Planning by	Reviewed	Performed by	Final review

Maluti-A-Phofung Municipality
Annual financial statements
for the year ended 30 June 2009

General Information

Mayoral committee	
Executive Mayor	Dr B E Mzangwa
	Me. M M Motloung
	M M Chabangu
	P A Motloung
	T P Mkhonza
	Me M C Mositi
	Me. M J Khoetha
	J T Tshabalala
	I M Majake
	J D Khumalo
	Me. RNH Molefe-Zwane
	T R Mohlekwa
	F S Radebe
Councillors	M J Tsotetsi
	S J Motaung
	J D Khumalo
	J T Tshabalala
	B A Tshabalala
	Me. E N Gamede
	M L Mohlabi
	J M Mokoena
	Me. M A Masole
	I T Mkhwanazi
	Me. A N Radebe
	Me. L A Moseme
	Me. M C Leeu
	Me. K M Sehlako
	Me M A Khambule
	M A Nhlapo
	M J Seobi
	Me. A M Nthedi
	F S Radebe
	J M Mbongo
	E Thebele
	Me L M Kleynhans
	S M Mosikili
	Me. T C Zimu
	K S Sehloho
	A Ramochela
	I M Majake
	Me. A P Mokoena
	Me. M E Tolofi
	T A Ramakarane
	T G Mokotso
	Me M M Mosia
	M A Mahlaba
	T R Mohlekwa
	Dr. B E Mzangwa
	Me. M M Motloung

General Information

	B D Mofokena
	Me. M V Norman
	L A Masithela
	Q W Lefora
	Me. M S Mopeli
	Me. S L Radebe
	Dr. F Y Lakhi
	Me. M C Mositi
	M T Mavuso
	Me. N J Finger
	Me. P M Motaung
	M M Chabangu
	T P Mokhonza
	Me. M J Khoetha
	M E Mokoena
	Me. M E Mohoaladi
	Me. RNH Molefe-Zwane
	Me. N N Ndaba
	T J Mosikidi
	Paseka Mokoena
	M J Lebesa
	P J Lebesana
	T E Molaba
	Me. M A Mphonyo
	D J Mokoena
	Me. B M Lebesa
	J M Mokoenihi
	T P Kalake
	M D Tsotetsi
	P A Motloung
	E D Mofokeng
	M J Thabana
Grading of local authority	Grade 9
Municipal Manager (Acting)	T J Ramulondi
Chief Finance Officer (CFO)	T J Ramulondi
Registered office	Municipal Building Corner Moremoholo & Motloung Street Setsing Phuthaditjhaba 9866
Postal address	Private Bag X805 Witsieshoek 9870
Bankers	First National Bank
Auditors	Office of the Auditor General

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities

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MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on grants and service charges for continued operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 60, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:

T J Ramulondi (Acting Municipal Manager)

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2009.

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 55 (1)(b) of the PFMA and Treasury Regulations 27.1.7 and 27.1.10(b) and (c).

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements both any qualification and/or the emphasis of matter, and the management letter of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

Evaluation of annual financial statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General. **The approval of the annual financial statments will be concluded upon compleation of the audit as required.**

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Chairperson of the Audit Committee

Date: ______________________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2009.

1. Review of activities

Main business and operations

The municipality is engaged in and operates principally in South Africa.

The operating results for the year were satisfactory. The financial position of the municipality is sound.

Net surplus of the municipality was R 65 346 770 (2008: loss R 224 090 311).

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
T J Ramulondi (Acting Municipal Manager)

Statement of Financial Position

Figures in Rand	Note(s)	2009	2008
Assets			
Current Assets			
Inventories	8	723 200	1 443 327
Investments	5	10 460 084	20 301 948
Trade and other receivables from non exchange transactions	9	147 201 940	145 006
VAT receivable		20 836 721	-
Trade and other receivables from exchange transactions	10	106 729 089	83 010 696
Current portion of long-term investments		18 744 386	-
Cash and cash equivalents	11	967 606	-
		305 663 026	**104 900 977**
Non-Current Assets			
Property, plant and equipment	4	629 396 801	604 744 917
Investments	5	38 108 378	35 510 225
Prepayments		-	1 914 805
Long term receivables		-	23 688
		667 505 179	**642 193 635**
Non-current assets held for sale		-	1 362 081
Total Assets		**973 168 205**	**748 456 693**
Liabilities			
Current Liabilities			
Other financial liabilities	12	993 384	906 314
Finance lease obligation	13	378 281	538 262
Trade and other payables	15	194 006 472	60 574 515
Vat payable	16	-	2 338 479
Consumer deposits	17	7 960 968	7 607 867
Unspent conditional grants and receipts	14	20 602 193	14 610 166
Bank overdraft	11	30 000 262	6 725 779
		253 941 560	**93 301 382**
Non-Current Liabilities			
Other financial liabilities	12	10 614 930	11 526 049
Finance lease obligation	13	187 921	552 238
		10 802 851	**12 078 287**
Total Liabilities		**264 744 411**	**105 379 669**
Net Assets		**708 423 794**	**643 077 024**
Net Assets			
Accumulated surplus		708 423 794	643 077 024

Statement of Financial Performance

Figures in Rand	Note(s)	2009	2008
Revenue			
Rendering of services		928 665	1 776 624
Property rates	18	102 008 998	111 065 909
Service charges	19	190 401 499	166 260 969
Rental Income		832 887	514 065
Interest received		18 559 266	15 679 659
Fines		546 677	579 117
Government grants	20	305 806 853	225 821 398
Intabazwe Corridor income		20 235 000	-
Other income		169 734	2 847 263
Gain on disposal of asset		-	1 362 081
Interest received - investment		4 786 987	11 406 572
Total Revenue		**644 276 566**	**537 313 657**
Expenditure			
Employee related costs	22	(100 568 101)	(97 410 110)
Remuneration of councillors	23	(16 208 106)	(17 790 671)
Depreciation	25	(51 411 288)	(51 627 494)
Impairment loss		(37 881)	-
Finance costs		(2 089 536)	(2 240 115)
Debt impairment	24	(40 524 889)	(239 218 528)
Repairs and maintenance		(14 899 657)	29 612 297
Bulk purchases	27	(134 175 945)	(115 465 773)
Grants and subsidies paid	26	(46 754 744)	(38 132 084)
General Expenses	21	(172 274 807)	(229 131 490)
Total Expenditure		**(578 944 954)**	**(761 403 968)**
Fair value adjustments		15 158	-
Surplus (deficit) for the year		**65 346 770**	**(224 090 311)**
Attributable to:			
Net Asset holders of the controlling entity		65 346 770	(224 090 311)

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributions from owners	Capital replacement reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	-	24 592 849	35 779 924	60 372 773	791 761 990	852 134 763
Adjustments						
Prior year adjustments	-	-	(35 779 924)	(35 779 924)	35 779 924	-
Balance at 01 July 2007 as restated	**-**	**24 592 849**	**-**	**24 592 849**	**827 601 862**	**852 194 711**
Changes in net assets						
Cash flow hedges, net of tax						
• Transfers to inventory	-	-	-	-	-	-
Prior year adjustment	-	(24 592 849)	-	(24 592 849)	39 565 473	14 972 624
Net income (expenses) recognised directly in net assets	-	(24 592 849)	-	(24 592 849)	39 565 473	14 972 624
Surplus for the year	-	-	-	-	(224 090 311)	(224 090 311)
Total recognised income and expenses for the year	-	(24 592 849)	-	(24 592 849)	(184 524 838)	(209 117 687)
Total changes	-	(24 592 849)	-	(24 592 849)	(184 524 838)	(209 117 687)
Balance at 01 July 2008	**-**	**-**	**-**	**-**	**643 077 024**	**643 077 024**
Changes in net assets						
Surplus for the year	-	-	-	-	65 346 770	65 346 770
Total changes	-	-	-	-	65 346 770	65 346 770
Balance at 30 June 2009	**-**	**-**	**-**	**-**	**708 423 794**	**708 423 794**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash receipts from customers		306 332 875	49 126 809
Cash paid to suppliers and employees		(262 862 020)	(53 341 328)
Cash generated from (used in) operations	28	43 470 855	(4 214 519)
Interest income		4 786 987	11 406 572
Finance costs		(102 136)	-
Net cash from operating activities		**48 155 706**	**7 192 053**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(74 700 925)	(18 511 940)
Sale of financial assets		7 220 988	27 503 720
Sale of long term receivables		-	132 382
Sale of other asset 3		-	61 286
Net cash from investing activities		**(67 479 937)**	**9 185 448**
Cash flows from financing activities			
Repayment of other financial liabilities		(824 049)	10 549 324
Movement in Consumer deposits		353 101	5 178 695
Finance lease payments		(2 511 698)	(14 756 388)
Net cash from financing activities		**(2 982 646)**	**971 631**
Total cash movement for the year		**(22 306 877)**	**17 349 132**
Cash at the beginning of the year		(6 725 779)	(24 074 911)
Net increase (decrease) in cash and cash equivalents	11	**(29 032 656)**	**(6 725 779)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP).

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

The accounting policies are applied consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the accounting Standards Board, are summarised as follows:

Standard Title of Standard
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associate
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 12 (AC 102)Income Taxes
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5, as issued by the accounting Standards Board.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 annual financial statements. Significant judgements include:

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

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)
ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

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

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

Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Contributions are made to or from the provisions to reflect the current best estimate. Expenditure relating to provisions is charged to the provision when incurred.

