

## Ugu District Municipality

(Registration number DC21)

Consolidated Financial Statements for the year ended 30 June 2017

### Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

#### 10. Investment property (continued)

##### Reconciliation of investment property - Economic entity - 2016

	Opening balance	Fair value adjustments	Total
Investment property	29 403 251	96 749	29 500 000

##### Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Additions	Fair value adjustments	Total
Investment property	29 500 000	642 482	100 000	30 242 482

##### Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Fair value adjustments	Total
Investment property	29 403 251	96 749	29 500 000

Fair value of investment properties	39 550 282	29 500 000	30 242 482	29 500 000
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The Municipality has classified the Ugu Fresh Produce Market, and Ugu Sports & Leisure Center, as investment property in terms of its asset management policy.

Ugu Fresh Produce Market is situated at Bhobhoyi – in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85 000 square metres. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and plenty ablution facilities. The whole facility is secured with 24-hour security guards.

Ugu Sports and Leisure Center is situated on portion 7 of the Farm Burliegh ET 5100. The Sports and Leisure is consist of Main Building, Indoor Sports Hall and Sports Fields.

The municipality uses the fair value model to value its investment properties. For the year ending 30 June 2016 a fair value assessment was undertaken by Pierre Rynners Valuers. The valuation methodology applied is the income capitalisation approach, where by the net rental income is capitalised at an appropriate rate, in order to arrive at an estimate of market value. A fair value adjustment has been affected in the financial statements valuation.

The acquisition of the R 9,991,792 Ifafa beach land, the land has been acquired for development projects. The land has been acquired by Ugu South Coast Development Agency for its development projects. For the year ending 30 June 2016 a fair value assessment was undertaken by Norman E. Maurice (Professional Valuer). The description of the property: The remainder of Portion 1 of the farm Elysium No 15582, situated in Umdoni Municipal Area, Redistraton Division ET, in extent 92, 4433 hectares.

#### Pledged as security

No investment properties have been pledged as collateral for liabilities of the municipality.

#### Revenue and expenditure disclosed in the Statement of Financial Performance include the following:

Rental revenue earned from investment property	417 557	1 099 193	417 557	1 099 193
Direct operating expenses	(1 137 950)	(1 103 654)	(1 137 950)	(1 103 654)
	<b>(720 393)</b>	<b>(4 461)</b>	<b>(720 393)</b>	<b>(4 461)</b>

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### Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

#### 11. Property, plant and equipment

Economic entity	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	181 882 495	(38 309 670)	143 572 825	179 890 618	(35 830 266)	144 060 352
Buildings - Work in progress	24 840 831	-	24 840 831	18 540 834	-	18 540 834
Infrastructure	7 108 347 714	(4 749 362 582)	2 358 985 132	7 015 115 608	(4 579 870 818)	2 435 244 790
Infrastructure - Work in progress	1 496 885 616	(146 165 269)	1 350 720 347	1 352 525 462	(146 165 269)	1 206 360 193
Other property, plant and equipment	167 164 577	(115 590 651)	51 573 926	155 444 172	(109 000 247)	46 443 925
Other property, plant and equipment - Work in progress	-	-	-	1 407 615	(1 407 615)	-
<b>Total</b>	<b>8 979 121 233</b>	<b>(5 049 428 172)</b>	<b>3 929 693 061</b>	<b>8 722 924 309</b>	<b>(4 872 274 215)</b>	<b>3 850 650 094</b>

  

Controlling entity	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	181 882 495	(38 309 670)	143 572 825	179 890 618	(35 830 266)	144 060 352
Buildings - Work in progress	24 840 831	-	24 840 831	18 540 834	-	18 540 834
Infrastructure	7 108 347 714	(4 749 362 582)	2 358 985 132	7 015 115 608	(4 579 870 818)	2 435 244 790
Infrastructure - Work in progress	1 496 885 616	(146 165 269)	1 350 720 347	1 352 525 462	(146 165 269)	1 206 360 193
Other property, plant and equipment	164 781 461	(114 700 979)	50 080 482	153 329 304	(108 328 257)	45 001 047
Other property, plant and equipment - Work in progress	-	-	-	1 407 615	(1 407 615)	-
<b>Total</b>	<b>8 976 738 117</b>	<b>(5 048 538 500)</b>	<b>3 928 199 617</b>	<b>8 720 809 441</b>	<b>(4 871 602 225)</b>	<b>3 849 207 216</b>

