



# THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY



**CONSOLIDATED ANNUAL FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2012**

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Grading of local authority</b>	Category - B
<b>Controlling entity</b>	Safe City Pietermaritzburg
<b>Registered office</b>	The City Hall 260 Church Street Pietermaritzburg 3201
<b>Business address</b>	The City Hall 260 Church Street Pietermaritzburg 3201
<b>Postal address</b>	The City Hall Private Bag x321 3200
<b>Telephone</b>	( 033 ) 392 2006
<b>Facsimile</b>	( 033 ) 392 2208
<b>Bankers</b>	First National Bank
<b>Auditors</b>	The Auditor General
<b>Website</b>	<a href="http://www.msunduzi.gov.za">www.msunduzi.gov.za</a>
<b>Accounting Officer</b>	M A Nkozi
<b>Chief Finance Officer (CFO)</b>	N M Ngcobo
<b>Executive Committee</b>	Mayor - CJ Ndlela Deputy Mayor - TR Zuma Member - NP Bhengu Member - M Chetty Member - M Inderjit Member - WF Lambert Member - NE Majola Member - JJ Ngubo
<b>Councillors</b>	Speaker - B Baijoo Whip - TV Magubane NB Ahmed R Ahmed RP Ashe N Atwaru C Bradley D Buthelezi TM Buthelezi PN Dlamini T Dlamini AB Dlomo SN Govender

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## General Information

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SC Gwala	NJ Zungu
N Gumede	TRF Zungu
VP Jaca	
JM Lawrence	
SP Lyne	
LL Madlala	
IS Madonda	
TS Magwaza	
TS Majola	
FM Makhathini	
T Matiwane	
M Maphumulo	
AL Mbanjwa	
FZ Mbatha	
GR McArthur	
BM Mkhize	
MA Mkhize	
MH Mkhize	
SA Mkhize	
VGM Mlete	
N Msimang	
C Ndawonde	
MD Ndlovu	
NZ Ndlovu	
TP Ndlovu	
BB Ngcobo	
JM Ngcobo	
KM Ngcobo	
L Ngcobo	
MA Ngcobo	
T Ngcobo	
PG Ngidi	
DT Ntombela	
DB Phungula	
FR David	
M Schalkwyk	
PB Shozi	
NS Lungisani	
J Singh	
RB Singh	
P Sithole	
BC Sokhela	
MS Sokhela	
R Soobiah	
MA Tarr	
LJ Winterbach	
TV Xulu	
PZ Dolo	
B Zuma	
BM Zuma	

**The Msunduzi Municipality and its Municipal Entity**  
**The Consolidated Annual Financial Statements**  
**For the year ended 30 June 2012**

I, am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 97, in terms of Section 126(1) of the Municipal Finance Management Act (56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclose in Note 29 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 Officer Bearer Act and the Minister of Provincial and Local Governments determination in accordance with this Act.



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**MA Nkosi**  
**Municipal Manager**

28/09/2012  
Date

**The Msunduzi Municipality and its Municipal Entity**  
The Consolidated Annual Financial Statements for the year ended 30 June 2012

## Index

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	<b>Page</b>
Accounting Officer's Approval	3
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7 - 8
Cash Flow Statement	9
Accounting policies	10 - 31
Notes to Annual Financial Statements	32 - 76
<b>Appendixes:</b>	
Appendix A: Schedule of external loans	77 - 79
Appendix B: Analysis of property, plant and equipment	80 - 83
Appendix C: Analysis of property, plant and equipment	84
Appendix D: Actual versus budget (acquisition of property, plant and equipment)	85
Appendix E: Details of conditional grants and receipts	86 - 87
Appendix F: Schedule of contingent liabilities	88 - 91
Appendix G: Statement of comparative of budget against actual information	92 - 94
Appendix H: Disclosure of prior period errors	95
<b>Abbreviations</b>	
ASB	Accounting Standards Board
CBD	Central Business District
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSB	Development Services Board
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
KZN	Kwazulu Natal
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NATIS	National Traffic Information System
NCT	Natal Co-operative Timber Tree Farming (Pty) Ltd
NJMPF	Natal Joint Municipal Pension Fund
NPA	Natal Provincial Administration
PAYE	Pay As You Earn
RMB	Rand Merchant Bank
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

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# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position as at 30 June 2012

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
<b>Assets</b>					
Current Assets					
Inventories	3	57,007,581	57,922,099	57,007,581	57,922,099
Other financial assets	10	66,033	65,135	66,033	65,135
Trade and other receivables from non exchange transactions	4	11,095,341	14,260,629	11,092,841	14,258,129
VAT receivable	14	8,482	69,774	-	-
Trade and receivables from exchange transactions	5	549,679,772	372,711,585	549,679,772	372,711,585
Cash and cash equivalents	6	628,048,442	334,905,680	626,871,246	333,903,765
		<b>1,245,905,651</b>	<b>779,934,902</b>	<b>1,244,717,473</b>	<b>778,860,713</b>
Non-Current Assets					
Investment property	9	381,012,346	405,306,365	381,012,346	405,306,365
Property, plant and equipment	7	6,361,748,617	6,397,718,211	6,361,643,397	6,397,646,387
Intangible assets	8	3,458,562	7,282,522	3,458,562	7,282,522
Other financial assets	10	8,181,275	8,116,899	8,181,275	8,116,899
		<b>6,754,400,800</b>	<b>6,818,423,997</b>	<b>6,754,295,580</b>	<b>6,818,352,173</b>
<b>Total Assets</b>		<b>8,000,306,451</b>	<b>7,598,358,899</b>	<b>7,999,013,053</b>	<b>7,597,212,886</b>
<b>Liabilities</b>					
Current Liabilities					
Other financial liabilities	11	43,584,148	39,409,376	43,584,148	39,409,376
Finance lease obligation	12	2,248,130	2,861,443	2,248,130	2,861,443
Trade and other payables from exchange transactions	13	452,181,892	388,261,564	452,056,290	388,075,150
VAT payable	15	52,659,731	41,558,707	52,659,731	41,558,707
Consumer deposits	16	71,647,692	70,633,354	71,647,692	70,633,354
Unspent conditional grants and receipts	17	149,447,649	121,309,551	149,447,649	121,309,551
Current provisions	18	311,926	281,850	311,926	281,850
		<b>772,081,168</b>	<b>664,315,845</b>	<b>771,955,566</b>	<b>664,129,431</b>
Non-Current Liabilities					
Other financial liabilities	11	575,954,199	514,615,504	575,954,199	514,615,504
Finance lease obligation	12	2,008,302	4,326,449	2,008,302	4,326,449
Retirement benefit obligation	19	285,724,124	211,638,188	285,724,124	211,638,188
Provisions	20	22,398,604	20,502,740	22,398,604	20,362,367
		<b>886,085,229</b>	<b>751,082,881</b>	<b>886,085,229</b>	<b>750,942,508</b>
<b>Total Liabilities</b>		<b>1,658,166,397</b>	<b>1,415,398,726</b>	<b>1,658,040,795</b>	<b>1,415,071,939</b>
<b>Net Assets</b>		<b>6,342,140,054</b>	<b>6,182,960,173</b>	<b>6,340,972,258</b>	<b>6,182,140,947</b>
<b>Net Assets</b>					
Issued capital	39	100	-	-	-
Reserves					
Housing development fund	21	55,525,904	53,213,896	55,525,904	53,213,896
Accumulated surplus		6,286,614,050	6,129,746,277	6,285,446,354	6,128,927,051
<b>Total Net Assets</b>		<b>6,342,140,054</b>	<b>6,182,960,173</b>	<b>6,340,972,258</b>	<b>6,182,140,947</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
<b>Revenue</b>					
Property rates	23	505,310,156	448,256,813	505,310,156	448,256,813
Service charges	24	1,678,603,419	1,449,716,955	1,678,603,419	1,449,716,955
Property rates - penalties imposed and collection charges	23	31,244,472	26,358,475	31,244,472	26,358,475
Rental received		17,943,780	17,312,556	17,943,780	17,312,556
Fees from agency services		373,664	576,982	373,664	576,982
Fines		3,813,388	5,354,278	3,813,388	5,354,278
Licences and permits		77,690	88,887	77,690	88,887
Government grants & subsidies	25	500,668,971	387,732,651	500,668,971	387,732,651
Donations		-	65,393	-	-
Other revenue	26	65,409,467	64,720,354	65,368,235	64,714,854
Interest received - investment	27	25,906,640	12,822,576	25,906,640	12,822,576
Interest received - other	27	58,297,967	47,479,983	58,253,996	47,436,815
<b>Total Revenue</b>		<b>2,887,649,614</b>	<b>2,460,485,903</b>	<b>2,887,564,411</b>	<b>2,460,371,842</b>
<b>Expenditure</b>					
Employee related costs	28	(668,305,246)	(648,293,676)	(666,197,730)	(646,006,947)
Remuneration of councillors	29	(31,426,756)	(18,417,917)	(31,426,756)	(18,417,917)
Depreciation and amortisation	30	(273,093,017)	(252,253,563)	(273,064,405)	(252,224,951)
Impairment of assets	31	(585,791)	(1,259,776)	(585,791)	(1,259,776)
Finance costs	32	(72,134,067)	(71,568,061)	(72,134,067)	(71,568,061)
Debt impairment	33	(58,209,770)	(96,000,000)	(58,209,770)	(96,000,000)
Collection costs		(1,539,889)	(1,663,830)	(1,539,889)	(1,663,830)
Repairs and maintenance		(40,141,343)	(58,214,303)	(39,509,685)	(57,394,116)
Bulk purchases	34	(1,217,334,860)	(994,365,930)	(1,217,334,860)	(994,365,930)
Grants and subsidies paid	35	(196,459)	(194,735)	(4,143,827)	(3,966,665)
General Expenses	36	(290,681,377)	(223,511,742)	(289,890,665)	(222,726,515)
<b>Total Expenditure</b>		<b>(2,653,648,575)</b>	<b>(2,365,743,533)</b>	<b>(2,654,037,445)</b>	<b>(2,365,594,708)</b>
Gain (loss) on disposal of assets	37	940,864	(63,559)	940,864	(63,559)
Financial liability amortised		-	241,233	-	241,233
Financial asset amortised cost		-	(140,688)	-	(140,688)
Taxation		(125,602)	-	-	-
<b>Surplus for the year</b>		<b>234,816,301</b>	<b>94,779,356</b>	<b>234,467,830</b>	<b>94,814,120</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

	Issued capital	Housing development fund	Accumulated surplus	Total net assets
Figures in Rand				
<b>Economic entity</b>				
<b>Balance at 01 July 2010</b>	-	<b>52,480,002</b>	<b>5,863,821,792</b>	<b>5,916,301,794</b>
Changes in net assets	-	-	(236,915,412)	(236,915,412)
Correction of prior period error	-	-	385,409,676	385,409,676
Opening balance - municipal entity	-	-	853,990	853,990
Net income (losses) recognised directly in net assets	-	-	149,348,254	149,348,254
Deficit for the year	-	-	94,779,356	94,779,356
Total recognised income and expenses for the year	-	-	244,127,610	244,127,610
Transfer to / from reserves	-	-	(15,024,339)	(15,024,339)
Net difference of adjustments	-	-	41,669,209	41,669,209
Transfer to / from provisions	-	-	(16,738,719)	(16,738,719)
Contributions to stated benefits	-	-	(60,540,906)	(60,540,906)
Offset depreciation	-	-	121,188,999	121,188,999
Contribution to leave pay	-	-	(6,233,113)	(6,233,113)
Transfer of HDF	-	733,894	-	733,894
Write back of financial instruments	-	-	(42,524,256)	(42,524,256)
Total changes	-	733,894	265,924,485	266,658,379
<b>Balance at 01 July 2011</b>	-	<b>53,213,896</b>	<b>6,132,193,913</b>	<b>6,185,407,809</b>
Changes in net assets	-	-	-	-
Correction of prior period error - note 46 and appendix H	-	-	2,454,838	2,454,838
Net income (losses) recognised directly in net assets	-	-	2,454,838	2,454,838
Surplus for the year	-	-	234,816,301	234,816,301
Total recognised income and expenses for the year	-	-	237,271,139	237,271,139
Transfer to / from reserves	-	-	(20,813,373)	(20,813,373)
Changes in accounting estimate relating to provisions - note 56	-	-	687,534	687,534
Net difference of adjustments	-	-	44,379,512	44,379,512
Adjustments of infrastructure assets	-	-	(109,756,997)	(109,756,997)
Transfer to HDF	-	2,312,008	-	2,312,008
Contribution to stated benefits	-	-	(74,085,937)	(74,085,937)
Contribution to leave pay	-	-	(8,018,639)	(8,018,639)
Offset depreciation	-	-	127,281,154	127,281,154
Additional contributions received	100	-	-	100
Write back of financial instruments	-	-	(42,524,256)	(42,524,256)
Total changes	100	2,312,008	154,420,137	156,732,245
<b>Balance at 30 June 2012</b>	<b>100</b>	<b>55,525,904</b>	<b>6,286,614,050</b>	<b>6,342,140,054</b>
Note(s)	39	21		
<b>Controlling entity</b>				
Opening balance as previously reported	-	52,480,002	5,863,821,792	5,916,301,794
Adjustments	-	-	-	-
Correction of errors	-	-	385,409,676	385,409,676
Change in accounting policy	-	-	(236,915,412)	(236,915,412)
<b>Balance at 01 July 2010 as restated</b>	-	<b>52,480,002</b>	<b>6,012,316,056</b>	<b>6,064,796,058</b>
Deficit for the year	-	-	94,732,059	94,732,059
Transfer to / from reserves	-	-	(15,024,339)	(15,024,339)
Net difference of adjustments	-	-	41,751,271	41,751,271
Contributions to stated benefits	-	-	(60,540,906)	(60,540,906)
Contribution to leave pay	-	-	(6,233,113)	(6,233,113)



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

Figures in Rand	Issued capital	Hedging reserve	Accumulated surplus	Total equity
Offset depreciation	-	-	121,188,998	121,188,998
Contribution to / from provisions	-	-	(16,738,719)	(16,738,719)
Transfer to HDF	-	733,894	-	733,894
Write back of financial instruments	-	-	(42,524,256)	(42,524,256)
<b>Total changes</b>	-	733,894	116,610,995	117,344,889
<b>Balance at 01 July 2011</b>	-	<b>53,213,896</b>	<b>6,131,374,687</b>	<b>6,184,588,583</b>
Changes in net assets				
Correction of prior period error - note 46 and Appendix H	-	-	(40,069,418)	(40,069,418)
Net income (losses) recognised directly in net assets	-	-	(40,069,418)	(40,069,418)
Surplus for the year	-	-	234,467,830	234,467,830
<b>Total recognised income and expenses for the year</b>	-	-	194,398,412	194,398,412
Transfer to / from reserves	-	-	(20,813,373)	(20,813,373)
Changes in accounting estimate relating to provisions - note 56	-	-	687,534	687,534
Net difference of adjustments	-	-	44,379,512	44,379,512
Adjustments of infrastructure assets	-	-	(109,756,997)	(109,756,997)
Transfer to HDF	-	2,312,008	-	2,312,008
Contribution to stated benefits	-	-	(74,085,937)	(74,085,937)
Contribution to leave pay	-	-	(8,018,639)	(8,018,639)
Offset depreciation	-	-	127,281,155	127,281,155
<b>Total changes</b>	-	2,312,008	154,071,667	156,383,675
<b>Balance at 30 June 2012</b>	-	<b>55,525,904</b>	<b>6,285,446,354</b>	<b>6,340,972,258</b>
Note(s)	39	21		

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		2,737,846,950	2,312,752,819	2,737,653,733	2,312,594,141
Interest income		91,700,909	51,796,184	91,700,909	51,796,184
		<b>2,829,547,859</b>	<b>2,364,549,003</b>	<b>2,829,354,642</b>	<b>2,364,390,325</b>
<b>Payments</b>					
Suppliers		(2,320,889,741)	(1,810,717,041)	(2,320,889,741)	(1,810,717,041)
Finance costs		(72,134,067)	(71,568,061)	(72,134,067)	(71,568,061)
		<b>(2,393,023,808)</b>	<b>(1,882,285,102)</b>	<b>(2,393,023,808)</b>	<b>(1,882,285,102)</b>
<b>Net cash flows from operating activities</b>	38	<b>436,524,051</b>	<b>482,263,901</b>	<b>436,330,834</b>	<b>482,105,223</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	7	(358,873,364)	(112,006,084)	(358,811,357)	(111,994,175)
Proceeds from sale of property, plant and equipment	7	1,684,430	11,071,616	1,684,430	11,071,616
Movement in current receivables	9	(1,487,367)	(3,927,569)	(1,487,367)	(3,927,569)
Adjustments to fixed assets	9	148,538,564	-	148,383,086	(199,406,459)
Purchase of other intangible assets	8	-	(199,406,459)	-	-
<b>Net cash flows from investing activities</b>		<b>(210,137,737)</b>	<b>(304,268,496)</b>	<b>(210,231,208)</b>	<b>(304,256,587)</b>
<b>Cash flows from financing activities</b>					
Net movement in long term liabilities / financial liabilities		112,361,377	(56,885,075)	112,361,377	(56,885,075)
Movement in consumer deposits		1,014,338	34,839,391	1,014,338	34,839,391
Repayment of borrowings		(49,779,370)	(8,522,074)	(49,779,370)	(8,522,074)
<b>Net cash flows from financing activities</b>		<b>63,596,345</b>	<b>(30,567,758)</b>	<b>63,596,345</b>	<b>(30,567,758)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>293,142,762</b>	<b>196,069,509</b>	<b>292,967,481</b>	<b>154,247,974</b>
Cash and cash equivalents at the beginning of the year		334,905,680	138,836,171	333,903,765	179,655,791
<b>Cash and cash equivalents at the end of the year</b>	6	<b>628,048,442</b>	<b>334,905,680</b>	<b>626,871,246</b>	<b>333,903,765</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statement the the year ended 30 June 2012 have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statement the the year ended 30 June 2012 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.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

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

#### 1.2 Consolidation

##### Basis of consolidation

The consolidated annual financial statement the the year ended 30 June 2012 incorporate the annual financial statements of the municipality and the municipal group.

The consolidated annual financial statements of the municipality and its municipal group are used in the preparation of the consolidated annual financial statements and are prepared as the same reporting date.

The results of municipal entity, are included in the consolidated consolidated annual financial statements from the effective date of acquisition. Where necessary adjustments are made to the consolidated annual financial statements of the municipal group to bring their accounting policies used in line with those of the municipality.

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

#### 1.3 Going concern assumption

- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the economic entity can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The administration imposed by the provincial department of Corporate Governance and Traditional Affairs (COGTA) in terms of section 139(b) of the Constitution was lifted on the 1st of January 2012.

This lead to the appointment of the Municipal Manager in terms of section 82(1)(a) of the Municipal Structures Act on the 1st January 2012.

#### 1.4 Property, plant and equipment

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

<b>Item</b>	<b>Average useful life</b>
Land	Infinite
Furniture and fixtures	7 - 10 years
Infrastructure	
• Roads and paving	5 - 100 years
• Pedestrian malls	30 years
• Electricity	10 - 100 years
• Water	10 - 100 years
• Sewerage	10 - 100 years
• Storm Water	20 years
• Housing	3 - 30 years
Community	
• Buildings	10 - 50 years
• Recreational facilities	10 - 100 years
• Security	5 years
• Watercraft	15 years
Other property, plant and equipment	2 - 5 years
Office equipment	3 - 7 years
Other	
• Vehicles	5 years
• Bins and containers	5 years
• Landfill sites	15 years
• Specialised vehicles	10 years
• Specialised property, plant and equipment	10 - 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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

### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

property, plant and equipment are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

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

<b>Item</b>	<b>Useful life</b>
Computer software, internally generated	3 - 5 years
Computer software	3 - 5 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.6 Mergers (continued)

- sale in the ordinary course of operations.

Initial Recognition :

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion

Subsequent Measurement :

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item Useful life

Property - land indefinite

Property - buildings 5 - 50 years.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

### 1.7 Financial instruments

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.
- 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.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

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

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

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



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

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

#### Fair value measurement considerations

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

#### Gains and losses

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

### 1.8 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.

#### Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.9 Inventories (continued)

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

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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

### 1.10 Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered 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 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.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity 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.

#### Identification

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Value in use

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the economic entity 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.

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

#### Identification

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

#### Reversal of an impairment loss

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

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

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Redesignation

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

### 1.13 Employee benefits

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits: Defined contribution plans

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

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

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



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.13 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

#### Pension Obligations

The municipality and its employees contribute to 7 different Pension Funds, of which 2 (The Natal Joint Provident and Retirement Pension Fund) cater for the majority of the staff.

Natal Joint Retirement Funds, Government Employee Pension Fund and Associated Institution Pension Fund are defined benefit funds.

The Natal Joint Provident Fund, Pietermaritzburg and South African Local Authority are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

### 1.15 Revenue from exchange transactions

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

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

#### Measurement

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

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

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

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

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

### 1.16 Revenue from non-exchange transactions

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

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Recognition

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

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

#### Measurement

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

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

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Gifts and donations, including goods in-kind

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

### 1.17 Conditional Grants and receipts

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

### 1.18 Investment income

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

### 1.19 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.

### 1.20 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.20 Translation of foreign currencies (continued)

At each statement of financial position date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statement the the year ended 30 June 2012 are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- 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.

### 1.23 Irregular expenditure

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

### 1.24 Fruitless and wasteful expenditure

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

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

### 1.25 Budget information

The consolidated annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the consolidated annual financial statements. Refer to note 58.

### 1.26 Related parties

The NCT tree farming (Pty) Ltd manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to a 5% management fee based on net profit.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.27 Housing development fund

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

### 1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.29 Use of Estimates

The preparation of consolidated annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the relevant sections of the consolidated annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.30 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

### 1.31 Grant in aid

The Msunduzi Municipality transfers money to individuals, institutions and organisations. 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.

### 1.32 Correction of prior period errors

When accounting errors have been identified in the current year, the correction is applied retrospectively as far as it is practicable and the prior year comparatives are restated accordingly. When there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practicable and the prior year comparative is restated accordingly.

### 1.33 Issued capital

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



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### Standard/ Interpretation:

- GRAP 1 (as revised 2010): Presentation of Financial Statements
- GRAP 2 (as revised 2010): Cash Flow Statements
- GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors
- GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates
- GRAP 9 (as revised 2010): Revenue from Exchange Transactions
- GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies
- GRAP 11 (as revised 2010): Construction Contracts
- GRAP 12 (as revised 2010): Inventories
- GRAP 13 (as revised 2010): Leases
- GRAP 14 (as revised 2010): Events After the Reporting Date
- GRAP 16 (as revised 2010): Investment Property
- GRAP 17 (as revised 2010): Property, Plant and Equipment
- GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations
- GRAP 5 : Borrowing costs
- GRAP 6 : Consolidated Separate Financial Statements
- GRAP 7 : Investments in Associates
- GRAP 8 : Investments in Joint Ventures

#### 2.2 Standards and Interpretations early adopted

The economic entity has chosen to early adopt the following standards and interpretations:

##### Standard/ Interpretation:

- GRAP 24: Presentation of Budget Information in the Financial Statements
- GRAP 25: Employee benefits
- GRAP 104: Financial Instruments

#### 2.3 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2012 or later periods:

##### Standard/ Interpretation:

- |   |               |
|---|---------------|
| • GRAP 18: Segment Reporting  | 01 April 2013 |
| • GRAP 23: Revenue from Non-exchange Transactions   | 01 April 2012 |
| • GRAP 103: Heritage Assets   | 01 April 2012 |
| • IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue | 01 April 2014 |
| • GRAP 21: Impairment of non-cash-generating assets   | 01 April 2012 |
| • GRAP 26: Impairment of cash-generating assets   | 01 April 2012 |
| • IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities                         | 01 April 2014 |

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

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### 2. New standards and interpretations (continued)

- IGRAP 3: Determining Whether an Arrangement Contains a Lease 01 April 2014
- IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds 01 April 2014
- IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies 01 April 2014
- IGRAP 6: Loyalty Programmes 01 April 2014
- IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction 01 April 2014
- IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions 01 April 2014
- IGRAP 9: Distributions of Non-cash Assets to Owners 01 April 2014
- IGRAP 10: Assets Received from Customers 01 April 2014
- IGRAP 13: Operating Leases – Incentives 01 April 2014
- IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease 01 April 2014
- IGRAP 15: Revenue – Barter Transactions Involving Advertising Services 01 April 2014
- IGRAP 11: Consolidation – Special purpose entities 01 April 2014
- IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures 01 April 2014

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>3. Inventories</b>				
Forestry	39,707,816	39,570,937	39,707,816	39,570,937
Consumable stores	18,073,107	19,486,764	18,073,107	19,486,764
Workshop stores	674,292	674,292	674,292	674,292
Unused water	1,745,146	1,642,923	1,745,146	1,642,923
Fuel - diesel, and petrol	1,345,546	1,085,509	1,345,546	1,085,509
	<b>61,545,907</b>	<b>62,460,425</b>	<b>61,545,907</b>	<b>62,460,425</b>
Impairment of inventories	<b>(4,538,326)</b>	<b>(4,538,326)</b>	<b>(4,538,326)</b>	<b>(4,538,326)</b>
	<b>57,007,581</b>	<b>57,922,099</b>	<b>57,007,581</b>	<b>57,922,099</b>
Carrying value of inventories carried at fair value less costs to sell	57,007,581	57,922,099	57,007,581	57,922,099

Inventory has been recorded using the First in First out (FIFO) method. Impairment of inventory includes redundant and obsolete stock of R nil 2012 : (R 1,027,7740 - 2011).

Inventory is carried at lower of cost or net realisable value.

### Cost of inventories recognised as an expense

Consumable / workshop stores	17,983,504	14,660,161	17,983,504	14,660,161
Fuel - diesel and petrol	18,219,723	13,697,861	18,219,723	13,697,861
Forestry	10,300,772	7,695,124	10,300,772	7,695,124
Unused water	297,924,964	265,040,887	297,924,964	265,040,887

### 4. Trade and other receivables from non exchange transactions

Deposits	2,500	2,500	-	-
Other debtors	8,762,111	11,927,399	8,762,111	11,927,399
Land sale debtors	2,330,730	2,330,730	2,330,730	2,330,730
	<b>11,095,341</b>	<b>14,260,629</b>	<b>11,092,841</b>	<b>14,258,129</b>

### Trade and other receivables pledged as security

Trade and other receivables were not pledged as security for overdraft facilities.

