anticipated.
	18,846,452,895	19,416,850,582	(570,397,687)	(2.94)	
Expenses					
Employee related costs	(4,815,285,269)	(4,835,880,724)	20,595,455	(0.43)	Savings owing to non-filling of vacancies.
Remuneration of Councillors	(91,436,294)	(90,972,569)	(463,725)	0.51	During budget preparation the determination of councillors remuneration was not yet finalised
Bad debts: contribution	(762,395,592)	(519,044,311)	(243,351,281)	46.88	Review of contribution to provision for bad debt at year end
Bad debts: written off	(118,227,279)	(403,100,000)	284,872,721	(70.67)	Write off of interest and indigent only approved on 29 June 2012
Collection costs	(94,983,032)	(113,460,600)	18,477,568	(16.29)	Dependant on the usage and commission of third parties
Depreciation	(1,035,072,395)	(1,042,446,246)	7,373,851	(0.71)	Depreciation is calculated in line with the asset verification and purification process.
Impairments	(29,807,842)	-	(29,807,842)	100.00	Impairment testing only done at year end cannot be provided during budget process.
Finance costs	(633,924,800)	(673,218,329)	39,293,529	(5.84)	Lower interest rates and delayed process of borrowing disbursement.
Bulk purchases	(6,168,000,853)	(5,858,972,090)	(309,028,763)	5.27	Electricity and water purchases was higher due to higher demand
Repairs and maintenance	(1,202,573,115)	(1,163,766,719)	(38,806,396)	3.33	Demand marginally higher than projected.
Grants and subsidies paid	(21,495,798)	(14,281,600)	(7,214,198)	50.51	More applications received than anticipated
General Expenses	(2,766,331,377)	(3,435,206,240)	668,874,863	(19.47)	Savings realised on Insurance Premiums & Excesses, temporary services, consultant fees and lease of vehicles.
	(17,739,533,646)	(18,150,349,428)	410,815,782	(2.26)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(64,262,776)	(1,170,032)	(63,092,744)	5,392.4	No auctions were anticipated during budget preparation however auctions of obsolete items realised gains/losses. Disestablishment of municipal entity.
Fair value adjustments	(264,454)	-	(264,454)	-	Difficult to budget for - only determined at year end
Gain or loss on exchange differences	(2,632,952)	-	(2,632,952)	-	Difficult to budget for - only determined at year end
Gain or loss on transfer of functions	986,089,021	-	986,089,021	-	Could not budget for this
	918,928,839	(1,170,032)	920,098,871	(78,638.8)	
Net surplus/ (deficit) for the year	2,025,848,088	1,265,331,122	760,516,966	60.1	

