



MALUTI-A-PHOFUNG MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

General Information

| | |
|------------------------------|---|
| Executive Mayor | Dr. BE Mzangwa |
| Speaker | Motlounng MM |
| Chief WHIP | Radebe FS |
| Mayoral Committee | Chabangu MM Khoetha MJ Khumalo JD Majake IM Mkhonza TP Mohlekwa TR Molefe-Zwane RNH Mositi MC Motlounng PA Thabalala JTT |
| Part Time Councillors | Finger NJ Gamede EN Kalake TP Khambule MA Kleynhans LM Lakhi FY Lebesa BM Lebesa MJ Lebesana PJ Leeu MC Lefora QW Mahlaba MA Masole MA Mavuso MT Mbongo JM Mkhwanazi IT Mofokeng BD Mofokeng ED Mohlaba ML Mohoaladi ME Mokoena AP Mokoena DJ Mokoena JM Mokoena ME Mokotso TG Molaba TE Mopeli MS Moseme LA Mosia MM Mosikidi TJ Mosikili ST Motaung PM Motaung SJ Mphonyo MA |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

General Information

| | |
|------------------------------------|--|
| | Ndaba NN |
| | Nhlapo MA |
| | Norman MV |
| | Nthedi AM |
| | Radebe SL |
| | Ramakarane TA |
| | Ramochela A |
| | Sehlako KM |
| | Sehloho KS |
| | Semela TE |
| | Seobi MJ |
| | Thabana MJ |
| | Thebele E |
| | Tolofi ME |
| | Tshabalala BA |
| | Tsotetsi MD |
| | Tsotetsi MJ |
| | Zimu TC |
| Grading of local authority | Grade 9 |
| Accounting Officer | RS Kau |
| Chief Finance Officer (CFO) | T J Ramulondi |
| Registered office | Cnr Moremoholo & Motlounq Streets Setsing Business Centre Phuthaditjhaba 9866 |
| Postal address | Private Bag X805 Witsieshoek 9866 |
| Bankers | First National Bank |
| Auditors | Auditor General of South Africa |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

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

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Abbreviations

| | |
|---------|--|
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

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 engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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 deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 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 the grants and service charges for continued funding of 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 annual financial statements set out on pages 6 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Mr R S Kau
Municipal Manager

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2010.

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA 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, and the management letter of the Auditor General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of annual financial statements

We have:

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

We concur with and accept the Auditor General of South Africa's report of the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor General of South Africa.

Chairperson of the Audit Committee

Date: _____

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities 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 239,079,320 (2009: surplus R 60,577,896).

2. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated surplus of R 780,553,095 and that the municipality's total assets exceed its liabilities by R 780,553,095.

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 continues 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 have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

6. Accounting Officer

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

Mr R S Kau

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

| | Note(s) | 2010 R | 2009 R |
|--|---------|----------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 2,402,980 | 2,052,080 |
| Other financial assets | 12 | 7,696,850 | 10,459,512 |
| Trade and other receivables from exchange transactions | 4 | 88,880,997 | 73,941,702 |
| Other receivables from non-exchange transactions | 5 | 1,130,290 | 1,130,290 |
| VAT receivable | 6 | 8,385,055 | 24,022,114 |
| Consumer debtors | 7 | 225,694,620 | 100,072,500 |
| Cash and cash equivalents | 8 | 13,355,678 | 967,606 |
| | | 347,546,470 | 212,645,804 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 635,561,330 | 493,720,733 |
| Investments in controlled entities | 10 | 300 | 300 |
| Other financial assets | 12 | 39,550,192 | 38,108,378 |
| Long term receivables | 11 | 25,999,793 | 18,744,387 |
| | | 701,111,615 | 550,573,798 |
| Total Assets | | 1,048,658,085 | 763,219,602 |
| Liabilities | | | |
| Current Liabilities | | | |
| Other financial liabilities | 15 | 6,868,012 | 993,384 |
| Finance lease obligation | 16 | 561,595 | 1,139,736 |
| Trade and other payables from exchange transactions | 18 | 216,130,248 | 136,539,322 |
| Consumer deposits | 19 | 9,473,950 | 7,960,968 |
| Unspent conditional grants and receipts | 17 | 15,449,109 | 36,621,829 |
| Bank overdraft | 8 | - | 27,303,812 |
| | | 248,482,914 | 210,559,051 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 15 | 19,622,076 | 10,614,930 |
| Finance lease obligation | 16 | - | 571,846 |
| | | 19,622,076 | 11,186,776 |
| Total Liabilities | | 268,104,990 | 221,745,827 |
| Net Assets | | 780,553,095 | 541,473,775 |
| Net Assets | | | |
| Accumulated surplus | | 780,553,095 | 541,473,775 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