## Ugu District Municipality

(Registration number DC21)

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### Notes to the Consolidated Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - Economic entity - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfers to entities not under common control	Depreciation	Impairment loss	Total
Buildings	144 060 352	1 991 878	-	-	-	-	(2 479 405)	-	143 572 825
Buildings - Work in progress	18 540 834	6 299 997	-	-	-	-	-	-	24 840 831
Infrastructure	2 435 244 790	24 333 060	-	117 485 953	-	(30 512 574)	(185 808 493)	(1 757 604)	2 358 985 132
Infrastructure - Work in progress	1 206 360 193	261 846 107	-	-	(117 485 953)	-	-	-	1 350 720 347
Other property, plant and equipment	46 443 925	15 736 258	(309 219)	-	-	-	(9 940 194)	(356 844)	51 573 926
	<b>3 850 650 094</b>	<b>310 207 300</b>	<b>(309 219)</b>	<b>117 485 953</b>	<b>(117 485 953)</b>	<b>(30 512 574)</b>	<b>(198 228 092)</b>	<b>(2 114 448)</b>	<b>3 929 693 061</b>

##### Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfers to entities not under common control	Depreciation	Impairment loss	Total
Buildings	138 375 805	76 400	-	8 056 972	-	-	(2 448 825)	-	144 060 352
Buildings - Work in progress	10 206 590	16 391 216	-	-	(8 056 972)	-	-	-	18 540 834
Infrastructure	2 534 339 547	12 553 029	-	69 680 716	-	-	(180 908 294)	(420 208)	2 435 244 790
Infrastructure - Work in progress	1 104 076 684	318 129 493	-	-	(69 680 716)	-	-	(146 165 268)	1 206 360 193
Other property, plant and equipment	40 361 416	15 034 829	(247 304)	64 590	-	-	(8 769 606)	-	46 443 925
Ancillary fleet equipment and security	1 407 615	-	-	-	-	-	-	(1 407 615)	-
	<b>3 828 767 657</b>	<b>362 184 967</b>	<b>(247 304)</b>	<b>77 802 278</b>	<b>(77 737 688)</b>	<b>(192 126 725)</b>	<b>(147 993 091)</b>	<b>3 850 650 094</b>	

## Ugu District Municipality

(Registration number DC21)

Consolidated Financial Statements for the year ended 30 June 2017

### Notes to the Consolidated Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - Controlling entity - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfers to entities not under common control	Depreciation	Impairment loss	Total
Buildings	144 060 352	1 991 878	-	-	-	-	(2 479 405)	-	143 572 825
Buildings - Work in progress	18 540 834	6 299 997	-	-	-	-	-	-	24 840 831
Infrastructure	2 435 244 790	24 333 060	-	117 485 953	-	(30 512 574)	(185 808 493)	(1 757 604)	2 358 985 132
Infrastructure - Work in progress	1 206 360 193	261 846 107	-	-	(117 485 953)	-	-	-	1 350 720 347
Other property, plant and equipment	45 001 047	15 432 562	(299 058)	-	-	-	(9 697 225)	(356 844)	50 080 482
	<b>3 849 207 216</b>	<b>309 903 604</b>	<b>(299 058)</b>	<b>117 485 953</b>	<b>(117 485 953)</b>	<b>(30 512 574)</b>	<b>(197 985 123)</b>	<b>(2 114 448)</b>	<b>3 928 199 617</b>

##### Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfers to entities not under common control	Depreciation	Impairment loss	Total
Buildings	138 375 805	76 400	-	8 056 972	-	-	(2 448 825)	-	144 060 352
Buildings - Work in progress	10 206 590	16 391 216	-	-	(8 056 972)	-	-	-	18 540 834
Infrastructure	2 534 339 547	12 553 029	-	69 680 716	-	-	(180 908 294)	(420 208)	2 435 244 790
Infrastructure - Work in progress	1 104 076 684	318 129 493	-	-	(69 680 716)	-	-	(146 165 268)	1 206 360 193
Other property, plant and equipment	40 183 059	14 131 729	(227 505)	64 590	-	-	(9 150 826)	-	45 001 047
Other property, plant and equipment - Work in progress	1 407 615	-	-	-	-	-	-	(1 407 615)	-
	<b>3 828 589 300</b>	<b>361 281 867</b>	<b>(227 505)</b>	<b>77 802 278</b>	<b>(77 737 688)</b>	<b>(192 507 945)</b>	<b>(147 993 091)</b>	<b>(147 993 091)</b>	<b>3 849 207 216</b>

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)



# Ugu District Municipality

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## Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

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

#### Pledged as security

No property, plant and equipment have been pledged as collateral for liabilities of the municipality.