APPENDIX F

Supplementary unaudited information

Segmental Actual Operating Revenue and Expenditure vs budget	Actual	Adjustment Budget	Variance	Variance	Explanation of significant variances from budget
	R	R	R	%	
Revenue					
Office of Executive Mayor and City Manager	52,429,015	110,531,517	58,102,502	52.57	Unspent Inner City Grant
Corporate and Shared Services	18,950,417	13,899,500	(5,050,917)	(36.34)	
Economic Development	2,209,296	3,113,100	903,804	29.03	Tourism hop-on hop-off bus was not in operation
Financial Services	91,630,904	88,799,196	(2,831,708)	(3.19)	Claims recovred: COID realised higher
General Assessments	6,686,393,274	5,700,286,146	(986,107,128)	(17.30)	Main reason is net gain on transfer of functions
Housing and Sustainable Human Settlement Development	555,318,521	433,324,235	(121,994,286)	(28.15)	Unspent conditional grants
Sport, Recreation , Arts and Culture	33,894,141	44,267,267	10,373,126	23.43	Unspent conditional grants
Community Safety	131,845,310	149,784,285	17,938,975	11.98	Under collection of AARTO fines
Agriculture & Environmental management	674,476,210	707,173,429	32,697,219	4.62	Admission & cemetary fees, grave services
Health and Social Development	31,831,838	34,523,200	2,691,362	7.80	Unspent conditional grants
City Planning & Economic Development: City Planning	131,666,157	115,199,600	(16,466,557)	(14.29)	Over collection on bulk contributions
Transport & Roads: Roads and Storm water	297,942,998	318,397,980	20,454,982	6.42	Aircraft movement/passenger volumes at Wonderboom Airport did not realise as anticipated
Transport & Roads: Transport	201,178,892	383,810,366	182,631,474	47.58	Uspent conditional grants
Public Works - Electricity	7,950,963,693	8,066,315,174	115,351,481	1.43	Electricity sales realised lower than anticipated
Public Works - Water and Sanitation	2,879,542,888	2,841,026,669	(38,516,219)	(1.36)	Water sales lower than anticipated
Emergency Services	56,899,770	54,369,500	(2,530,270)	(4.65)	Ambulance fees realised lower than anticipated
Municipal entities	37,255,847	352,068,418	314,812,571	89.42	Actual include eliminating entries (inter company transactions) and budget not
	19,834,429,171	**19,416,889,582**	**(417,539,589)**	**(2.15)**	
Expenditure					
Office of Executive Mayor and Municipal Manager	468,947,271	513,677,057	44,729,786	8.71	Expenditure did not materialise on certain grant projects
Corporate and Shared Services	1,139,942,826	1,141,465,128	1,522,302	0.13	Vacancies not filled
Economic Development	62,803,481	72,119,876	9,316,395	12.92	Cash flow management initiatives by department
Financial Services	507,080,115	836,598,187	329,518,072	39.39	Vacancies not filled yet
General Assessments	631,087,731	438,923,180	(192,164,551)	(43.78)	Post employment benefit expenditure at year end higher than anticipated
Housing and sustainable human Settlement Development	468,409,459	392,764,671	(75,644,788)	(19.26)	Expense higher due to additional water tankers & chemical toilets in incorporated areas
Sport, Recreation, Arts and Culture	287,917,757	234,738,106	(53,179,651)	(22.65)	Depreciation & intrest realised higher
Community Safety	1,006,439,049	1,013,569,781	7,130,732	0.70	Depreciation lower due to useful life review
Agriculture & Environmental Management	1,556,998,052	1,628,939,648	71,941,596	4.42	Depreciation lower due to useful life review
Health and Social Development	296,051,109	312,240,698	16,189,589	5.18	Depreciation lower due to useful life review
City Planning	211,319,416	195,012,249	(16,307,167)	(8.36)	Asset purification and review of useful life
Transport & Roads: Roads and Storm water	895,093,269	899,322,612	4,229,343	0.47	Asset purification and review of useful life
Transport & Roads: Transport	467,515,250	450,384,924	(17,130,326)	(3.80)	Overtime due to public transport crisis in Olievenhoutbosch
Public Works - Electricity	7,241,467,254	6,979,960,927	(261,506,327)	(3.75)	Bulk purchases ealised higher than anticipated
Public Works - Water and Sanitation	2,129,213,664	2,293,912,082	164,698,418	7.18	Bulk water purchases higher than anticipated
Emergency Services	394,308,215	395,860,916	1,552,701	0.39	Depreciation lower due to useful life review
Municipal entities	43,987,165	352,068,418	308,081,253	87.51	Actual include eliminating entries (inter company transactions) and budget not
	17,808,581,083	**18,151,558,460**	**342,977,377**	**1.89**	
Total	**2,025,848,088**	**1,265,331,122**	**(760,516,966)**	**(60.10)**	