| | Note(s) | 2010 R | 2009 R |
|--|---------|----------------------|----------------------|
| Revenue | | | |
| Rendering of services | 22 | 580,890 | 928,665 |
| Property rates | 23 | 151,425,032 | 114,034,553 |
| Service charges | 24 | 259,398,540 | 190,150,025 |
| Rental of facilities and equipment | 25 | 224,069 | 902,124 |
| Interest received - consumers | 27 | 11,182,917 | 18,756,151 |
| Fines | | 282,471 | 546,677 |
| Government grants & subsidies | 28 | 393,450,235 | 308,364,605 |
| Other income | 29 | 2,198,594 | 1,047,419 |
| Interest received - investment | 30 | 3,405,899 | 5,055,873 |
| Total Revenue | | 822,148,647 | 639,786,092 |
| Expenditure | | | |
| Personnel | 32 | (130,802,266) | (117,357,034) |
| Remuneration of councillors | 33 | (16,965,361) | (16,208,106) |
| Community project expenditure | 34 | (40,099,982) | (62,169,676) |
| Depreciation and amortisation | 36 | (35,934,870) | (32,390,778) |
| Impairment loss/ Reversal of impairments | 37 | - | (37,881) |
| Finance costs | 38 | (3,997,662) | (2,510,336) |
| Debt impairment | 39 | 20,797,249 | (40,524,889) |
| Repairs and maintenance | 40 | (19,090,826) | (17,127,162) |
| Bulk purchases | 41 | (166,547,817) | (137,890,917) |
| Contracted services | 42 | (69,111,342) | (48,654,187) |
| Grants and subsidies paid | 43 | (61,788,998) | (41,960,624) |
| General expenses | 44 | (59,395,828) | (62,391,764) |
| Total Expenditure | | (582,937,703) | (579,223,354) |
| Fair value adjustments | 35 | (131,624) | 15,158 |
| Surplus for the year | | 239,079,320 | 60,577,896 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

| | Accumulated surplus R | Total net assets R |
|--|-----------------------------|--------------------------|
| Opening balance as previously reported | 666,272,227 | 666,272,227 |
| Adjustments | | |
| Prior year adjustments note 44 | (185,376,348) | (185,376,348) |
| Balance at 01 July 2009 as restated | 480,895,879 | 480,895,879 |
| Changes in net assets | | |
| Surplus for the year | 60,577,896 | 60,577,896 |
| Total changes | 60,577,896 | 60,577,896 |
| Balance at 01 July 2009 | 541,473,775 | 541,473,775 |
| Changes in net assets | | |
| Surplus for the year | 239,079,320 | 239,079,320 |
| Total changes | 239,079,320 | 239,079,320 |
| Balance at 30 June 2010 | 780,553,095 | 780,553,095 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