Post retirement benefits

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and the Council for the remaining 60%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due. The additional cost effect of defined benefit retirement funds is immaterial and the costs thereof are charged to the Statement of Financial Performance as they fall due. The Municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods whereby that benefit is discounted to determine its present value. The actuarial valuation is performed by an independent qualified actuary on a regular basis using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight line basis over the average period until the benefits become vested. When the benefits become vested, the expense is recognised immediately in the Statement of Financial Performance.

Effective interest rate

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

1.2 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.3 Property, plant and equipment

INITIAL RECOGNITION 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. The cost of an item of property, plant and equipment is recognised as an asset when:

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

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. SUBEQUENT MEASUREMENT - COST MODEL Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.
Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	**Average useful life**
Buildings	
• Buildings	30
Infrastructure	
• Roads and Paving	10 - 30
• Pedestrian Malls	20
• Electricity	10 - 30
• Water	15 - 20
• Sewerage	15 - 40

Accounting Policies

1.3 Property, plant and equipment (continued)

• Security	3 - 5
Community	
• Buildings	30
• Recreational Facilities	20
• Landfill Sites	50
Other property, plant and equipment	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	3 - 20
• Office equipment	3 - 5
• Furniture and fittings	7 - 10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	5 - 15
• Other items of plant and equipment	5

The residual value and the useful life of each asset are reviewed at each financial period-end.

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 shall be 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.

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. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. DERECOGNITION Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 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 municipality 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.

Intangible assets 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.

1.4 Intangible assets (continued)

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. 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.

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

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

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

Item	Useful life
Computer software, other	3 years
Website development costs	3 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.

1.5 Investments in controlled entities

Investments in controlled entities are carried at fair value through profit or loss.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - designated
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

1.6 Financial instruments (continued)

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

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

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

1.6 Financial instruments (continued)

account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through profit and loss

Designated shares acquired upon demutaliation as financial investments designated as fair value through profit or loss. There is no specific intention on the part of the municipality to keep these share to maturity and the decision to sell may be taken at anytime.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit,
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

1.6 Financial instruments (continued)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 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 interest rate implicit in the lease.

1.7 Leases (continued)

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.

Operating leases - lessor

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

Inventories are measured at the lower of cost and net replacement value.

Net replacement value is the cost the entity would incur to replace the inventory, in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net replacement value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 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.

1.10 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

1.10 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.11 Employee benefits (continued)

Defined benefit plans

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

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

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

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

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

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

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

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Accounting Policies

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - 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.

After their initial recognition contingent liabilities recognised in business 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 29.

1.13 Government grants

Revenue received from conditional grants, donations and funding shall be 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 shall be recognised in the Statement of Financial Position. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised. Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately).

1.14 Revenue from exchange transactions

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

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

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised to reference to the stage of completion of the transaction at the statement of financial position date. The stage of completion is determined by services performed to date.

1.14 Revenue from exchange transactions (continued)

Contract revenue comprises:
- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

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

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

1.15 Revenue from non-exchange transactions

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

Revenue from the issuing of fines is recognised when payment are received:

1.16 Grants, transfers and donations

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

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Investment income

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

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

1.18 Borrowing costs (continued)

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 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 Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of Estimates

The preparation of 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 municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the 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.

1.24 Presentation of Currency

These annual financial statements are presented in South African Rand.

1.25 Offsetting

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

1.26 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.

1.27 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

Accounting Policies

1.27 Conditional Grants and receipts (continued)
the criteria, conditions or obligations have not been met a liability is recognised.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IAS32 Financial Instruments: Disclosure and Presentation
- IAS39 Financial Instruments: Recognition and Measurement

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2008 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise 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 requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The impact of the standard is not material.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The material impact of this standard cannot be determined.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

3. New standards and interpretations (continued)

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories 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.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.
Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)
that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

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

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

Investment property includes property 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 an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property 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.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The material impact of this standard cannot be determined. The municiplaity has not yet identified Investment Poperty. The municipality expects to complete the identification and recognition of its investment properties by June 2010

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The Municipality has not not finalised the process of itemizing all infrastructure and community assets. Accumulated depreciation will then be recalculated once this exercise has been completed. The Municipality originally expected to complete this process by the 30 of June 2008 but due to capacity constraints this process could not be completed on time. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that the complete verification and measurement of all infrastructure assets and community assets will be done by 30 June 2010.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets

3. New standards and interpretations (continued)
would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The municipality has not determined its obligation for the rehabilitation of its landfill sites. Its is expected that this process will be finalised by 30 June 2010.

The material impact of this standard cannot be determined.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value in use of a non-cash-generating asset” is the present value of the asset’s remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The municipality has

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)
not yet identified any intangable assets. It is expected that the this process will be finalised by 30 June 2010.

The impact of the standard is not material. The municipality has not yet identified any Intagible assets

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The municipality has not yet tested for impairment of non cash generating assets. It is expected that this process will be finalised by 30 June 2010.

The material impact of this standard cannot be determined.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

3.2 Standards and interpretations not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2009 or later periods:

May 2008 Annual Improvements to IFRS’s: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. ‘Total interest income’ was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRS’s: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

IFRS 3 (AC 140) (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality expects to adopt the standard for the first time in the 2009 annual financial statements.

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

IAS 12 (AC 102) Income Taxes – consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

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

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

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

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

3. New standards and interpretations (continued)

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

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

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality expects to adopt the amendment for the first time in the 2009 annual financial statements.

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

GRAP 18: Segment Reporting

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

3. New standards and interpretations (continued)
amount of the liability recognised as recognise an amount equal to that reduction.

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

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

GRAP 103: Heritage Assets

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

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

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

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

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

3. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

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

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place

3. New standards and interpretations (continued)

subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

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

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods but are not relevant to its operations:

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

4. Property, plant and equipment

	2009			2008		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Property, plant and equipment	924 164 128	(294 767 327)	629 396 801	848 010 752	(243 265 835)	604 744 917

Reconciliation of property, plant and equipment - 2009

	Opening Balance	**Additions**	**Transfers**	**Depreciation**	**Total**
Property, plant and equipment	604 744 917	74 700 925	1 362 079	(51 411 120)	629 396 801

Reconciliation of property, plant and equipment - 2008

	Opening Balance	**Additions**	**Classified as held for sale**	**Depreciation**	**Total**
Property, plant and equipment	639 222 554	18 511 940	(1 362 079)	(51 627 498)	604 744 917

Refer to Appendix B and C for more detail on property, plant and equipment.

Figures, as previously reported for Plant, Property and Equipment, have been adjusted. Refer to note 42 for nature and effect of these prior year adjustments.

5. Investments

	2009	2008
At fair value through profit or loss - held for trading		
Listed shares	92 154	76 996
Loans and receivables		
Loans and receivables at amortised cost	48 476 308	55 735 177
Total other financial assets	**48 568 462**	**55 812 173**

Refer to Appendix F for more detail on Investments.

Figures, as previously reported for Investment, have been adjusted. Refer to note 42 for nature and effect of these prior year adjustments.

	2009	2008
Non-current assets		
At fair value through profit or loss - held for trading	92 154	76 996
Loans and receivables at amortised cost	38 016 224	35 433 229
	38 108 378	**35 510 225**
Current assets		
Loans and receivables at amortised cost	10 460 084	20 301 948
	48 568 462	**55 812 173**

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the fund value asdetermined by the institution.

Fair values are determined annually at statement of financial position date. No terms and conditions attached to the investments were renegotiated during the year and no investments were pledged as security for any of the financial liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

5. Investments (continued)

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Investments	48 476 308	92 154	48 568 462
Trade and other receivables from non exchange transactions	147 201 940	-	147 201 940
Trade and other receivables from exchange transactions	106 729 089	-	106 729 089
Cash and cash equivalents	967 606	-	967 606
	303 374 943	**92 154**	**303 467 097**

2008

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Investments	55 735 177	76 996	55 812 173
Trade and other receivables from non exchange transactions	145 006	-	145 006
Trade and other receivables from exchange transactions	83 010 696	-	83 010 696
	138 890 879	**76 996**	**138 967 875**

7. Retirement benefits

Defined benefit plan

Post retirement medical aid plan

Employees of the municipality enjoy the benefit of continued contribution by the municipality to a medical aid, on behalf of the employee after retirement and therefore the municipality need to account for this defined benefit obligation. The municiplaity however did not make any provison in terms of IAS 19.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All Councilors and employees belong to 3 defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 is being finalised and will be submitted to the municipality once approved by the executive committee of the fund. No information could be obtained for the other two funds regarding the administrators nor the actuarial valuations.

The municipality is under no obligation to cover any unfunded benefits.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

8. Inventories

Consumable stores at cost	1 973 853	1 394 856
Water at cost	37 532	-
Fuel (Diesel, Petrol) at cost	43 230	48 471
	2 054 615	1 443 327
Inventories (write-downs)	(1 331 415)	-
	723 200	**1 443 327**
Carrying value of inventories carried at the lower of cost or replacement value	723 200	1 443 327

9. Trade and other receivables from non exchange transactions

Other debtors	147 201 940	145 006

The fair value of trade and other receivables from non exchange transactions have been determined by using the face value.