#### Depreciation rates

Land	Straight line	Indefinite
Buildings	Straight line	5 to 30 years
Furniture and fixtures	Straight line	3 to 15 years
Motor vehicles	Straight line	4 to 15 years
Office equipment	Straight line	3 to 15 years
IT equipment	Straight line	3 to 10 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other property, plant and equipment	Straight line	2 to 15 years
Other assets	Straight line	5 to 30 years
Sport Facilities	Straight line	5 to 30 years
Other facilities	Straight line	5 to 30 years
Specialised vehicles	Straight line	10 to 15 years

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	2 094 687	1 676 083	2 094 687	1 676 083
Contracted services	67 134 510	63 151 219	66 980 699	63 008 980
Inventory	16 973 580	12 598 312	16 973 580	12 598 312
	<b>86 202 777</b>	<b>77 425 614</b>	<b>86 048 966</b>	<b>77 283 375</b>

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.

### 12. Intangible assets

Economic entity	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Website and software	111 054	(60 068)	50 986	100 385	(56 954)	43 431
Computer software	45 053 143	(31 444 869)	13 608 274	36 753 534	(27 951 995)	8 801 539
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
<b>Total</b>	<b>47 823 357</b>	<b>(31 504 937)</b>	<b>16 318 420</b>	<b>39 513 079</b>	<b>(28 008 949)</b>	<b>11 504 130</b>

## Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

### 12. Intangible assets (continued)

Controlling entity	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	45 053 143	(31 444 869)	13 608 274	36 753 534	(27 951 995)	8 801 539
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
<b>Total</b>	<b>47 712 303</b>	<b>(31 444 869)</b>	<b>16 267 434</b>	<b>39 412 694</b>	<b>(27 951 995)</b>	<b>11 460 699</b>

#### Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Website and software	43 431	18 860	(230)	(11 075)	50 986
Computer software	8 801 539	8 299 609	-	(3 492 874)	13 608 274
Servitudes	2 659 160	-	-	-	2 659 160
	<b>11 504 130</b>	<b>8 318 469</b>	<b>(230)</b>	<b>(3 503 949)</b>	<b>16 318 420</b>

#### Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Website and software	47 234	5 877	-	(9 680)	43 431
Computer software	6 274 486	4 895 935	72 778	(2 441 660)	8 801 539
Servitudes	2 659 160	-	-	-	2 659 160
	<b>8 980 880</b>	<b>4 901 812</b>	<b>72 778</b>	<b>(2 451 340)</b>	<b>11 504 130</b>

#### Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	8 801 539	8 299 609	(4 178 665)	12 922 483
Servitudes	2 659 160	-	-	2 659 160
	<b>11 460 699</b>	<b>8 299 609</b>	<b>(4 178 665)</b>	<b>15 581 643</b>

#### Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software	6 274 486	4 895 935	72 778	(2 441 660)	8 801 539
Servitudes	2 659 160	-	-	-	2 659 160
	<b>8 933 646</b>	<b>4 895 935</b>	<b>72 778</b>	<b>(2 441 660)</b>	<b>11 460 699</b>

The amortisation expense has been included in the line item "Depreciation and amortisation" in the Statement of Financial Performance (see note 31)

#### Pledged as security

No intangible assets have been pledged as security for any liabilities of municipality.

## Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

### 12. Intangible assets (continued)

#### Restrictions

The following restrictions apply to Intangible Assets:

#### - Financial Software:

- (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system
- (ii) The system may be used on only one database at any one time.
- (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
- (iv) The municipality has no intellectual property rights to the system.

Refer to Appendix "B" for more detail on Intangible Assets.

#### Other information

A brief description of significant intangible assets controlled by the economic entity but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

Intangible assets with indefinite lives:

Carrying value of servitudes: sewerage reticulation	1 486 723	1 486 723	1 486 723	1 486 723
Carrying value of servitudes: water reticulation	1 172 437	1 172 437	1 172 437	1 172 437
	<b>2 659 160</b>	<b>2 659 160</b>	<b>2 659 160</b>	<b>2 659 160</b>

Servitudes are regarded as having indefinite useful lives as they are registered permanently, the agreements not having a maturing date.

## Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

### 13. Investments in controlled entities

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Ugu South Coast Tourism (Pty) Ltd	Ugu District Municipality	100,00 %	100,00 %	100	100
Ugu South Coast Development Agency NPC	Ugu District Municipality	100,00 %	100,00 %	100	100
				<b>200</b>	<b>200</b>

#### Grants allocated to the entities:

Ugu South Coast Tourism (Pty) Ltd	-	-	11 925 726	11 595 930
South Coast Development Agency NPC	-	-	5 512 500	5 250 000
	-	-	<b>17 438 226</b>	<b>16 845 930</b>

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

The municipality exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

Ugu South Coast Development Agency, Ray Nkonyeni Municipality (former Hibiscus Coast Local Municipality) has entered in a Memorandum of Understanding to transfer of this company to Ugu District Municipality as from 01 July 2014.

All members serving on the board of directors of the municipal entity are nominated by the municipality's executive committee.

### 14. Long-term liabilities

#### At amortised cost

Annuity Loans	126 521 313	145 553 238	126 521 313	145 553 238
The average annuity loans period varying from 1 to 13 (2016: 1 to 14) years and at interest rates varying from 2,65% to 11,51% (2016: 2,65% to 11,5%) per annum. Annuity loans are not secured.				

Refer to Appendix "A" for more detail on external loans.

#### Non-current liabilities

At amortised cost	104 930 511	125 825 541	104 930 511	125 825 541
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#### Current liabilities

At amortised cost	21 590 802	19 727 697	21 590 802	19 727 697
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### 15. Payables from exchange transactions

Trade payables	27 114 047	35 535 969	26 146 043	34 785 640
Other creditors	83 183 043	92 903 477	83 183 043	92 903 477
Retentions	50 498 720	37 102 691	50 498 720	37 102 691
Staff bonuses	12 055 560	11 605 395	12 055 560	11 605 395
	<b>172 851 370</b>	<b>177 147 532</b>	<b>171 883 366</b>	<b>176 397 203</b>



## Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016
<b>16. Consumer deposits</b>				
Water	20 830 963	20 606 607	20 830 963	20 606 607
Guarantees held in lieu of water deposits	495 780	495 780	495 780	495 780

No interest is paid on customer the water deposits held.

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

National government grants	-	3 649 968	-	3 649 968
Provincial government grants	1 000 000	-	-	-
Other spheres of government	400 000	5 079 952	400 000	5 079 952
	<b>1 400 000</b>	<b>8 729 920</b>	<b>400 000</b>	<b>8 729 920</b>

#### Movement during the year

Balance at the beginning of the year	8 729 920	21 365 817	8 729 920	21 365 817
Additions during the year	700 250 451	725 707 518	693 108 032	720 745 868
Income recognition during the year	(707 580 371)	(738 343 415)	(701 437 952)	(733 381 765)
	<b>1 400 000</b>	<b>8 729 920</b>	<b>400 000</b>	<b>8 729 920</b>

The nature and extent of government grants recognised in the consolidated financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

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

## Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2017	2016	2017	2016

### 18. Provisions

#### Reconciliation of provisions - Economic entity - 2017

	Opening Balance	Increase/ (Reduction) due to re- measurement or settlement without cost to entity	Total
Current portion of post-retirement medical aid benefits liability	1 026 636	5 756	1 032 392
Current portion of long-service awards	2 381 593	(823 967)	1 557 626
Performance bonus provision	1 137 882	203 030	1 340 912
Leave pay provision	21 169 502	3 681 320	24 850 822
	<b>25 715 613</b>	<b>3 066 139</b>	<b>28 781 752</b>

#### Reconciliation of provisions - Economic entity - 2016

	Opening Balance	Increase/ (Reduction) due to re- measurement or settlement without cost to entity	Total
Current portion of post-retirement medical aid benefits liability	944 676	81 960	1 026 636
Current portion of long-service awards	871 315	1 510 278	2 381 593
Performance bonus provision	703 709	434 173	1 137 882
Leave pay provision	17 749 075	3 420 427	21 169 502
	<b>20 268 775</b>	<b>5 446 838</b>	<b>25 715 613</b>