### Credit quality of trade and other receivables

Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

### Fair value of other receivables from non-exchange transactions

Other receivables from non-exchange transactions	10,273,483	13,410,566	10,270,983	13,408,066
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Interest rate of 18 % has been applied in calculating the fair value adjustment to trade and other receivables from non exchange transactions.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>5. Trade and receivables from exchange transactions</b>				
<b>Gross balances</b>				
Rates	254,124,394	211,238,481	254,124,394	211,238,481
Electricity	621,641,882	466,421,227	621,641,882	466,421,227
Water	145,948,674	128,351,795	145,948,674	128,351,795
Sewerage	35,777,491	30,208,399	35,777,491	30,208,399
Refuse	53,735,808	47,735,645	53,735,808	47,735,645
Housing rental	22,494,284	14,746,281	22,494,284	14,746,281
	<b>1,133,722,533</b>	<b>898,701,828</b>	<b>1,133,722,533</b>	<b>898,701,828</b>
<b>Less: Allowance for debt impairment</b>				
Rates	(138,147,084)	(124,382,089)	(138,147,084)	(124,382,089)
Electricity	(369,449,885)	(332,782,625)	(369,449,885)	(332,782,625)
Water	(76,445,792)	(68,825,529)	(76,445,792)	(68,825,529)
	<b>(584,042,761)</b>	<b>(525,990,243)</b>	<b>(584,042,761)</b>	<b>(525,990,243)</b>
<b>Net balance</b>				
Rates	115,977,310	86,856,392	115,977,310	86,856,392
Electricity	252,191,997	133,638,602	252,191,997	133,638,602
Water	69,502,882	59,526,266	69,502,882	59,526,266
Sewerage	35,777,491	30,208,399	35,777,491	30,208,399
Refuse	53,735,808	47,735,645	53,735,808	47,735,645
Housing rental	22,494,284	14,746,281	22,494,284	14,746,281
	<b>549,679,772</b>	<b>372,711,585</b>	<b>549,679,772</b>	<b>372,711,585</b>
<b>Rates</b>				
Current (0 -30 days)	52,704,990	45,779,929	52,704,990	45,779,929
31 - 60 days	8,232,502	12,215,390	8,232,502	12,215,390
61 - 90 days	7,395,395	6,449,690	7,395,395	6,449,690
91 - 120 days	7,206,656	6,214,069	7,206,656	6,214,069
121 - 365 days	6,221,333	6,076,992	6,221,333	6,076,992
> 365 days	172,363,517	134,502,411	172,363,517	134,502,411
	<b>254,124,393</b>	<b>211,238,481</b>	<b>254,124,393</b>	<b>211,238,481</b>
<b>Electricity , refuse, sewerage, water &amp; housing rentals</b>				
Current (0 -30 days)	270,989,884	245,777,805	270,989,884	245,777,805
31 - 60 days	26,031,056	26,980,949	26,031,056	26,980,949
61 - 90 days	27,527,738	26,489,009	27,527,738	26,489,009
91 - 120 days	22,938,452	25,073,160	22,938,452	25,073,160
121 - 365 days	40,705,356	22,175,628	40,705,356	22,175,628
> 365 days	491,405,652	340,966,796	491,405,652	340,966,796
	<b>879,598,138</b>	<b>687,463,347</b>	<b>879,598,138</b>	<b>687,463,347</b>

### Summary of debtors by customer classification

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>5. Trade and receivables from exchange transactions (continued)</b>				
<b>Consumers</b>				
Current (0 -30 days)	142,606,256	143,270,880	142,606,256	143,270,880
31 - 60 days	25,946,651	25,617,438	25,946,651	25,617,438
61 - 90 days	27,969,073	25,252,134	27,969,073	25,252,134
91 - 120 days	24,238,127	23,793,360	24,238,127	23,793,360
121 - 365 days	41,086,691	20,828,787	41,086,691	20,828,787
> 365 days	525,280,050	347,645,709	525,280,050	347,645,709
	<b>787,126,848</b>	<b>586,408,308</b>	<b>787,126,848</b>	<b>586,408,308</b>
Less : Allowance for debt impairment	(525,280,095)	(442,688,014)	(525,280,095)	(442,688,014)
	<b>261,846,753</b>	<b>143,720,294</b>	<b>261,846,753</b>	<b>143,720,294</b>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	152,035,932	114,777,701	152,035,932	114,777,701
31 - 60 days	5,079,658	8,914,320	5,079,658	8,914,320
61 - 90 days	4,444,671	4,165,689	4,444,671	4,165,689
91 - 120 days	3,392,032	4,090,627	3,392,032	4,090,627
121 - 365 days	3,005,422	4,068,421	3,005,422	4,068,421
> 365 days	74,458,490	62,680,589	74,458,490	62,680,589
	<b>242,416,205</b>	<b>198,697,347</b>	<b>242,416,205</b>	<b>198,697,347</b>
Less : Allowance for debt impairment	(58,762,666)	(83,302,229)	(58,762,666)	(83,302,229)
	<b>183,653,539</b>	<b>115,395,118</b>	<b>183,653,539</b>	<b>115,395,118</b>
<b>National and provincial government</b>				
Current (0 -30 days)	24,350,623	25,919,961	24,350,623	25,919,961
31 - 60 days	3,341,918	5,641,772	3,341,918	5,641,772
61 - 90 days	2,315,170	3,145,634	2,315,170	3,145,634
91 - 120 days	2,596,065	3,074,328	2,596,065	3,074,328
121 - 365 days	1,450,490	3,204,410	1,450,490	3,204,410
> 365 days	69,951,077	72,708,404	69,951,077	72,708,404
	<b>104,005,343</b>	<b>113,694,509</b>	<b>104,005,343</b>	<b>113,694,509</b>
<b>Less: Provision for debt impairment</b>				
31 - 60 days	(24,642,288)	(33,464,927)	(24,642,288)	(33,464,927)
61 - 90 days	(24,900,903)	(29,417,823)	(24,900,903)	(29,417,823)
91 - 120 days	(21,672,439)	(27,883,987)	(21,672,439)	(27,883,987)
121 - 365 days	(32,654,403)	(24,897,208)	(32,654,403)	(24,897,208)
> 365 days	(480,172,728)	(410,326,298)	(480,172,728)	(410,326,298)
	<b>(584,042,761)</b>	<b>(525,990,243)</b>	<b>(584,042,761)</b>	<b>(525,990,243)</b>
<b>Reconciliation of debt impairment</b>				
Balance at beginning of the year	(525,990,242)	(430,578,131)	(525,990,242)	(430,578,131)
Contributions to provision	(58,209,770)	(96,000,000)	(58,209,770)	(96,000,000)
Bad debts written off against provision	157,251	587,888	157,251	587,888
	<b>(584,042,761)</b>	<b>(525,990,243)</b>	<b>(584,042,761)</b>	<b>(525,990,243)</b>

### Consumer debtors pledged as security

Consumer debtors were not pledged as security for overdraft facilities.

### Credit quality of consumer debtors

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 5. Trade and receivables from exchange transactions (continued)

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rates. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

#### Consumer debtors impaired

The amount of the provision was R 584 042 761 as of 30 June 2012 (2011: R 525 990 243).

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,222,181	1,046,900	44,985	44,985
Bank balances	65,722,023	52,250,779	65,722,023	52,250,779
Short-term deposits	561,104,238	281,608,001	561,104,238	281,608,001
	<b>628,048,442</b>	<b>334,905,680</b>	<b>626,871,246</b>	<b>333,903,765</b>

Average rate of return	5.09	6.02	5.09	6.02
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Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed. Fair value is taken at face value.

No cash and cash equivalents were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the Municipality did not apply any methods to evaluate the credit quality.

#### The municipality has the following bank accounts

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 6. Cash and cash equivalents (continued)

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
FNB - No: 5094187782 (Primary)	51,515,428	46,852,653	52,922,539	35,649,737	33,054,016	(17,645,903)
FNB - No: 50940058750 (Electronic transfers)	-	-	-	(25,635,251)	(22,606,439)	-
FNB - No: 5094187774 (Unpaid cheques)	(340,750)	(199,649)	(106,205)	(340,750)	(199,649)	(106,205)
FNB - No: 62058007264 (Slum clearance)	24,913,414	24,298,267	31,200,807	25,838,038	24,298,267	31,200,807
FNB - No: 62065528930 (Library extension)	1,290,083	3,056,897	2,643,263	1,279,481	3,056,897	2,643,263
FNB - No: 62045272143 (Traffic fines)	-	-	(100)	-	-	-
FNB - No: 50941840627 (Market)	4,513,255	2,234,989	2,009,212	1,970,705	1,942,258	-
FNB - No: 62069378539 (Oribi airport)	344,645	10,485	(321,325)	(7,308,721)	10,485	(541,280)
FNB - No: 50930082248 (Forestry)	502,047	90,882	292,967	502,047	-	292,967
ABSA - No: 9076022706 (Forestry)	-	-	483,343	-	-	488,343
FNB - No: 50941847029 (Salaries main)	172,683	223,323	584,435	172,683	172,683	542,965
FNB - No: 62003432846 (Salaries PACs no.1)	1,738	1,082,635	1,962	1,738	-	-
FNB - No: 62003433414 (Salaries PACs no.2)	-	36,348	973,284	-	-	-
FNB - No: 62035467978(Safe City)	144,319	204,757	15,021	144,319	204,757	22,676
FNB - No: 62006041157 (Post Office)	-	-	1	-	-	1
FNB - No: 62279194650 (Forestry)	250,788	-	-	250,788	-	-
<b>Total</b>	<b>83,307,650</b>	<b>77,891,587</b>	<b>90,699,204</b>	<b>32,524,814</b>	<b>39,933,275</b>	<b>16,897,634</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

Group	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	575,113,763	(92,609,416)	482,504,347	559,857,243	(73,917,080)	485,940,163
Furniture and fixtures	126,623	(63,623)	63,000	64,615	(50,700)	13,915
Motor vehicles	34,000	-	34,000	46,000	-	46,000
Office equipment	7,000	(7,000)	-	7,000	(7,000)	-
IT equipment	50,708	(42,488)	8,220	50,708	(38,799)	11,909
Infrastructure	5,687,045,711	(678,161,286)	5,008,884,425	5,520,173,084	(539,394,078)	4,980,779,006
Community	662,581,386	(193,611,706)	468,969,680	652,138,073	(154,079,523)	498,058,550
Other property, plant and equipment	420,646,919	(135,638,874)	285,008,045	410,973,690	(108,079,800)	302,893,890
Moveables	319,070,037	(203,441,398)	115,628,639	288,056,133	(158,686,735)	129,369,398
Biological assets	648,261	-	648,261	605,380	-	605,380
<b>Total</b>	<b>7,665,324,408</b>	<b>(1,303,575,791)</b>	<b>6,361,748,617</b>	<b>7,431,971,926</b>	<b>(1,034,253,715)</b>	<b>6,397,718,211</b>



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

Company	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	575,113,763	(92,609,416)	482,504,347	559,857,243	(73,917,080)	485,940,163
Infrastructure	5,687,045,711	(678,161,286)	5,008,884,425	5,520,173,084	(539,394,078)	4,980,779,006
Community	662,581,386	(193,611,706)	468,969,680	652,138,073	(154,079,523)	498,058,550
Other	420,646,919	(135,638,874)	285,008,045	410,973,690	(108,079,800)	302,893,890
Movables	319,070,037	(203,441,398)	115,628,639	288,056,133	(158,686,735)	129,369,398
Biological assets	648,261	-	648,261	605,380	-	605,380
<b>Total</b>	<b>7,665,106,077</b>	<b>(1,303,462,680)</b>	<b>6,361,643,397</b>	<b>7,431,803,603</b>	<b>(1,034,157,216)</b>	<b>6,397,646,387</b>

### Reconciliation of property, plant and equipment - Economic entity - 2012

	Opening balance	Additions	Adjustment - cost	Disposals	Capital under construction	Depreciation	Depreciation on disposal prior year	Adjustments - depreciation	Total
Buildings	485,940,163	-	4,099,000	(543,990)	11,701,509	(18,692,336)	1	-	482,504,347
Furniture and fixtures	13,915	62,008	-	-	-	(12,923)	-	-	63,000
Motor vehicles	46,000	-	-	-	-	(12,000)	-	-	34,000
IT equipment	11,909	-	-	-	-	(3,689)	-	-	8,220
Infrastructure	4,980,779,006	65,873,688	(77,306)	-	101,076,240	(138,767,322)	-	-	5,008,884,306
Community	498,058,550	627,161	4,274,582	-	5,541,570	(39,104,780)	-	(427,400)	468,969,683
Other	302,893,890	2,033,565	1,999,902	-	5,639,762	(27,359,111)	-	(199,963)	285,008,045
Moveables	129,369,398	31,139,480	74,000	(199,576)	-	(45,481,699)	115,676	611,476	115,628,755
Biological assets	605,380	42,881	-	-	-	-	-	-	648,261
	<b>6,397,718,211</b>	<b>99,778,783</b>	<b>10,370,178</b>	<b>(743,566)</b>	<b>123,959,081</b>	<b>(269,433,860)</b>	<b>115,677</b>	<b>(15,887)</b>	<b>6,361,748,617</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2011

	Opening balance	Additions	Adjustments	Disposals	Capital under construction	Depreciation	Impairment loss	Adjustments- Depreciation	Total
Land and buildings	518,476,053	3,368,655	(28,345,109)	(12,000)	35,796	(18,575,417)	-	10,992,185	485,940,163
Furniture and fixtures	26,838	-	-	-	-	(12,923)	-	-	13,915
Motor vehicles	58,000	-	-	-	-	(12,000)	-	-	46,000
IT equipment	3,689	11,909	-	-	-	(3,689)	-	-	11,909
Infrastructure	4,865,147,320	4,518,203	(48,743,020)	(34,733)	96,970,640	(137,096,099)	(156,028)	200,172,723	4,980,779,006
Community	528,327,036	245,256	(6,975,748)	(5,601,150)	4,165,004	(38,751,191)	-	16,649,343	498,058,550
Other	365,557,326	744,679	(82,513,602)	-	745,515	(27,229,953)	-	45,589,925	302,893,890
Other equipment	66,342,627	847,259	(19,524,318)	(328,056)	-	(26,222,116)	-	108,254,002	129,369,398
Biological assets	542,896	62,484	-	-	-	-	-	-	605,380
	<b>6,344,481,785</b>	<b>9,798,445</b>	<b>(186,101,797)</b>	<b>(5,975,939)</b>	<b>101,916,955</b>	<b>(247,903,388)</b>	<b>(156,028)</b>	<b>381,658,178</b>	<b>6,397,718,211</b>

#### Reconciliation of property, plant and equipment - Controlling entity - 2012

	Opening balance	Additions	Adjustments-cost	Disposals	Capital under construction	Depreciation	Depreciation on disposal prior year	Adjustments - depreciation	Total
Land and buildings	485,940,163	-	4,099,000	(543,990)	11,701,509	(18,692,336)	1	-	482,504,347
Infrastructure	4,980,779,006	65,873,688	(77,306)	-	101,076,240	(138,767,322)	-	-	5,008,884,306
Community	498,058,550	627,161	4,274,582	-	5,541,570	(39,104,780)	-	(427,400)	468,969,683
Other	302,893,890	2,033,565	1,999,902	-	5,639,762	(27,359,111)	-	(199,963)	285,008,045
Movables	129,369,398	31,139,480	74,000	(199,576)	-	(45,481,699)	115,676	611,476	115,628,755
Biological assets	605,380	42,881	-	-	-	-	-	-	648,261
	<b>6,397,646,387</b>	<b>99,716,775</b>	<b>10,370,178</b>	<b>(743,566)</b>	<b>123,959,081</b>	<b>(269,405,248)</b>	<b>115,677</b>	<b>(15,887)</b>	<b>6,361,643,397</b>

#### Reconciliation of property, plant and equipment - Controlling entity - 2011

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

	Opening balance	Additions	Adjustments	Disposals	Capital under construction	Depreciation	Impairment loss	Adjustments - depreciation	Total
Land and buildings	518,476,053	3,368,655	(28,345,109)	(12,000)	35,796	(18,575,417)	-	10,992,185	485,940,163
Infrastructure	4,865,147,320	4,518,203	(48,743,021)	(34,733)	96,970,640	(137,096,099)	(156,028)	200,172,724	4,980,779,006
Community	528,327,036	245,256	(6,975,748)	(5,601,150)	4,165,004	(38,751,191)	-	16,649,343	498,058,550
Other	365,557,326	744,680	(82,513,602)	-	745,515	(27,229,953)	-	45,589,924	302,893,890
Moveables	66,342,627	847,259	(19,524,318)	(328,056)	-	(26,222,116)	-	108,254,002	129,369,398
Biological assets	542,896	62,484	-	-	-	-	-	-	605,380
	<b>6,344,393,258</b>	<b>9,786,537</b>	<b>(186,101,798)</b>	<b>(5,975,939)</b>	<b>101,916,955</b>	<b>(247,874,776)</b>	<b>(156,028)</b>	<b>381,658,178</b>	<b>6,397,646,387</b>

#### Pledged as security

No property, plant and equipment was placed as security for financial liabilities.

Refer to Appendix B for the detailed property, plant and equipment schedules.

#### Fully depreciated assets.

All assets that were fully depreciated in the asset register had their useful lives reviewed in the 2011/2012 financial year. This was processed retrospectively and in terms of GRAP 3 treated as a prior period error.

During the financial year useful life of property, plant and equipment has been reviewed, the estimated useful life for certain assets has been adjusted.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 8. Intangible assets

Group	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other Servitudes	21,276,343 803,846	(18,621,627) -	2,654,716 803,846	21,260,844 803,846	(14,782,168) -	6,478,676 803,846
<b>Total</b>	<b>22,080,189</b>	<b>(18,621,627)</b>	<b>3,458,562</b>	<b>22,064,690</b>	<b>(14,782,168)</b>	<b>7,282,522</b>

Company	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other Servitudes	21,276,343 803,846	(18,621,627) -	2,654,716 803,846	21,260,844 803,846	(14,782,168) -	6,478,676 803,846
<b>Total</b>	<b>22,080,189</b>	<b>(18,621,627)</b>	<b>3,458,562</b>	<b>22,064,690</b>	<b>(14,782,168)</b>	<b>7,282,522</b>

#### Reconciliation of intangible assets - Economic entity - 2012

	Opening balance	Additions	Amortisation	Adjustments - amortisation	Total
Computer software, other Servitudes	6,478,676 803,846	15,500 -	(3,659,157) -	(180,303) -	2,654,716 803,846
	<b>7,282,522</b>	<b>15,500</b>	<b>(3,659,157)</b>	<b>(180,303)</b>	<b>3,458,562</b>

#### Reconciliation of intangible assets - Economic entity - 2011

	Opening balance	Additions	Adjustments costs	Amortisation	Adjustments - amortisation	Total
Computer software, other Servitudes	5,661,446 803,846	305,293 -	(1,012,659) -	(4,364,785) -	5,889,381 -	6,478,676 803,846
	<b>6,465,292</b>	<b>305,293</b>	<b>(1,012,659)</b>	<b>(4,364,785)</b>	<b>5,889,381</b>	<b>7,282,522</b>

#### Reconciliation of intangible assets - Controlling entity - 2012

	Opening balance	Additions	Amortisation	Adjustments - amortisation	Total
Computer software, other Servitudes	6,478,676 803,846	15,500 -	(3,659,157) -	(180,303) -	2,654,716 803,846
	<b>7,282,522</b>	<b>15,500</b>	<b>(3,659,157)</b>	<b>(180,303)</b>	<b>3,458,562</b>

#### Reconciliation of intangible assets - Controlling entity - 2011

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 8. Intangible assets (continued)

	Opening balance	Additions	Adjustments - cost	Amortisation	Adjustments - amortisation	Total
Computer software, other	5,661,446	305,293	(1,012,659)	(4,364,785)	5,889,381	6,478,676
Servitudes	803,846	-	-	-	-	803,846
	<b>6,465,292</b>	<b>305,293</b>	<b>(1,012,659)</b>	<b>(4,364,785)</b>	<b>5,889,381</b>	<b>7,282,522</b>

### 9. Investment property

Group	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	381,012,346	-	381,012,346	405,306,365	-	405,306,365

Company	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	381,012,346	-	381,012,346	405,306,365	-	405,306,365

#### Reconciliation of investment property - Economic entity - 2012

	Opening balance	Additions	Adjustment - cost	Impairments	Total
Investment property	405,306,365	135,120,000	(158,828,228)	(585,791)	381,012,346

#### Reconciliation of investment property - Economic entity - 2011

	Opening balance	Disposals	Total
Investment property	411,492,244	(6,185,879)	405,306,365

#### Reconciliation of investment property - Controlling entity - 2012

	Opening balance	Additions	Adjustments - cost	Impairments	Total
Investment property	405,306,365	135,120,000	(158,828,228)	(585,791)	381,012,346

#### Reconciliation of investment property - Controlling entity - 2011

	Opening balance	Disposals	Total
Investment property	411,492,244	(6,185,879)	405,306,365

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 9. Investment property (continued)

#### Details of valuation

Investment property has been accounted for in terms of GRAP 16 and comprises of both land and buildings owned by the Msunduzi Municipality. Investment property will not be depreciated but will be annually valued on balance sheet date to determine their fair value as prescribed in GRAP 16.

Mills Fitchet has been awarded the tender for the valuation and identification of all investment property of the Msunduzi Municipality. The deliverables of the project included:

- A comprehensive deed search
- Providing separate land and building values
- Identifying Investment property
- Providing a data fact sheet for each property identified with information on the street address, SG 21 digit key (Erf, stand, portion), property description, GIS information and a photograph of the property.

The method applied in updating the investment property data in the asset register was:

- Vacant land was reviewed to determine future use and if no future use could be determined then it was classified as investment property.
- Properties with valid rental and lease agreements were deemed to be investment properties.
- All buildings have been identified and classified as investment property

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

### 10. Other financial assets

#### At fair value through surplus or deficit - designated

Fixed deposits - long term medium term investment	66,033	65,135	66,033	65,135
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#### Loans and receivables

Housing	7,877,076	7,776,938	7,877,076	7,776,938
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These long term debtors refer to housing rent schemes that were purchased by the existing owners. These loans are repayable over a period of 20 to 30 years.

Educational facilities	304,199	339,961	304,199	339,961
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Funding provided to public institutions. These loans do not attract any interest and is repayable over a period of 15 to 40 years.

	<b>8,181,275</b>	<b>8,116,899</b>	<b>8,181,275</b>	<b>8,116,899</b>
<b>Total other financial assets</b>	<b>8,247,308</b>	<b>8,182,034</b>	<b>8,247,308</b>	<b>8,182,034</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>10. Other financial assets (continued)</b>				
<b>Non-current assets</b>				
Loans and receivables	8,181,275	8,116,899	8,181,275	8,116,899
<b>Current assets</b>				
At fair value through surplus or deficit	66,033	65,135	66,033	65,135
	<b>8,247,308</b>	<b>8,182,034</b>	<b>8,247,308</b>	<b>8,182,034</b>

### Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

### Fair value through surplus or deficit - impaired

Other financial assets at fair value through surplus and deficit are not considered to be impaired.

The municipality has not reclassified any financial assets from cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

### Loans and receivables impaired

No portion of these loans were impaired as at 30 June 2012.

### Credit quality of other financial assets

The credit quality of long term receivables that are neither past due nor impaired can be assessed by reference to external credit ratings. Although can be assessed the entity did not apply any methods to evaluate the credit quality.

No portion of the long term receivables was pledged as security for financial liabilities.

No long term receivables defaulted and no terms of long terms receivables were re-negotiated.

These amounts best represent the maximum exposure to credit risk at the reporting period, without taking of any collateral held or other credit enhancement.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

### 11. Other financial liabilities

#### Held at amortised cost

External loans	619,538,347	554,024,880	619,538,347	554,024,880
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**DBSA** - funding required for capital expenditure. Loans bear an interest rate between 6.75% and 16.50%. Loans are repayable over a period between 12 to 30 years

**RMB** - funding required for capital expenditure. Loans bear an interest rate between 11.38% and 14.18%. Loans are repayable over a period between 10 to 12 years.

**INCA** - funding required for capital expenditure. Loans bear an interest rate at 11.38%. Loan is repayable over a period of 10 years.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>11. Other financial liabilities (continued)</b>				
<b>Non-current liabilities</b>				
At amortised cost	575,954,199	514,615,504	575,954,199	514,615,504
<b>Current liabilities</b>				
At amortised cost	43,584,148	39,409,376	43,584,148	39,409,376
	<b>619,538,347</b>	<b>554,024,880</b>	<b>619,538,347</b>	<b>554,024,880</b>

Refer to Appendix A for further details on long term liabilities.

## 12. Finance lease obligation

<b>Minimum lease payments due</b>				
- within one year	2,638,632	3,574,809	2,368,632	3,574,809
- in second to fifth year inclusive	737,924	4,799,203	737,924	4,799,203
- later than five years	-	348,401	-	348,401
	3,376,556	8,722,413	3,106,556	8,722,413
less: future finance charges	(194,907)	(819,725)	(194,907)	(819,725)
<b>Present value of minimum lease payments</b>	<b>3,181,649</b>	<b>7,902,688</b>	<b>2,911,649</b>	<b>7,902,688</b>
<b>Present value of minimum lease payments due</b>				
- within one year	2,464,518	3,357,202	2,464,518	3,357,202
- in second to fifth year inclusive	717,131	4,216,553	717,131	4,216,553
- later than five years	-	-	-	328,933
	<b>3,181,649</b>	<b>7,573,755</b>	<b>3,181,649</b>	<b>7,902,688</b>
Non-current liabilities	2,008,302	4,326,449	2,008,302	4,326,449
Current liabilities	2,248,130	2,861,443	2,248,130	2,861,443
	<b>4,256,432</b>	<b>7,187,892</b>	<b>4,256,432</b>	<b>7,187,892</b>

The average lease term was 5 years and the average effective borrowing rate was 12 % for 2012 (2011: 12%).