APPENDIX G

Supplementary unaudited information

Capital Expenditure: Actual vs Budget as at 30 June 2012					
	Actual	Adjustment Budget	Variance	Variance	Explanation of significant variances from budget
	R	R	R	%	
Municipality					
Office of Executive Mayor and Municipal Manager	48,304,204	84,035,413	35,731,209	42.52	Contractors only appointed at late stage and contractors could not deliver before 30 June
Corporate and Shared Services	208,992,636	228,064,845	19,072,209	8.36	Replacement of lifts - project could not start due to delay in approval of SCM documents and automated meters project could not be finalised in time for year end
Financial Services	11,557,751	24,747,074	13,189,323	53.30	Saving on replacement of assets and vehicles from insurance claims
Housing & Sustainable Human Settlement Development	622,647,069	617,843,156	(4,803,913)	(0.78)	Variance not significant
Sport, Recreation, Arts and Culture	54,022,765	79,195,977	25,173,212	31.79	Saving due to VAT rebate and 6 month delay in appointment of database of consultants to assist with implementation of capex projects
Community Safety	24,894,041	25,114,000	219,959	0.88	Variance not significant
Agriculture & Environmental Management	83,585,425	92,050,000	8,464,575	9.20	Delays experienced in SCM process
Health and Social Development	13,045,923	14,334,000	1,288,077	8.99	Service provider for supply and installation of generators were not appointed
City Planning	966,800	1,148,000	181,200	15.78	Managing asset purchases awaiting micro structure approval
Economic Development	3,896,864	4,000,000	103,136	2.58	Variance not significant
Transport & Roads: Roads and Storm water	573,930,474	570,071,080	(3,859,394)	(0.68)	Variance not significant
Transport & Roads: Transport	122,008,877	255,157,420	133,148,543	52.18	Delays in appointment of professional service providers (panel of consultants)
Public Works - Electricity	579,488,433	589,075,962	9,587,529	1.63	Variance not significant
Public Works - Water and Sanitation	741,176,878	791,258,256	50,081,378	6.33	Waste water treatment works falling behind due to e.g. labour unrest, rock conditions
Emergency Services	27,481,076	27,542,000	60,924	0.22	Variance not significant
	3,115,999,216	**3,403,637,183**	**287,637,967**	**8.45**	

APPENDIX H

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ witheld	Reason for delay/ witholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA
					Sep	Dec	Mar	Jun	Total	Jun		July to June		
Capital Grants:														
Integrated National Electrification programme (INEP)	Department of Mineral & Energy (DME)	1,526,273	-	-	-	-	21,000,000	(1,139,000)	19,861,000	21,000,000	387,273	None	None	Yes
Gauteng Project Linked Housing	Gauteng: Local Government & Housing (GLGH)	29,921,842	(3,467,407)	-	-	-	-	38,468,160	38,468,160	38,468,160	26,454,435	None	None	Yes
Urban Settlement Development Grant (USDG)	Cooperative Governance & Traditional Affairs (CoGTA)	-	-	(3,500,000)	-	-	-	891,081,000	891,081,000	877,902,840	9,678,160	None	None	Yes
Gautrans Job Creation	Gauteng: Transport	1,408,211	-	-	-	-	-	-	-	-	1,408,211	None	None	Yes
PTIS: Roads	Gauteng:Transport (GDoT)	48,959,907	-	51,313,821	-	-	200,000,000	(182,320,000)	17,680,000	54,366,422	63,587,306	None	None	Yes
PTIS: Transport	Gauteng:Transport (GDoT)	-	-	113,979,490	-	-	-	-	-	104,378,861	9,600,629	None	None	Yes
Housing Accreditation	Gauteng: Local Government & Housing (GLGH)	67,134	-	-	-	-	-	-	-	(260)	67,394	None	None	Yes
Sport and Recreation	Gauteng: Sport, Arts, Culture & Recreation	515,977	-	-	-	-	-	-	-	-	515,977	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	2,531,158	-	(140,682)	-	-	-	44,000,000	44,000,000	46,360,952	29,524	None	None	Yes
Blue IQ	Blue IQ	39,998,820	-	-	-	-	-	-	-	14,999,944	24,998,876	None	None	Yes
Local Economic Development: Winterveldt	Gauten: Economic Development (GPGDED)	8,750,000	-	-	-	-	-	-	-	-	8,750,000	None	None	Yes
LG SETA Merit awards	LG SETA	5,625	-	(5,625)	-	-	-	-	-	-	-	None	None	Yes
Community Libraries	Gauteng: Sport, Arts,Culture & Recreation	-	-	5,980,000	-	-	-	-	-	4,095,163	1,884,837	None	None	Yes
FMG	National Treasury	-	-	322,513	-	-	-	-	-	322,513	-	None	None	Yes
Restructuring grant	National Treasury	-	72,784	(72,784)	-	-	-	-	-	-	-	None	None	Yes
Neighbourhood Development Partnership	National Treasury	381,813	-	-	(60,510)	-	-	82,000,000	81,939,490	48,304,204	34,017,099	None	None	Yes
Sandspruit Works Association	DWAF	2,291,502	-	-	-	-	-	4,185,000	4,185,000	4,623,485	1,853,017	None	None	Yes
		136,358,262	**(3,394,623)**	**167,876,733**	**(60,510)**	**-**	**221,000,000**	**876,275,160**	**1,097,214,650**	**1,214,822,284**	**183,232,738**			