10. Trade and other receivables from exchange transactions

Gross balances		
Rates	300 626 342	248 792 354
Electricity	41 079 730	24 547 328
Water	54 450 791	38 554 888
Sewerage	21 307 490	18 019 750
Refuse	41 539 038	34 851 216
Other (specify)	46 633 876	76 628 449
	505 637 267	**441 393 985**
Less: Provision for bad debts		
Rates	(252 496 303)	(209 888 572)
Electricity	(23 987 347)	(16 761 887)
Water	(42 553 116)	(28 855 311)
Sewerage	(17 722 022)	(13 305 104)
Refuse	(35 526 732)	(30 008 197)
Other (specify)	(26 622 658)	(59 564 218)
	(398 908 178)	**(358 383 289)**
Net balance		
Rates	48 130 039	38 903 782
Electricity	17 092 383	7 785 441
Water	11 897 675	9 699 577
Sewerage	3 585 468	4 714 646
Refuse	6 012 306	4 843 019
Other (specify)	20 011 218	17 064 231
	106 729 089	**83 010 696**
Rates		
Current (0 -30 days)	18 264 050	10 082 970
31 - 60 days	8 438 155	9 028 222
61 - 90 days	4 204 408	4 672 360
91 - 120 days	4 464 365	4 615 222
121 - 365 days	12 759 061	10 505 008
	48 130 039	**38 903 782**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

10. Trade and other receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	10 707 748	4 120 381
31 - 60 days	3 217 713	1 920 014
61 - 90 days	1 424 784	511 911
91 - 120 days	626 165	416 529
121 - 365 days	1 115 973	816 606
	17 092 383	**7 785 441**

Water		
Current (0 -30 days)	5 322 628	4 606 138
31 - 60 days	2 301 325	2 044 673
61 - 90 days	965 412	932 458
91 - 120 days	1 203 968	702 058
121 - 365 days	2 104 342	1 414 250
	11 897 675	**9 699 577**

Sewerage		
Current (0 -30 days)	1 264 247	1 455 342
31 - 60 days	743 057	2 024 690
61 - 90 days	348 056	290 101
91 - 120 days	339 097	284 105
121 - 365 days	891 011	660 408
	3 585 468	**4 714 646**

Refuse		
Current (0 -30 days)	2 316 782	1 391 985
31 - 60 days	964 654	1 034 781
61 - 90 days	467 462	456 061
91 - 120 days	451 011	434 401
121 - 365 days	1 812 397	1 525 791
	6 012 306	**4 843 019**

Other (specify)		
Current (0 -30 days)	(7 635 126)	375 943
31 - 60 days	1 080 560	320 982
61 - 90 days	289 144	113 155
91 - 120 days	277 572	110 155
121 - 365 days	25 999 068	16 143 996
	20 011 218	**17 064 231**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	15 476 236	-
31 - 60 days	7 770 453	-
61 - 90 days	6 373 687	-
91 - 120 days	6 661 857	-
121 - 365 days	218 327 009	-
Total	-	244 660 467
	254 609 242	**244 660 467**

Industrial/ commercial		
Current (0 -30 days)	6 601 418	-
31 - 60 days	3 189 032	-
61 - 90 days	1 994 187	-

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

10. Trade and other receivables from exchange transactions (continued)

91 - 120 days	1 553 785	-
121 - 365 days	47 496 855	-
Total	-	21 571 601
	60 835 277	**21 571 601**

National and provincial government		
Current (0 -30 days)	10 156 121	-
31 - 60 days	6 667 319	-
61 - 90 days	7 030 655	-
91 - 120 days	6 508 716	-
121 - 365 days	159 829 937	-
Total	-	175 161 917
	190 192 748	**175 161 917**

Total		
Current (0 -30 days)	32 233 775	-
31 - 60 days	17 626 804	-
61 - 90 days	15 398 529	-
91 - 120 days	14 724 359	-
121 - 365 days	425 653 800	-
Total	-	441 393 985
	505 637 267	**441 393 985**

Less: Provision for debt impairment		
Debt impairment for the year	(398 908 178)	(358 383 289)

Reconciliation per ageing		
Total debtors per ageing	505 637 267	441 393 985
Impairment	(398 908 178)	(358 383 289)
	106 729 089	**83 010 696**

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer debtors impaired

As of 30 June 2009, consumer debtors of R 40 524 889 (2008: R 358 383 289) were impaired and provided for.

The amount of the provision was R 398 908 178 as of 30 June 2009 (2008: R 239 218 528).

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 32).

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security. The fair value was determined by using the face value of outstanding capital.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Other cash and cash equivalents	967 606	-
Bank overdraft	(30 000 262)	(6 725 779)
	(29 032 656)	**(6 725 779)**
Current assets	967 606	-

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
11. Cash and cash equivalents (continued)		
Current liabilities	(30 000 262)	(6 725 779)
	(29 032 656)	**(6 725 779)**

No assets were pledged as security for overdraft facilities.

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 (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
First National Bank - Phuthaditjhaba - Current account - 62026153221	17 133 457	5 285 383	(9 460 437)	(30 000 262)	(6 725 778)	(24 074 911)
First National Bank - Phuthaditjhaba - Savings Account - 62045863009	1 929 828	4 875 315	(1 819 221)	-	-	-
Total	**19 063 285**	**10 160 698**	**(11 279 658)**	**(30 000 262)**	**(6 725 778)**	**(24 074 911)**

12. Other financial liabilities

	2009	2008
Held at amortised cost		
DBSA loans	11 608 314	12 432 363
Non-current liabilities		
At amortised cost	10 614 930	11 526 049
Current liabilities		
At amortised cost	993 384	906 314
	11 608 314	**12 432 363**

The fair values of the financial liabilities were determined by using the valuations by the DBSA. DBSA has an external credit rating.

The average lease term was 17 years and the average effective borrowing rate was 15% (2008: 15%).
Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. No conditions attached to these loans have been renegotiated. No assets have been pledged as security.

Refer to Appendix A for more detail on borrowings.

Figures, as previously reported for Financial liabilities, have been adjusted. Refer to note 42 for nature and effect of these prior year adjustments.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

13. Finance lease obligation

Minimum lease payments due		
- within one year	421 892	645 128
- in second to fifth year inclusive	193 829	615 721
	615 721	1 260 849
less: future finance charges	(49 519)	(170 349)
Present value of minimum lease payments	**566 202**	**1 090 500**
Present value of minimum lease payments due		
- within one year	378 281	524 296
- in second to fifth year inclusive	187 921	566 204
	566 202	**1 090 500**
Non-current liabilities	187 921	552 238
Current liabilities	378 281	538 262
	566 202	**1 090 500**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 9 years and the average effective borrowing rate was 14% (2008: 14%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note . Refer to Appendix A for more detail on borrowings

Figures, as previously reported for Finance lease obligation, have been adjusted. Refer to note 42 for nature and effect of these prior year adjustments.

14. Unspent conditional grants and receipts

Deferred income comprises:

Conditional grants and receipts		
MSIG Grant	(3 999)	-
MIG Grant	9 414 641	8 469 357
RDP Houses	4 482 892	4 482 892
DWAF Grants	217 532	1 657 917
DME Grant	5 400 000	-
RGIB Grant	1 081 155	-
FMG Grant	9 972	-
	20 602 193	**14 610 166**

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

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

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

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

15. Trade and other payables

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

15. Trade and other payables (continued)

Trade payables	26 666 297	35 482 456
Staff leave	9 578 212	7 102 428
Accrued bonus	2 337 262	2 099 279
Deposits received	16 974 265	53 176
Other creditors	1 092 563	205 529
Unidentified direct deposits	124 067 663	2 349 880
Sundry creditors	13 290 210	13 281 767
	194 006 472	**60 574 515**

Figures, as previously reported for Trade creditors, have been adjusted. Refer to note 42 for nature and effect of these prior year adjustments.

Fair value of trade and other payables

The fair value was determined by using the face value of the outstanding balances.

16. Taxes and transfers payable

VAT payable	-	2 338 479

17. Consumer deposits

Rates	7 607 867	7 607 867
Electricity	353 101	-
	7 960 968	**7 607 867**

18. Property Rates

Rates received

Residential	98 357 367	108 178 525
Commercial	2 083 027	1 647 072
State	1 568 604	1 240 312
	102 008 998	**111 065 909**

19. Service charges

Sale of electricity	123 478 274	109 636 176
Sale of water	35 144 141	32 232 046
Sewerage and sanitation charges	15 632 259	13 161 693
Refuse removal	16 146 825	11 231 054
	190 401 499	**166 260 969**

Figures in Rand	2009	2008

20. Government grants and subsidies

Equitable share	165 373 440	129 419 481
Municipal Infrastructure Grant	85 651 716	62 709 139
Municipal Systems Improvement Grant	738 999	734 000
Department of Minerals and Energy	1 700 570	4 600 000
RDP Houses	-	486 551
Department of Water Affairs and Forestry	27 975 585	18 237 084
Water - Infrastructure	23 876 514	7 825 000
Financial Management Grant	490 029	500 000
Intabazwe corridor	-	1 310 143
	305 806 853	**225 821 398**

Equitable share

Current-year receipts	165 373 440	129 419 481
Conditions met - transferred to revenue	(165 373 440)	(129 419 481)
	-	**-**

Municipal Systems Improvement Grant

Current-year receipts	735 000	734 000
Conditions met - transferred to revenue	(738 999)	(734 000)
	(3 999)	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	8 469 357	-
Current-year receipts	86 597 000	71 178 496
Conditions met - transferred to revenue	(85 651 716)	(62 709 139)
	9 414 641	**8 469 357**

Conditions still to be met as per approved MIG business plan

Department of Minerals and Energy

Current-year receipts	7 100 570	4 600 000
Conditions met - transferred to revenue	(1 700 570)	(4 600 000)
	5 400 000	**-**

RDP Houses

Balance unspent at beginning of year	4 482 891	3 110 801
Current-year receipts	-	1 858 641
Conditions met - transferred to revenue	-	(486 551)
	4 482 891	**4 482 891**

Department of Water Affairs and Forestry

Balance unspent at beginning of year	2 788 207	-
Current-year receipts	25 404 910	18 764 710
Conditions met - transferred to revenue	(27 975 585)	(15 976 503)
	217 532	**2 788 207**

Water - Infrastructure

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

20. Government grants and subsidies (continued)

Current-year receipts	24 957 670	7 825 000
Conditions met - transferred to revenue	(23 876 515)	(7 825 000)
	1 081 155	**-**

Financial Management Grant

Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(490 029)	(500 000)
	9 971	**-**

Conditions still to be met as per approved FMG business plan.