The entity did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated

## 13. Trade and other payables from exchange transactions

Trade payables	50,684,072	25,153,116	50,684,072	24,966,702
Other payables	52,641,180	47,233,641	52,515,578	47,233,641
Other deposits	1,532,138	2,772,795	1,532,138	2,772,795
Accrued leave pay	50,673,309	47,925,583	50,673,309	47,925,583
Retentions	10,767,063	9,223,301	10,767,063	9,223,301
Other payables accrued	234,446,342	199,226,560	234,446,342	199,226,560
Debtors with credit balances	51,437,788	56,726,568	51,437,788	56,726,568
	<b>452,181,892</b>	<b>388,261,564</b>	<b>452,056,290</b>	<b>388,075,150</b>

## 14. VAT receivable

VAT	8,482	69,774	-	-
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# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>15. VAT payable</b>				
VAT payable	52,659,731	41,558,707	52,659,731	41,558,707

VAT is payable on the receipt basis. VAT is only declared to SARS on receipt of payment from consumers. During the financial year all VAT returns were submitted to SARS on due date.

### 16. Consumer deposits

Electricity	55,758,378	54,862,020	55,758,378	54,862,020
Water	10,358,520	10,281,607	10,358,520	10,281,607
Refuse	1,915,021	1,900,801	1,915,021	1,900,801
Sewer	3,615,773	3,588,926	3,615,773	3,588,926
	<b>71,647,692</b>	<b>70,633,354</b>	<b>71,647,692</b>	<b>70,633,354</b>

Included in deposits is an accrual of interest at an effective interest of 4% per annum.

Balance on the interest reserve: R 13 219 816 as at 30 June 2012 and R 10 548 954 as at the 30 June 2011

Guarantees in lieu of electricity and water deposit	10,677,916	6,926,700	10,677,916	6,926,700
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### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Electricity side demand management	-	2,533,993	-	2,533,993
Finance management grant (FMG)	496,692	1,035,158	496,692	1,035,158
Freedom square tourism hub	6,917,268	16,858,673	6,917,268	16,858,673
Greater edendale development initiative	8,515,643	12,416,765	8,515,643	12,416,765
Housing	36,359,010	36,209,596	36,359,010	36,209,596
Sundry	2,450,026	6,930,511	2,450,026	6,930,511
Library	665,703	548,416	665,703	548,416
Municipal infrastructure grant (MIG)	5,566,961	3,116,596	5,566,961	3,116,596
Municipal systems improvement grant (MSIG)	485,099	489,035	485,099	489,035
Neighbourhood development partnership grant	6,650,000	-	6,650,000	-
Public transportation infrastructure	73,601,569	31,942,905	73,601,569	31,942,905
Other grants from external source	1,687,473	3,362,645	1,687,473	3,362,645
Trusts	6,052,205	5,865,258	6,052,205	5,865,258
	<b>149,447,649</b>	<b>121,309,551</b>	<b>149,447,649</b>	<b>121,309,551</b>

#### Movement during the year

Balance at the beginning of the year	121,309,552	140,882,033	121,309,552	140,882,033
Additions during the year	334,768,616	130,595,012	334,768,616	130,595,012
Income recognition during the year	(306,630,519)	(105,930,966)	(306,630,519)	(105,930,966)
Prior year adjustment - income recognised	-	(44,236,528)	-	(44,236,528)
	<b>149,447,649</b>	<b>121,309,551</b>	<b>149,447,649</b>	<b>121,309,551</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 17. Unspent conditional grants and receipts (continued)

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been fulfilled.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised as a liability in the Statement of financial position.

Refer to Appendix E for details of unspent conditional grants, receipts and transfers from National and Provincial Government and Other departments .

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

National grants	49,805,842	44,580,697	49,805,842	44,580,697
Provincial grants	78,670,941	36,308,459	78,670,941	36,308,459
Other conditional grant receipts	20,970,866	40,420,395	20,970,866	40,420,395
	<b>149,447,649</b>	<b>121,309,551</b>	<b>149,447,649</b>	<b>121,309,551</b>

### 18. Current provisions

Performance bonus	311,926	281,850	311,926	281,850
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#### The movement in the current provision is reconciled as follows

Opening balance	281,850	760,739	281,850	760,739
Reversal of prior year contributions	(281,850)	(478,889)	(281,850)	(478,889)
Contributions	311,926	-	311,926	-
	<b>311,926</b>	<b>281,850</b>	<b>311,926</b>	<b>281,850</b>

### 19. Employee benefit obligations

#### Defined contribution and benefit plan

The Council provides retirement benefits to its employees by contributing to either a pension or provident fund.

Membership to either a pension or provident fund is compulsory for all permanent employees.

The majority of the members and the Council contributes to the Natal Joint Municipal Pension (NJMP) and Provident funds, employees contributing to South African Local Authorities Pension Fund (SALA), Associated Institution Pension Fund (AIPF), Pietermaritzburg Provident Fund and Government Employees Pension Fund (GEPF). Employees contributing to SALA, AIPF, Pietermaritzburg Provident Fund and GEPF make up the minority of members contribution to the pension funds.

The Msunduzi Municipality's liability in these funds can not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each contributing employer.

#### The majority of personnel are members of the following pension funds:

Kwa-Zulu-Natal Joint Municipal Provident Fund.

An interim actuarial valuation was performed on 31 March 2011 by Arthur Els and Associates Consulting Actuaries .

#### Results of the valuation.

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R15 072 000 is required to be held in the Risk Reserve Account. The market value of the assets exceeded the liabilities before the declaration of the April 2011 bonus by (R156,000).

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 19. Employee benefit obligations (continued)

The Fund is financially sound as at the valuation date.

#### Benefits of the fund:

- \* Pension age - 65 years
- \* Earliest retirement age - 58 years (55 years if more than 10 years continuous service)
- \* Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.
- \* Member's portion of full benefits - Initial transfer plus members contributions plus local authorities contributions for full benefits plus interim, special and final bonuses
- \* Benefit on retirement after earliest retirement age or pension age - Full benefit.
- \* Benefit on retirement because of ill health - Full benefit
- \* Benefit on death in service - Full benefit plus 0.7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.

#### Contributions of the fund :

- \* Members contributions

Members may choose to contribute at a rate of 5%, 7% or 9.25% of their pensionable emoluments in terms of regulation 14(a)

- \* Local Authorities Contributions

Participating employers contribute at a rate of 1.95 times of the rate of members contribution in terms of regulation 17(1)(b)

**Benchmark:** The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below :

Domestic Investments:	953,561,000
International Investments	68,085,000
Risk Reserve Account	15,072,000
Unallocated Assets (deficit)	156,000
Membership	9,542

#### Natal Joint Municipal Pension Fund: (Retirement) Interim actuarial valuation

An interim actuarial valuation was performed on 31 March 2011 by Arthur Els and Associates Consulting Actuaries .

The market value of the Fund's assets was R 5, 614,553,000 as at 31 March 2011.

The Discounted Cash Flow (DCF) method of valuation has been applied for the purposes of determining the Fund's financial condition.

The funding level in respect of contributory members has deteriorated reducing from 95.9% to 90.9%. The primary reason for this is that salary increases averaged 13% per annum over the valuation period which is doubled the 6.5% per annum expected in the valuation assumption.

On the DCF funding level has decreased and the overall shortfall has increased. The valuation disclosed a surplus of R315.5 million in respect of pensioners and a shortfall of R549.5 million in respect of members.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the Fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 19. Employee benefit obligations (continued)

Thus, once the surcharge ceases, the underlying rate of contribution will not be sufficient to meet the cost of the benefits. It is necessary to set aside a reserve to hold assets equal to the expected shortfall. For this reason a "Contribution Reserve" is held equal to the present value of the shortfall in terms of the Financial Services Board's Circular PF117 for the 5 years to 2015 when it is expected that the surcharge will cease.

#### Benefits:

- \* Members Contributions - 7% of Pensionable salaries plus a surcharge of 1,65 % of pensionable salary in respect of members who were members at 30 June 2002.
- \* Pension age 65 Years
- \* Final average Salary - Average annual pensionable salaries during the last year of service.
- \* Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service.
- \* Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.
- \* Pension on retirement because of ill-health (minimum ten years continuous service) - Pension as for retirement at pension age.
- \* Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age.
- \* Lump sum on retirement because of ill health (less than ten years continuous service) - The greater of the resignation benefit or twice the members contributions.
- \* Surviving Spouses pension on death in service - 1,05% of final average emoluments per year of continuous service that the member would have had at the pension age.
- \* Surviving Spouses pension on death of pensioner - 1,05% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.
- \* Lump sum on death in service - Annual pensionable emoluments.
- \* Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

#### Benchmark

#### Investments

Domestic	5,614,500,000
International	(113,000,000)
Membership	7,428

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>19. Employee benefit obligations (continued)</b>				
<b>The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:</b>				
Natal Joint Pension Fund	87,962,308	89,345,489	87,962,308	89,345,489
Natal Joint Provident Fund	27,963,989	26,699,726	27,963,989	26,699,726
Government Employees Pension Fund	3,911,170	4,259,352	3,911,170	4,259,352
Associated Institution Pension Fund	134,678	189,005	134,678	189,005
South Africa Local Authorities Pension Fund	658,612	634,069	658,612	634,069
Councillors Pension Fund	4,431,060	3,152,967	4,431,060	3,152,967
Dynamique Ambrella (Pietermaritzburg Provident Fund)	538,235	563,358	538,235	563,358
	<b>125,600,052</b>	<b>124,843,966</b>	<b>125,600,052</b>	<b>124,843,966</b>

### Post retirement medical aid contributions.

The municipality operates on 6 accredited medical aid schemes, namely Bonitas, Discovery Health, Hosmed, Key-Health, LA Health and SAMWU Medical Aid Scheme, Pensioners continue on the option they belonged to on the day of their retirement.

The last post-employment health care benefits actuarial valuation in terms of IAS19 was done by Ernst & Young for the period ending 30 June 2010. The valuation undertaken in accordance with the requirements of Professional Guidance Note (PPN) 301 of the Actuarial Society of South Africa.

For the 2011/2012 financial period there were no actuarial valuation done and is staff benefit provision based on the last valuation that was undertaken by Ernst and Young during the 2009/2010 financial period. A new valuation will be undertaken in the future in terms of IAS 19 or GRAP 25 when effective.

According to the last valuation the accrued liability amounted to R 332,7 million as at 30 June 2011. The estimated projection for 2011/2012 amounted to R 359,8 million that needs to be recovered over a two year period.

A reconciliation of Msunduzi's accrued liability for the year ending 30 June 2012 is set out below:

### Year ended 30 June 2012

Opening balance	332,720,000	310,120,000	332,720,000	310,120,000
Service cost	12,180,000	10,520,000	12,180,000	10,520,000
Interest cost	27,100,000	24,000,000	27,100,000	24,000,000
Expected benefit payment	(12,190,000)	(11,920,000)	(12,190,000)	(11,920,000)
Expected closing balance	359,810,000	332,720,000	359,810,000	332,720,000
<b>Actual closing balance</b>	<b>359,810,000</b>	<b>332,720,000</b>	<b>359,810,000</b>	<b>332,720,000</b>

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	285,724,124	211,638,188	285,724,124	211,638,188
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#### Movements for the year

Opening balance	211,638,188	151,097,282	211,638,188	151,097,282
Contributions - current year	74,085,936	60,540,906	74,085,936	60,540,906
Net expense recognised in the statement of financial performance	285,724,063	121,081,812	-	-
<b>Closing balance</b>	<b>571,448,187</b>	<b>332,720,000</b>	<b>285,724,124</b>	<b>211,638,188</b>

### Reconciliation of obligation to disclose liability

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>19. Employee benefit obligations (continued)</b>				
Actuarial liability	359,810,000	332,720,000	359,810,000	332,720,000
Amount disclosed at 30 June 2011	-	(151,097,282)	-	(151,097,282)
Straight line contribution on remainder of liability	(74,085,937)	(60,540,906)	(74,085,937)	(60,540,906)
<b>Amount to be contributed in the next four years</b>	<b>285,724,063</b>	<b>121,081,812</b>	<b>285,724,063</b>	<b>121,081,812</b>

### Key assumptions used

The projected unit credit method is used as the standard valuation methodology for the valuation done during the 2009/2010 financial period.

Plan assets were valued at current market value as required by IAS19.

Assumptions used on last valuation on 30 June 2010.

Discount rates used	6.42 %	6.42 %	6.42 %	6.42 %
to	9.27 %	9.27 %	9.27 %	9.27 %
Medical inflation - lower than discount rate	1.00 %	1.00 %	1.00 %	1.00 %
Medical inflation higher than CPI	1.00 %	1.00 %	1.00 %	1.00 %
Salary inflation- higher than CPI	2.00 %	2.00 %	2.00 %	2.00 %

Other assumptions; Post retirement mortality PA (90). Retirement age 65 years.

### Sensitivity analysis

The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath.

#### Sensitivity to medical inflation

Base	290,448,544	290,448,544	290,448,544	290,448,544
-1%	248,825,292	248,825,292	248,825,292	248,825,292
+1%	343,541,221	343,541,221	343,541,221	343,541,221
	<b>882,815,057</b>	<b>882,815,057</b>	<b>882,815,057</b>	<b>882,815,057</b>

#### The employees of the Council as well as the Council as employer, contribute to municipal medical aids as listed below:

LA Health	18,986,050	14,029,781	18,986,050	14,029,781
Key Health	32,365,732	31,259,032	32,365,732	31,259,032
Samwumed	2,010,576	2,270,705	2,010,576	2,270,705
Discovery	132,400	276,494	132,400	276,494
Bonitas	14,034,796	13,723,769	14,034,796	13,723,769
Hosmed	1,065,329	967,350	1,065,329	967,350
	<b>68,594,883</b>	<b>62,527,131</b>	<b>68,594,883</b>	<b>62,527,131</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 20. Provisions

#### Reconciliation of provisions - Economic entity - 2012

	Opening Balance	Additions	Total
Landfill rehabilitation provision	20,362,367	2,036,237	22,398,604

#### Reconciliation of provisions - Economic entity - 2011

	Opening Balance	Additions	Total
Landfill rehabilitation provision	3,623,648	16,738,719	20,492,863
Audit fees	-	9,877	9,877
Salary bonus	-	130,496	130,496
	<b>3,623,648</b>	<b>16,879,092</b>	<b>20,633,236</b>

#### Reconciliation of provisions - Controlling entity - 2012

	Opening Balance	Additions	Total
Landfill rehabilitation provision	20,362,367	2,036,237	22,398,604

#### Reconciliation of provisions - Controlling entity - 2011

	Opening Balance	Additions	Total
Landfill rehabilitation provision	3,623,648	16,738,719	20,362,367

The landfill site provision represents management's best estimate of the municipality's rehabilitation liability based on an valuation provided by an external consultant on the remaining useful life of the landfill site.

Contract Q50 of 10/11 - Appointment and provisional programme for closure costing of the New England Road landfill site - was awarded to Jeffares and Green in June 2011.

#### Alien vegetation provision.

According to the National Environmental Management Act, 1998 (Act No. 107 of 1998) the municipality was encouraged to recognise a provision in this regard.

The Department of Agriculture has since 2006 provided considerable support to the Msunduzi Municipality in terms of clearing listed alien invasive plants.

The Msunduzi Municipality's involvement and responsibility is effectively operational support to the Department of Agriculture terms of clearing listed alien invasive plants.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>21. Housing development fund</b>				
Unappropriated surplus	21,269,012	18,957,004	21,269,012	18,957,004
Loans extinguished by government on 1 April 1998	34,256,892	34,256,892	34,256,892	34,256,892
	<b>55,525,904</b>	<b>53,213,896</b>	<b>55,525,904</b>	<b>53,213,896</b>

**The housing development fund is represented by the following assets & liabilities**

Property plant and equipment	(1,620,309)	179,968	(1,620,309)	179,968
Housing selling scheme loans	6,908,890	6,808,732	6,908,890	6,808,732
Housing rental trade receivables	22,492,369	14,737,901	22,492,369	14,737,901
Loans extinguished by Government on 1 April 1998	34,256,892	34,256,892	34,256,892	34,256,892
Bank and cash	(6,510,724)	(2,766,061)	(6,510,724)	(2,766,061)
Less : trade payables	(1,214)	(3,536)	(1,214)	(3,536)
	<b>55,525,904</b>	<b>53,213,896</b>	<b>55,525,904</b>	<b>53,213,896</b>

**22. Revenue**

Property rates	505,310,156	448,256,813	505,310,156	448,256,813
Property rates – Penalties imposed and collection charges	31,244,472	26,358,475	31,244,472	26,358,475
Service charges	1,678,603,419	1,449,716,955	1,678,603,419	1,449,716,955
Rental of facilities & equipment	17,943,780	17,312,556	17,943,780	17,312,556
Income from agency services	373,664	576,982	373,664	576,982
Fines	3,813,388	5,354,278	3,813,388	5,354,278
Licences and permits	77,690	88,887	77,690	88,887
Government grants & subsidies	500,668,971	387,732,651	500,668,971	387,732,651
	<b>2,738,035,540</b>	<b>2,335,397,597</b>	<b>2,738,035,540</b>	<b>2,335,397,597</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	1,678,603,419	1,449,716,955	1,678,603,419	1,449,716,955
Rental of facilities & equipment	17,943,780	17,312,556	17,943,780	17,312,556
Income from agency services	373,664	576,982	373,664	576,982
Licences and permits	77,690	88,887	77,690	88,887
	<b>1,696,998,553</b>	<b>1,467,695,380</b>	<b>1,696,998,553</b>	<b>1,467,695,380</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

**Taxation revenue**

Property rates	505,310,156	448,256,813	505,310,156	448,256,813
Property rates – Penalties imposed and collection charges	31,244,472	26,358,475	31,244,472	26,358,475
Fines	3,813,388	5,354,278	3,813,388	5,354,278

**Transfer revenue**

Government grants and subsidies	500,668,971	387,732,651	500,668,971	387,732,651
	<b>1,041,036,987</b>	<b>867,702,217</b>	<b>1,041,036,987</b>	<b>867,702,217</b>



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>23. Property Rates</b>				
<b>Rates received</b>				
Residential	221,412,701	212,981,912	221,412,701	212,981,912
Industrial/Commercial	257,702,741	222,910,407	257,702,741	222,910,407
Rural Communal land	209,300	98,150	209,300	98,150
Agriculture	880,034	245,768	880,034	245,768
Public service infrastructure	409,286	385,342	409,286	385,342
Vacant land	29,458,551	29,695,142	29,458,551	29,695,142
Less: Adjustment processed	(4,762,457)	(18,059,908)	(4,762,457)	(18,059,908)
	505,310,156	448,256,813	505,310,156	448,256,813
Property rates - penalties imposed and collection charges	31,244,472	26,358,475	31,244,472	26,358,475
	<b>536,554,628</b>	<b>474,615,288</b>	<b>536,554,628</b>	<b>474,615,288</b>

### Valuations

Residential	31,686,645,119	30,487,047,001	31,686,645,119	30,487,047,001
Industrial/Commercial	14,285,773,000	12,880,510,000	14,285,773,000	12,880,510,000
Rural Communal land	26,000,000	26,000,000	26,000,000	26,000,000
Agriculture	207,397,000	493,501,000	207,397,000	493,501,000
Public Service Infrastructure	163,749,001	241,265,000	163,749,001	241,265,000
Vacant land	1,503,085,000	1,659,693,000	1,503,085,000	1,659,693,000
Municipal properties	490,180,000	647,991,000	490,180,000	647,991,000
	<b>48,362,829,120</b>	<b>46,436,007,001</b>	<b>48,362,829,120</b>	<b>46,436,007,001</b>

General valuations on properties are performed every 4 years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2009. Supplementary valuations are take place on an annual basis to take into account building additions, changes, sub divisions and consolidations.

A general rate of 1.89 cents in a rand for 2012 - (2011: 1.78 cents in a rand ) is applied to property valuations to determine assessment rates.

The adjustments during the year are compiled of all interim assessments, corrections and amendments to the accounts. This includes any transfer of payments, penalty reversals and value changes. A list of adjustments is available on a monthly basis and form part of the scope .

### 24. Service charges

Sale of electricity	1,212,660,157	1,011,458,928	1,212,660,157	1,011,458,928
Sale of water	288,345,314	270,106,949	288,345,314	270,106,949
Solid waste	70,091,118	65,558,726	70,091,118	65,558,726
Sewerage and sanitation charges	107,506,830	102,592,352	107,506,830	102,592,352
	<b>1,678,603,419</b>	<b>1,449,716,955</b>	<b>1,678,603,419</b>	<b>1,449,716,955</b>

The above figure is net of revenue foregone.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>25. Government grants and subsidies</b>				
<b>Allocation of government grants and subsidies</b>				
Equitable share	304,835,000	267,210,613	304,835,000	267,210,613
Operating grants	35,563,903	21,276,882	35,563,903	21,276,882
Subsidies	11,200,000	14,591,071	11,200,000	14,591,071
Capital grants	149,070,067	84,654,085	149,070,067	84,654,085
	<b>500,668,970</b>	<b>387,732,651</b>	<b>500,668,970</b>	<b>387,732,651</b>
Equitable share	304,835,000	267,210,613	304,835,000	267,210,613
Airport	9,115,811	11,370,450	9,115,811	11,370,450
Developer contribution	840,000	-	840,000	-
Electricity side demand management	2,533,991	12,374,476	2,533,991	12,374,476
Expanded public works programme	2,113,720	1,350,405	2,113,720	1,350,405
Finance management grant	1,979,466	164,842	1,979,466	164,842
Freedom square tourism hub	11,701,509	974,218	11,701,509	974,218
Greater edendale development initiative	4,562,231	4,878,550	4,562,231	4,878,550
Health subsidy	9,667,000	12,488,226	9,667,000	12,488,226
Housing	542,341	-	542,341	-
Integrated development plan	212,839	110,769	212,839	110,769
Library	2,029,262	3,339,118	2,029,262	3,339,118
Lincoln Meade	2,867,716	6,868,750	2,867,716	3,686,750
Municipal infrastructure grant	123,779,634	32,156,821,968	123,779,634	56,821,968
Municipal systems improvement grant	793,937	272,892	793,937	272,892
Public transportation infrastructure	21,611,338	12,451,459	21,611,338	12,451,459
SETA	30,000	33,000	30,000	33,000
Department of sports and recreation	757,175	-	757,175	-
Arts and culture	696,000	80,000	696,000	80,000
Land use management grant	-	124,915	-	124,915
	<b>500,668,970</b>	<b>32,490,914,651</b>	<b>500,668,970</b>	<b>387,732,651</b>
<b>Equitable Share</b>				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.				
<b>Municipal infrastructure grant</b>				
Balance unspent at beginning of year	3,116,596	24,834,088	3,116,596	24,834,088
Current-year receipts	126,455,000	74,659,000	126,455,000	74,659,000
Conditions met - transferred to revenue	(124,004,636)	(52,139,964)	(124,004,636)	(52,139,964)
Adjustment for expenditure in prior years	-	(44,236,528)	-	(44,236,528)
	<b>5,566,960</b>	<b>3,116,596</b>	<b>5,566,960</b>	<b>3,116,596</b>
<b>Airport</b>				
Current-year receipts	9,115,811	11,370,450	9,115,811	11,370,450
Conditions met - transferred to revenue	(9,115,811)	(11,370,450)	(9,115,811)	(11,370,450)
	-	-	-	-
<b>Electricity side demand management</b>				
Balance unspent at beginning of year	2,533,993	10,908,470	2,533,993	10,908,470
Current-year receipts	-	4,000,000	-	4,000,000
Conditions met - transferred to revenue	(2,533,993)	(12,374,476)	(2,533,993)	(12,374,476)
	-	<b>2,533,994</b>	-	<b>2,533,994</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>25. Government grants and subsidies (continued)</b>				
<b>Finance management grant</b>				
Balance unspent at beginning of year	1,035,158	-	1,035,158	-
Current-year receipts	1,441,000	1,200,000	1,441,000	1,200,000
Conditions met - transferred to revenue	(1,979,466)	(164,842)	(1,979,466)	(164,842)
	<b>496,692</b>	<b>1,035,158</b>	<b>496,692</b>	<b>1,035,158</b>
<b>Freedom square tourism hub</b>				
Balance unspent at beginning of year	16,858,673	12,432,891	16,858,673	12,432,891
Current-year receipts (interest)	1,760,104	5,400,000	1,760,104	5,400,000
Conditions met - transferred to revenue	(11,701,509)	(974,218)	(11,701,509)	(974,218)
	<b>6,917,268</b>	<b>16,858,673</b>	<b>6,917,268</b>	<b>16,858,673</b>
<b>Greater Edendale development initiative</b>				
Balance unspent at beginning of year	12,416,766	16,452,641	12,416,766	16,452,641
Current-year receipts (interest)	566,372	759,026	566,372	759,026
Conditions met - transferred to revenue	(4,479,495)	(4,794,901)	(4,479,495)	(4,794,901)
Adjustments to opening balance	12,000	-	12,000	-
	<b>8,515,643</b>	<b>12,416,766</b>	<b>8,515,643</b>	<b>12,416,766</b>
<b>Housing</b>				
Balance unspent at beginning of year	36,209,596	43,062,459	36,209,596	43,062,459
Current-year receipts (interest)	691,753	6,264,940	691,753	6,264,940
Conditions met - transferred to revenue	(542,341)	(13,117,803)	(542,341)	(13,117,803)
	<b>36,359,008</b>	<b>36,209,596</b>	<b>36,359,008</b>	<b>36,209,596</b>
<b>Sundry</b>				
Balance unspent at beginning of year	6,784,550	2,183,869	6,784,550	2,183,869
Current-year receipts (interest)	1,133,104	9,828,604	1,133,104	9,828,604
Conditions met - transferred to revenue	(6,422,450)	(5,227,923)	(6,422,450)	(5,227,923)
Adjustments to opening balance	954,822	-	954,822	-
	<b>2,450,026</b>	<b>6,784,550</b>	<b>2,450,026</b>	<b>6,784,550</b>
<b>Library</b>				
Balance unspent at beginning of year	548,417	501,615	548,417	501,615
Current-year receipts (interest)	1,171,984	923,866	1,171,984	923,866
Conditions met - transferred to revenue	(792,652)	(877,064)	(792,652)	(877,064)
Adjustments to opening balance	(262,045)	-	(262,045)	-
	<b>665,704</b>	<b>548,417</b>	<b>665,704</b>	<b>548,417</b>
<b>Municipal systems improvement grant</b>				
Balance unspent at beginning of year	489,035	11,927	489,035	11,927
Current-year receipts	790,000	750,000	790,000	750,000
Conditions met - transferred to revenue	(793,937)	(272,892)	(793,937)	(272,892)
	<b>485,098</b>	<b>489,035</b>	<b>485,098</b>	<b>489,035</b>
<b>Neighbourhood development partnership grant</b>				