| | Note(s) | 2010 R | 2009 R |
|---|---------|-----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 334,912,549 | 221,426,523 |
| Grants | | 372,277,515 | 332,034,185 |
| Interest income | | 3,405,899 | 5,055,873 |
| Other receipts | | 2,705,134 | 2,496,232 |
| | | <u>713,301,097</u> | <u>561,012,813</u> |
| Payments | | | |
| Employee costs | | (147,767,627) | (133,565,132) |
| Suppliers | | (215,609,941) | (128,963,500) |
| Finance costs | | (3,997,662) | (2,510,336) |
| Other payments | | (121,184,826) | (102,437,581) |
| Other cash item | 47 | (14,939,295) | (119,286,448) |
| | | <u>(503,499,351)</u> | <u>(486,762,997)</u> |
| Net cash flows from operating activities | 46 | <u>209,801,746</u> | <u>74,249,816</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (177,775,467) | (80,164,228) |
| Proceeds from sale of financial assets | | 1,189,224 | 6,952,673 |
| Purchase of long term receivables | | (7,255,406) | (18,720,699) |
| Net cash flows from investing activities | | <u>(183,841,649)</u> | <u>(91,932,254)</u> |
| Cash flows from financing activities | | | |
| Proceeds from other financial liabilities | | 18,652,327 | - |
| Repayment of other financial liabilities | | (3,770,553) | (824,049) |
| Finance lease payments | | (1,149,987) | (1,103,940) |
| Net cash flows from financing activities | | <u>13,731,787</u> | <u>(1,927,989)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 39,691,884 | (19,610,427) |
| Cash and cash equivalents at the beginning of the year | | (26,336,206) | (6,725,779) |
| Cash and cash equivalents at the end of the year | 8 | <u>13,355,678</u> | <u>(26,336,206)</u> |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

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) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

These accounting policies are consistent with the previous period.

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 / loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded 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 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 (or current replacement cost where inventory are held in distribution or for consumption in the production process at no charge or for a nominal charge). 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 end of the reporting period. 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 less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, if any, 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.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Post retirement benefits

Payments to defined contributions 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 contribution of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the 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 actuarial gain is transacted in full in the statement of financial performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employee 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 uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

| Item | Average useful life |
|-----------------------------------|---------------------|
| Buildings | 30 years |
| Watercraft | 15 years |
| Plant and machinery | |
| • Specialised plant and equipment | 10 - 15 years |
| • Emergency equipment | 5 years |
| Furniture and fixtures | 7 years |
| Motor vehicles | |
| • Fire engines | 20 years |
| • Busses | 15 years |
| • Other vehicles | 5 years |
| • Motor cycles | 3 years |
| Office equipment | |
| • Office machines | 3 years |
| • Air conditioners | 5 years |
| IT equipment | 3 years |
| Computer software | 3 years |
| Infrastructure assets | |
| • Roads and paving | 30 years |
| • Pedestrian malls | 30 years |
| • Electricity | 20 - 30 years |
| • Water | 15 - 20 years |
| • Sewerage | 15 - 20 years |
| • Housing | 30 years |
| Community assets | |
| • Buildings | 30 years |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

| | |
|---------------------------|--------------|
| • Recreational facilities | 20 years |
| • Security Measures | 3 - 5 years |
| Landfill sites | 15 years |
| Bins and containers | 5 - 10 years |

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease

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

The entity 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.

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

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

1.3 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to the second bullet, changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.4 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

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.

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1.5 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.

Financial instruments are measured initially at fair value.

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 surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

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.

Impairment losses are recognised in surplus or deficit.

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Accounting Policies

1.5 Financial instruments (continued)

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.

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

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.

Financial instruments designated as at fair value through surplus or deficit

List shares are classified as financial investments designated at fair value through surplus or deficit. There is no specific intention on the part of the municipality to keep these shares to maturity and the decision to sell may be taken at any time.

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 recognised at fair value and subsequently measured at amortised cost.

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

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Accounting Policies

1.5 Financial instruments (continued)

policy for borrowing costs.

Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down to its recoverable amount and an impairment loss is charged to the statement of financial performance

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

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.

1.6 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.

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Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

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

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

Minimum 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.

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

Operating leases - lessor

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

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

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

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 or liability.

1.7 Inventories

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value 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.

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Accounting Policies

1.8 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 principally through a sale transaction rather than through continuing use. This condition is regarded as met, only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current 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.

1.9 Impairment of cash-generating assets

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

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

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

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

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

Depreciation and amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Recognition and measurement (individual asset)

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

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Accounting Policies

1.9 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of impairment loss

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

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

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

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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Accounting Policies

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.