All unspent conditional grants are cash back and ringfenced within investments

21. General expenses

Auditors remuneration	6 272 124	2 458 745
Contributions	4 413 204	5 119 958
Housing Development Fund expense	-	977 870
Community projects	-	3 256 912
Promotions and sponsorships	37 692 791	-
MIG Operational expenses	18 204 839	78 626 587
General expense	105 691 849	138 011 380
200 RDP houses	-	486 552
Fruitless and wastful expenditure	-	193 486
	172 274 807	**229 131 490**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

22. Employee related costs

Basic	95 157 757	91 516 026

Remuneration of municipal manager

Annual Remuneration	578 423	560 000
Car Allowance	127 011	120 000
Other	17 460	24 000
	722 894	**704 000**

Remuneration of chief finance officer

Annual Remuneration	400 756	373 536
Car Allowance	254 903	151 522
Contributions to UIF, Medical and Pension Funds	92 736	94 942
Other	-	18 000
	748 395	**638 000**

Remuneration of Director : Municipal Infrastructure

Annual Remuneration	364 461	358 490
Car Allowance	134 128	110 785
Performance Bonuses	29 746	29 745
Contributions to UIF, Medical and Pension Funds	32 777	69 780
Other	12 000	12 000
	573 112	**580 800**

Remuneration of Director : Community Services

Annual Remuneration	352 742	342 864
Car Allowance	143 100	135 895
Performance Bonuses	28 444	28 445
Contributions to UIF, Medical and Pension Funds	63 004	61 676
Other	12 000	12 000
	599 290	**580 880**

Remuneration of Director : Development Planning and Housing

Annual Remuneration	36 372	287 645
Car Allowance	12 000	72 615
Performance Bonuses	-	19 845
Contributions to UIF, Medical and Pension Funds	-	78 168
Other	1 500	7 218
	49 872	**465 491**

Remuneration of Director : Public Safety

Annual Remuneration	352 104	345 383
Car Allowance	146 984	107 334
Performance Bonuses	28 432	28 654
Contributions to UIF, Medical and Pension Funds	79 690	76 569
Other	12 000	12 000
	619 210	**569 940**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

22. Employee related costs (continued)

Remuneration of Director : Parks, Sport, Recreation, Arts and Culture

Annual Remuneration	413 371	315 048
Car Allowance	126 530	72 239
Performance Bonuses	33 305	26 126
Contributions to UIF, Medical and Pension Funds	-	74 579
Other	12 000	14 400
	585 206	**502 392**

Remuneration of Director : Corporate Services

Annual Remuneration	397 543	390 000
Car Allowance	158 259	120 000
Other	12 000	12 000
	567 802	**522 000**

Remuneration of Director : Spatial Development and Planning

Annual Remuneration	-	315 047
Car Allowance	-	72 615
Contributions to UIF, Medical and Pension Funds	-	86 718
Other	-	12 000
	-	**486 380**

Remuneration of Director : Local Economic Development and Tourism

Annual Remuneration	190 711	350 888
Car Allowance	6 020	120 000
Performance Bonuses	-	29 112
Contributions to UIF, Medical and Pension Funds	6 704	-
Other	1 000	12 000
	204 435	**512 000**

Strategic Manager

Annual Remuneration	-	203 064
Car Allowance	-	104 720
Performance Bonuses	-	24 417
	-	**332 201**

Chief Operations Officer

Annual Remuneration	602 128	-
Car Allowance	120 000	-
Other	18 000	-
	740 128	**-**

23. Remuneration of councillors

Executive Major	627 968	586 345
Mayoral Committee Members	4 776 103	2 886 142
Speaker	456 316	470 238
Councillors	10 347 719	12 438 122

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
23. Remuneration of councillors (continued)		
Councillors' pension contribution	-	1 409 824
	16 208 106	**17 790 671**

24. Debt impairment

Figures in Rand	2009	2008
Bad debts	40 524 889	239 218 528

25. Depreciation and amortisation

Figures in Rand	2009	2008
Property, plant and equipment	51 411 288	51 627 494

26. Grants and subsidies paid

Figures in Rand	2009	2008
Other subsidies		
MAP Water	46 754 744	38 132 084

27. Bulk purchases

Figures in Rand	2009	2008
Electricity	110 057 476	86 550 921
Water	24 118 469	28 914 852
	134 175 945	**115 465 773**

28. Cash generated from (used in) operations

Figures in Rand	2009	2008
Surplus (deficit) before taxation	65 346 770	(224 090 311)
Adjustments for:		
Depreciation and amortisation	51 411 288	51 627 494
Interest received	(4 786 987)	(11 406 572)
Finance costs	2 089 536	2 240 115
Fair value adjustments	(15 158)	-
Impairment deficit	37 881	-
Reclasification of non current debtors	(18 720 698)	-
DBSA grant - unspent movement	-	(1 310 146)
Correction Housing Development Fund	(161)	-
Changes in working capital:		
Inventories	720 127	209 003
Trade and other receivables from non exchange transactions	(147 056 934)	2 897 673
Consumer debtors	(23 718 393)	138 882 989
Prepayments	1 914 805	(1 914 805)
Trade and other payables	133 431 952	20 650 136
VAT	(23 175 200)	5 190 397
Unspent conditional grants and receipts	5 992 027	12 809 508
	43 470 855	**(4 214 519)**

Figures in Rand	2009	2008

29. Contingencies

Litigation is in the process against the municipality relating to civil claimsto the value of R 2 165 000.

Litigation is in the process against the municipality relating to labour arbitration to the value of R 250000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years..

Litigation is in the process against the municipality relating to cancellation of contract to the value of R1160000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Litigation is in the process against the municipality relating to claim for damages to the value of R 50000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

30. Related parties

Relationships

Holding company	Maluti-A-Phofung Water (Pty) Ltd

Maluti-A-Phofung Municipality holds 100% of the issued share capital in Maluti-A-Phofung Water (Pty) Ltd.

Related party balances

	2009	2008
Market value of holdings		
Maluti-A-Phofung Water (Pty) Ltd	(4 956 888)	10 168 905
Summary Maluti-A-Phofung Water (Pty) Ltd financial information		
Equity	(4 956 588)	10 169 205
Liabilities	28 491 981	18 701 341
Assets	23 535 393	28 870 546

31. Prior period errors

The reconciliation for the Maluti-a-Phofung Water (Pty) Ltd reflected that an amount of R11,849,736.69 was underprovided for creditors. This resulted with bulk water purchases decreasing by R 11,45756,16.Trade creditors increasing by R11,849,736,69. Input vat was increased by R 1,455230,82. The Accumulated surplus account was decreased by R9,248,749,71.

Invoices were recorded in the financial year ended 30 June 2008 but the invoices were dated in the 2007 financial year. Invoices were captured in 2007/08 year.
The repairs and maintenance expense was increased by R 226,333,00 and the Accumulated Surplus account was decreased by R226,333.

The municipality underprovided for leave provision. The contribution to leave pay was increased by R17,538.00 and Leave Fund :Rates and General was increased by R17,538.00.

It was noted that there was an error on the posting of the general ledger postings for employee related costs before the 2005/06 financial year.
The Salary Suspense Account was increased by R1,161,535.02 and Accumulated Surplus Account was decreased by R1,161,535.02.

5) Insurance pre paid in 2008 for 2009 was recorded as an expense and not as a payment in advance (debtors)

Insurance Excess Payments was decreased by R1679653,22. Payment in Advance was increased by R1914804,67 and input vat was decreased by R 235151,45.

Water purchases of R748,405 from Maluti -A -Phofung Water (Pty)Ltd and electricity purchases of R7,749,893 from Eskom for June 2007 (previous year)were paid in July 2007 and were incorrectly recorded as an expense in the current financial year.

31. Prior period errors (continued)

Bulk water purchases was decreased by R 8498298,00.Accumulated Surplus was increased by R8498298.

It was noted that only 11 payments were made during the year under review to Maluti-A-Phofung Water (Pty)Ltd for the grant received from the Department of Water Affairs and Forestry. The twelfth payment was only made after year end and should have been provided for as at year end resulting in an understatement of expenditure and payables.
DWAF Subsidy Transfer was debited with an amount of R 136564,30.Trade Creditors were credited with R136,564.30.

A difference of R1,130 289.87 was identified between the grant receivable as disclosed in the DORA and the grants received recorded in the accounting records.
DWAF Unspent was credited with R 1,130,289,87 and DWAF-Other was debited with R1,130,289.87.

Provision for bonuses payable subsequent to 30 June 2008 that relate to services rendered by employees prior to the yearend amounting to R2,099,279.08 was not recorded and disclosed as part of provisions in the Annual Financial Statements of the municipality.
Leave Bonus expenditure was debited with R2,099,279.08 and Bonus Provision was credited with R2,099,279.08.