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>25. Government grants and subsidies (continued)</b>				
Current-year receipts (interest)	6,650,000	-	6,650,000	-
<b>Public transportation infrastructure</b>				
Balance unspent at beginning of year	31,942,905	20,394,364	31,942,905	20,394,364
Current-year receipts	63,270,000	24,000,000	63,270,000	24,000,000
Conditions met - transferred to revenue	(21,611,336)	(12,451,459)	(21,611,336)	(12,451,459)
	<b>73,601,569</b>	<b>31,942,905</b>	<b>73,601,569</b>	<b>31,942,905</b>
<b>Other external grants</b>				
Balance unspent at beginning of year	3,362,646	3,493,244	3,362,646	3,493,244
Current-year receipts (interest)	149,596	2,415,102	149,596	2,415,102
Conditions met - transferred to revenue	(1,319,346)	(2,545,700)	(1,319,346)	(2,545,700)
Adjustments to opening balance	(505,423)	-	(505,423)	-
	<b>1,687,473</b>	<b>3,362,646</b>	<b>1,687,473</b>	<b>3,362,646</b>
<b>Trusts</b>				
Balance unspent at beginning of year	5,865,258	5,601,465	5,865,258	5,601,465
Current-year receipts (interest)	186,946	263,793	186,946	263,793
	<b>6,052,204</b>	<b>5,865,258</b>	<b>6,052,204</b>	<b>5,865,258</b>
<b>26. Other revenue</b>				
Airport	3,460,651	2,646,441	3,460,651	2,646,441
Forestry	12,870,697	11,989,359	12,870,697	11,989,359
Market	17,174,918	16,804,430	17,174,918	16,804,430
Burials and cremations	1,258,041	746,824	1,258,041	746,824
Buildings	1,953,498	2,159,628	1,953,498	2,159,628
Re-connections	12,601,583	14,128,313	12,601,583	14,128,313
Training levy recoveries	3,146,805	1,067,365	3,146,805	1,067,365
Discount received	253,455	305,847	253,455	305,847
Sundry income	12,466,651	14,869,985	12,425,419	14,864,485
MIG project management unit operating costs	885	275	885	275
Insurance recoveries	11,250	11,270	11,250	11,270
Endowments	211,033	9,100	211,033	9,100
Other	-	(18,483)	-	(18,483)
Discounting of debtors	-	-	-	8,463,205
	<b>65,409,467</b>	<b>64,720,354</b>	<b>65,368,235</b>	<b>73,178,059</b>
<b>27. Interest received</b>				
<b>Interest revenue</b>				
Interest received - external investments	25,906,640	12,822,576	25,906,640	12,822,576
Interest received - service debtors	58,297,967	47,479,983	58,253,996	47,436,815
	<b>84,204,607</b>	<b>60,302,559</b>	<b>84,160,636</b>	<b>60,259,391</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>28. Employee related costs</b>				
Salaries & wages	461,616,055	451,132,276	459,796,642	449,181,101
Contributions for UIF, WCA and SALBC levy	7,833,364	7,666,791	7,736,615	7,521,049
Contributions for pensions & medical aid	119,167,933	116,585,499	118,976,579	116,395,687
Travel, motor car, accommodation, subsistence and other allowances	32,352,063	28,542,745	32,352,063	28,542,745
Overtime payments	27,336,905	24,922,468	27,336,905	24,922,468
Long-service awards	16,244,652	15,796,260	16,244,652	15,796,260
Housing benefits and allowances	3,754,274	3,647,637	3,754,274	3,647,637
	<b>668,305,246</b>	<b>648,293,676</b>	<b>666,197,730</b>	<b>646,006,947</b>

### Remuneration of municipal manager

Annual Remuneration	415,932	-	415,932	-
Car Allowance	90,119	-	90,119	-
Contributions to UIF, Medical and Pension Funds	65,218	-	65,218	-
Bonus	90,000	-	90,000	-
Acting allowance	285,010	495,153	285,010	495,153
	<b>946,279</b>	<b>495,153</b>	<b>946,279</b>	<b>495,153</b>

The municipal manager was appointed on the 1 January 2012.

### Remuneration of chief finance officer

Annual Remuneration	81,448	542,866	81,448	542,866
Car Allowance	-	78,236	-	78,236
Acting allowance	201,548	30,607	201,548	30,607
	<b>282,996</b>	<b>651,709</b>	<b>282,996</b>	<b>651,709</b>

The Chief financial officer resigned on the 30 April 2011. The acting allowance relates to the Chief financial officer who was acting for the period July 2011 to May 2012.

The Chief Financial Officer was appointed on the 1 June 2012.

### Remuneration of executive manager - internal audit

Acting allowance	85,768	67,283	85,768	67,283
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### Remuneration of deputy municipal manager community services

Annual Remuneration	119,382	716,290	119,382	716,290
Car Allowance	33,481	200,903	33,481	200,903
Acting allowance	542,284	-	542,284	-
	<b>695,147</b>	<b>917,193</b>	<b>695,147</b>	<b>917,193</b>

The deputy municipal manager community services resigned on the 04 August 2011.

### Remuneration of deputy municipal manager corporate services

Annual Remuneration	977,381	855,340	977,381	855,340
Car Allowance	-	66,022	-	66,022
	<b>977,381</b>	<b>921,362</b>	<b>977,381</b>	<b>921,362</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 28. Employee related costs (continued)

#### Remuneration of deputy municipal infrastructure services

Acting allowance	60,506	91,237	60,506	91,237
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#### Remuneration of deputy municipal manager development services

Acting allowance	57,737	-	57,737	-
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Included in the employee related costs note are the above amounts in respect of remuneration paid to key personnel.

### 29. Remuneration of councillors

Mayor	1,021,842	691,499	1,021,842	691,499
Deputy Mayor	891,201	552,167	891,201	552,167
Councillors	20,764,738	10,404,670	20,764,738	10,404,670
Speaker	779,617	587,022	779,617	587,022
Executive committee members	4,419,058	4,204,859	4,419,058	4,204,859
Councillors' pension and medical aid contributions	3,550,300	1,977,700	3,550,300	1,977,700
	<b>31,426,756</b>	<b>18,417,917</b>	<b>31,426,756</b>	<b>18,417,917</b>

#### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor and Deputy Mayor have security and an official driver at a cost to Council.

### 30. Depreciation and amortisation

Property, plant and equipment	221,421,225	247,888,778	269,405,248	247,860,166
Intangible assets	51,671,792	4,364,785	3,659,157	4,364,785
	<b>273,093,017</b>	<b>252,253,563</b>	<b>273,064,405</b>	<b>252,224,951</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Impairment of assets</b>				
<b>Impairments</b>				
Property, plant and equipment	-	156,028	-	156,028
Investment property	585,791	-	585,791	-
Inventories	-	1,103,748	-	1,103,748
	<b>585,791</b>	<b>1,259,776</b>	<b>585,791</b>	<b>1,259,776</b>

Inventory - Due to technological changes the inventory has become redundant.

The main classes of assets affected by impairment losses are:

Investment property

Contract Supply Chain Management (SCM 15 of 11/12) was awarded to Mills Fitchet (Natal)Pty Ltd to revalue and update the fixed asset register with complete records of investment property owned by the municipality.

Impairment of investment property was performed because the municipality had identified old and dilapidated buildings which added no contributory value to the investment property.

### 32. Finance costs

Annuity & finance loans	69,583,589	68,996,706	69,583,589	68,996,706
Finance leases	685,018	1,057,616	685,018	1,057,616
Other interest paid	1,865,460	1,513,739	1,865,460	1,513,739
	<b>72,134,067</b>	<b>71,568,061</b>	<b>72,134,067</b>	<b>71,568,061</b>

No external funding was borrowed during the 2011/2012 financial year for capital projects.

### 33. Debt impairment

Contributions to debt impairment provision	58,209,770	96,000,000	58,209,770	96,000,000
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### 34. Bulk purchases

Electricity	919,409,896	729,325,043	919,409,896	729,325,043
Water	297,924,964	265,040,887	297,924,964	265,040,887
	<b>1,217,334,860</b>	<b>994,365,930</b>	<b>1,217,334,860</b>	<b>994,365,930</b>

### 35. Grants and subsidies paid

#### Other subsidies

Community bodies	196,459	191,788	196,459	191,788
Safe city project	-	2,947	3,947,368	3,774,877
	<b>196,459</b>	<b>194,735</b>	<b>4,143,827</b>	<b>3,966,665</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>36. General expenses</b>				
Other	133,485,132	107,341,297	133,485,132	107,341,297
Contracted services	21,090,729	13,765,577	21,090,729	13,765,577
External services	29,574,867	29,821,165	29,574,867	29,821,165
Airport	1,373,438	3,107,692	1,373,438	3,107,692
Forestry	11,901,599	10,249,500	11,901,599	10,249,500
Insurance	12,220,944	11,852,495	12,220,944	11,852,495
Provincial Intervention Team expenses	3,675,422	13,761,375	3,675,422	13,761,375
Departmental charges - expenditure	443,293,401	423,502,473	443,293,401	423,502,473
Telephone and fax	5,003,290	5,452,660	5,003,290	5,452,660
Departmental charges - less charge outs	(424,146,295)	(429,609,307)	(424,146,295)	(429,609,307)
Extraordinary	802,613	1,004,732	802,613	1,004,732
Pensions payable	13,403,363	11,039,712	13,403,363	11,039,712
Mayoral projects	2,697,714	160,264	2,697,714	160,264
Grants capital expenditure	(49,455)	-	(49,455)	-
Other expenses	36,354,615	22,062,107	35,563,903	21,276,880
	<b>290,681,377</b>	<b>223,511,742</b>	<b>289,890,665</b>	<b>222,726,515</b>
<b>37. Gains or losses on disposal of assets</b>				
Property, plant and equipment	-	1,350,631	-	1,350,631
Sales of assets	(326,100)	-	(326,100)	-
Housing	-	(146,751)	-	(146,751)
Land sales	1,266,964	(1,267,439)	1,266,964	(1,267,439)
	<b>940,864</b>	<b>(63,559)</b>	<b>940,864</b>	<b>(63,559)</b>
<b>38. Cash generated from operations</b>				
Surplus	234,941,901	94,697,295	234,467,830	94,732,058
<b>Adjustments for:</b>				
Depreciation and amortisation	273,093,017	252,253,563	273,064,405	252,224,951
Surplus sale of assets and liabilities	(1,266,964)	63,559	(1,266,964)	63,559
Loss on non-current assets	326,100	-	326,100	-
Impairment deficit	585,791	1,259,776	585,791	1,259,776
Movements in retirement benefit assets and liabilities	74,085,936	60,540,906	74,085,936	60,540,906
Movements in provisions	4,378,321	16,993,724	4,378,321	16,993,724
Other non-cash items	(126,209,325)	130,225,628	(126,165,354)	130,296,582
<b>Changes in working capital:</b>				
Inventories	914,518	3,052,854	914,518	3,052,854
Trade and other receivables from non exchange transactions	2,376,517	15,859,769	2,315,225	15,921,211
Consumer debtors	(145,351,587)	(101,181,379)	(145,351,587)	(101,181,379)
Trade and other payables from exchange transactions	77,988,611	5,720,365	78,315,398	5,423,140
VAT	11,101,024	19,045,753	11,101,024	19,045,753
Unspent conditional grants and receipts	28,138,098	(19,572,482)	28,138,098	(19,572,482)
Current portion of long - term receivables	1,422,093	1,444,570	1,422,093	1,444,570
Current portion of other financial instruments	-	1,860,000	-	1,860,000
	<b>436,524,051</b>	<b>482,263,901</b>	<b>436,330,834</b>	<b>482,105,223</b>



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>39. Issued capital</b>				
<b>Authorised share capital</b>				
1000 Ordinary shares of R 1 each	1,000	-	-	-
<b>Issued</b>				
100 Ordinary shares of R 1 each	100	-	-	-
The unissued shares of Safe City are under the control of the directors until the forthcoming annual general meeting.				
<b>40. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to SALGA/KWANALOGA</b>				
Council subscriptions	356,497	3,746,394	356,497	3,746,394
Amount paid - current year	(356,497)	(3,746,394)	(356,497)	(3,746,394)
	-	-	-	-
<b>Audit fees</b>				
Opening balance	205,996	72,604	205,996	72,604
Audit fee invoiced	4,034,202	3,988,122	4,034,202	3,988,122
Amount paid - current year	(4,127,746)	(3,854,730)	(4,127,746)	(3,854,730)
	<b>112,452</b>	<b>205,996</b>	<b>112,452</b>	<b>205,996</b>
<b>PAYE and UIF</b>				
Opening balance	-	(32,915)	-	(32,915)
Current year payroll deductions	84,374,854	81,139,790	84,374,854	81,139,790
Amount paid - current year	(84,374,854)	(81,106,875)	(84,374,854)	(81,106,875)
	-	-	-	-
<b>Pension and Medical Aid Deductions</b>				
Current year payroll deductions & Council contributions	194,194,935	187,398,331	194,194,935	187,398,331
Amount paid - current year	(194,194,935)	(187,398,331)	(194,194,935)	(187,398,331)
	-	-	-	-
<b>VAT</b>				
VAT receivable	8,482	69,774	-	-
VAT payable	52,659,731	41,558,707	52,659,731	41,558,707
	<b>52,668,213</b>	<b>41,628,481</b>	<b>52,659,731</b>	<b>41,558,707</b>

VAT output payables and VAT input receivables are shown in note as net VAT payable.

All VAT returns have been submitted by the due date throughout the year. VAT is only declared to SARS on receipt of payment from consumers

### Councillors' arrear consumer accounts

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

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

The amounts reflected below relate to services that are due in excess of 30 days.

Credit control has been applied in the recovery of the outstanding debt.

The following Councillors had arrear accounts:

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
TI Dlamini	-	8,105	8,105
TRM Zungu	-	9,180	9,180
VGM Mlete	-	49,055	49,055
P Sithole	-	13,754	13,754
SC Ndawonde	-	542	542
DB Phungula	-	32,563	32,563
R Ahmed	-	15,788	15,788
FN Mbatha	-	2,933	2,933
	-	<b>131,920</b>	<b>131,920</b>
<b>30 June 2011</b>			
	Outstanding less than 90 days	Outstanding more than 90 days	Total
TI Dlamini	-	2,787	2,787
MB Mkhize	-	356	356
TRM Zungu	-	8,411	8,411
M Inderjit	-	3,893	3,893
TR Zuma	-	158	158
M Maphumalo	-	2,368	2,368
VGM Mlete	-	30,938	30,938
P Sithole	-	8,974	8,974
SC Ndawonde	-	15,186	15,186
DB Phungula	-	7,169	7,169
R Ahmed	-	12,032	12,032
T Matiwane	-	17,789	17,789
	-	<b>110,061</b>	<b>110,061</b>

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

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 41. Deviation from supply chain management regulations

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 City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incidents

Advertisements	870,657	-	870,657	-
Computer expenditure	78,484	20,000	78,484	20,000
Health and safety	329,771	-	329,771	-
Legal	168,144	-	168,144	-
Other	29,380	-	29,380	-
Repairs to property, plant and equipment	595,322	81,172	595,322	81,172
Repairs to motor vehicles	2,064,560	418,896	2,064,560	418,896
Repairs and maintenance	1,182,242	252,163	1,182,242	252,163
Water quality testing	-	15,924	-	15,924
Procurement of property, plant and equipment	-	70,990	-	70,990
Service delivery	72,640	-	72,640	-
Service delivery	59,000	-	59,000	-
Uniforms	689,850	-	689,850	-
	<b>6,140,050</b>	<b>859,145</b>	<b>6,140,050</b>	<b>859,145</b>

### 42. Prepaid electricity

Commissions - are calculated on sales from prepaid electricity sales made by vendors on behalf of the Council. The commissions are included in the general expenses category of the statement of financial performance.

In the 2006/2007 financial year two vendors had defaulted in depositing amounts received from prepaid sales. As a result no commission was paid to them. The defaulting vendors are Sweet waters and Phayiphini who had ceased trading in January 2007 and October 2006 respectively.

The amounts of R55 723 and R75 896 respectively are deemed to be irrecoverable for the 2005/2006 financial year. Also the amounts of R13 980 and R15 671 being the movements for the 2006/2007 year are deemed irrecoverable .

This matter is being handled by the legal division in conjunction with the SAPS- Commercial branch unit and Venn Nemeth & Hart attorneys.

### 43. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	141,033,294	69,047,000	141,033,294	69,047,000
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This committed expenditure relates to infrastructure assets and will be financed by available bank facilities.

### 44. Contingencies

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Refer to Appendix F for a detailed listing of the contingent liabilities	56,306,436	59,072,913	56,306,436	59,072,913
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# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 45. Related parties

The NCT tree farming (Pty) Ltd manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to a 5% management fee based on net profit.

Safe City has been formed as a partnership with the business community to combat crime in the city. Council allocates a grant in aid to the entity.

NCT - 5% of management fee	51,005	91,571	51,005	91,571
Safe City - grant	3,947,368	3,774,877	3,947,368	3,774,877
	<b>3,998,373</b>	<b>3,866,448</b>	<b>3,998,373</b>	<b>3,866,448</b>

### 46. Events after the reporting date

The assets and liabilities attached with the primary health care service department of their municipality have been presented as a discontinued operation following a Council decision dated 29 April 2011 to transfer the primary health care service department to the Kwazulu - Natal Provincial Government. The agreed date of transfer is 1 August 2012.

The non current assets are to be transferred at no cost or compensation to the municipality as per Council resolution dated 27 June 2012.

### 47. Discontinued operations or disposal groups or non-current assets held for sale

The decision was made by the accounting officer to discontinue these operations due the lack of return on investment.

The revenue and expenditure of the discontinued service is set below.

#### Surplus / Deficit

<b>Revenue</b>				
Grants and subsidies	3,266,965	12,488,226	3,266,965	12,488,226
Sundry	15,301	320	15,301	320
<b>Expenditure</b>				
Salaries and wages	(21,250,618)	(19,639,024)	(21,250,618)	(19,639,024)
General expenses	(3,983,367)	(3,884,123)	(3,983,367)	(3,884,123)
Departmental charges	(1,577,121)	(1,300,797)	(1,577,121)	(1,300,797)
	<b>(23,528,840)</b>	<b>(12,335,398)</b>	<b>(23,528,840)</b>	<b>(12,335,398)</b>

#### Assets and liabilities

##### Non-current assets held for sale

Property, plant and equipment	1,144,501	1,761,167	1,144,501	1,761,167
Other assets	23,569,837	25,432,795	23,569,837	25,432,795

### 48. Prior period errors

The comparative amounts have been re-stated as follows :

	-	(2,455,521)	-	(2,455,521)
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#### Transaction's affecting the statement of financial performance

##### Restatement of expenditure

Due to under and over accruals raised in expenditure	-	838,123	-	838,123
Cancellation of goods received notes	-	(2,175,145)	-	(2,175,145)
Reimbursement of survey costs on land sales	-	(452,037)	-	(452,037)
Adjustment to depreciation	-	(431,075)	-	(431,075)

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>48. Prior period errors (continued)</b>				
Write back of depreciation on investment properties	-	512,727	-	512,727
Reversal of duplication of a debtor	-	(140,000)	-	(140,000)
<b>Restatement of revenue</b>				
Consumer disputed billing	-	244,091	-	244,091
Writeback of unidentified receipts and revenue	-	(2,829)	-	(2,829)
Offset of rates revenue raised	-	(29,184)	-	(29,184)
Retrospective basic charges for electricity and refuse	-	(149,162)	-	(149,162)
Shortfall on commission due to prepaid vendors	-	418,814	-	418,814
Refund of surplus cash	-	360	-	360
	-	<b>(1,365,317)</b>	-	<b>(1,365,317)</b>
<b>Transaction's affecting the statement of financial position</b>				
<b>Restatement of trade and other payables</b>				
Due to errors control votes have been cleared	-	(1,152,054)	-	(1,152,054)
Refunds received from creditors due to overpayment	-	(45,724)	-	(45,724)
Consultant fee expensed due to developer not proceeding with development	-	150,093	-	150,093
Write back of financial instruments	-	(850,063)	-	(850,063)
<b>Restatement of trade and other receivables from non exchange transactions</b>				
Input vat not claimed from SARS	-	53	-	53
Write back of debtors	-	(13,772)	-	(13,772)
Write back of financial instruments	-	43,374,318	-	43,374,318
<b>Restatement of current provisions</b>				
Corrections on Debi market development	-	(28,800)	-	(28,800)
	-	<b>41,434,051</b>	-	<b>41,434,051</b>
Refer to Appendix H for detailed disclosure of prior period errors.				
<b>49. Irregular expenditure</b>				
Total irregular expenditure	221,368,337	222,825,734	221,368,337	222,825,734
<b>Reconciliation</b>				
Opening balance	222,825,734	185,613,918	222,825,734	185,613,918
Irregular expenditure for current year	27,482,884	37,211,816	27,482,884	37,211,816
Irregular expenditure condoned at Executive Committee - 05 April 2012	(19,708,214)	-	(19,708,214)	-
<b>Irregular expenditure awaiting Council condonement</b>	<b>230,600,404</b>	<b>222,825,734</b>	<b>230,600,404</b>	<b>222,825,734</b>
<b>2010 : Procurement irregularitiesSupply Chain Irregularities</b>				
Forensic investigations - Focus Project Management	-	570,000	-	570,000

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>49. Irregular expenditure (continued)</b>				
<b>2011: Procurement irregularities</b>				
Unauthorised hire of specialised vehicles for landfill site	-	468,960	-	468,960
Msunduzi One Regional Taxi Council - Contract PS 50 of 07/08	-	2,532,943	-	2,532,943
Awards to persons in service of state Unique Mbane SA (Pty) Ltd Contract PU79 of 07/08	-	18,585,855	-	18,585,855
Gestetner - Contract no 26 of 2004 (Full maintenance lease of office equipment)	-	13,778,059	-	13,778,059
ABB South Africa - splitting of orders	-	1,034,547	-	1,034,547
	-	241,452	-	241,452
	-	<b>36,641,816</b>	-	<b>36,641,816</b>
<b>2012 : Procurement irregularities</b>				
Awards to persons in service of state	7,146,839	-	7,146,839	-
Awards to persons in service of municipality	5,244,318	-	5,244,318	-
Msunduzi One Regional/Contract PU 79 of 07/08	2,390,726	-	2,390,726	-
Unique Mbane SA Pty / Contract PU 79 of 07/08	10,504,997	-	10,504,997	-
Gestetner - Contract no 26 of 2004	1,718,763	-	1,718,763	-
Lister and Lister	402,695	-	402,695	-
Book times	74,546	-	74,546	-
	<b>27,482,884</b>	-	<b>27,482,884</b>	-
<b>Analysis of condonment</b>				
<b>Forensic investigations</b>				
2008 / 2009	-	46,656,135	-	46,656,135
2009 / 2010	-	117,721,243	-	117,721,243
<b>Awards to persons in service of state</b>				
2009 / 2010	-	6,340,203	-	6,340,203
2010 / 2011	-	18,419,851	-	18,419,851
2011 / 2012	3,152,920	-	3,152,920	-
<b>Procurement irregularities - Unique Mbane</b>				
2009 / 2010	-	5,930,155	-	5,930,155
2010 / 2011	-	13,778,059	-	13,778,059
	<b>3,152,920</b>	<b>208,845,646</b>	<b>3,152,920</b>	<b>208,845,646</b>
At Executive Committee meetings held on the 05 April 2012 and 02 August 2012 irregular expenditure to the value of of R 19 708 214 and R 192 290 352 respectively were condoned.				
<b>50. Fruitless and wasteful expenditure</b>				
Fruitless and wasteful expenditure	3,956,970	3,077,827	3,956,970	3,077,827
<b>Reconciliation of fruitless and wasteful expenditure</b>				
Opening Balance	3,077,827	2,842,349	3,077,827	2,842,349
Fruitless and wasteful expenditure current year	879,143	235,478	879,143	235,478
<b>Fruitless and wasteful expenditure awaiting condonement/repayment</b>	<b>3,956,970</b>	<b>3,077,827</b>	<b>3,956,970</b>	<b>3,077,827</b>

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>50. Fruitless and wasteful expenditure (continued)</b>				
Interest on : Late payment to Gonal Construction - PU 90 of 08/09	-	72,464	-	72,464
Interest on : Late payment of Telkom accounts	22,011	46,375	22,011	46,375
Interest on : Late payment of Eskom accounts	11,708	32,485	11,708	32,485
Interest on : Late payment to Gonal Construction	-	3,343	-	3,343
Interest on : Late payment to H Collins and Sons	-	8,240	-	8,240
Interest on : Late payment to Masakhane Caterers	-	613	-	613
Interest on : Late payment to the Sheriff of the High Court	-	891	-	891
Advertising costs on tenders withdrawn	67,897	71,067	67,897	71,067
Cancellation of electricity contract : PriceWaterhouseCoopers	777,527	-	777,527	-
	<b>879,143</b>	<b>235,478</b>	<b>879,143</b>	<b>235,478</b>

A system has been put in place to stream-line the payment process to ensure non occurrence of interest costs. Staff have been advised on possible recovery of costs due negligence.

### 51. Unauthorised expenditure

Depreciation and asset impairment	21,071,373	136,390,573	21,071,373	136,390,573
Finance charges	-	570,740	-	570,740
	<b>21,071,373</b>	<b>136,961,313</b>	<b>21,071,373</b>	<b>136,961,313</b>

Depreciation is calculated as an estimate on the approved budget and taking in to account the previous years depreciation.

The following two factors are not considered when depreciation is estimated:

1. Depreciation as captured in the statement of financial performance is inclusive of offset depreciation which includes depreciation on revaluations.
2. Variances do occur due to asset reclassification, revaluations and review of useful lives of assets.