Defined benefit plans

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

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

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

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the 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 surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

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

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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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Accounting Policies

1.12 Provisions and contingencies (continued)

the reporting date.

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

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

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

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when a municipality:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- Changes in the liability is added to, or deducted from, the cost of the related asset in the current period,
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit,
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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Accounting Policies

1.12 Provisions and contingencies (continued)

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

- the municipality has transferred to the purchaser 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 or service potential 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.

Rendering of services

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

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

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

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

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

Interest and dividends

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

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

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

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

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

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

1.14 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.

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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.

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

Other grants and donations

Other 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 conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

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.

1.15 Investment income

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

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.16 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 investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality 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 all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

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.

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

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 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.

1.20 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP 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.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality. We regard all individuals from the level of Municipal Manager and Council Members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the municipality.

Related party disclosures for transactions between the municipality and the municipal entity that took place are disclosed in note 49.

1.25 Budget information

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

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

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

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Refer to Appendix E for comparison between the budget and the actual outcome.

Comparative information is not required.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 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:

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 has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

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;
- 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 has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

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 has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material as the municipality did not classify any financial instruments out of fair value through surplus or deficit.

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a controlled entity, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements

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

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material as the total investment in the separate financial statements of the municipality amounts to R300.00, thus the maximum impairment is R300.00

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 surplus or deficit 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 has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material as the municipality has not reclassified any financial assets.

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

The municipality assesses the probability of each transaction on an individual basis when it occurs. Municipalities 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 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 2009.

The municipality has adopted the interpretation for the first time in the 2010 annual financial statements.

The impact of the interpretation is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. 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 municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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 not 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 still to be determined by the Minister of finance.

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 municipality.

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

The effective date of the standard is still to be determined by the Minister of Finance.

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 municipality 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:

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- 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.

The effective date of the standard is still to be determined by the Minister of Finance.

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

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

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Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 still to be determined by the minister of finance.

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

GRAP 21: Impairment of Non-Cash-Generating Assets

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

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

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

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

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

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is still to be determined by the Minister of Finance.

The impact of this standard is currently being assessed.

GRAP 26: Impairment of Cash-Generating Assets

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

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

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

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

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

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

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

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is still to be determined by the Minister of Finance.

The impact of this standard is currently being assessed.

GRAP 25: Employee Benefits

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

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

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP 25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

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

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

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

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

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

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

The standard prescribes recognition and measurement for:

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

The standard also deals with entity combinations and curtailments and settlements.

The effective date of the standard is still to be determined by the Minister of Finance.

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

GRAP 104: Financial Instruments

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

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

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

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

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

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

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

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

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

another municipality.

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

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

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

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

The effective date of the standard is still to be determined by the Minister of Finance.

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

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|-----------------------|------------------|------------------|
| 3. Inventories | | |
| Consumable stores | 2,350,285 | 1,971,318 |
| Water at cost | 37,532 | 37,532 |
| Fuel | 15,163 | 43,230 |
| | 2,402,980 | 2,052,080 |

Inventory written off to the value of R344,648 (2009:R1,331,415) has been recognised in the statement of financial performance during the year.

4. Trade and other receivables from exchange transactions

| | | |
|----------------------------------|-------------------|-------------------|
| Deposits | 1,495,636 | 1,396,486 |
| Maluti a Phofung Water (Pty) Ltd | 6,795,707 | 4,824,468 |
| Other debtors | 19,810,194 | 13,348,496 |
| Prepaid expenses | 6,407,208 | - |
| Unallocated deposits | 54,372,252 | 54,372,252 |
| | 88,880,997 | 73,941,702 |

The fair value of trade and other receivables from exchange transactions approximates their carrying value.

5. Other receivables from non-exchange transactions

| | | |
|---------------------------------|-----------|-----------|
| Government grants and subsidies | 1,130,290 | 1,130,290 |
|---------------------------------|-----------|-----------|

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates

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

Fair value of other receivables from non-exchange transactions

The fair value of other receivables from non exchange transactions approximates their carrying amounts.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The municipality does not hold any collateral as security.