Through inspection of the general ledger account for PAYE deducted from employee's salaries and payable to SARS it was noted that the PAYE for July 2007 amounting to R801,839.41 was not recorded in the general ledger.
Salaries and Wages expense account was debited with R 801839,41 and Salary Suspense Account was credited withR801,839.41.There was no effect on the Accumulated Surplus Account.

No supporting documentation for "Payments Received in advance" to the amount of R3,420,445 could be provided. This amount is included in note 6 to the financial statements and has remained unchanged from the previous year. GRANTS FROM DBSA NO 13936 was debited with R910,463,14, DBSA PROJECT DEV 100410 was debited with R 1,715,847,42 , DBSA 100919 was debited with R 282,084,16, DEV BANK 101175 was debited with R512,050,00.Accumulated Surplus Account was credited with amount of R 3,420,444,72.

Through inspection of the payments made to SARS for PAYE, UIF and SDL it was noted that the payments for December 2007 and March 2008 were not made within seven (7) days as prescribed by the Commissioner.The penalties and interest were not disclosed in the financial statements as fruitless and wasteful expenditure and were not recorded as a liability at year end.
Fruitless and wasteful expenditure was debited with R 193486,37 and Trade Creditors were credited with R193,486.37.There was no effect on the Accumulated Surplus Account.

Through inspection of the pay slip information of full time councilors it was noted that no UIF was deducted from the councilors' remuneration and that no contributionswere made on behalf of the municipality. The UIF was subsequently not paid over to SARS.
Councillors Allowances were debited with R 100,961,36 and Salary Suspense Account was credited with R100,961.36.There was no effect on the Accumulated Surplus Account.

There was an under provision for bad debts of R5,227,765.55
Working Capital :Bad Debts was debited with R 5,227,765,55 and Bad Debts :Rates and General was credited with R5,227,765.55.There was no effect on the Accumulated Surplus Account.

The current year's creditors opening balance per general ledger does not agree to the prior year's closing balance per general ledgerand the annual financial statements:
Trade Creditors were credited with R 5,183,928,03 and Accumulated Surplus was debited with R5,183,928.03.

Assets were erroneously recorded inclusive of VAT in the asset register. Items to the amount of R 10,189,719.00 were capitalised in the asset register although these itemswere basically the services rendered by the municipality to the community. The municipality should have expensed these cost but instead they were capitalised .
Community Base Planning was debited with R 10189719,00. Community & Social Services was credited with R47488,95,Waste Management was credited with R 81152,51,Road & Transport was credited with R 327752,33,Other was credited with R 8723,17,Other was credited with R10189719,00,Housing was credited with R 52091,76,Water was credited with R 578553,65,VAT: CAPITAL was debited with R1095762,37.

It was noted that items were duplicated on the asset register and they were recorded without VAT. KEST THLON PAVED R PHAS 2 MI was debited with R30642,00,REFURBSHMNT H/S TOWN HALL MI was debited with R1517492,00, MAKHOLOKOENG BULK WATER SUPPLY was debited with R1533448,00. Planning & Development was credited with R391,734,00 Community & Social Services was credited with R 745,069,00. Road & Transport was credited with

Notes to the Annual Financial Statements

31. Prior period errors (continued)
R30642,00.Housing was credited with R380689,00.Water was credited with R1533448,00.

The entity bought 2 items for R4,425.00 but only disclosed one. An item was incorrectly recorded in the asset register. The amount was recorded as R 64.00 instead of R64,000.00. The amount of the item was therefore understated by R63,936.00. Computer and Equipment was credited with R5044,50,Fencing at Cemetry was credited with R72887,04,Additions were debited with R4425,00.Public Safety was debited with R63936,00 Vat: Capital was debited with R9570,54.

Included in Other debtors in the financial statements is cash suspense amount of R369 747 335.47.
Direct Deposit Suspense was debited with R 369,747,335,47 and Cash Suspense was credited with R369,747,335,47.
There was no effect on the Accumulated Surplus Account.

A Nissan 4x4 hard body double cab, purchased on 13/08/2007 for an amount of R216 202,37 (including vat), invoice number 70250161, was not capitalized, but was expensed on vote number 0462/0744/0000. Input vat was also claimed on this double cab.
Road & Transport was debited with R26493,00 VAT: CAPITAL was credited with R26439.00.There was no effect on the Accumulated Surplus Account.

The inventory general ledger accounts and the supporting documentation were inspected. Items totaling R8,702 were processed in theincorrect financial period.Trade Creditors were debited with R8702 and Main Store was credited.

Invoices totaling R675,296.65 were incorrectly recorded as liability at year-end . These invoices represent invoices not invoiced on year-end.
R& M Network Reticulation was credited with 555260,22,Training of Staff was credited with R37105,26.Trade Creditors were debited with R675296,65.Input Vat was credited with R82931,17.

No input vat was claimed on the payments made to TATS Electrical. The vat amount was R386 203.86

Contractor's Fees –TATS Electrical was credited with R386204,00.Input Vat was debited with R386204.

The June 2008 invoice of Quince asset rental foran amount of R91 559.62 (including vat) is not provided as a creditor at year end.
Leasing of Equipment was Debited with R 80316,00. Trade Creditors were credited with R91560,00Input vat was debited with R11244.There was no effect on Accumulated Surplus Account.

The opening balances of the consumer deposits do not agree to the signed financial statements of the previous year.Consumer Deposits were debited with R1384034,00.Accumulated Surplus was credited withR1384034.

A journal was recorded to account for input VAT not claimed on expenses. However, this correction was incorrectly recorded against creditors and not against expenses.
IDP/LDO PROJECTS was credited with R111358,00.Trade Creditors were debited with R111358.There was no effect on Accumulated Surplus account.

No supporting documentation and explanations could be obtained for the amount of R1,705,641.31 which is disclosed as Consumer Debtors.This amount should not be disclosed as Consumer Debtors as the recoverability of the amount could not be determined and the listing could not be provided to test the existence of the debtors.
Debtors Control was credited with R1 705 641.31 and Accumulated Surplus was Debited with R1 705 641.31.

No supporting documentation could be obtained for opening balances of R4,317,031.84 which are reflected as debtors.In some instances the balances have been carried since June 2006.

Equitable Shares Distribution was credited withR 2056690,11,Equitable Shares received was credited withR2216226.48,AUGUST 2004 ABSA was credited withR 26201.86,Consumer Services Repayment was credited withR17913.39.Accumulated Surplus was debited with R4 317 031.84

The amount of R197 951.34 is included in Other debtors in the financial statements. It was determined that this account exists of amounts were compared with the leave days summarised from the leave register transactions.By recalculating outstanding where payments to creditors were duplicated. Included in the balance of R197 951.34 is an opening balance from the amount outstanding is not followed up with the creditors to recover the outstanding amount therefore it isnot considered to be recoverable.
Accumulated Surplus was debited with R173 724,Direct Deposit Suspense was debited with R24 939.Creditors Paid Twice

31. Prior period errors (continued)
was credited withR198 663.

The opening balances of the carrying amount of total assets reflected in the statement of financial position differed from the asset register and is overstated by R9337 797.
The Capital Replacement Reserve was debited with R34,540,849,00 and Accumulated Surplus was credited with R34,540,849.

It was noted that the disclousure relating to depreciation was incorrect in the prior year Entertainment/depreciation credited with R2597 and Youth Commission was debited with R2597.There was no effect on the Accumulated Surplus Account.

It was noted that the 0607 closing balance for Debtors and sundries needed to be restated
Debtors control was debited with R49806747,00.Sundries was credited withR27773194,00. Accumulated Surplus was credited with R22033553,00 .

It was noted that the final balance for 2008 investments needed to be restated
INTEREST ON INVESTMENTS was credited with R 2622648,17
Accumulated Surplus was credited with R 1792214,79
FNB CALL ACC 62027358292 was credited with R415679,68
ABSA COLLATERAAL JP BOTHA was debited with R276,27
ABSA COLL. CE BARNARD;was credited with R1257,24
ABSA AVAILABLE was debited with R101427,20
NEW INVESTMENTS MADE was debited with R2280223,00
MOMENTUM 087570447 R27546,50 was debited with R2506972,30
SANLAM MON MARKET 50189057 was debited with R 67812,81
SANLAM 11690236X2 R60,00 PM was debited with R18818,40
SANLAM 12547516X0 R3217,56PM was debited with R168898,29
Current portion of long-term investments was debited with R 25168,19

It was noted that the Capital replacement reserve was incorrectly disclosed
Capital replacement reserve was credited with R 9948000,00.Accumulated Surplus was credited with R3928072,00. Trade Creditors was debited with R13876072,00

Provision for the expense incurred in the prior year but subsequently paid in the preceding year
08/09 EXPENSES were debited with R11686307,93.Sundry creditors were credited with R13281767,08 INPUT VAT OF OTHER NATURE was debited with R701675,34 INPUT VAT OF CAPITAL NATURE was debited with R 893783,81

It was noted that the fixed asset register was not accurately disclosed in the prior year
Other Asset was debited with R9337795,59. Accumulated Surplus was credited with R9337795,59.

Being Adjustment to long term liabilities opening balances
Free State Development Corp was debited with R82565,00
Long-term liabilities were debited with R 9444101,00
SEWERAGE was credited with R11555316,00
WATER was debited with R 796442,00
ELECTRICITY was debited with R1232208,00
There is no effect on Accumulated Surplus Account.