APPENDIX H

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ witheld	Reason for delay/ witholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA
					Sep	Dec	Mar	Jun	Total	Jun		July to June		
Operational grants/subsidies:														
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	303,052	-	-	-	-	-	5,097,000	5,097,000	5,310,402	89,650	None	None	Yes
Primary Health Care	Gauteng: Department of Health & Social Development	-	-	-	-	-	-	27,324,561	27,324,561	27,324,561	-	None	None	Yes
Emergency Medical Services	Gauteng: Department of Health & Social Development	-	-	-	-	-	-	47,901,500	47,901,500	47,901,500	-	None	None	Yes
Top Structures: Project Linked Housing	Gauteng: Local Government & Housing	15,620,826	(2,805,639)	-	-	-	-	146,243,400	146,243,400	93,056,868	66,001,719	None	None	Yes
Finance Management Grant	National Treasury	-	938,998	(322,513)	-	-	5,250,000	(750,000)	4,500,000	5,116,485	-	None	None	Yes
Restructuring Grant	National Treasury	163,426	11,243,136	164,438	-	-	-	(11,571,000)	(11,571,000)	-	-	None	None	Yes
Drakensberg Promotions	Drakensberg Promotions	-	-	(38,279)	-	-	-	132,529	132,529	94,250	-	None	None	Yes
Equitable share	National Treasury	-	-	-	-	-	923,020,000	-	923,020,000	923,020,000	-	0None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	-	-	3,500,000	-	-	-	-	-	3,060,239	439,761	None	None	Yes
Merger Grant	Department Local Government	-	-	-	-	-	-	20,000,000	20,000,000	20,000,000	-	None	None	Yes
Water Services Operating Grant	Department of Water Affairs and Forestry	1,149,838	-	(15,597,000)	-	-	22,619,000	(955,000)	21,664,000	6,926,472	290,366	None	None	Yes
Housing Accreditation	Gauteng: Local Government & Housing	1,235,233	-	-	-	-	-	-	-	-	1,235,233	None	None	Yes
Bontle Ke Botho	Gauteng: Agriculture, conservation & Environment (GDACE)	521,450	-	-	-	-	-	595,000	595,000	353,136	763,314	None	None	Yes
Community Libraries	Gauteng: Sport, Arts, Culture & Recreation	1,673,147	-	(5,980,000)	-	-	-	12,700,000	12,700,000	5,848,016	2,545,131	None	None	Yes
Performance Management	Department Local Government	-	-	-	-	-	-	1,500,000	1,500,000	1,231,335	268,665	None	None	Yes
FIFA SWC 2010: Host Cities	Gauteng: Transport	2,125,801	-	(2,120,301)	-	-	-	-	-	5,500	-	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	-	-	140,682	-	-	-	-	-	140,682	-	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	-	-	60,510	-	-	-	-	-	60,510	-	None	None	Yes
PTIS: Transport	Gauteng: Transport (GDoT)	233,359,625	-	(165,293,311)	-	-	-	-	-	3,644,602	64,421,712	None	None	Yes
Public Works	Department Public Works	-	-	(1,510)	-	-	-	930,000	930,000	928,490	-	None	None	Yes
Equitable Share: Fuel levy	National Treasury	-	-	-	-	-	-	1,191,521,000	1,191,521,000	1,191,521,000	-	None	None	Yes
		256,152,398	**9,376,495**	**(185,487,284)**	**-**	**-**	**950,889,000**	**1,440,668,990**	**2,391,557,990**	**2,335,544,048**	**136,055,551**			
Revenue per Statement of Financial Performance (see note 25)		**392,510,660**	**5,981,872**							**3,550,366,332**				
Unspent conditional grants per Statement of Financial Position (see note 9)			**398,492,532**								**319,288,289**			