6. VAT receivable

| | | |
|-----|-----------|------------|
| VAT | 8,385,055 | 24,022,114 |
|-----|-----------|------------|

7. Consumer debtors

| | | |
|-----------------------|--------------------|--------------------|
| Gross balances | | |
| Rates | 298,179,128 | 300,851,147 |
| Electricity | 71,252,052 | 41,264,957 |
| Water | 107,209,494 | 54,674,989 |
| Sewerage | 40,006,864 | 22,106,240 |
| Refuse | 55,751,117 | 41,562,241 |
| Sundry debtors | 31,406,893 | 38,521,104 |
| | 603,805,548 | 498,980,678 |

Less: Provision for debt impairment

| | | |
|-------------|---------------|---------------|
| Rates | (162,681,122) | (252,496,303) |
| Electricity | (38,848,887) | (23,987,347) |
| Water | (78,767,006) | (42,553,116) |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|----------------------|----------------------|
| 7. Consumer debtors (continued) | | |
| Sewerage | (28,865,700) | (17,722,022) |
| Refuse | (43,586,755) | (35,526,732) |
| Sundry debtors | (25,361,458) | (26,622,658) |
| | (378,110,928) | (398,908,178) |
| Net balance | | |
| Rates | 135,498,006 | 48,354,844 |
| Electricity | 32,403,165 | 17,277,610 |
| Water | 28,442,488 | 12,121,873 |
| Sewerage | 11,141,164 | 4,384,218 |
| Refuse | 12,164,362 | 6,035,509 |
| Sundry debtors | 6,045,435 | 11,898,446 |
| | 225,694,620 | 100,072,500 |
| Rates | | |
| Current (0 -30 days) | 24,808,625 | 18,488,855 |
| 31 - 60 days | 10,047,839 | 8,438,154 |
| 61 - 90 days | 10,420,986 | 4,204,407 |
| > 91days | 90,220,556 | 17,223,428 |
| | 135,498,006 | 48,354,844 |
| Electricity | | |
| Current (0 -30 days) | 18,803,183 | 10,936,463 |
| 31 - 60 days | 3,708,762 | 3,208,613 |
| 61 - 90 days | 3,015,006 | 1,420,153 |
| > 91days | 6,876,214 | 1,712,381 |
| | 32,403,165 | 17,277,610 |
| Water | | |
| Current (0 -30 days) | 5,475,541 | 5,673,680 |
| 31 - 60 days | 4,305,469 | 2,290,067 |
| 61 - 90 days | 6,756,201 | 955,647 |
| > 91 days | 11,905,277 | 3,202,479 |
| | 28,442,488 | 12,121,873 |
| Sewerage | | |
| Current (0 -30 days) | 3,720,715 | 2,062,997 |
| 31 - 60 days | 1,696,058 | 742,956 |
| 61 - 90 days | 1,736,519 | 347,956 |
| > 91 days | 3,987,872 | 1,230,309 |
| | 11,141,164 | 4,384,218 |
| Refuse | | |
| Current (0 -30 days) | 1,868,237 | 2,339,985 |
| 31 - 60 days | 1,503,786 | 964,654 |
| 61 - 90 days | 1,630,950 | 467,463 |
| > 91 days | 7,161,389 | 2,263,407 |
| | 12,164,362 | 6,035,509 |
| Sundry debtors | | |
| Current (0 -30 days) | 198,071 | 2,994,142 |
| 31 - 60 days | 40,027 | 1,080,528 |
| 61 - 90 days | 164,602 | 292,075 |
| > 91 days | 5,642,735 | 7,531,701 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|----------------------|----------------------|
| 7. Consumer debtors (continued) | 6,045,435 | 11,898,446 |
| Reconciliation of debt impairment provision | | |
| Balance at beginning of the year | (398,908,178) | (358,383,289) |
| Contributions to provision | - | (40,524,889) |
| Reversal of provision | 20,797,250 | - |
| | (378,110,928) | (398,908,178) |

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

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

Fair value of consumer debtors

The fair value of consumer debtors approximates their carrying amount.