Being adjustment to 2008 closing balances
MOMENTUM 087887109 R19000 00 was debited with R39288,00.MOMENTUM 087756867 R41000 00 was debited with R80407,00.MOMENTUM 088126418 R35940 00 was debited with R72514,00.MOMENTUM 089456260 R42561 22 was debited with R76678,00.Accumulated Surplus was credited with R268887,00.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
2006/2007 financial year	-	-
Capital replacement reserve (Correction of 06/07 closing balances.)	34 540 849	-
Consumer deposits (Correction of 06/07 closing balances.)	1 384 034	-
Trade payables (Correction of 06/07 closing balances.)	(5 183 928)	-
Trade receivables (Correction of 06/07 closing balances.)	22 033 553	-

Figures in Rand	2009	2008
31. Prior period errors (continued)		
Other debtors(Correction of 06/07 closing balances.)	(5 478 567)	-
Investments(Correction of 06/07 closing balances.)	268 887	-
Accumulated surplus	(47 564 828)	-
2007/2008 financial year	-	-
Property, plant and equipment (Correction of take-on balances for the prior year.)	(36 375 579)	-
Investments (Correction of take-on balances for the prior year.)	4 482 160	-
Inventory (Correction of financial period for the prior year.)	(8 702)	-
VAT (VAT adjustment on prior year corrections.)	769 811	-
Trade Debtors (Correction of accounting treatment for the prior year.)	(6 933 407)	-
Unspent conditional Grants (Correction of take-on balances for the prior year.)	(1 130 290)	-
Trade payables (Correction of take-on balances for the prior year.)	3 363 435	-
Other creditors (Correction of take-on balances for the prior year.)	(13 281 767)	-
Capital replacement reserve (Correction of take-on balances for the prior year.)	(9 948 000)	-
Accumulated surplus	6 480 708	-
Statement of financial performance		
Depreciation expense	(2 597)	-
Interest	(2 690 461)	-
Bulk purchases	(7 352 542)	-
Debt impairment	5 227 766	-
General	55 196 516	-
Repairs and maintenance	(781 593)	-
Employee costs	2 984 542	-

32. 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.

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 counter-party.

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,

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

32. Risk management (continued)

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. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

33. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

34. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statments there were no subsequent events to disclose.

35. Unauthorised expenditure

At the time of preparing and submitting the Annual Financial Statments there were no unauthorised expenditure to disclose.

36. Fruitless and wasteful expenditure

At the time of preparing and submitting the Annual Financial Statments there were no fruitless and wasteful to disclose.

37. In-kind donations and assistance

None

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	461 321
Amount paid - current year	-	(461 321)
	-	**-**

Audit fees

Current year subscription / fee	6 272 124	2 458 745
Amount paid - current year	(6 272 124)	(2 458 745)
	-	**-**

PAYE and UIF

Current year subscription / fee	12 974 473	1 101 884
Amount paid - current year	(12 974 473)	-
	-	**1 101 884**

Pension and Medical Aid Deductions

Current year subscription / fee	6 413 302	181 304
Amount paid - current year	(6 413 302)	(181 304)

Figures in Rand	2009	2008

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

	-	-

VAT

	2009	2008
VAT receivable	20 836 721	-
VAT payable	-	2 338 479
	20 836 721	**2 338 479**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2009:-

30 June 2009	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
M A Mahlaba	1 500	34 009	35 509
T P Mkhonza	1 500	32 009	33 509
M D Moletsane	-	3 508	3 508
T S Maloi	-	6 007	6 007
D J Mokoena	-	1 336	1 336
M J Mokoena	-	24 839	24 839
M P Suping	-	21 556	21 556
M Maduna	-	11 702	11 702
S Mofokeng	-	2 372	2 372
M D Kgolwanynae	-	22 430	22 430
TL Mahoa	-	4 607	4 607
S Mthombeni	-	454	454
M Lehna	-	13 218	13 218
SM Nthunya	-	25 478	25 478
M Miya	-	3 768	3 768
M Mahlaba	-	29 869	29 869
M Mazibuko	-	19 763	19 763
MT Mthimbu	-	7 263	7 263
TA Sello	-	29 474	29 474
AJ Beukes	-	28 952	28 952
	3 000	**322 614**	**325 614**

30 June 2008	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
B S Tsotetsi	623	-	623
J D Tshabalala	375	-	375
B A Tshabalala	737	-	737
B F Gamede	288	-	288
A M Sehloho	556	-	556
M V Norman	1 829	-	1 829
M T Mavuso	749	-	749
	5 157	**-**	**5 157**

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

39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	Loan Number	Redeemable	Balance at 30 June 2008 Rand	Received during the period Rand	Capital paid Rand	Balance at 30 June 2009 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
ANNUITY LOAN								
Development Bank of South Africa	11018/103	2012/12/31	1 613 696	-	273 910	1 339 786	-	-
Development Bank of South Africa	11019/105	2015/12/31	1 191 516	-	94 741	1 096 775	-	-
Development Bank of South Africa	11021/102	2015/12/31	309 200	-	24 587	284 613	-	-
Development Bank of South Africa	11076/103	2018/06/30	1 373 153	-	65 909	1 307 244	-	-
Development Bank of South Africa	11076/ 202	2018/06/30	2 931 121	-	67 870	2 863 251	-	-
Development Bank of South Africa	11084/103	2015/12/31	1 414 023	-	233 063	1 180 960	-	-
Development Bank of South Africa	11827/102	2008/12/31	46 553	-	46 553	-	-	-
Development Bank of South Africa	13768/102	2020/12/31	1 201 145	-	35 180	1 165 965	-	-
Development Bank of South Africa	13768/202	2020/12/31	1 049 611	-	30 742	1 018 869	-	-
Development Bank of South Africa	13768/302	2021/12/31	1 384 913	-	34 061	1 350 852	-	-
			12 514 931	**-**	**906 616**	**11 608 315**	**-**	**-**
LONG-TERM LOANS								
ABSA	61866898	2008/08/01	18 414	-	18 414	-	-	-
ABSA	61866901	2008/08/01	18 414	-	18 414	-	-	-
ABSA	61866910	2008/08/01	18 414	-	18 414	-	-	-
ABSA	61868394	2008/08/01	25 535	-	25 535	-	-	-
ABSA	63122802	2009/01/01	87 856	-	87 856	-	-	-
ABSA	62689892	2008/11/01	10 592	-	10 592	-	-	-
ABSA	62689906	2008/11/01	10 592	-	10 592	-	-	-
ABSA	69307901	2011/08/01	102 400	-	34 986	67 414	-	-
Ford Credit	69307910	2011/01/01	101 159	-	34 560	66 599	-	-
Ford Credit	69307928	2011/01/01	101 159	-	34 560	66 599	-	-
ABSA	68643746	2010/10/01	96 489	-	37 264	59 225	-	-
ABSA	68643738	2010/10/01	55 195	-	21 275	33 920	-	-
ABSA	68643304	2010/10/01	55 213	-	21 282	33 931	-	-
ABSA	68643290	2010/10/01	55 213	-	21 282	33 931	-	-
ABSA	68648128	2010/10/01	55 642	-	21 545	34 097	-	-
ABSA	68648110	2010/10/01	55 642	-	21 545	34 097	-	-
ABSA	68648101	2010/10/01	55 642	-	21 545	34 097	-	-
ABSA	68648098	2010/10/01	55 642	-	21 545	34 097	-	-
ABSA	68648080	2010/10/01	55 642	-	21 545	34 097	-	-
ABSA	68648071	2010/10/01	55 642	-	21 545	34 097	-	-
			-	-	-	-	-	-
			1 090 497	**-**	**524 296**	**566 201**	**-**	**-**
TOTAL EXTERNAL LOANS								
ANNUITY LOAN			12 514 931	-	906 616	11 608 315	-	-
OTHER1			-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	Loan Number Rand	Redeemable Rand	Balance at 30 June 2008 Rand	Received during the period Rand	Capital paid Rand	Balance at 30 June 2009 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
OTHER2			-	-	-	-	-	-
ANNUITY LOAN			-	-	-	-	-	-
ANNUITY LOAN			-	-	-	-	-	-
ANNUITY LOAN			-	-	-	-	-	-
ANNUITY LOAN			-	-	-	-	-	-
			12 514 931	**-**	**906 616**	**11 608 315**	**-**	**-**