### 52. Electricity, water & inventory losses

Units purchased - kWh	1,752,171,161	21,752,171,161	1,752,171,161	1,752,171,161
Units sold - kWh	1,514,431,630	1,552,609,369	1,514,431,630	1,552,609,369
Loss - kWh	237,739,531	199,561,792	237,739,531	199,561,792
Electricity loss as a percentage	13	11	13	11
<b>Electricity loss in Rand value</b>	<b>119,063,582</b>	<b>82,413,730</b>	<b>119,063,582</b>	<b>82,413,730</b>

The acceptable norm of electricity loss is 3%. The significant electricity losses of 237,739,531 kWh (2011 - 199,561,792 kWh) occurred during the year under review, which resulted in material revenue losses to the municipality.

The loss above the norm is due to theft, distribution losses, illegal tampering of electricity meters and can also be attributable to the ageing infrastructure.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. Electricity, water & inventory losses (continued)

The following targets were set for the reduction of electricity losses:

- Physical audits will be carried out on all electricity meters
- Tampered meters will be removed and customers will be required to make good on debt before reinstatement.
- Where meters have been disconnected and reconnections have not been paid for, night checks will be done to ascertain whether customers have illegally reconnected the meter
- Provision has been made in the 2012/2013 capital budget for the acquisition of protected structures for housing the electricity meters.
- Customers will thereafter not have access to the electricity meters and this will assist in combating theft of electricity

#### Water losses

Units purchased -KI	66,801,851	61,846,351	66,801,851	61,846,351
Units sold - KI	39,643,638	39,031,160	39,643,638	39,031,160
Losses - KI	27,158,213	22,815,191	27,158,213	22,815,191
Apparent losses - KI	(7,061,135)	(1,393,188)	(7,061,135)	(1,393,188)
Real losses - KI	20,097,078	21,422,003	20,097,078	21,422,003
Water loss as a percentage	30	35	30	35
<b>Water loss in Rand value</b>	<b>75,116,846</b>	<b>75,459,006</b>	<b>75,116,846</b>	<b>75,459,006</b>

The acceptable norm in developing countries of water loss is 20%. The significant water losses of 20,097,078 kl (2011: 21,422,003 kl) occurred during the year under review, which resulted material revenue losses to the municipality.

The loss above the norm is due to theft, distribution losses, illegal tampering of water meters and can also be attributable to the ageing infrastructure.

The following targets were set for the reduction of water losses:

- Design of 10 new pressure reducing valves - 30 new pressure reducing valves were designed
- Commissioning of 8 new pressure reducing valves
- Optimisation of 50 existing PRV zones
- Completion of leak detection and repair activities on approximately 1 350km of reticulation
- Inspection and repair of 10 reservoirs
- Replacement of 5km of existing AC pipelines

The following achievements were made in the reduction of water losses:

- Design of 30 new pressure reducing valves
- Recommissioning of 8 new pressure reducing valves zones
- All zones were prepared for optimizations however due to budget constraints broken meters were not repaired and no installing of new meters could be done.
- Completed 1350km of leak detection
- 10 reservoirs were inspected however only one reservoir was repaired due to budget constraints
- Replacement of 3.485km of existing AC pipelines due to budget constraints.

#### Inventory losses

Central Stores - net write up of general ledger	132,048	408,486	132,048	408,486
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In the 2011 financial year, the following remedy has been implemented to control the movement of stock within the stores environment, the stores unit has created a separate dispatching and receiving bay to restrict the unnecessary cross flow of stock that is being received and stock that is being issued. The results of the implementation of this measure is twofold.



# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. Electricity, water &amp; inventory losses (continued)</b>				
•Firstly there is a check at the dispatch area of the number of items as per the requisition by a storeman and an assistant, the result of this is that we have seen a huge reduction in the number of shortages that have been reported on, as compared to previous years.				
Secondly the creation of the receiving bay where all items that are ordered by council are received except goods that are to be delivered to on-site locations has assisted in the reduction of short receipts on council orders. We have a stock monitor person that is tasked with the monitoring of materials delivered to on-site locations.				
Cable stores - net write down of general ledger	-	(72,491)	-	(72,491)

The 2010 variance arose through the theft of cable from the cable yard. Copper is a high value commodity in the scrap metal market place. The thefts took place over a period of time and all have been reported to the South African Police as well to the Municipality's Internal Security division.

The 2011 write down is primarily due to the theft of copper cable at the cable yard. The South African police have been informed and various cases of theft have been opened. The following remedy has been implemented and has since yielded positive results:

- The cable yard though being fenced off is further secured with a security guard a guard dog as well as intruder sensors during the night shift, we have relocated all the copper cable drums and these are being stored in a secure lockable storeroom.
- During the day the gate leading to the cable yard is locked and only when a request for cable is received is the gate unlocked and opened, the number of personnel entering the cable yard are also restricted to the crew that is requesting the cable.

For the 2011 financial year the Edendale store has been closed and all stores issues are being made from the central stores department.

In 2011 quarterly inventory counts have been performed. An inventory management plan has been drafted which indicate the procedures that have been implemented with regard to receipts, issuing, safeguarding and physical verification of stores items. Monthly reconciliation's are also being performed. A inventory policy is being drafted as part of the Supply Chain Management policies and procedures.

### 53. Traffic fines outstanding

#### As per NATIS - traffic department

Notice of intention to prosecute - 341's	3,019,600	892,900	3,019,600	892,900
Paid	(114,250)	-	(114,250)	-
Withdrawn	(377,150)	-	(377,150)	-
Unsuccessful	(37,350)	-	(37,350)	-
Section 56 notices - summons	8,422,200	2,744,150	8,422,200	2,774,150
Paid	(1,412,595)	-	(1,412,595)	-
Withdrawn	(1,352,550)	-	(1,352,550)	-
Unsuccessful	(1,388,205)	92,150	(1,388,205)	92,150
Warrant of arrests	(500,650)	4,825,150	(500,650)	4,825,150
	<b>6,259,050</b>	<b>8,554,350</b>	<b>6,259,050</b>	<b>8,584,350</b>

### 54. Comparative figures

Certain comparative figures have been reclassified.

The net effects of the reclassification are as follows:

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 54. Comparative figures (continued)

#### Statement of financial position

##### Trade and other payables and unspent grants

In the 2010/2011 financial year - trade & other payables: other payablesdecreased	-	145,962	-	145,962
In the 2010/2011 financial year - unspent conditional grant - sundryincreased	-	(145,962)	-	(145,962)

#### Statement of Financial Performance

In the 2010/2011 financial year - revenue : other revenue decreased	-	(2,102,845)	-	(2,102,845)
In the 2010/2011 financial year - revenue : government grants andsubsidies increased	-	2,102,845	-	2,102,845
In the 2010/2011 financial year - employee related costs increased	-	11,901,439	-	11,901,439
In the 2010/2011 financial year - general expenses decreased	-	(11,901,439)	-	(11,901,439)

### 55. Accumulated surplus / deficit

#### Implementation of GRAP - Ring fencing of reserves

Accumulated surplus	5,748,351,019	5,581,073,020	5,747,183,223	5,580,253,794
Self insurance reserve	60,248,528	50,335,072	60,248,528	50,335,072
Government grant reserve	520,904,789	538,916,363	520,904,789	538,916,363
Capital replacement reserve	12,635,718	12,635,718	12,635,718	12,635,718
	<b>6,342,140,054</b>	<b>6,182,960,173</b>	<b>6,340,972,258</b>	<b>6,182,140,947</b>

### 56. Intervention in terms of section 139 (1) (b) of the Constitution

Expenditure relating to the Provincial Intervention Team (PIT) for the period 1 July 2011 to 30 June 2012.

Salaries	-	2,379,513	-	2,379,513
Accommodation	-	295,817	-	295,817
Travelling	-	49,003	-	49,003
Subsistence	-	52,140	-	52,140
Car rental	-	52,268	-	52,268
Cellphone	-	22,977	-	22,977
Petrol	-	1,158	-	1,158
Forensic investigations	3,675,422	10,801,211	3,675,422	10,801,211
Conference	-	107,288	-	107,288
	<b>3,675,422</b>	<b>13,761,375</b>	<b>3,675,422</b>	<b>13,761,375</b>

The following expenditure for the Provincial Intervention Team (PIT) had deviated from normal supply chain management policy and procedures. These goods and services were procured under the Supply Chain Management Regulation Section 36 as emergency/ urgency requirement of goods and services.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>56. Intervention in terms of section 139 (1) (b) of the Constitution (continued)</b>				
<b>List of suppliers</b>				
Ben Dorfling	-	90,298	-	90,298
Class A Trading 253 (Pty) t/a Focus PMO	-	1,035,080	-	1,035,808
Conferences	-	158,897	-	158,897
Ezemvelo KZN Wild Life	-	33,400	-	33,400
Focus Project Management	1,158,595	2,567,964	1,158,595	2,567,964
Forensic Investigation Risk & Recovery Management (Pty) Ltd	-	9,018	-	9,018
Justica Investigations	-	299,464	-	299,464
Kirney Energy	-	626,068	-	626,068
KPMG Services	1,411,380	2,783,490	1,411,380	2,783,490
Kwazulu Natal Security	49,546	1,178,968	49,546	1,178,968
Liquid Amber	-	115,120	-	115,120
Masstores	-	4,196	-	4,196
Molodi Consulting	-	188,550	-	188,550
Msunduzi Vehicle Pool	-	3,549	-	3,549
Msunduzi Finance - Petty Cash	828	263,430	828	263,430
Piet Van Dyk	-	8,206	-	8,206
Potgieter Kunene Xaba	1,048,469	3,246,513	1,048,469	3,246,513
Reebib Rentals	-	11,531	-	11,531
S Sithole	-	207,000	-	207,000
SA Air Link	-	5,976	-	5,976
Spring Light	-	88,500	-	88,500
The Natal Witness	-	266	-	266
Topaz Lake Trading 107 CC	-	456,000	-	456,000
Truth Finders	-	2,400	-	2,400
Vido B & B	-	368,340	-	368,340
Zitkala Trading	-	8,423	-	8,423
W Geringer	6,604	-	6,604	-
	<b>3,675,422</b>	<b>13,760,647</b>	<b>3,675,422</b>	<b>13,761,375</b>

### 57. Change in estimate

#### Landfill rehabilitation provision

The New England Road landfill site provisional programme closure was awarded to Jeffares and Green in June 2011. The useful life of the landfill site was estimated in 2011 to be 10 years. The landfill site provision represents management's best estimate of the municipality's rehabilitation liability based on an valuation provided by an external consultant. The effect of this revision has increased the provision by R 2 036 237.

### 58. Comparison of budget against actual

Refer to Appendix G for the statement of comparatives of budgets against actuals.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 59. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

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

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

#### Market risk

An internal audit investigation was conducted during the 2010/2011 financial year. Discrepancies were identified and are in the process of being investigated and internal audit has been scheduled for follow up during the 2012/2013 financial year.

# The Msunduzi Municipality and its Municipal Entity

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

### 60. Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

<b>EXTERNAL LOANS</b>	<b>ACCOUNT NO</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30/06/11</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/12</b>
				<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM LOANS</b>							
DBSA - 15.5%	PMB8108710930	11158	30/09/2018	9,710,925		755,315	8,955,610
DBSA - 15.5%	PMB8108710930	11159	31/03/2019	12,163,888		848,137	11,315,752
DBSA - 15.5%	PMB8108710930	11160	31/03/2019	10,366,739		722,829	9,643,910
DBSA - 16.5%	PMB8108710930	13446	31/03/2020	19,760,048		1,067,259	18,692,788
DBSA - 16.5%	PMB8108710930	13447	31/03/2020	8,422,934		454,931	7,968,004
DBSA - 16.5%	PMB8108710930	13448	31/03/2020	12,471,278		673,586	11,797,693
DBSA - 14.27%	PMB8108710930	14039/101	31/12/2014	28,403,441		6,828,020	21,575,421
DBSA - 14.27%	PMB8108710930	14039/102	31/12/2015	874,416		152,172	722,244
DBSA - 14.27%	PMB8108710930	102091	2020/02/11	4,364,780		280,131	4,084,649
DBSA - 14.27%	PMB8108710930	102416	28/06/2021	40,544,640		2,585,363	37,959,277
DBSA - 10.75%	PMB7878718900	11649	30/6/2013	13,143		6,226	6,917
DBSA - 9.31%	PMB8108710930	101922	30/09/2020	19,810,442		1,384,882	18,425,560
DBSA - 8.7%	PMB8108710930	102797	30/09/2022	77,728,582		4,142,972	73,585,610
DBSA - 10.79%	PMB8108710930	103059/1	2023/09/30	58,951,982		2,387,029	56,564,953
DBSA - 6.75%	PMB8108710930	103059/2	2023/09/30	14,302,292		757,008	13,545,284
DBSA -12.02%	PMB8108710930	103594/1	2024/12/31	107,909,905		3,454,034	104,455,872
DBSA - 6.75%	PMB8108710930	103594/2	2024/12/31	35,187,541		1,659,781	33,527,761
DBSA - 12.10%	PMB8108710930	103721	2025/03/31	72,608,098	112,361,377	8,366,045	176,603,430
<b>DBSA Total</b>				<b>533,595,075</b>	<b>112,361,377</b>	<b>36,525,719</b>	<b>609,430,734</b>
RMB/INCA - 16.35%	PMB8108710929	Piet-00-0001	2010/12/31	2,000,265		1,191,467	808,798
RMB/INCA - 13.39%	PMB8108710929	Msun-00-0001	2010/12/31	3,816,564		3,816,564	-
INCA - 11.65%	PMB8108710929	Msun-00-0001	2013/12/31	10,950,132		4,010,757	6,939,374
<b>RMB/INCA Total</b>				<b>16,766,962</b>		<b>9,018,789</b>	<b>7,748,173</b>
RMB/HULETTS - 8.71%	PMB8108710931	Sub-station	2013/06/30	3,662,843		1,303,403	2,359,439
<b>RMB/HULETTS Total</b>				<b>3,662,843</b>	<b>-</b>	<b>1,303,403</b>	<b>2,359,439</b>
<b>Total Long-term Loans</b>				<b>554,024,880</b>	<b>112,361,377</b>	<b>46,847,910</b>	<b>619,538,346</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

<b>EXTERNAL LOANS</b>	<b>ACCOUNT NO</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30/06/11</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/12</b>
<b>LEASE LIABILITY</b>							
Nedbank - 10.000%	PMB 810 871 0965	Nedbank 1	31/12/2011	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0966	Nedbank 2	31/12/2012	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0967	Nedbank 3	31/12/2013	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0968	Nedbank 4	31/12/2014	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0969	Nedbank 5	31/12/2015	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0970	Nedbank 6	31/12/2016	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0971	Nedbank 7	31/12/2017	19,435	-	19,435	0
Nedbank - 10.000%	PMB 810 871 0972	Nedbank 8	31/12/2018	20,132	-	20,132	0
Nedbank - 10.000%	PMB 810 871 0973	Nedbank 9	31/12/2019	20,154	-	20,154	-0
Nedbank - 10.000%	PMB 810 871 0974	Nedbank 10	31/12/2014	266,522	-	66,925	199,597
Nedbank - 10.000%	PMB 810 871 0975	Nedbank 11	24/12/2014	266,522	-	66,925	199,597
Nedbank - 10.500%	PMB 810 871 0976	Nedbank 12	31/12/2017	1,417,727	-	179,076	1,238,651
Nedbank - 10.413%	PMB 810 871 0977	Nedbank 13	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0978	Nedbank 14	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0979	Nedbank 15	2012/06/30	0	-	-	0
Nedbank - 10.413%	PMB 810 871 0980	Nedbank 16	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0981	Nedbank 17	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0982	Nedbank 18	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0983	Nedbank 19	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0984	Nedbank 20	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0985	Nedbank 21	2012/06/30	39,558	-	39,558	0
Nedbank - 10.413%	PMB 810 871 0986	Nedbank 22	2012/06/30	39,558	-	39,558	0
Nedbank - 13.369%	PMB 810 871 0138	Nedbank 23	2013/10/01	127,139	-	49,704	77,436
Nedbank - 13.369%	PMB 810 871 0139	Nedbank 24	2013/10/01	127,139	-	49,704	77,436
Nedbank - 13.369%	PMB 810 871 0137	Nedbank 26	2013/10/01	127,139	-	49,704	77,436
Nedbank - 13.369%	PMB 810 871 0104	Nedbank 27	2013/10/01	115,497	-	45,152	70,344
Nedbank - 13.369%	PMB 810 871 0102	Nedbank 28	2013/10/01	115,497	-	45,152	70,344
Nedbank - 13.369%	PMB 810 871 0103	Nedbank 29	2013/10/01	115,497	-	45,152	70,344
Nedbank - 13.369%	PMB 810 871 0105	Nedbank 30	2013/10/01	173,410	-	67,793	105,618
Nedbank - 13.369%	PMB 810 871 0109	Nedbank 31	2013/10/01	83,872	-	32,789	51,083
Nedbank - 13.369%	PMB 810 871 0107	Nedbank 32	2013/10/01	83,872	-	32,789	51,083
Nedbank - 13.369%	PMB 810 871 0110	Nedbank 33	2013/10/01	83,872	-	32,789	51,083
Nedbank - 13.369%	PMB 810 871 0108	Nedbank 34	2013/10/01	85,065	-	33,255	51,810
Nedbank - 13.369%	PMB 810 871 0106	Nedbank 35	2013/10/01	171,604	-	67,087	104,517
Nedbank - 13.369%	PMB 810 871 0128	Nedbank 36	2013/10/01	67,430	-	26,361	41,069
Nedbank - 13.369%	PMB 810 871 0100	Nedbank 37	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0999	Nedbank 38	2013/10/01	38,320	-	14,981	23,341
Nedbank - 13.369%	PMB 810 871 0998	Nedbank 39	2013/10/01	38,320	-	38,320	-0
Nedbank - 13.369%	PMB 810 871 0997	Nedbank 40	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0996	Nedbank 41	2013/10/01	38,320	-	38,320	-0
Nedbank - 13.369%	PMB 810 871 0995	Nedbank 42	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0994	Nedbank 43	2013/10/01	38,320	-	14,981	23,339

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

<b>EXTERNAL LOANS</b>	<b>ACCOUNT NO</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30/06/11</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/12</b>
Nedbank - 13.369%	PMB 810 871 0131	Nedbank 44	2013/10/01	67,430	-	26,361	41,069
Nedbank - 13.369%	PMB 810 871 0993	Nedbank 45	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0129	Nedbank 46	2013/10/01	67,430	-	26,361	41,069
Nedbank - 13.369%	PMB 810 871 0101	Nedbank 47	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0130	Nedbank 48	2013/10/01	67,430	-	26,361	41,069
Nedbank - 13.369%	PMB 810 871 0991	Nedbank 49	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0990	Nedbank 51	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0988	Nedbank 52	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0989	Nedbank 53	2013/10/01	38,320	-	38,320	-0
Nedbank - 13.369%	PMB 810 871 0992	Nedbank 54	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.369%	PMB 810 871 0987	Nedbank 55	2013/10/01	38,320	-	14,981	23,339
Nedbank - 13.556%	PMB 810 871 0133	Nedbank 56	2013/10/01	57,573	-	22,478	35,095
Nedbank - 13.556%	PMB 810 871 0134	Nedbank 57	2013/10/01	57,573	-	22,478	35,095
Nedbank - 13.556%	PMB 810 871 0135	Nedbank 58	2013/10/01	57,573	-	22,478	35,095
Nedbank - 13.556%	PMB 810 871 0132	Nedbank 59	2013/10/01	57,573	-	22,478	35,095
Nedbank - 13.369%	PMB 810 871 0121	Nedbank 60	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0119	Nedbank 62	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0123	Nedbank 63	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0122	Nedbank 64	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0113	Nedbank 65	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0115	Nedbank 66	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0120	Nedbank 67	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0125	Nedbank 68	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0114	Nedbank 69	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0112	Nedbank 70	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0124	Nedbank 71	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0117	Nedbank 72	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0127	Nedbank 73	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0126	Nedbank 74	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0116	Nedbank 75	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0118	Nedbank 76	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.369%	PMB 810 871 0111	Nedbank 77	2013/10/01	75,937	-	29,687	46,250
Nedbank - 13.376%	PMB 810 871 0140	Nedbank 78	2013/10/01	155,912	-	58,505	97,407
Nedbank - 13.376%	PMB 810 871 0141	Nedbank 79	2013/10/01	156,827	-	58,848	97,979
Nedbank - 13.376%	PMB 810 871 0142	Nedbank 80	2013/10/01	153,057	-	57,434	95,623
Nedbank - 13.376%	PMB 810 871 0143	Nedbank 81	2013/10/01	156,965	-	58,900	98,065
<b>Nedbank Total</b>				<b>6,881,219</b>	<b>-</b>	<b>2,624,787</b>	<b>4,256,434</b>
Airport security system	PMB 810 871 0002	Khomani	31/03/2012	306,673	-	306,673	-
<b>Other Finance lease total</b>				<b>306,673</b>	<b>-</b>	<b>306,673</b>	<b>-</b>
<b>Total lease liability</b>				<b>7,187,892</b>	<b>-</b>	<b>2,931,460</b>	<b>4,256,434</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>561,212,771</b>	<b>112,361,377</b>	<b>49,779,370</b>	<b>623,794,779</b>



**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012**

	Cost							Accumulated Depreciation						
	Opening Balance	Adjustments	Impairment	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals current year	Disposals Acc. Depreciation	Closing Balance	Carrying Value
<b>LAND AND BUILDINGS</b>														
Land	274,319,488	4,099,000	-	-	-	-530,000	277,888,488	-	-	-	-	-	-	277,888,488
Buildings	285,537,756	-	-	-	11,701,509	-13,990	297,225,274	73,917,081	-	18,692,616	-280.37	-0.77	92,609,416	204,615,858
Investment Property	405,306,365	-158,828,228	-585,791	135,120,000	-	-	381,012,346	-	-	-	-	-	-	381,012,346
<b>Total Land and Buildings</b>	<b>965,163,608</b>	<b>-154,729,228</b>	<b>-585,791</b>	<b>135,120,000</b>	<b>11,701,509</b>	<b>-543,990</b>	<b>956,126,108</b>	<b>73,917,081</b>	<b>-</b>	<b>18,692,616</b>	<b>-280</b>	<b>-0.77</b>	<b>92,609,416</b>	<b>863,516,692</b>
<b>ELECTRICITY</b>														
HV Overhead Lines	55,106,836	-	-	-	623,684	-	55,730,520	3,999,644	-	1,067,652	-	-	5,067,296	50,663,224
HV Substations	213,203,105	-	-	15,942,419	-	-	229,145,524	15,355,635	-	4,441,917	-	-	19,797,551	209,347,973
HV Underground Cables	15,087,569	-	-	-	-	-	15,087,569	1,159,647	-	290,742	-	-	1,450,389	13,637,180
LV Street Lighting	47,511,616	-	-	2,533,991	-	-	50,045,608	2,429,880	-	833,732	-	-	3,263,612	46,781,995
MV Ground Mounted Transformers	5,826,132	-	-	6,671,394	-	-	12,497,526	106,213	-	57,483	-	-	163,696	12,333,830
Transformer Kiosks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Mini Substations	107,179,585	-	-	-	-	-	107,179,585	8,201,010	-	2,066,094	-	-	10,267,104	96,912,481
MV Overhead Lines	23,406,159	-	-	-	-	-	23,406,159	1,755,263	-	451,818	-	-	2,207,081	21,199,077
MV Substations	121,558,459	-	-	342,743	-	-	121,901,202	9,898,970	-	2,518,186	-	-	12,417,156	109,484,045
MV Underground Cables	709,491,306	-	-	-	-	-	709,491,306	54,501,877	-	13,672,982	-	-	68,174,859	641,316,447
MV Pole Mounted Transformers	14,351,651	-	-	116,800	-	-	14,468,451	1,048,501	-	277,430	-	-	1,325,931	13,142,520
MV Ring Main Unit	14,042,379	-	-	-	-	-	14,042,379	994,360	-	304,652	-	-	1,299,012	12,743,367
<b>Total Electricity</b>	<b>1,326,764,798</b>	<b>-</b>	<b>-</b>	<b>25,607,347</b>	<b>623,684</b>	<b>-</b>	<b>1,352,995,828</b>	<b>99,451,001</b>	<b>-</b>	<b>25,982,688</b>	<b>-</b>	<b>-</b>	<b>125,433,689</b>	<b>1,227,562,140</b>
<b>ROADS</b>														
Overhead Gantry	130,000	-	-	-	-	-	130,000	5,098	-	1,277	-	-	6,375	123,625
Concrete Roads	26,225,076	-	-	-	-	-	26,225,076	1,977,893	-	495,492	-	-	2,473,384	23,751,692
Flexible Roads	1,420,989,594	-3,306	-	31,714,004	36,855,605	-	1,489,555,897	193,707,829	-	49,418,211	-	-	243,126,040	1,246,429,857
Unpaved Roads	131,841,005	-	-	-	-	-	131,841,005	39,180,640	-	9,815,403	-	-	48,996,043	82,844,962
Other Roads	135,988,419	-	-	217,737	-	-	136,206,156	6,313,310	-	3,408,966	-	-	9,722,276	126,483,880
Structures	236,124,543	-	-	225,323	471,556	-	236,821,422	9,181,872	-	2,323,607	-	-	11,505,479	225,315,943
Signalized Intersections	44,732,227	-	-	-	-	-	44,732,227	9,278,561	-	2,432,866	-	-	11,711,427	33,020,800
Airport Runway	59,460,553	-	-	6,455,212	-	-	65,915,765	4,662,122	-	1,177,733	-	-	5,839,855	60,075,910
<b>Total Roads</b>	<b>2,055,491,417</b>	<b>-3,306</b>	<b>-</b>	<b>38,612,276</b>	<b>37,327,162</b>	<b>-</b>	<b>2,131,427,548</b>	<b>264,307,324</b>	<b>-</b>	<b>69,073,554</b>	<b>-</b>	<b>-</b>	<b>333,380,879</b>	<b>1,798,046,669</b>
<b>SANITATION</b>														
Sewer Treatment Works	2,760,618	-	-	-	-	-	2,760,618	379,404	-	95,048	-	-	474,452	2,286,166
Pump Stations	11,070,901	-	-	-	9,285,790	-	20,356,691	1,588,130	-	430,474	-	-	2,018,604	18,338,087
Bulk Sewers	63,891,107	-	-	-	-	-	63,891,107	4,059,229	-	1,026,360	-	-	5,085,589	58,805,518
Sewer Reticulation	511,504,518	-	-	-	28,887,398	-	540,391,915	37,664,379	-	10,708,487	-	-	48,372,867	492,019,049
<b>Total Sanitation</b>	<b>589,227,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,173,188</b>	<b>-</b>	<b>627,400,331</b>	<b>43,691,143</b>	<b>-</b>	<b>12,260,369</b>	<b>-</b>	<b>-</b>	<b>55,951,512</b>	<b>571,448,819</b>
<b>WATER</b>														
Water Reticulation	374,657,412	-74,000	-	-	21,535,980	-	396,119,392	29,740,923	-	7,817,967	-	-	37,558,891	358,560,501
Pump Stations	9,809,888	-	-	-	-	-	9,809,888	1,973,877	-	494,492	-	-	2,468,369	7,341,518
Reservoirs	126,237,554	-	-	-	3,416,226	-	129,653,780	6,421,862	-	1,648,713	-	-	8,070,574	121,583,206
Water Supply Bulk Water Pipelines	444,721,785	-	-	-	-	-	444,721,785	20,057,126	-	5,062,763	-	-	25,119,888	419,601,897
Water Supply Pressure Reduce Valves	3,764,700	-	-	-	-	-	3,764,700	885,666	-	221,876	-	-	1,107,542	2,657,158
Water Meters	230,940	-	-	-	-	-	230,940	54,331	-	13,612	-	-	67,943	162,997
<b>Total Water</b>	<b>959,422,279</b>	<b>-74,000</b>	<b>-</b>	<b>-</b>	<b>24,952,206</b>	<b>-</b>	<b>984,300,485</b>	<b>59,133,785</b>	<b>-</b>	<b>15,259,422</b>	<b>-</b>	<b>-</b>	<b>74,393,208</b>	<b>909,907,278</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012**