Consumer debtors past due but not impaired

VAT on consumer accounts and consumer debtors which are less than 2 months past due are not considered to be impaired. At 30 June 2010, R48,508,085 were past due but not impaired.

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

| | | |
|----------------------|------------|---|
| Current (0 -30 days) | 19,471,570 | - |
| 31 - 60 days | 3,727,686 | - |
| > 61 days | 25,308,829 | - |

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R555,297,463 (2009: R486,929,022) were impaired and provided for.

The amount of the provision was R378,110,927 as of 30 June 2010 (2009: R398,908,178).

The ageing of these accounts is as follows:

| | | |
|--------------|-------------|-------------|
| 0 - 90days | 75,408,985 | 65,295,872 |
| Over 90 days | 479,888,478 | 440,377,536 |

Reconciliation of provision for impairment of consumer debtors

| | | |
|--|----------------------|----------------------|
| Opening balance | (398,908,178) | (358,383,289) |
| Adjustment to provision for impairment | 20,797,251 | (40,524,889) |
| | (378,110,927) | (398,908,178) |

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 39). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of consumer mentioned above. The municipality does not hold any collateral as security. The fair value of consumer debtors approximates their carrying values.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---------------------------------------|-------------------|---------------------|
| 8. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Bank balances | 12,783,431 | - |
| Other cash and cash equivalents | 572,247 | 967,606 |
| Bank overdraft | - | (27,303,812) |
| | 13,355,678 | (26,336,206) |
| Current assets | 13,355,678 | 967,606 |
| Current liabilities | - | (27,303,812) |
| | 13,355,678 | (26,336,206) |

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 2010 | 30 June 2009 | 30 June 2008 | 30 June 2010 | 30 June 2009 | 30 June 2008 |
| First National Bank - Current | 11,193,927 | 17,133,457 | 5,285,383 | 12,783,432 | (27,303,812) | (6,725,778) |
| First National Bank - Savings | 572,247 | 967,606 | 4,875,315 | 572,247 | 967,606 | - |
| Total | 11,766,174 | 18,101,063 | 10,160,698 | 13,355,679 | (26,336,206) | (6,725,778) |

9. Property, plant and equipment

| | 2010 | | | 2009 | | |
|-----------------------|----------------------|-----------------------------|--------------------|---------------------|-----------------------------|--------------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Buildings | 49,520,376 | (2,504,743) | 47,015,633 | 49,520,376 | (1,888,490) | 47,631,886 |
| Community assets | 14,208,050 | (1,614,744) | 12,593,306 | 11,658,804 | (1,223,193) | 10,435,611 |
| Heritage assets | 92,376 | (7,221) | 85,155 | 92,376 | (4,143) | 88,233 |
| Infrastructure assets | 866,050,026 | (453,994,393) | 412,055,633 | 808,183,594 | (425,372,216) | 382,811,378 |
| Landfill sites | 1,610,480 | (571,546) | 1,038,934 | 1,610,480 | (461,213) | 1,149,267 |
| Other assets | 35,339,303 | (20,699,794) | 14,639,509 | 35,142,120 | (14,508,316) | 20,633,804 |
| Work in progress | 148,133,160 | - | 148,133,160 | 30,970,554 | - | 30,970,554 |
| Total | 1,114,953,771 | (479,392,441) | 635,561,330 | 937,178,304 | (443,457,571) | 493,720,733 |