Supplementary Information

Appendix B: Analysis of Property, plant and equipment

APPENDIX B for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Land and Buildings											
Land	32 599 000	-	-	-	**32 599 000**	-	-	-	**-**	**32 599 000**	**-**
Buildings	15 326 855	1 854 043	1 512 646	-	**18 693 544**	3 608 994	308 117	-	**3 917 111**	**14 776 433**	**-**
	47 925 855	**1 854 043**	**1 512 646**	**-**	**51 292 544**	**3 608 994**	**308 117**	**-**	**3 917 111**	**47 375 433**	**-**
Heritage Assets											
Historical Buildings	92 340	-	-	-	**92 340**	10 835	-	-	**10 835**	**81 505**	**-**
Painting and Art Galleries	36	-	-	-	**36**	-	-	-	**-**	**36**	**-**
	92 376	**-**	**-**	**-**	**92 376**	**10 835**	**-**	**-**	**10 835**	**81 541**	**-**
Infrastructure											
Drains	5 882 167	-	-	-	**5 882 167**	1 869 715	199 785	-	**2 069 500**	**3 812 667**	**-**
Roads	88 735 740	19 335 621	1 085 000	-	**109 156 361**	30 984 291	5 667 685	-	**36 651 976**	**72 504 385**	**-**
Sewerage Mains & Purif	124 736 419	10 274 904	-	-	**135 011 323**	41 507 301	7 149 960	-	**48 657 261**	**86 354 062**	**-**
Electricity Mains	341 825 645	2 125 653	-	-	**343 951 298**	103 030 484	23 829 761	-	**126 860 245**	**217 091 053**	**-**
Electricity Peak Load Equip	70 663 680	-	-	-	**70 663 680**	13 237 407	3 250 373	-	**16 487 780**	**54 175 900**	**-**
Water Mains & Purification	12 079 244	-	-	-	**12 079 244**	2 684 365	511 576	-	**3 195 941**	**8 883 303**	**-**
Reservoirs – Water	9 667 109	-	-	-	**9 667 109**	1 785 170	588 529	-	**2 373 699**	**7 293 410**	**-**
Water Meters	49 497 835	2 995 397	-	-	**52 493 232**	9 363 764	2 907 329	-	**12 271 093**	**40 222 139**	**-**
Water Mains	60 304 780	4 291 836	26 489 189	-	**91 085 805**	18 252 618	3 041 890	-	**21 294 508**	**69 791 297**	**-**
Pedestrian Malls	879 213	-	-	-	**879 213**	137 277	29 807	-	**167 084**	**712 129**	**-**
Security Measures	3 748 532	-	-	-	**3 748 532**	2 161 136	263 215	-	**2 424 351**	**1 324 181**	**-**
	768 020 364	**39 023 411**	**27 574 189**	**-**	**834 617 964**	**225 013 528**	**47 439 910**	**-**	**272 453 438**	**562 164 526**	**-**

APPENDIX B for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	**Additions Rand**	**Under Construction Rand**	**Disposals Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Additions Rand**	**Disposals Rand**	**Closing Balance Rand**	**Carrying Value Rand**	**Budget Additions Rand**
Community											
Parks & Gardens	866 650	-	-	-	**866 650**	6 346	-	-	**6 346**	**860 304**	**-**
Recreation Grounds	4 571 062	1 511 326	949 917	-	**7 032 305**	883 688	225 223	-	**1 108 911**	**5 923 394**	**-**
Civic Buildings	3 667 276	1 042 490	1 420 260	-	**6 130 026**	289 460	132 693	-	**422 153**	**5 707 873**	**-**
	9 104 988	**2 553 816**	**2 370 177**	**-**	**14 028 981**	**1 179 494**	**357 916**	**-**	**1 537 410**	**12 491 571**	**-**
Other property, plant and equipment											
Landfill sites	1 610 480	-	-	-	**1 610 480**	376 366	58 333	-	**434 699**	**1 175 781**	**-**
Office Equipment	549 342	-	-	-	**549 342**	-	88 715	-	**88 715**	**460 627**	**-**
Furniture & Fittings	924 704	78 938	-	-	**1 003 642**	-	129 484	-	**129 484**	**874 158**	**-**
Bins and Containers	2 250	-	-	-	**2 250**	1 669	450	-	**2 119**	**131**	**-**
Emergency Equipment	-	355 000	-	-	**355 000**	-	71 000	-	**71 000**	**284 000**	**-**
Motor vehicles	9 513 166	-	-	-	**9 513 166**	7 685 294	1 602 822	-	**9 288 116**	**225 050**	**-**
Fire engines	2 916 251	-	-	-	**2 916 251**	360 442	217 692	-	**578 134**	**2 338 117**	**-**
Computer equipment	6 494 447	831 156	-	-	**7 325 603**	4 707 171	1 174 191	-	**5 881 362**	**1 444 241**	**-**
Computer Software	574 530	-	-	-	**574 530**	322 043	3 890	-	**325 933**	**248 597**	**-**
Plant and Machinery	282 003	-	-	-	**282 003**	-	48 975	-	**48 975**	**233 028**	**-**
	22 867 173	**1 265 094**	**-**	**-**	**24 132 267**	**13 452 985**	**3 395 552**	**-**	**16 848 537**	**7 283 730**	**-**
Total											
Land and Buildings	47 925 855	1 854 043	1 512 646	-	**51 292 544**	3 608 994	308 117	-	**3 917 111**	**47 375 433**	**-**
Heritage Assets	92 376	-	-	-	**92 376**	10 835	-	-	**10 835**	**81 541**	**-**
Infrastructure	768 020 364	39 023 411	27 574 189	-	**834 617 964**	225 013 528	47 439 910	-	**272 453 438**	**562 164 526**	**-**
Community	9 104 988	2 553 816	2 370 177	-	**14 028 981**	1 179 494	357 916	-	**1 537 410**	**12 491 571**	**-**
Other property, plant and equipment	22 867 173	1 265 094	-	-	**24 132 267**	13 452 985	3 395 552	-	**16 848 537**	**7 283 730**	**-**
	848 010 756	**44 696 364**	**31 457 012**	**-**	**924 164 132**	**243 265 836**	**51 501 495**	**-**	**294 767 331**	**629 396 801**	**-**

Supplementary Information

Appendix C: Segmental analysis of Property, plant and equipment

APPENDIX C for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Executive & Council	1 092 344	371 786	-	-	**1 464 130**	395 426	307 518	-	**702 944**	**761 186**
Finance & Admin	7 839 750	409 080	-	-	**8 248 830**	3 141 156	972 841	-	**4 113 997**	**4 134 833**
Planning & Development	26 671 502	-	-	-	**26 671 502**	531 558	123 780	-	**655 338**	**26 016 164**
Health	283 348	-	-	-	**283 348**	163 384	-	-	**163 384**	**119 964**
Community & Social Services	8 549 667	-	-	-	**8 549 667**	572 291	164 228	-	**736 519**	**7 813 148**
Housing	6 645 842	26 032	-	-	**6 671 874**	119 148	33 663	-	**152 811**	**6 519 063**
Public Safety	5 115 725	458 197	-	-	**5 573 922**	2 210 258	438 350	-	**2 648 608**	**2 925 314**
Sport & Recreation	14 945 602	-	-	-	**14 945 602**	1 877 558	484 983	-	**2 362 541**	**12 583 061**
Environmental Protection	399 501	-	-	-	**399 501**	28 764	26 633	-	**55 397**	**344 104**
Waste Management	2 234 519	-	-	-	**2 234 519**	286 912	31 699	-	**318 611**	**1 915 908**
Road Transport	109 074 463	-	-	-	**109 074 463**	40 544 644	6 677 154	-	**47 221 798**	**61 852 665**
Water	132 357 312	-	-	-	**132 357 312**	32 093 051	6 571 528	-	**38 664 579**	**93 692 733**
Electricity	404 879 863	41 415 989	33 472 292	-	**479 768 144**	117 271 208	29 167 311	-	**146 438 519**	**333 329 625**
Other	4 023 300	-	-	-	**4 023 300**	532 410	5 913	-	**538 323**	**3 484 977**
Waste Water Management	123 898 015	-	-	-	**123 898 015**	43 498 067	6 495 892	-	**49 993 959**	**73 904 056**
	848 010 753	**42 681 084**	**33 472 292**	**-**	**924 164 129**	**243 265 835**	**51 501 493**	**-**	**294 767 328**	**629 396 801**

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

APPENDIX D(1) for the period ended 30 June 2009

June 2009

	Current year 2009 Actual Income Rand	Current year 2009 Actual Expenditure Rand	Current year 2009 Surplus/(Deficit) Rand
Community Services	16,290,224	49,670,095	-33,379,871
Office of the Municipal Manager	162,997	10,875,646	-10,712,649
Municipal Infrastructure	314,787,920	320,326,060	-5,538,140
Legislative Authority	182,119,145	22,748,401	159,370,744
Financial Services	190,256,223	158,382,214	31,874,009
Housing	-	34,676	-34,676
Housing, Spatial Planning and Development	1,115,692	8,260,416	-7,144,724
Local Economic Development and Tourism	-	2,583,151	-2,583,151
Public Safety	1,538,005	23,744,292	-22,206,287
Parks, Sport and Recreation	1,288,818	13,742,825	-12,454,007
Sanitation and Sewerage	47,854,860	-	47,854,860
Water/Sewerage Amnzi - Wethu	7,907,972	51,702	7,856,270
Water	36,101,658	185,454	35,916,204
Corporate Services	492,444	18,923,814	-18,431,370
TOTAL	**799,915,958**	**629,528,746**	**170,387,212**