	Cost							Accumulated Depreciation					Carrying Value	
	Opening Balance	Adjustments	Impairment	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals current year	Disposals Acc. Depreciation		Closing Balance
<b>SECURITY</b>														
Fencing	4,401,501	0		405,390	-	-	4,806,891	2,099,756	-	625,194	-	-	2,724,950	2,081,941
Security Systems	24,254,166	-		12,068	-	-	24,266,234	15,812,678	-	1,940,601	-	-	17,753,279	6,512,955
Access Control	173,768	-		-	-	-	173,768	73,988	-	26,252	-	-	100,240	73,528
	<b>28,829,436</b>	-		<b>417,458</b>	-	-	<b>29,246,894</b>	<b>17,986,423</b>	-	<b>2,592,047</b>	-	-	<b>20,578,470</b>	<b>8,668,424</b>
<b>STORMWATER</b>														
Rivers	-													
Major Culverts	41,382,991	-		-	-	-	41,382,991	3,097,965	-	798,485	-	-	3,896,450	37,486,541
Minor Culverts	662,608	-		-	-	-	662,608	50,306	-	12,603	-	-	62,909	599,700
Kerb Inlets	87,153,219	-		-	-	-	87,153,219	12,877,642	-	3,235,250	-	-	16,112,893	71,040,326
Manholes	56,558,788	-		-	-	-	56,558,788	8,378,203	-	2,098,879	-	-	10,477,081	46,081,707
Open Channels	13,309,316	-		778,857	-	-	14,088,172	988,990	-	257,014	-	-	1,246,003	12,842,169
Stormwater Drains	-	-		-	-	-	-	-	-	-	-	-	-	-
Reticulation	346,862,312	-		457,755	-	-	347,320,067	26,319,666	-	6,698,934	-	-	33,018,600	314,301,467
Head and Wingwalls	5,549,544	-		-	-	-	5,549,544	822,069	-	205,942	-	-	1,028,011	4,521,533
	<b>551,478,778</b>	-		<b>1,236,612</b>	-	-	<b>552,715,389</b>	<b>52,534,841</b>	-	<b>13,307,107</b>	-	-	<b>65,841,947</b>	<b>486,873,442</b>
<b>RAILWAY LINES</b>														
Railway Lines	3,509,480	-		-	-	-	3,509,480	1,532,151	-	102,392	-	-	1,634,544	1,874,937
	<b>3,509,480</b>	-		-	-	-	<b>3,509,480</b>	<b>1,532,151</b>	-	<b>102,392</b>	-	-	<b>1,634,544</b>	<b>1,874,937</b>
<b>SOLID WASTE</b>														
Garden Refuse	1,886,197	-		-	-	-	1,886,197	311,828	-	78,118	-	-	389,946	1,496,250
Landfill Site	2,693,157	-		-	-	-	2,693,157	324,515	-	81,295	-	-	405,811	2,287,346
Sorting Stations	870,400	-		-	-	-	870,400	121,066	-	30,329	-	-	151,396	719,004
	<b>5,449,754</b>	-		-	-	-	<b>5,449,754</b>	<b>757,410</b>	-	<b>189,742</b>	-	-	<b>947,152</b>	<b>4,502,601</b>
<b>Total Infrastructure Assets</b>	<b>5,520,173,085</b>	<b>-77,306</b>		<b>65,873,692</b>	<b>101,076,240</b>	<b>-</b>	<b>5,687,045,710</b>	<b>539,394,079</b>	<b>-</b>	<b>138,767,322</b>	<b>-</b>	<b>-</b>	<b>678,161,401</b>	<b>5,008,884,309</b>
<b>COMMUNITY ASSETS</b>														
<b>Community Buildings</b>														
Fire Stations	19,138,985	4,274,582		8,150	-	-	23,421,717	4,769,335	427,400	1,307,594	-	-	6,504,328	16,917,388
Stadiums	48,364,275	-		542,030	-	-	48,906,305	12,921,623	-	3,262,400	-	-	16,184,023	32,722,282
Public Conveniences	58,094,804	-		-	-	-	58,094,804	14,769,098	-	3,700,384	-	-	18,469,481	39,625,323
Clinics	23,914,863	-		-	680,578	-	24,595,441	7,376,657	-	1,861,947	-	-	9,238,604	15,356,837
Libraries	82,248,944	-		33,458	132,241	-	82,414,643	21,297,425	-	5,455,731	-	-	26,753,156	55,661,487
Community Centres	147,608,489	-		-	1,380,576	-	148,989,065	39,761,470	-	10,125,410	-	-	49,886,880	99,102,185
Museums and Art Galleries	16,149,438	-		-	-	-	16,149,438	4,504,542	-	1,136,756	-	-	5,641,299	10,508,139
Beer halls	-	-		-	-	-	-	-	-	-	-	-	-	-
Cemeteries	1,475,197	-		-	-	-	1,475,197	145,724	-	36,507	-	-	182,231	1,292,967
Parks	5,976,333	-		-	-	-	5,976,333	1,774,003	-	445,826	-	-	2,219,830	3,756,503
Civic Theatres	41,243,466	-		-	-	-	41,243,466	12,268,361	-	3,076,053	-	-	15,344,414	25,899,052
	<b>444,214,795</b>	<b>4,274,582</b>		<b>583,638</b>	<b>2,193,395</b>	<b>-</b>	<b>451,266,409</b>	<b>119,588,238</b>	<b>427,400</b>	<b>30,408,608</b>	<b>-</b>	<b>-</b>	<b>150,424,246</b>	<b>300,842,163</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012**

	Cost							Accumulated Depreciation							Carrying Value
	Opening Balance	Adjustments	Impairment	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals current year	Disposals Acc. Depreciation	Closing Balance		
<b>Community Recreational Facilities</b>															
Swimming Pools	13,307,663	-	-	36,009	-	-	13,343,672	4,158,806	-	1,044,670	-	-	5,203,476	8,140,196	
Sports Facilities	6,934,027	-	-	7,515	757,175	-	7,698,717	1,964,460	-	504,973	-	-	2,469,434	5,229,283	
Squash Courts	4,604,299	-	-	-	-	-	4,604,299	1,397,820	-	350,181	-	-	1,748,001	2,856,298	
Cemeteries	5,661,164	-	-	-	2,591,000	-	8,252,164	687,489	-	206,776	-	-	894,265	7,357,899	
Parks	9,533,291	-	-	-	-	-	9,533,291	820,740	-	231,814	-	-	1,052,554	8,380,737	
Sports Grounds	167,882,835	-	-	-	-	-	167,882,835	25,361,970	-	6,357,757	-	-	31,719,727	136,163,108	
	<b>207,923,279</b>	-	-	<b>43,523</b>	<b>3,348,175</b>	-	<b>211,314,977</b>	<b>34,491,285</b>	-	<b>8,696,171</b>	-	-	<b>43,187,456</b>	<b>168,127,521</b>	
<b>Total Community Assets</b>	<b>652,138,074</b>	<b>4,274,582</b>	-	<b>627,161</b>	<b>5,541,570</b>	-	<b>662,581,386</b>	<b>154,079,523</b>	<b>427,400</b>	<b>39,104,780</b>	-	-	<b>193,611,703</b>	<b>468,969,684</b>	
<b>OTHER ASSETS</b>															
<b>Other Properties</b>															
Housing Schemes	75,261,033	-	-	-	-	-	75,261,033	20,292,733	-	5,134,257	-	-	25,426,990	49,834,042	
Markets	226,464,822	-	-	-	-	-	226,464,822	61,104,082	-	15,318,387	-	-	76,422,468	150,042,354	
Sewerage works and Dump Site	796,654	-	-	-	-	-	796,654	262,032	-	65,644	-	-	327,676	468,977	
Workshops and Depots	29,594,652	1,999,902	-	-	-	-	31,594,554	9,088,255	199,963	2,324,993	-	-	11,613,210	19,981,344	
Hostels	387,235	-	-	-	-	-	387,235	113,845	-	28,520	-	-	142,365	244,870	
Training Centre	3,331,557	-	-	-	-	-	3,331,557	1,014,739	-	256,426	-	-	1,271,165	2,060,393	
Landfill Site	6,022,197	-	-	-	5,631,774	-	11,653,971	546,665	-	182,359	-	-	729,024	10,924,947	
Old Age Homes	924,086	-	-	-	-	-	924,086	312,317	-	78,241	-	-	390,559	533,527	
Transport Facility	30,470,324	-	-	-	7,988	-	30,478,311	4,796,090	-	1,293,543	-	-	6,089,633	24,388,678	
Crematoriums	7,316,014	-	-	-	-	-	7,316,014	1,796,447	-	461,406	-	-	2,257,854	5,058,160	
Nurseries	9,811,035	-	-	-	-	-	9,811,035	2,968,250	-	743,798	-	-	3,712,048	6,098,987	
Airport Buildings	16,923,047	-	-	2,033,564	-	-	18,956,611	4,624,767	-	1,181,040	-	-	5,805,807	13,150,804	
Creches	3,671,036	-	-	-	-	-	3,671,036	1,159,578	-	290,497	-	-	1,450,075	2,220,961	
Substations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<b>410,973,691</b>	<b>1,999,902</b>	-	<b>2,033,564</b>	<b>5,639,762</b>	-	<b>420,646,919</b>	<b>108,079,800</b>	<b>199,963</b>	<b>27,359,111</b>	-	-	<b>135,638,874</b>	<b>285,008,044</b>	
<b>Total Other Assets</b>	<b>410,973,691</b>	<b>1,999,902</b>	-	<b>2,033,564</b>	<b>5,639,762</b>	-	<b>420,646,919</b>	<b>108,079,800</b>	<b>199,963</b>	<b>27,359,111</b>	-	-	<b>135,638,874</b>	<b>285,008,044</b>	
<b>Plant and Equipment</b>															
Graders	8,307,273	-	-	-	-	-	8,307,273	4,418,789	-	832,744	-	-	5,251,533	3,055,741	
Tractors	8,997,350	-	-	-	-	-	8,997,350	6,095,466	-112,573	889,639	-	-	6,872,532	2,124,819	
Farm Equipment	83,448	-	-	-	-	-	83,448	77,148	-	4,029	-	-	81,177	2,271	
Lawnmowers	2,387,746	34,800	-	183,206	-	-	2,605,752	1,826,382	27,363	403,055	-	-	2,256,799	348,953	
Compressors	138,950	-	-	-	-	-	138,950	87,230	-	27,885	-	-	115,115	23,835	
Laboratory Equipment	1,539,868	-	-	6,172	-	-	1,546,040	1,056,504	-28,873	233,847	-	-	1,261,478	284,563	
Radio Equipment	1,468,172	-	-	202,930	-	-	1,671,102	918,011	-	266,931	-	-	1,184,942	486,160	
Firearms	31,800	-	-	-	-	-	31,800	6,373	-	6,373	-	-	12,746	19,054	
Telecommunication	5,790,393	-	-	-	-	-	5,790,393	4,419,315	-	735,499	-	-	5,154,814	635,579	
Plant and Equipment	18,669,426	39,200	-	4,600,143	-	-1,101	23,307,668	10,481,889	-39,224	3,842,390	-155,99	-770	14,284,129	9,023,539	
Cremators	1,767,178	-	-	-	-	-	1,767,178	616,204	-	118,063	-	-	734,267	1,032,910	
	<b>49,181,604</b>	<b>74,000</b>	-	<b>4,992,451</b>	-	<b>-1,101</b>	<b>54,246,954</b>	<b>30,003,311</b>	<b>-153,308</b>	<b>7,380,455</b>	<b>-156</b>	<b>-770</b>	<b>37,209,532</b>	<b>17,037,422</b>	
<b>Office Equipment</b>															
Computer Hardware	34,042,334	-	-	1,233,291	-	-	35,275,625	21,278,025	-43,777	5,983,320	-	-	27,217,568	8,058,057	
Office Machines	4,685,891	2,707	-	27,159	-	-2,887	4,712,870	2,973,659	-53,640	831,672	-79	-971	3,750,640	962,229	
Airconditioners	11,603,995	-	-	40,345	-	-	11,644,339	6,966,548	-	2,141,205	-	-	9,107,752	2,536,587	
	<b>50,332,220</b>	<b>2,707</b>	-	<b>1,300,794</b>	-	<b>-2,887</b>	<b>51,632,834</b>	<b>31,218,231</b>	<b>-97,417</b>	<b>8,956,196</b>	<b>-79</b>	<b>-971</b>	<b>40,075,961</b>	<b>11,556,873</b>	

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012**

	Cost							Accumulated Depreciation						Carrying Value
	Opening Balance	Adjustments	Impairment	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Adjustments	Additions (Depreciation)	Disposals current year	Disposals Acc. Depreciation	Closing Balance	
<b>Furniture and Fittings</b>														
Chairs	9,869,282	-		66,935	-	-	9,936,217	5,751,436	-	1,346,745	-	-	7,098,181	2,838,037
Tables and Desks	8,526,822	-		28,600	-	-271	8,555,151	4,571,581	-	1,153,424	-19,66	-70,09	5,724,915	2,830,237
Cabinets and Cupboards	10,370,639	-2,707		6,370	-	-	10,374,302	5,135,814	-1,781	1,434,096	-	-	6,568,128	3,806,174
Furniture and Fittings Other	5,580,685	-		90,433	-	-	5,671,119	3,519,012	-11,730,01	604,227	-	-	4,111,509	1,559,610
	<b>34,347,428</b>	<b>-2,707</b>		<b>192,338</b>	<b>-</b>	<b>-271</b>	<b>34,536,789</b>	<b>18,977,842</b>	<b>-13,511</b>	<b>4,538,491</b>	<b>-20</b>	<b>-70</b>	<b>23,502,733</b>	<b>11,034,056</b>
<b>Containers</b>														
Household Refuse Bins	116,023	-		-	-	-	116,023	78,042	-	23,286	-	-	101,328	14,695
Bulk Containers	1,258,635	-		-	-	-	1,258,635	592,869	-	126,123	-	-	718,992	539,643
	<b>1,374,658</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,374,658</b>	<b>670,911</b>	<b>-</b>	<b>149,409</b>	<b>-</b>	<b>-</b>	<b>820,320</b>	<b>554,338</b>
<b>Fire and Medical Equipment</b>														
Fire Equipment	8,966,067	-		23,688	-	-	8,989,755	4,134,031	-	598,999	-	-	4,733,030	4,256,726
Medical Equipment Clinics	1,379,111	-		2,990	-	-	1,382,101	896,583	-42,476	257,598	-	-	1,111,705	270,396
	<b>10,345,178</b>	<b>-</b>		<b>26,678</b>	<b>-</b>	<b>-</b>	<b>10,371,856</b>	<b>5,030,613</b>	<b>-42,476</b>	<b>856,597</b>	<b>-</b>	<b>-</b>	<b>5,844,735</b>	<b>4,527,122</b>
<b>Motor Vehicles</b>														
Fire Engines	29,430,074	-		-	-	-	29,430,074	3,955,035	-	1,474,536	-	-	5,429,571	24,000,503
Buses	55,750	-		-	-	-	55,750	34,978	-	3,726	-	-	38,704	17,046
Motor Vehicles	17,287,543	-		1,051,367	-	-13,353	18,325,557	11,395,935	-127,294	3,340,149	-2,676,08	-7,779,02	14,598,335	3,727,221
Motor Cycles	1,010,440	-		-	-	-	1,010,440	739,016	74,614	104,400	-	-	918,030	92,410
Trucks and Bakkies	90,713,129	-		23,522,852	-	-181,964	114,054,017	55,362,545	-252,084	18,367,618	-36,591,46	-106,086,58	73,535,401	40,518,616
Trailers	1,814,077	-		-	-	-	1,814,077	1,028,355	-	360,881	-	-	1,389,237	424,840
	<b>140,311,013</b>	<b>-</b>		<b>24,574,219</b>	<b>-</b>	<b>-195,317</b>	<b>164,689,915</b>	<b>72,715,864</b>	<b>-304,763</b>	<b>23,651,310</b>	<b>-39,268</b>	<b>-113,866</b>	<b>95,909,278</b>	<b>68,780,637</b>
<b>General</b>														
Water Craft	131,177	-		-	-	-	131,177	69,961	-	8,763	-	-	78,724	52,453
Artworks	2,032,853	-		53,000	-	-	2,085,853	-	-	-	-	-	-	2,085,853
	<b>2,164,031</b>	<b>-</b>		<b>53,000</b>	<b>-</b>	<b>-</b>	<b>2,217,031</b>	<b>69,961</b>	<b>-</b>	<b>8,763</b>	<b>-</b>	<b>-</b>	<b>78,724</b>	<b>2,138,306</b>
<b>Total Movable Assets</b>	<b>288,056,133</b>	<b>74,000</b>		<b>31,139,480</b>	<b>-</b>	<b>-199,576</b>	<b>319,070,037</b>	<b>158,686,735</b>	<b>-611,476</b>	<b>45,521,221</b>	<b>-39,522</b>	<b>-115,676</b>	<b>203,441,283</b>	<b>115,628,754</b>
<b>Intangible Assets</b>														
Computer Software	8,359,804	-		-	-	-	8,359,804	5,903,721	-43,248	1,711,302	-	-	7,571,775	788,029
Intangible Assets/software	12,901,040	-		15,499	-	-	12,916,539	8,878,447	223,551	1,947,854	-	-	11,049,852	1,866,687
	<b>21,260,844</b>	<b>-</b>		<b>15,499</b>	<b>-</b>	<b>-</b>	<b>21,276,343</b>	<b>14,782,168</b>	<b>180,303</b>	<b>3,659,157</b>	<b>-</b>	<b>-</b>	<b>18,621,627</b>	<b>2,654,716</b>
Servitudes	803,846	-		-	-	-	803,846	-	-	-	-	-	-	803,846
	<b>803,846</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>803,846</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>803,846</b>
<b>Biological assets</b>														
Agricultural /Biological Assets	605,380	-		42,881	-	-	648,261	-	-	-	-	-	-	648,261
	<b>605,380</b>	<b>-</b>		<b>42,881</b>	<b>-</b>	<b>-</b>	<b>648,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>648,261</b>
<b>Grand Total Assets</b>	<b>7,859,174,660</b>	<b>-148,458,050</b>	<b>-585,791</b>	<b>234,852,277</b>	<b>123,959,080</b>	<b>-743,566</b>	<b>8,068,198,610</b>	<b>1,048,939,386</b>	<b>196,189</b>	<b>273,104,207</b>	<b>-39,802</b>	<b>-115,677</b>	<b>1,322,084,304</b>	<b>6,746,114,307</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX C**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENTS AT 30 JUNE 2011**

Fixed Assets	Historical Cost								Accumulated Depreciation						Carrying Value
	Opening Balance	Adjustments Opening balance	Adjustments	Impairment	Additions	Under construction	Disposals	Closing Balance	Opening Balance	Adjustment	Additions	Depreciation disposals current year	Depreciation disposals previous year	Closing Balance	
Executive and Council	6,416,726	-3,056,114						6,416,726.18	3,912,225.37		1,001,999.86			4,914,225.23	1,502,500.95
Finance and Administration	970,180,232	-162,084,684	-152,729,325.77		92,895,432.63	1,380,575.79	-530,000.00	910,611,123.25	186,815,051.75	-188,735.00	52,371,733.72			238,997,981.47	671,613,141.78
Planning and Development	70,942,588	61,479,306			16,114.44	11,701,508.77	-3,158.00	82,657,053.48	33,446,527.28		4,158,398.76	-98.66	-1,041.09	37,603,787.04	45,053,266.44
Health	40,086,679	4,071,049			31,732.90	680,578.00		40,798,989.61	9,064,223.47	-42,476.00	2,269,751.36			11,291,498.83	29,507,490.78
Community and Social Services	142,901,991	-151,658,846			332,314.68	2,723,241.01		145,957,546.46	34,980,055.44		9,171,718.40			44,151,773.84	101,805,772.62
Housing	201,241,655	116,787,565		-585,791.23	1,278,851.47	0		202,520,505.98	23,234,975.90		5,957,530.29			29,192,506.19	173,327,999.79
Public Safety	95,061,427	28,016,298	4,274,582.00		389,711.08	-		99,725,719.93	33,343,177.10	427,400.50	7,998,924.22			41,769,501.82	57,956,218.11
Sport and Recreation	374,550,161	75,407,389			1,040,082.24	757,175.00		376,347,418.08	82,317,265.25		21,860,499.36			104,177,764.61	272,169,653.47
Road Transport	2,605,717,729	-30,486,353	-3,306.00		33,456,898.21	37,335,149.15		2,676,506,470.45	328,826,720.71		84,988,797.33			413,815,518.04	2,262,690,952.41
Environmental Protection	6,534,926	-2,646,861						6,534,926.03	3,934,475.90		1,048,483.45			4,982,959.35	1,551,966.68
Water	966,206,055	-3,599,735			48,570.00	24,952,206.35		991,206,831.47	62,655,260.73		16,253,474.91			78,908,735.64	912,298,095.83
Waste Water Management	631,711,016	-37,458,060			14,724,351.07	38,173,187.90		684,608,554.47	58,841,377.89		16,781,220.89			75,622,598.78	608,985,955.69
Electricity	1,356,180,174	15,978,550			26,064,587.54	6,255,458.03		1,388,500,219.53	112,493,626.75		30,027,632.92			142,521,259.67	1,245,978,959.86
Other	391,443,303	89,250,497			64,573,630.90		-210,408.00	455,806,525.60	75,074,422.59		19,214,041.53	-39,703.34	-114,635.91	94,134,193.12	361,672,332.48
<b>TOTALS</b>	<b>7,859,174,660</b>	<b>0</b>	<b>-148,458,049.77</b>	<b>-585,791.23</b>	<b>234,852,277.16</b>	<b>123,959,080.00</b>	<b>-743,566.00</b>	<b>8,068,198,610.52</b>	<b>1,048,939,386.13</b>	<b>196,189.50</b>	<b>273,104,207.00</b>	<b>-39,802.00</b>	<b>-115,677.00</b>	<b>1,322,084,303.63</b>	<b>6,746,114,306.89</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX D**  
**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY , PLANT AND EQUIPMENT ) FOR THE YEAR ENDED 30 JUNE 2012**

Description	2012 Budget R	2012 Actual R	2012 Under construction R	2012 Additions R	2012 Variance R	2012 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	336,053.00	0.00	0.00	15,521.84	336,053.00	100%	
Finance and Administration	39,386,242.00	16,146,495.44	1,380,575.79	84,964,245.65	23,239,746.56	59%	
Planning and Development	24,104,358.00	11,717,623.21	11,701,508.77	16,114.44	12,386,734.79	51%	
Public Safety	485,450.00	388,961.18	0.00	389,711.18	96,488.82	20%	
Community and Social Services	4,199,775.00	3,055,555.69	2,723,241.01	352,026.45	1,144,219.31	27%	
Health	964,162.00	713,060.90	680,578.00	31,732.90	251,101.10	26%	
Sport and Recreation	9,646,528.00	1,482,048.24	757,175.00	1,335,812.83	8,164,479.76	85%	
Road Transport	149,964,199.00	70,924,594.13	37,335,149.15	34,266,477.59	79,039,604.87	53%	
Water	26,730,295.00	25,000,776.34	24,312,501.27	1,817,820.03	1,729,518.66	6%	
Waste Water Management	104,713,865.00	58,529,313.45	44,444,667.46	16,158,154.39	46,184,551.55	44%	
Electricity	99,875,687.00	26,696,477.65	623,683.61	29,625,019.38	73,179,209.35	73%	
Housing	2,003,852.00	3,851.47	0.00	1,276,595.00	2,000,000.53	100%	
Other	15,941,153.00	8,904,528.40	0.00	64,603,045.40	7,036,624.60	44%	
Environment Protection	0.00	0.00	0.00	0.00	0.00	0%	
<b>TOTALS</b>	<b>478,351,619.00</b>	<b>223,563,286.10</b>	<b>123,959,080.06</b>	<b>234,852,277.08</b>	<b>254,788,332.90</b>	<b>53%</b>	