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

APPENDIX E(1) for the period ended 30 June 2009

	Current year 2009 Actual Bal. Rand	Current year 2009 Budget Bal. Rand	Current year 2009 Variance Rand	Current year 2009 Variance %
Revenue				
Property rates	102,008,998.00	281,599,000.00	(179,590,002.00)	-64%
Service charges	190,401,499.00	300,330,000.00	(109,928,501.00)	-37%
Rental income	832,887.00	500,000.00	332,887.00	67%
Rendering of services	928,665.00	-	928,665.00	100%
Fines	546,677.00	2,000,000.00	(1,453,323.00)	-73%
Interest received - Investments	4,786,987.00	7,023,000.00	(2,236,013.00)	-32%
Interest received	18,559,266.00	12,000,000.00	6,559,266.00	55%
Government grants and subsidies	305,806,853.00	201,877,000.00	103,929,853.00	51%
Intabazwe Corridor Income	20,235,000.00	-	20,235,000.00	100%
Other income	169,734.00	-	169,734.00	100%
Total Revenue	**644,276,566.00**	**504,999,000.00**		
Expenses				
Employee related costs	100,568,101.00	162,045,000.00	(61,476,899.00)	-38%
Remuneration of Councilors	16,208,106.00	16,504,000.00	295,894.00	-2%
Impairment loss	37,881.00	-	37,881.00	-100%
Finance costs	2,089,536.00	5,276,000.00	(3,186,464.00)	-60%
Depreciation	51,411,288.00	34,000,000.00	17,411,288.00	51%
Repairs and maintenance	14,899,657.00	34,446,000.00	(19,546,343.00)	-56%
Bulk purchases	134,175,945.00	114,315,000.00	19,860,945.00	17%
Fair Value Adjustment	(15,158.00)	-	(15,158.00)	-100%
Debt Impairment	40,524,889.00	-	40,524,889.00	100%
Grants and subsidies paid	46,754,744.00	21,117,000.00	25,637,744.00	121%
General expenses	172,274,968.00	312,218,000.00	(139,943,032.00)	-45%
Total Expenditure	**578,929,957.00**	**699,921,000.00**		
NET SURPLUS/(DEFICIT) FOR THE YEAR	**65,346,770.00**	**(194,922,000.00)**		

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

APPENDIX E(2) for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Land/ Heritage							
Historical Buildings	-	-	-	-	-	-	(Explanations to be recorded)
Painting & Art Galleries	-	-	-	-	-	-	
	-	-	-	-	-	-	-
Buildings							
Land	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
	-	-	-	-	-	-	-
Leasehold property							
Sewerage Mains & Purify	-	-	-	-	-	-	
	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-
Furniture and fixtures	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-
IT equipment	-	-	-	-	-	-	-
Computer software	-	-	-	-	-	-	-
Housing Develop Fund							
Housing Rental 1	-	-	-	-	-	-	
Housing Rental 2	-	-	-	-	-	-	
	-	-	-	-	-	-	-
Infrastructure							
Drains	-	-	-	-	-	-	
Roads	-	-	-	-	-	-	
Beach Improvements	-	-	-	-	-	-	
Sewerage Mains & Purif	-	-	-	-	-	-	
Electricity Mains	-	-	-	-	-	-	
Electricity Peak Load Equip	-	-	-	-	-	-	
Water Mains & Purification	-	-	-	-	-	-	
Reservoirs – Water	-	-	-	-	-	-	
Water Meters	-	-	-	-	-	-	
Water Mains	-	-	-	-	-	-	
	-	-	-	-	-	-	-

Supplementary Information

Appendix F: Disclosure of Grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2009

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

June 2009

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun			Yes/ No	
Equitable Share	National Government	035 945	776 959	560 536	-	-	-	812 904	560 536	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
MSIG	DPLG	735 000	-	-	-	-	-	223 400	515 599	-	-	-	-	-	-	-		Yes	
MIG	DPLG	-	597 000	-	-	-	-	883 985	799 700	598 987)	-	-	-	-	-	-		Yes	
DME	Dept: Minerals & Energy	-	-	-	100 570	-	380 948	501 163	-	818 459	-	-	-	-	-	-		Yes	
200 RDP Houses	DPLG & Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
DWA & F	Dept of Water Affairs & Forestry	938 500	969 250	969 250	-	-	640 205	930 164	804 537	648 500	-	-	-	-	-	-		Yes	
Water - Sterkfontein)	RBIG (DWAF	-	-	570 684	386 986	-	-	596 329	750 917	377 962	-	-	-	-	-	-		Yes	
FMG	National Treasury	500 000	-	-	-	-	-	284 404	-	205 625	-	-	-	-	-	-		Yes	
Intabazwe corridor		235 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		444 445	343 209	100 470	487 556	-	021 153	232 349	431 289	451 559	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2009

Name of Grants	Name Organ of State or Municipal entity	Unspent Balance	Quaterly Receipts				Quarterly Expenditure				Grants and subsidies delayed/ withheld	Reasons for delay / withholding of funs	Compliance with conditions (Y/N)	Reasons for non-compliance	Unspent Balance
		01 July 2008	September	December	March	June	September	December	March	June					30-Jun-09
			R	R	R	R	R	R	R	R					R
Equitable Share	National Government	-	53 035 945	39 776 959	72 560 536			92 812 904	72 560 536		-	N/A	N/A	N/A	0.00
MSIG	DPLG	-	735 000					223 400	515 599		-	N/A	Y	N/A	-3 999.00
MIG	DPLG	8 469 356.52	9 287 000	23 409 000.00	14 425 000	39 476 000.00	19 792 283.11	32 883 984.96	14 799 700.48	18 175 747.17	-	N/A	Y	N/A	9 414 640.80
											-				
DME	Energy	-				1 700 570	380 948	501 163		818 460		N/A	N/A	N/A	5 400 000.00
											-				
200 RDP Houses	DPLG & Housing	4 482 891.38										N/A	N/A	N/A	4 482 891.38
											-				
DWA & F	Dept of Water Affairs & Forestry	2 788 206.87	8 808 210	4 969 250	4 969 250		3 325 722	10 930 164	4 804 537	8 915 163	-	N/A	N/A	N/A	217 532.06
RBIG (DWAF)	Water - Sterkfontein	-			14 570 684	10 386 986		1 596 329	2 750 917	19 529 269	-	N/A	N/A	N/A	1 081 154.87
FMG	National Treasury	-	500 000					284 404.00		205 625	-	N/A	Y	N/A	9 971.00
TOTAL NATIONAL/PROVINCIAL GOVERNI		**15 740 454.77**	**72 366 155.13**	**68 155 209.00**	**106 525 470.42**	**51 563 555.58**	**23 498 952.35**	**139 232 348.62**	**95 431 289.22**	**47 644 263.71**					**20 602 191.11**

MALUTI-A-PHOFUNG MUNICIPALITY
APPENDIX G
SCHEDULE OF INVESTMENTS FOR THE YEAR ENDED 30 JUNE 2009

INVESTMENTS	Continuation Date	Maturity Date	Share price 30 June 2009	Interest rate	No of Shares/Units	Investment No.	Balance at 01/07/08	Interest received	Investments made	Investments realised	Balance at 30 June 2009
							R	R	R	R	R
Listed											
Sanlam			17.280000		5 333.00	5333 shares	76 996.00	15 158.24			92 154.24
							76 996.00	**15 158.24**	**-**		**92 154.24**
UNLISTED											
Momentum	2009/01/31	2012/02/01	1.245150		264 537.88	87756867	80 407.00	(37 881.42)	287 000.00		329 525.58
Momentum	2009/04/30	2012/05/01	1.271100		242 721.00	87887109	39 288.00	79 380.32	190 000.00		308 668.32
Momentum	2009/04/30	2012/05/01	1.395770		1 771 674.96	87887115	2 280 223.00	142 636.62	50 000.00		2 472 859.62
Momentum	2008/06/30	2011/07/01	1.399140		8 731 328.00	87570447	11 541 690.30	674 732.70			12 216 423.00
Momentum	2009/06/30	2012/07/01	1.245150		528 283.67	88126418	72 514.00	154 270.85	431 280.00		658 064.85
Momentum	1996/07/01	2011/07/01	Not available		Not available	89456260	76 678.00	8 343.00	510 734.00		595 755.00
Mutual		01/12/2006				7560376	3 645 252.53		-	-	3 645 252.53
Mutual		01/10/2006				7481893	1 889 701.33	-	-	-	1 889 701.33
Mutual		01/07/2005				8010226	2 108 994.47	-	-	-	2 108 994.47
Mutual		01/07/2005				8010223	1 347 637.02	-	-	-	1 347 637.02
Mutual		01/07/2007				7974326	2 957 770.46	-	-	-	2 957 770.46
Mutual		30/06/2008				8477284	7 602 143.00	-	-	-	7 602 143.00
Sanlam						11690235X4	451 348.00	13 632.06	9 169.00		474 149.06
Sanlam - Money Market						50189057	1 015 105.28	114 541.20			1 129 646.48
Sanlam			2.526500		110 679.34	11690236X2	256 665.73	22 965.63			279 631.36
FNB Call Account				7%		62027358292	20 123 381.00	1 103 902.45	80 202 783.63	(101 416 536.63)	13 530.53
Fib Call acc mig Funds				3%		62199534580	-	79 242.85	19 596 000.00	(19 577 800.00)	97 442.85
FNB CALL ACC INT/HA CORR				6%		62212896346	-	517 646.00	20 235 000.00	(10 610 882.04)	10 141 764.00
ABSA BANK Call account				Not available		9206600685	-	576 289.92	38 000 000.00	(38 570 000.00)	6 289.00
Absa Savings Account				Not available		9006721200	101 427.23	4 878.77			106 306.00
STANDARD BANK				7%		348526407	-	635 552.13	38 000 820.00	(38 626 760.00)	9 612.00
ABSA Collateral - JP Botha				Not available		2054434522	27 434.00	3 042.50			30 476.50
ABSA Collateral - CE Barnard				Not available		2057955909	22 889.34	2 348.95			25 238.29
ABSA Collateral - D Hlongwane				Not available		2056895005	26 754.00	2 669.34			29 423.34
							55 667 303.69	**4 098 193.87**	**197 512 786.63**	**(208 801 978.67)**	**48 476 304.59**
Total							**55 744 299.69**	**4 113 352.11**	**197 512 786.63**	**(208 801 978.67)**	**48 568 458.83**