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**APPENDIX E**

**DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2012**

<u>Account Description</u>	<u>Unspent Balance @ 1</u>		<u>Transfers</u>	<u>Current Year receipts</u>	<u>Unspent Balance @ 30</u>	
	<u>July 2011</u>				<u>June 2012</u>	<u>Source Code</u>
GRANT COMMUNITY DEVELOPMENT WORKERS	-7,818.17	-	-	-	-7,818.17	UNSPENT CG - NATIONAL GOVERNMENT
NATIONAL GRANT - MSIG	-489,035.32	977,632.60	-973,696.00	-485,098.72	UNSPENT CG - NATIONAL GOVERNMENT	
GRANT DPLG AMENDMENT IDP	-32,390.77	39,304.14	-6,913.37	-	UNSPENT CG - NATIONAL GOVERNMENT	
FINANCE MANAGEMENT GRANT	-1,035,157.63	1,979,465.94	-1,441,000.00	-496,691.69	UNSPENT CG - NATIONAL GOVERNMENT	
UNSPENT CONDITIONAL GRANT - MIG	-3,116,596.44	138,339,833.84	-140,790,198.20	-5,566,960.80	UNSPENT CG - NATIONAL GOVERNMENT	
NT FUNDS NPDG	-	-	-6,650,000.00	-6,650,000.00	UNSPENT CG - NATIONAL GOVERNMENT	
STORM DAMAGE - DOH FUNDING	-915,845.60	915,845.60	-	-	UNSPENT CG - NATIONAL GOVERNMENT	
UNSPENT CONDITIONAL GRANT - PHB	-36,209,596.19	2,602,781.01	-2,752,194.39	-36,359,009.57	UNSPENT CG - NATIONAL GOVERNMENT	
ELECT.DEMAND SIDE MGT GRANT - NT	-2,533,993.44	2,533,993.54	-0.10	-	UNSPENT CG - NATIONAL GOVERNMENT	
EDN S - UPGRADE WATER SUPPLY	-240,263.15	-	-	-240,263.15	UNSPENT CG - NATIONAL GOVERNMENT	
	<b>-44,580,696.71</b>	<b>147,388,856.67</b>	<b>-152,614,002.06</b>	<b>-49,805,842.10</b>		
PG:COMMUNITY COMMUNICATION INITIATIVE	-50,000.00	-	-	-50,000.00	UNSPENT CG - PROVINCIAL GOVERNMENT	
UNSPENT CONDITIONAL GRANT - PROVINCE	-548,416.23	1,206,538.05	-1,323,824.99	-665,703.17	UNSPENT CG - PROVINCIAL GOVERNMENT	
PROVINCE - TRANSPORT GRANT	-31,942,905.39	25,982,314.56	-67,640,977.70	-73,601,568.53	UNSPENT CG - PROVINCIAL GOVERNMENT	
DWA LINCOLN MEADE CENTRE	-236,136.84	2,867,715.80	-2,631,578.96	-	UNSPENT CG - PROVINCIAL GOVERNMENT	
COGTA - EPW PROJECT	-2,633.75	2,157,093.66	-2,190,334.61	-35,874.70	UNSPENT CG - PROVINCIAL GOVERNMENT	
PROV - URBAN RENEWAL PROJECT	-2,213,434.20	257.85	-113,548.10	-2,326,724.45	UNSPENT CG - PROVINCIAL GOVERNMENT	
FOOD AID PROGRAMME	-7,468.49	-	-	-7,468.49	UNSPENT CG - PROVINCIAL GOVERNMENT	
ALEXANDRA PARK ATHLETIC TRACK	-	532,175.00	-1,067,465.65	-535,290.65	UNSPENT CG - PROVINCIAL GOVERNMENT	
PROV GRANT AIRPORT	-	11,835,937.14	-11,835,937.14	-	UNSPENT CG - PROVINCIAL GOVERNMENT	
COGTA ASHBURTON FEASIBILITY STUDY	-500,000.00	-	-	-500,000.00	UNSPENT CG - PROVINCIAL GOVERNMENT	
I.D.P. FUND FROM DEPT. OF LG&H	-578,518.84	180,447.96	-	-398,070.88	UNSPENT CG - PROVINCIAL GOVERNMENT	
LAND USE MGT (CONSULTANTS-DEPT LOCAL GVT)	-145,961.58	-	-	-145,961.58	UNSPENT CG - PROVINCIAL GOVERNMENT	
PG - INTERGRATION WITH REDS	-	-	-21,294.74	-21,294.74	UNSPENT CG - PROVINCIAL GOVERNMENT	
COGTA - CORRIDOR DEV.WATER TESTING	-	-	-300,000.00	-300,000.00	UNSPENT CG - PROVINCIAL GOVERNMENT	
GRANT - WATER SERVICE DELIVERY PLANNING	-82,984.07	-	-	-82,984.07	UNSPENT CG - PROVINCIAL GOVERNMENT	
	<b>-36,308,459.39</b>	<b>44,762,480.02</b>	<b>-87,124,961.89</b>	<b>-78,670,941.26</b>		

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**APPENDIX E**

**DETAILS OF UNSPENT CONDITIONAL GRANTS, RECEIPTS AND TRANSFERS TO INCOME AS AT 30 JUNE 2012**

<u>Account Description</u>	<u>Unspent Balance @ 1</u>	<u>Transfers</u>	<u>Current Year receipts</u>	<u>Unspent Balance @ 30</u>	<u>Source Code</u>
	<u>July 2011</u>			<u>June 2012</u>	
SPECIAL FUNDS - CASH SUSPENSE ACCOUNTS	-1,756,671.08	12,498,824.43	-10,742,153.35	-	UNSPENT CG - OTHER
SPECIAL FUNDS CLEARING AC - VAT ZERO	-2,213,007.61	79,746,270.22	-77,533,262.61	-	UNSPENT CG - OTHER
UNSPENT CONDITIONAL GRANTS : LIBRARY EXTERNAL	-2,120,290.84	1,334,093.32	-493,282.81	-1,279,480.33	UNSPENT CG - OTHER
UNSPENT GRANT - DEVELOPER CONTRIBUTION	-868,182.32	1,004,035.20	-135,852.88	-	UNSPENT CG - OTHER
RETENTION - MIG - VULINDLELA VIP CONSTR.	-32,810.65	32,810.65	-	-	UNSPENT CG - OTHER
GEDI - GIJIMA FUNDS	-19,053.45	82,820.58	-83,719.16	-19,952.03	UNSPENT CG - OTHER
E/DALE LAND LEGAL	-113,721.11	-	-5,827.87	-119,548.98	UNSPENT CG - OTHER
E/DALE PVT LAND LEGAL	-10,089,609.32	4,479,494.88	-459,255.07	-6,069,369.51	UNSPENT CG - OTHER
GRANT DEPT OF ARTS & CULTURE	-3,000.00	697,000.00	-694,000.00	-	UNSPENT CG - OTHER
GRANT - YOUTH ADVISORY COUNCIL	-125,000.00	-	-	-125,000.00	UNSPENT CG - OTHER
UDM - LOCAL TOURISM DEVELOPMENT	-16,858,673.00	14,603,833.18	-4,662,428.21	-6,917,268.03	UNSPENT CG - OTHER
GRANT - WARD 3 5 6	-40,122.84	-	-	-40,122.84	UNSPENT CG - OTHER
GRANT - SPOORNET	-314,995.77	-	-32,922.02	-347,917.79	UNSPENT CG - OTHER
TRUST - CEMETERY TRUST ACCOUNT	-15,842.89	-	-356.47	-16,199.36	UNSPENT CG - OTHER
TRUST - PATRIOTIC LEAGUE TRUST ACCOUNT	-48,267.49	-	-1,086.02	-49,353.51	UNSPENT CG - OTHER
TRUST - PEARSE TRUST ACCOUNT	-1,525,838.78	-	-46,931.37	-1,572,770.15	UNSPENT CG - OTHER
TRUST - WELCH TRUST ACCOUNT	-381,047.69	-	-8,573.57	-389,621.26	UNSPENT CG - OTHER
TRUST - MARIA KINSMAN TRUST ACCOUNT	-591,487.72	-	-	-591,487.72	UNSPENT CG - OTHER
TRUST - MARIA KINSMAN TRUST - NET INCOME	-71,809.99	-	-14,924.20	-86,734.19	UNSPENT CG - OTHER
TRUST - MAYORESS NECESSITY FUND	-82,073.21	-	-1,846.65	-83,919.86	UNSPENT CG - OTHER
TRUST - CEMETERY TRUST ACCOUNT (M/RISE)	-2,423,733.66	-	-41,445.32	-2,465,178.98	UNSPENT CG - OTHER
TRUST - CEMETERY TRUST ACCOUNT (M/RISE) - INTEREST	-491,392.32	-	-66,522.85	-557,915.17	UNSPENT CG - OTHER
TRUST - FLEMING TRUST ACCOUNT	-77,502.19	-	-1,743.80	-79,245.99	UNSPENT CG - OTHER
TRUST - CONT IMBALI FLOOD VICTIMS - PMB FLOOD VICTIMS	-62,379.45	-	-1,403.54	-63,782.99	UNSPENT CG - OTHER
TRUST - PMB FLOOD DISASTER	-31,764.05	-	-714.69	-32,478.74	UNSPENT CG - OTHER
TRUST - REFUGEES TRUST ACCOUNT	-62,118.93	-	-1,397.68	-63,516.61	UNSPENT CG - OTHER
	<b>-40,420,396.36</b>	<b>114,479,182.46</b>	<b>-95,029,650.14</b>	<b>-20,970,864.04</b>	
	<b>-121,309,552.46</b>	<b>306,630,519.15</b>	<b>-334,768,614.09</b>	<b>-149,447,647.40</b>	



**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY  
APPENDIX F  
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2012**

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2012	Amount 2011/2012	Risk to the municipality as at 30 June 2011	Amount 2010/2011	COMMENTS
1	R.Sulaiman v Msunduzi Municipality	Delictual Claim	1998	Internal	R 50 000, 00	50,000.00	R 50 000, 00	50,000.00	
2	Roelofse v Msunduzi Municipality	Delictual Claim	2002	Internal	R 41 032, 58 plus interest at 15, 5 % per annum.	47,392.63	R 41 032, 58 plus interest at 15, 5 % per annum.	47,392.63	
3	MA Jewitt	Counter Claim	2003	Mr Bev Nicholson: TMJ Attorneys 033-341900 fax 0866169749 email tmj@tmj.co.za			R 9 279 625.00	9,279,625.00	
4	Premier of KZN v Msunduzi Municipality	Delictual Claim	2003	Internal	R 11 340, 00	11,340.00	R 11 340, 00	11,340.00	
5	R.B.Ngcobo v Msunduzi Municipality	Delictual Claim	2003	Internal	R 11 375, 27 plus interest at 15, 5 % per annum.	13,138.44	R 11 375, 27 plus interest at 15, 5 % per annum.	13,138.44	
6	R.Haffejee v Msunduzi Municipality	Delictual Claim	2004	Internal	R 98 800, 00 plus interest at 15, 5 % per annum.	114,114.00	R 98 800, 00 plus interest at 15, 5 % per annum.	114,114.00	
7	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2004	Richard Lister: Lister & Lister Attorneys 033-3454530 email rlist@listerandlister.co.za	R 32 585, 78 plus interest at 15, 5 % per annum.	37,636.58	R 32 585, 78 plus interest at 15, 5 % per annum.	37,636.58	
82	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2004	Richard Lister: Lister & Lister Attorneys 033-3454530	R 22 541, 11 plus interest at 15, 5 %.	26,034.98	R 22 541, 11 plus interest at 15, 5 %.	26,034.98	
8	M.Omarjee v Msunduzi Municipality	Delictual Claim	2005	Internal	R 31 000, 00	31,000.00	R 31 000, 00	31,000.00	
9	S.Makhaya v Msunduzi Municipality	Delictual Claim	2005	Internal	R 42 704, 96 plus interest	42,704.96	R 42 704, 96 plus interest	42,704.96	
10	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2005	Richard Lister: Lister & Lister Attorneys 033-3454530 email rlist@listerandlister.co.za	R 34 806, 17 plus interest at 15, 5 % per annum.	40,201.13	R 34 806, 17 plus interest at 15, 5 % per annum.	40,201.13	
11	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2005	Internal	R 8 071, 64 plus interest at 15, 5 % per annum.	9,322.74	R 8 071, 64 plus interest at 15, 5 % per annum.	9,322.74	
12	Woodley v Msunduzi Municipality	Delictual Claim	2005	Mr Forrester: Savage Jooste & Adams Attorneys 0124528200			R 600 000, 00	600,000.00	
13	Zeedim Investment v Msunduzi Municipality	Delictual Claim	2006	Mr Afzal Akoo: Afzal Akoo & Partners 033-3947272			Matter settled	-	
14	I. Ogilvie	Delictual Claim	2006	Insurance	R 166 160.54 plus interest at 15% per annum	191,084.62	R 166 160.54 plus interest at 15% per annum	191,084.62	
15	K.Chetty v Msunduzi Municipality	Delictual Claim	2006	Internal	R 26 169, 86.	26,169.86	R 26 169, 86.	26,169.86	
16	Painter v Msunduzi Municipality	Delictual Claim	2006	Internal	R 45 361, 38 plus interest at 15, 5 % per annum.	52,392.39	R 45 361, 38 plus interest at 15, 5 % per annum.	52,392.39	
17	G.Dladla v Msunduzi Municipality	Delictual Claim	2006	Internal	R 20 000, 00 plus interest at 15, 5 % per annum.	23,100.00	R 20 000, 00 plus interest at 15, 5 % per annum.	23,100.00	
18	Piexoto v Msunduzi Municipality	Delictual Claim	2006	Internal	R 39 822, 89 plus interest at 15, 5 % per annum.	45,995.44	R 39 822, 89 plus interest at 15, 5 % per annum.	45,995.44	
19	M.Zondi v Msunduzi Municipality	Delictual Claim	2006	Internal	R 50 000, 00 plus interest at 15, 5 % per annum.	57,750.00	R 50 000, 00 plus interest at 15, 5 % per annum.	57,750.00	
20	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2006	Richard Lister: Lister & Lister Attorneys 033-3454530	R 13 283, 82 plus interest at 15, 5 % per annum.	15,342.81	R 13 283, 82 plus interest at 15, 5 % per annum.	15,342.81	
21	Telkom S.A Ltd v Msunduzi Municipality	Delictual Claim	2006	Richard Lister: Lister & Lister Attorneys 033-3454530	R 21 697, 25 plus interest at 15, 5 % per annum.	25,060.32	R 21 697, 25 plus interest at 15, 5 % per annum.	25,060.32	
22	F.Osman V Msunduzi Municipality	Delictual Claim	2007	Internal	R 306 666, 45	306,666.45	R 306 666, 45	306,666.45	
23	T.E.Zulu v Msunduzi Municipality	Delictual Claim	2007	Internal	R 8 709, 23	8,709.23	R 8 709, 23	8,709.23	
24	D.V. Ngcobo	Delictual Claim	2007	Insurance	R1800 000.00 plus interest at 15% Per annum	2,070,000.00	R1800 000.00 plus interest at 15% Per annum	2,070,000.00	
25	Orion Telecon v Msunduzi Municipality	Delictual Claim	2007	Internal	R92189.52+ 23047.38	115,236.90	R92189.52+ 23047.38	115,236.90	
26	Thuthugisa Contracting Enterprises	Memorandum of Agreement	2007	Internal	R 210 749, 00 plus vat at 14 %.	240,253.86	R 210 749, 00 plus vat at 14 %.	240,253.86	
27	Hampton College v Msunduzi Municipality	Delictual Claim	2007	Ms Maharaj: Kruger Ngcobo Inc 0313064352	R 85 470, 00 plus interest at 15, 5 %.	98,717.85	R 85 470, 00 plus interest at 15, 5 %.	98,717.85	
28	R.Terry v Msunduzi Municipality	Delictual Claim	2007	Insurance	R 50 000, 00.	50,000.00	R 50 000, 00.	50,000.00	
29	A& F.Mall v Msunduzi Municipality	Delictual Claim	2007	Internal	R 17 181, 33	17,181.33	R 17 181, 33	17,181.33	
30	E.Makungisa v Msunduzi Municipality	Delictual Claim	2007	Internal	R 6 213, 00	6,213.00	R 6 213, 00	6,213.00	
31	R.Rabikisson v Msunduzi Municipality	Delictual Claim	2007	Internal	R 20 000, 00	20,000.00	R 20 000, 00	20,000.00	
32	N.V.Majozi v Msunduzi Municipality	Delictual Claim	2007	Uys Matyeka Schwartz Attorneys	R 110 046, 28	110,046.28	R 110 046, 28	110,046.28	
33	P.S.Zondi V Msunduzi Municipality	Delictual Claim	2007	Internal	R 15 080, 00	15,080.00	R 15 080, 00	15,080.00	
34	Mamusa Marketing v Msunduzi Municipality	Delictual Claim	2007	Internal	R 9 823,48 plus interest at 15,5 % per annum.	11,346.12	R 9 823, 48 plus interest at 15, 5 % per annum.	11,346.12	
35	Willowgardens Flats	Debt recovery and Evictions	2007	Mr Y Bhamjee: Y Bhamjee Attorneys 033-3942008			Unable to be estimated at this point in time matter ongoing	-	
36	Willowgardens Flats	Debt recovery and Evictions	2007	Advocate Padayachee SC 033-8453570			Unable to be estimated at this point in time matter ongoing	-	
37	South African Local Authorities Pension Fund v Msunduzi Municipality	Pension Surcharge	0	Internal	R 217 184, 13 plus interest at 15, 5 % per annum.	250,847.67	R 217 184, 13 plus interest at 15, 5 % per annum.	250,847.67	
38	Msunduzi Municipality v D.L. Petersen	Delictual Claim	2008	Internal				-	
39	Mkhumbuzi v Msunduzi Municipality	Delictual Claim	2008	Internal	R 100 000, 00	100,000.00	R 100 000, 00	100,000.00	
40	Nzaba v Msunduzi Municipality	Delictual Claim	2008	Bhamjee Attorneys	R 73 500, 01	73,500.01	R 73 500, 01	73,500.01	
41	P.J.Terwolbleek v Msunduzi Municipality	Delictual Claim	2008	Insurance	R 1 121 620, 01	1,121,620.01	R 1 121 620, 01	1,121,620.01	
42	Mouton v Msunduzi Municipality	Delictual Claim	2008	Mr Y Bhamjee: Y Bhamjee Attorneys 033-3942008	R 14,000.00	14,000.00	R 14,000.00	14,000.00	
43	Telkom v Msunduzi Municipality	Delictual Claim	2008	Richard Lister: Lister & Lister Attorneys 033-3454530 email rlist@listerandlister.co.za	R 45 979, 87 plus interest at 15, 5 % per annum.	53,106.75	R 45 979, 87 plus interest at 15, 5 % per annum.	53,106.75	
44	R.S.Govender v Msunduzi Municipality	Delictual Claim	2008	Internal	R 75 000, 00	75,000.00	R 75 000, 00	75,000.00	
45	N.G.Zuma v Msunduzi Municipality	Delictual Claim	2008	Internal	R 100 000, 00 plus interest at 15, 5 % per annum.	115,500.00	R 100 000, 00 plus interest at 15, 5 % per annum.	115,500.00	

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY  
APPENDIX F  
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2012**

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2012	Amount 2011/2012	Risk to the municipality as at 30 June 2011	Amount 2010/2011	COMMENTS
46	Dr W Van Straaten Motor Accident-NP 3238	Delictual Claim	2008	Internal	R 96 401, 43	96,401.43	R 96 401, 43	96,401.43	
47	Ayoob Moosa	Interdict by municipality against owner for unauthorised town planning use of property.	2008	R. Lister :033-3454530 Advocate Mike Southwood 031 -3048054 fax 031-3076899 southwood@yebo.co.za			Before Court in August 2011.	-	
48	NT Dlomo / N.Cele	Interdict against municipality: to set aside building plan approval	2008	Ngcobo, Poyo & Diedricks:033-3419240: Adv.P. Buzuidenhout SC 033-8453522 fax 0333943734	Case not finalised. Costs if lost.		Case not finalised. Costs if lost.	-	
49	PMB & District Indian Funeral	Retransfer of Council Property	2008	Mr Aubrey Ncgobo, Ncgobo, Poyo and Diedricks phone 033-3943952 fax 033 3943961 email ndp@sai.co.za	Unable to be estimated at this point in time		Unable to be estimated at this point in time	-	
50	PMB & District Indian Funeral	Retransfer of Council Property	2008	Advocate Rob Seggie 033-8453509 fax number 033-3453062 seggie@worldonline.co.za			Matter ongoing as at 30 June 2011	-	
51	T Gonasillan v Msunduzi Municipality	Delictual Claim	2009	Internal	R 100 000, 00 plus interest at 15, 5% per annum.	115,500.00	R 100 000, 00 plus interest at 15, 5% per annum.	115,500.00	
52	F.B.I. Khan v Msunduzi Municipality	Delictual Claim	2009	Internal	R 63 280, 39 plus interest at 15, 5 % per annum	73,088.85	R 63 280, 39 plus interest at 15, 5 % per annum	73,088.85	
	R.Y Khan v Msunduzi Municipality	Delictual Claim	2009	Internal	R 1267.00 plus interest at 15, 5 % per annum	1,463.38	R 1267,00 plus interest at 15,5 per annum.	1,463.39	
53	S.Mthimkulu v Msunduzi Municipality	Delictual Claim	2009	Mr Shwartz/Mr Gcaba, Uys Matyeka Schwartz Attorneys 0313046063	R 204 650, 00 plus interest at 15, 5 % per annum.	236,370.75	R 204 650, 00 plus interest at 15, 5 % per annum.	236,370.75	
54	Blue Thunder Trading CC/ TA Khanyisa Energy Management and Services	Delictual Claim	2009	Vather Attorneys	R223 576.00 plus interest at 15% per annum	257,112.40	R223 576.00 plus interest at 15% per annum	257,112.40	
55	Stand 2436 PMB (pty) Ltd.	Delictual Claim	2009	Cajee Setsubi Chetty Inc. & Adv Dickson		0		-	
56	SAPPI	Delictual Claim	2009	Insurance	R25000 000.00	25,000,000.00	R25000 000.00	25,000,000.00	
57	Keshwa v Msunduzi Municipality	Delictual Claim	2009	Internal	R 30 470, 12 plus interest at 11, 5 % per annum.	33,974.18	R 30 470, 12 plus interest at 11, 5 % per annum.	33,974.18	
58	B.A.Clark v Msunduzi Municipality	Delictual Claim	March 2009	Mr Logan Chetty: Vather Attorneys Phone 033-342-4099 fax 033-3424075 email-vathers@hotmail.com	R379 975.84	379,975.84	R379 975.84	379,975.84	
59	Shortts Retreat	Interdict by land owners against illegal occupiers, municipality ordered to provide temporary housing & basic services. Municipality made application to vary the relocation order – now seeking expropriation of properties so as to house occupants on site. Counter application for contempt of court made	Municipality joined as party in July 2009	Adv. Dickson SC, TEL:033-8453542 adickson@law.co.za and Mr Julian von Klempner : 033- 3458101	(1) Costs of applications - unknown at this time. (2) Do not know whether application for variation, alternatively contempt will be granted.		(1) Costs of applications - unknown at this time. (2) Do not know whether application for variation, alternatively contempt will be granted.	-	
60	Bishop's Roadworks	Contractual Claim	Nov 2009	Internal	R120 000-00	120,000.00	unknown at this time.	120,000.00	
61	Chadya: 69 Railway Street	Interdict for reconnection of electricity. Matter not finalized.	Nov 2009	Adv. P. Bezuidenhout: 0824433836: K Tytherleigh withdrew Agrippa Mpungose: 033 3419100	Case not decided. Costs if case is lost.		Case not decided. Costs if case is lost.	-	
62	Billboards	Townbush Road order obtained by municipality for removal of billboards.	Dec 2009	Adv Ganie 033-8453517 email hoosen@iafrica.com Udes Ramesar:3459569 (033) 345-9571	Possibility that costs of removal be incurred by the municipality/ not fully recovered. Building Survey to facilitate. Legal costs.		Possibility that costs of removal be incurred by the municipality/ not fully recovered. Building Survey to facilitate. Legal costs.	-	
63	Gavin's Panel Shop	Contractual Claim	2010	Internal	R2424-50	2,424.50	R2424-50	2,424.50	
64	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5519-06	5,519.06	R5519-06	5,519.06	
65	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5586-00	5,586.00	R5586-00	5,586.00	
66	Gavin's Panel Shop	Contractual Claim	2010	Internal	R1721-40	1,721.40	R1721-40	1,721.40	
67	Gavin's Panel Shop	Contractual Claim	2010	Internal	R4902-00	4,902.00	R4902-00	4,902.00	
68	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5163-06	5,163.06	R5163-06	5,163.06	
69	Gavin's Panel Shop	Contractual Claim	2010	Internal	R5506-20	5,506.20	R5506-20	5,506.20	
70	Ressler Investment	Interdict for reconnection of electricity. Matter not finalized.	Feb 2010	Adv.Snyman: 033-8453524 email snyman@pmlaw.co.za K Tytherleigh withdrew	Case not decided. Costs if lost.		Case not decided. Costs if lost.		
71	Exalon 6 CC	Interdict for reconnection of electricity. Matter not finalized.	Feb 2010	Adv.Snyman:033-8453524: email snyman@pmlaw.co.za	Case not decided. Costs if lost.		Case not decided. Costs if lost.		
72	Kogulan Naidoo	Delictual Claim	Mar 2010	Internal	R100 000-00	100,000.00	R100 000-00	100,000.00	
73	HS Majoji	Delictual Claim	Mar 2010	Internal	R95 000-00	95,000.00	R95 000-00	95,000.00	
74	BM Dlamini	Delictual Claim	Mar 2010	Internal	R 300 000.00	300,000.00	R 300 000.00	300,000.00	
75	Daljeeth Daljeeth	Delictual Claim	2010	Mr Shwartz/Mr Gcaba, Uys Matyeka Schwartz Attorneys 0313046063	R200 000.00	200,000.00	R200 000.00	200,000.00	
76	MS Singh	Delictual Claim	2010	Internal	R69 224.62	69,224.62	R69 224.62	69,224.62	
77	TT Ngubane	Delictual Claim	2010	Internal/Insurance	R118 490.00	118,490.00	R118 490.00	118,490.00	

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY  
APPENDIX F  
SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2012**

NO.	MATTER	MATTER TYPE	YEAR INITIATED	ATTORNEY/ADVOCATE INSTRUCTED	Risk to the municipality as at 30 June 2012	Amount 2011/2012	Risk to the municipality as at 30 June 2011	Amount 2010/2011	COMMENTS
78	GP Bayeni	Delictual Claim	2010	R 97 430.00	R 97 430.00	97,430.00	R 97 430.00	97,430.00	
79	VD Ramdeen	Delictual Claim	2010	Mr Afzal Akoo, Afzal Akoo & Partners phone 0333947274 Fax 0866149242 & Adv. Fleming phone 033-8453576 fax 033-3948374	R100 000.00 & R4438.00	104,438.00	R100 000.00 & R4438.00	104,438.00	
80	M Mlaba	Delictual Claim	2010	Internal	R100 000.00	100,000.00	R100 000.00	100,000.00	
81	Thuthugisa Contracting Enterprises	Contractual Claim	2007	Internal	R8 051 632.79	8,051,632.79	R8 051 632.79	8,051,632.79	
82	J Mahlaba	Delictual Claim	January 2010	Internal	R21406-36 and R 2650	24,056.36	R21406-36	21,406.36	
83	Longlife tyres (PTY) LTD	Contractual Claim	July 2010	Internal	R592 589-77	592,589.77	R592 589-77	592,589.77	
84	Gail Gayer	Delictual Claim	July 2010	Mr Shwartz/Mr Gcaba, Uys Matyeka Schwartz	R262 473-98	262,473.98	R262 473-98	262,473.98	
85	M. C. Mncwabe	Delictual Claim	Aug 2010	Internal	R71 500.00	71,500.00	R71 500.00	71,500.00	This claim has been dismissed after successfully arguing a special plea - May 2012.
86	H. Selepe	Delictual Claim	Sept 2010	Internal	R5 189.35	5,189.35	R5 189.35	5,189.35	
87	B. Mahlaba o.b.o. AY Mahlaba	Delictual Claim	Sept 2010	Internal/ Insurance	R 1000 000.00	1,000,000.00	R 1000 000.00	1,000,000.00	
88	N Mans	Delictual Claim	Sept 2010	Internal	R7 045.75	7,045.75	R7 045.75	7,045.75	
89	Mutual and federal	Delictual Claim	Sept 2010	Internal	R22 829.59	22,829.59	R22 829.59	22,829.59	
90	Ronald Reddy	Contractual Claim	Sept 2010	Internal	R 282 818.08	282,818.08	R 282 818.08	282,818.08	
91	AB Mavundla	Delictual Claim	Oct 2010	Internal	R100 000.00	100,000.00	R100 000.00	100,000.00	
92	SS Ngidi	Delictual Claim	Oct 2010	Internal/ Insurance	R2200 000.00	2,200,000.00	R2200 000.00	2,200,000.00	
93	N Raghu	Delictual Claim	Dec 2010	Internal/ Insurance	R500 000.00	500,000.00	R500 000.00	500,000.00	
94	R Bhoodram	Delictual Claim	Dec 2010	Internal	R32 552.00 and R 30.03	32,552.03	R32 552.00 and R 30.03	32,552.00	
95	BC Mbatha	Delictual Claim	Nov 2010	Internal	R16 794.48	16,794.48	R16 794.48	16,794.48	
96	EW de Lange	Interdict	2010	Richard Lister: Lister & Lister Attorneys 033-3454530/ Adv Snyman 033-8453524 email snyman@pmlaw.co.za			R 50 000 plus 15% pa	57,500.00	
97	NK Mpongose	Delictual Claim	Jan 2011	Internal	R23 946.42	23,946.42	R23 946.42	23,946.42	
98	Y Ahren	Delictual Claim	Feb 2011	Internal	R14 845.71	14,845.71	R14 845.71	14,845.71	
99	NN Pandaram	Delictual Claim	Feb 2011	Internal	R 11 267.11	11,267.11	R 11 267.11	11,267.11	
100	TR Nxumalo	Delictual Claim	April 2011	Internal	R 21 791.04	21,791.04	R 21 791.04	21,791.04	
101	Mkhize Majola & Associates	Delictual Claim	April 2011	Internal	R 14,966.98	14,966.98	R 14,966.98	14,966.98	Matter settled with Municipality paying the costs envisaged in the claim.
102	Crescent Motor Brokers and Agents CC	Delictual Claim	April 2011	Internal	R 100 000.00	100,000.00	R 100 000.00	100,000.00	
103	3 DM Contractors	Contractual Claim	May 2011	Internal	R 66 930.35	66,930.35	R 66 930.35	66,930.35	
104	Z. Nondzanga	Delictual Claim	May 2011	Internal	R 22 232.97	22,232.97	R 22 232.97	22,232.97	
105	Roy Hesketh Racing Track	Land sold to developer. Did not develop as per agreement. Possibility of municipality having to purchase back at R3,5 million. Another developer indicated possible purchaser from current developer with benefits to municipality. Economic Development to advise.	N/A	N/A	Apparently another developer indicated possible purchase from current		Economic Development to advise. Another developer indicated possible purchase from current developer with benefits to municipality.	-	
106	Planet Waves 399	Council withholding payment to contractor that built sludge dams. Possibility of eventual liability.	N/A	N/A	Risk of having to pay outstanding payment partially or in full. Amount withheld is currently +- R1,2 million. Costs of repairing estimated at +/- R2, 4 million.	2,400,000.00	Risk of having to pay outstanding payment partially or in full. Amount withheld is currently +- R1,2 million. Costs of repairing estimated at +/- R2, 4 million.	2,400,000.00	
107	Union Risk Management Alliance (Pty)Ltd.	Delictual Claim	May 2011	Internal	R 152 948.84	152,948.84	R 152 948.84	-	
108	N.B. Dladla	Delictual Claim	June 2011	Internal	R 109 038.97	109,038.97	R 109 038.97	-	
109	Khuselani Security	Contract	June 2011	Internal	R 1830 532.00	1,830,532.00	R 1830 532.00	-	
110	Impress Services (Pty) Limited	Delictual Claim	June 2011	Internal	R29 238.27 & R 1638.70	30,876.97	R29 238.27 & R 1638.70	30,876.97	
111	P.G. Vather	Delictual Claim	June 2011	Internal	R 12 659.99	12,659.99	R 12 659.99	-	
112	Kwenzokuhle Construction	Contract	June 2011	Internal	R2 178 000.00	2,178,000.00	R2 178 000.00	-	
113	Relief Interio and Joinery CC	Delictual Claim	June 2011	Internal	R 45 080.00	45,080.00	R 45 080.00	-	
114	Derby Supermarket	Delictual Claim	June 2011	Internal	R444 400.00	444,400.00	R444 400.00	-	
115	Ds Cremators	Delictual Claim	June 2011	Internal	R 27 789.37	27,789.37	R 27 789.37	-	
116	T Christodoulou and Sons	Application for interdict by Municipality against developer for compliance with Planning and Development Act.	2012	TMJ –Attorneys:Agrippa Mpungose: 033-341 9100 Adv CJ HartzenbergSC:033-8453553	Interdict granted by consent but costs reserved. Cost unknown at this stage. Risk of costs				
117	KZN – Digi Connect	Claim by contractor for payment for IT –services allegedly rendered.	2012	Mr Alwyn Volsum 033- 3948116 Adv V Naidoo 033- 8453535	Claim for R500 000 plus interest plus legal costs. Not yet decided.	500,000.00			
118	APS Panelbeaters	Interdict application to prohibit electricity disconnection.	2011	TMJ –Attorneys:Agrippa Mpungose: 033-341 9100 Adv.Snyman: 033-38453524	Case to be heard end of August 2012. Costs if unsuccessful				

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX F**  
**SCHEDULE OF CONTINGENT LIABILITIES AS AT 30 JUNE 2012**

<b>NO.</b>	<b>MATTER</b>	<b>MATTER TYPE</b>	<b>YEAR INITIATED</b>	<b>ATTORNEY/ADVOCATE INSTRUCTED</b>	<b>Risk to the municipality as at 30 June 2012</b>	<b>Amount 2011/2012</b>	<b>Risk to the municipality as at 30 June 2011</b>	<b>Amount 2010/2011</b>	<b>COMMENTS</b>
119	Innocent & Smangele Mchunu 3 Oban Drive.	Application by Municipality to enforce compliance with Planning and Development Act.	2012	Mr Matthew Francis:087 351 0608	Pleadings not yet closed. Costs if unsuccessful.				
120	Yugen Brian Govender (Magicone Investments CC) 65 Pine Street	Application by Municipality to enforce compliance with Planning and Development Act.	2012	Mr Matthew Francis:087 351 0608	Case not finalised. Costs if unsuccessful				
121	Pyarchand Meganbehare Vinesh Singh 44 Rosedale Road	Application by Municipality to enforce compliance with Planning and Development Act	2012	Mr Matthew Francis:087 351 0608	Case not finalised. Costs if unsuccessful				
122	Shepstone House Two Ltd	Application to prohibit disconnection and counter application to prohibit illegal occupation and electricity connection	2012	Mr Diedricks: Diedricks Attorneys: 0833754036 Adv A Rall SC: 0338453529.	Case not finalised. Costs if unsuccessful				
123	M. Naidoo	Delictual Claim	Jul-12	Internal/ Insurance	R370 000.00 +15% interest per annum	425,500.00			
124	D.J.G. Hanes	Delictual Claim	Sep-11	Internal	R25 000.00 +15% interest per annum	28,750.00			
125	Hilton Vet Clinic CC	Delictual Claim	Sep-11	Venn Nemeth and Hart Attorneys	R 390 270.21 +15% interest per annum	448,810.74			
126	Telkom SA Limited	Delictual Claim	Nov-11	Internal	R7 551.19 +15% interest per annum	8,683.86			
127	M.L. Joubert	Delictual Claim	Nov-11	Internal	R 100 550.00 +15% interest per annum	115,632.50			
128	J. Kroese	Delictual Claim	Dec-11	Internal	R 40,000.00	40,000.00			
129	N. Ngubo	Delictual Claim	Jan-12	Internal	R9063.12 +15% interest per annum	10,422.58			
130	T.W. Mabaso	Delictual Claim	Feb-12	Internal	R 850.43 + 15% interest per annum	977.79			
131	Sayed t/a Metro Taxis and Yellow Cabs	Delictual Claim	Feb-12	Internal	R15 950.52 + 15% interest per annum	18,343.09			
132	J. Putsoane	Delictual Claim	Feb-12	Internal	R20 298.12 +15 % interest per annum	23,342.83			
133	C.J. De Meyer	Delictual Claim	Apr-12	Internal	1 .25 361.49 + interest per annum. 2 .30.03 +15% interest per annum.	29,200.24			
134	Bishop's Roadworks	Delictual Claim	Apr-12	Internal	1 .19 609.98 + interest per annum. 2 .12 938.95 +15% interest per annum.	34,489.77			
135	. W. Ahmed	Delictual Claim	Apr-12	internal	R35 700.92 +15% interest per annum	5,355.13			
136	Rosedew Investments CC	Delictual Claim	May-12	Internal	R160 716.94 +15% interest per annum	184,824.48			
137	Telkom SA Limited	Delictual Claim	May-12	Lister and Lister Attorneys	R 49 834.75 + 15% interest per annum	57,309.96			
138	R. Bridgnarain	Delictual Claim	May-12	Internal	1 .R4570.36 + interest per annum. 2 .R50 000 +15% intrest per annum.	62,070.36			
139	K. Govender	Delictual Claim	Jun-12	Internal	R 180 000.00 + 15% Interest per Annum	207,000.00			
140	M.H. Cassimjee	Delictual Claim	Jun-12	Internal	R 4015.00 + 15% Interest Per Annum	4,617.25			
141	O. Nunthoolal	Delictual Claim	Jun-12	Internal	1 .R10394.06 + interest per annum. 2 .R500.00 +15% intrest per annum.	12,528.16			
142	S.G. Padayachi	Debatement of Account	Jun-12	Internal	There is no monetary claim; however Council could be liable for legal costs.				
143	L. Balnag & F Balnag	High Court Application	2011	Afzal Akoo and Partners	There is no monetary claim; however Council could be liable for legal costs.				
144	Surendra Singh	High Court Application: Disconnection of Electricity Supply	2011	Afzal Akoo & Partners/Adv. S.Jasat	The matter has been settled with Council Paying Legal costs. R35 760.40	35,760.40			
145	Subrimoney	High Court Application: Disconnection of Electricity Supply	2012	Mastroos Attorneys	There is no monetary claim; however Council could be liable for legal costs.				
						<b>56,306,436.08</b>		<b>59,072,912.74</b>	

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX G**  
**STATEMENT OF COMPARATIVE OF BUDGET AGAINST ACTUAL**

**Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance**

Note

**Net surplus/deficit per the statement of financial performance** **-234,467,830**

**Adjusted for:**

**Revenue variances** **-56,742,656**

Fair value adjustments Income			-2,305,608
Surplus on the sale of assets			1,266,964
Add : Revenue variances	1		-55,704,012

**Adjusted for:**

**Expenditure variances** **268,984,129**

Loss on sale of asset			-326,100
Financial asset discounted			28,205
Less : Expenditure variances	2		269,282,024

**Net surplus/deficit per approved budget** **-22,226,357**

	<u>Bud</u>	<u>Act</u>	<u>Var</u>
<b><u>REVENUE VARIANCES - NOTE 1</u></b>			
Property rates	500,096,213	505,310,156	5,213,943
Free basic services - rates	392,989,565	373,551,940	-19,437,625
Property rates - penalties & collection chrgs	28,454,666	31,244,472	2,789,806
Service charges - sale of electricity	1,227,850,117	1,212,660,157	-15,189,960
Free basic services - electricity	2,410,440	3,648,042	1,237,602
Service charges - sale of water	285,316,958	288,345,314	3,028,356
Free basic services - water	67,528,349	3,661,270	-63,867,079
Service charges - sewerage	107,432,530	107,506,830	74,300
Free basic services - sewer	5,358,464	2,879,169	-2,479,295
Service charges - refuse	69,853,205	70,091,118	237,913
Free basic services - refuse	21,153	-14,363	-35,516
Unbilled water	-	53,934,335	53,934,335
Rentals received	17,119,776	17,943,780	824,004
Interest earned - external investments	15,493,454	25,906,640	10,413,186
Interest earned - outstanding debtors	1,018,527	1,065,642	47,115
Other interest	38,803,760	64,728,629	25,924,869
Fines	3,471,477	3,813,388	341,911
Licences & permits	39,991	77,690	37,699
Income for agency services	334,800	373,664	38,864
GG&S conditional grants - income	90,384,515	36,403,903	-53,980,612
GG&S grants & subsidies - capital	347,799,009	149,070,067	-198,728,942
GG&S equitable share	304,834,901	304,835,000	99
Provincial grant - health subsidy	-	10,360,000	10,360,000
Other income - airport	2,472,516	3,460,651	988,135
Other income - forestry	11,600,952	12,870,697	1,269,745
Other income - market	14,715,049	17,174,918	2,459,869
Other income - burials & cremations	901,852	1,258,041	356,189
Other income - buildings	2,010,662	1,953,416	-57,246
Other income - re-connections	12,783,868	12,601,583	-182,285
Other income - training levy recoveries	350,032	3,146,805	2,796,773
Other income - discount received	-	253,455	253,455
Other income - sundry income	10,794,589	12,439,864	1,645,275
Other income - other income	21,297	270,422,639	270,401,342
Non cash - offset depreciation	96,420,236	-	-96,420,236
	<b>3,658,682,923</b>	<b>3,602,978,911</b>	<b>-55,704,012</b>
Other income - gains - land sales	-	1,266,964	1,266,964
Financial liability - discounted interest	-	-2,305,608	-2,305,608
<b><u>TOTAL REVENUE</u></b>	<b>3,658,682,923</b>	<b>3,601,940,267</b>	<b>-56,742,656</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**  
**APPENDIX G**  
**STATEMENT OF COMPARATIVE OF BUDGET AGAINST ACTUAL**

**Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance**

	<u>Bud</u>	<u>Act</u>	<u>Var</u>
<b>EXPENDITURE VARIANCES - NOTE 2</b>			
ERC - Salaries & wages	455,281,392	459,796,642	-4,515,250
ERC - Contributions to uif,pension & med.aid	128,678,647	126,713,194	1,965,453
ERC - Travel,motor car,accom.,s&t allownaces	26,635,572	32,352,063	-5,716,491
ERC - Housing benefits & allowances	3,882,804	3,754,274	128,530
ERC - Overtime payments	25,072,879	27,336,905	-2,264,026
ERC - Long service awards	16,313,770	16,244,652	69,118
Rem.of councillors - councillors	33,134,192	29,102,639	4,031,553
Rem.of councillors - pension & medical contri	2,239,619	2,324,116	-84,497
Non cash - Doubtful debts	328,582,353	58,209,770	270,372,583
Collection costs	1,711,300	1,539,889	171,411
Non cash - Depreciation	221,132,109	273,064,405	-51,932,296
Repairs & maintenance	48,805,959	39,509,685	9,296,274
Interest paid - annuity loans	65,895,077	69,583,589	-3,688,512
Interest paid - other	-	1,865,460	-1,865,460
Bulk purchases - Electricity	941,120,684	919,409,896	21,710,788
Bulk purchases - Water	307,006,648	297,924,964	9,081,684
Grants & subsidies paid - Community bodies	201,000	196,459	4,541
Grants & subsidies paid - Safe city project	4,500,000	3,947,368	552,632
GE - Extraordinary	802,644	802,613	31
GE - Pension payable	11,477,218	13,403,363	-1,926,145
GE - Insurance	10,518,355	12,220,944	-1,702,589
GE - Impairment of inventory	-	585,791	-585,791
GE - Impairment of assets	-	-	-
GE - Mayoral projects	4,600,178	2,697,714	1,902,464
GE - Telephones	5,219,267	5,003,290	215,977
GE - Conditional grant expenditure	86,888,078	35,563,903	51,324,175
GE - External services	44,833,702	41,476,466	3,357,236
GE - Other	158,925,509	143,796,861	15,128,648
GE - Contracted services	21,090,729	21,090,729	0
Non cash - Departmental charges	190,288,075	443,293,401	-253,005,326
Non cash - Less charge-outs	-322,716,354	-153,946,823	-168,769,531
Lease charges	1,477,269	685,018	792,251
Grants capital expenditure	344,931,320	-49,455	344,980,775
Income foregone - Rates	392,989,565	373,551,940	19,437,625
Income foregone - Refuse	21,153	-	21,153
Income foregone - Sewer	5,358,464	2,879,169	2,479,295
Income foregone - Electricity	2,029,040	3,648,042	-1,619,002
Income foregone - Water	3,813,547	57,595,605	-53,782,058
Unbilled water	63,714,802	-	63,714,802
	<b>3,636,456,566</b>	<b>3,367,174,542</b>	<b>269,282,024</b>
GE - losses - sale of asset	0	326,100	-326,100
GE - Impairment of inventory	0	0	-
GE - Impairment of assets	0	0	-
Financial asset - discounted interest	0	-28,205	28,205
<b>TOTAL EXPENDITURE</b>	<b>3,636,456,566</b>	<b>3,367,472,437</b>	<b>268,984,129</b>
<b>SURPLUS/DEFICIT</b>	<b>22,226,357</b>	<b>234,467,830</b>	<b>-212,241,473</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**ANNEXURE G: Statement of comparative and actual information**

Description	2011/12								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
<b>R thousands or R</b>									
<b>Financial Performance</b>									
Property rates	500,096,213	-		500,096,213	505,310,156		5,213,943	101	101
Service charges	1,690,452,810	468,307,971		2,158,760,781	2,116,263,811		(42,496,970)	98	125
Investment revenue	15,493,454	-		15,493,454	25,906,640		10,413,186	167	167
Transfers recognised -operational	67,609,470	22,775,045		90,384,515	36,403,903		(53,980,612)	40	54
Other own revenue	546,148,951	347,799,009		893,947,960	918,055,757		24,107,797	103	168
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2,819,800,898</b>	<b>838,882,025</b>		<b>3,658,682,923</b>	<b>3,601,940,267</b>		<b>(56,742,656)</b>	<b>98</b>	<b>128</b>
Employee costs	655,865,064	-		655,865,064	666,197,730		10,332,666	102	102
Remuneration of councillors	35,373,811	-		35,373,811	31,426,756		(3,947,055)	89	89
Debt impairment	328,582,353	-		328,582,353	58,209,770		(270,372,583)	18	18
Depreciation & asset impairment	221,132,109	-		221,132,109	273,064,405		51,932,296	123	123
Finance charges	65,895,077	-		65,895,077	71,449,049		5,553,972	108	108
Materials and bulk purchases	1,252,981,010	(4,853,678)		1,248,127,332	1,217,334,860		(30,792,472)	98	97
Transfers and grants	4,701,000	-		4,701,000	4,143,828		(557,172)	88	88
Other expenditure	390,951,310	685,828,510		1,076,779,820	1,045,646,039		(31,133,781)	97	267
<b>Total Expenditure</b>	<b>2,955,481,734</b>	<b>680,974,832</b>		<b>3,636,456,566</b>	<b>3,367,472,437</b>		<b>(268,984,129)</b>	<b>93</b>	<b>114</b>
<b>Surplus/(Deficit)</b>	<b>(135,680,836)</b>	<b>157,907,193</b>		<b>22,226,357</b>	<b>234,467,830</b>		<b>212,241,473</b>	<b>1,055</b>	<b>(173)</b>
Transfers recognised -capital	-	-		-	-		-	-	-
Contributions recognised -capital & contributed assets	-	-		-	-		-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(135,680,836)</b>	<b>157,907,193</b>		<b>22,226,357</b>	<b>234,467,830</b>		<b>212,241,473</b>	<b>1,055</b>	<b>(173)</b>
Share of surplus/ (deficit) of associate	-	-		-	-		-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(135,680,836)</b>	<b>157,907,193</b>		<b>22,226,357</b>	<b>234,467,830</b>		<b>212,241,473</b>	<b>1,055</b>	<b>(173)</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>									
Transfers recognised -capital	-	-		-	-		-	-	-
Public contributions & donations	-	-		-	-		-	-	-
Borrowing	-	-		-	-		-	-	-
Internally generated funds	-	-		-	-		-	-	-
<b>Total sources of capital funds</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows</b>									
<b>Cash/cash equivalents at the beginning of the year</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
Net cash from (used) operating	-	-		-	-		-	-	-
Net cash from (used) investing	-	-		-	-		-	-	-
Net cash from (used) financing	-	-		-	-		-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>

**THE MSUNDUZI MUNICIPALITY AND ITS MUNICIPAL ENTITY**

**APPENDIX H**

**DISCLOSURE OF PRIOR PERIOD ERRORS AS AT 30 JUNE 2011**

<b>PRIOR PERIOD ERRORS FOR 2011/2012</b>							
<b>Transaction affecting the Statement of Financial Position</b>							
<b>Nature of error</b>	<b>Element of restatement</b>	<b>Total</b>	<b>10/11</b>	<b>09/10</b>	<b>08/09</b>	<b>07/08</b>	<b>Prior 06/07</b>
Under accrual of expenditure	Restatement of expenditure	1,481,608	1,459,832	12,008	632	4,831	4,306
Over accrual of expenditure	Restatement of expenditure	-642,806	-715,946	73,140			
Reimbursement of survey costs on land sales	Restatement of expenditure	-452,037	-452,037				
Cancelling goods received notes created but not processed for payment	Restatement of expenditure	-2,175,145	-2,175,145				
Adjustment to depreciation due to review of useful life of movable assets.	Restatement of expenditure	-431,075	-107,769	-107,769	-107,769	-107,769	
Consumer billed for trade effluent charges that was disputed, interest and charges reversed	Restatement of revenue	244,091	36,058	41,683	166,350		
Write back of depreciation on investment properties	Restatement of expenditure	512,727	512,727				
Writeback of unidentified receipts and revenue from training centre	Restatement of revenue	-2,829	-2,829				
Refund of surplus cash previously recognised as revenue	Restatement of revenue	360	360				
Offset of rates revenue raised against debtors iro counter claim - MA JEWITT	Restatement of revenue	-29,184	-29,184				
Retrospective basic charges for electricity, refuse - Nandos as SLA not signed on time	Restatement of revenue	-149,163	-70,681	-49,503	-28,979		
Shortfall on commission due to prepaid vendors	Restatement of revenue	418,814	122,415	252,753	43,645		
Reversal of duplication - debtor raised for legal fees omitted from invoice	Restatement of expenditure	-140,000	-140,000				
	<b>TOTAL</b>	<b>-1,364,638</b>	<b>-1,562,198</b>	<b>222,313</b>	<b>73,879</b>	<b>-102,938</b>	<b>4,306</b>
<b>Nature of error</b>	<b>Element of restatement</b>	<b>Total</b>	<b>10/11</b>	<b>09/10</b>	<b>08/09</b>	<b>07/08</b>	<b>Prior 06/07</b>
<b>Transaction affecting the Statement of Financial Performance</b>							
Clearing of control votes	Restatement of trade and other payables	-1,152,054	-1,152,054				
Refunds received from creditors due to overpayment	Restatement of trade and other payables	-45,724	-45,724				
Input vat not claimed from SARS	Restatement of trade and other receivables from non exchange	53	53				
Corrections on debi market development and maintenance reserve	Restatement of current provisions	-28,800	-28,800				
Write back of pmb chamber of business debtors as monies paid back to council	Restatement of trade and other receivables from non exchange	-13,772	-13,772				
Consultant fee expensed due to developer not proceeding with development - Almond bank	Restatement of trade and other payables	150,093		150,093			
Write back of financial instruments	Restatement of trade and other receivables	43,374,318	14,932,148	5,551,029	22,891,141		
Write back of financial instruments	Restatement of trade and other payables	-850,063	-850,063				
	<b>TOTAL</b>	<b>41,434,052</b>	<b>12,841,788</b>	<b>5,701,122</b>	<b>22,891,141</b>	<b>0</b>	<b>0</b>
	<b>GRAND TOTAL</b>	<b>40,069,413</b>	<b>11,279,590</b>	<b>5,923,435</b>	<b>22,965,020</b>	<b>-102,938</b>	<b>4,306</b>