Reconciliation of property, plant and equipment - 2010

| | Opening balance | Additions | Depreciation | Total |
|-----------------------|--------------------|--------------------|---------------------|--------------------|
| Buildings | 47,631,886 | - | (616,253) | 47,015,633 |
| Community assets | 10,435,611 | 2,549,246 | (391,551) | 12,593,306 |
| Heritage assets | 88,233 | - | (3,078) | 85,155 |
| Infrastructure assets | 382,811,378 | 57,866,432 | (28,622,177) | 412,055,633 |
| Landfill sites | 1,149,267 | - | (110,333) | 1,038,934 |
| Other assets | 20,633,804 | 197,183 | (6,191,478) | 14,639,509 |
| Work in progress | 30,970,554 | 117,162,606 | - | 148,133,160 |
| | 493,720,733 | 177,775,467 | (35,934,870) | 635,561,330 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R | | | |
|--|-------------------------------|-------------------|---------------------|-------------------------|-------------------------|
| 9. Property, plant and equipment (continued) | | | | | |
| Reconciliation of property, plant and equipment - 2009 | | | | | |
| | Opening balance | Additions | Depreciation | Total | |
| Buildings | 46,391,681 | 1,856,147 | (615,942) | 47,631,886 | |
| Community assets | 8,202,280 | 2,553,816 | (320,485) | 10,435,611 | |
| Heritage assets | 91,311 | - | (3,078) | 88,233 | |
| Infrastructure assets | 365,929,181 | 44,885,361 | (28,003,164) | 382,811,378 | |
| Landfill sites | 1,259,600 | - | (110,333) | 1,149,267 | |
| Other assets | 22,711,151 | 1,260,429 | (3,337,776) | 20,633,804 | |
| Work in progress | - | 30,970,554 | - | 30,970,554 | |
| | 444,585,204 | 81,526,307 | (32,390,778) | 493,720,733 | |
| Refer to Appendix B and C for more detail on property, plant and equipment. | | | | | |
| 10. Investments in controlled entities | | | | | |
| Name of company | Held by | % holding 2010 | % holding 2009 | Carrying amount 2010 | Carrying amount 2009 |
| Maluti-a-Phofung Water (Pty) Ltd | Maluti-a-Phofung Municipality | 100 % | 100 % | 300 | 300 |
| The carrying amounts of controlled entities are shown net of impairment losses. | | | | | |
| 11. Long term receivables | | | | | |
| Consumer receivables | | | | 25,999,793 | 18,744,387 |
| The long term receivables consist of consumer accounts with arrangements. These accounts bear no interest and is repayable in monthly instalments of R200 if the debt was less than R15,000 and R250 if the debt was over R15,000. The repayment period is dependant on the balance of the account when the arrangement is made. | | | | | |
| 12. Other financial assets | | | | | |
| At fair value through surplus or deficit - designated | | | | | |
| Listed shares | | | | 135,468 | 92,154 |
| 5 926 shares held in Sanlam Ltd | | | | | |
| Sanlam | | | | 836,413 | 753,782 |
| Momentum | | | | 17,816,064 | 16,581,297 |
| Old Mutual | | | | 19,551,498 | 19,551,498 |
| | | | | 38,339,443 | 36,978,731 |
| Loans and receivables | | | | | |
| ABSA | | | | 213,275 | 197,735 |
| First National Bank | | | | 7,120,813 | 10,252,737 |
| Sanlam | | | | 1,210,749 | 1,129,647 |
| Standard Bank | | | | 362,762 | 9,040 |
| | | | | 1,573,511 | 1,138,687 |
| | | | | 8,907,599 | 11,589,159 |
| Total other financial assets | | | | 47,247,042 | 48,567,890 |
| Non-current assets | | | | | |
| At fair value through surplus or deficit - designated | | | | 38,339,443 | 36,978,731 |
| Loans and receivables | | | | 1,210,749 | 1,129,647 |
| | | | | 39,550,192 | 38,108,378 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|-------------------|-------------------|
| 12. Other financial assets (continued) | | |
| Current assets | | |
| Loans and receivables | 7,696,850 | 10,459,512 |
| | 47,247,042 | 48,567,890 |

Refer to appendix G for detail on these investments.

Fair value information on financial assets at fair value through surplus or deficit

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

The following classes of financial assets at fair value through surplus or deficit are measured to fair value using quoted market prices:

- Listed shares

Where quoted market prices are not available, valuation techniques are used to determine fair value, as explained below:

The fair value of unlisted investments were estimated using the fund value as determined by the institution. The fair value is determined annually at the statement of financial position date.

Fair value hierarchy of financial assets at fair value through surplus or deficit

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 1

| | | |
|---------------|---------|--------|
| Listed shares | 135,468 | 92,154 |
|---------------|---------|--------|

Level 2

| | | |
|----------------------|-------------------|-------------------|
| Unlisted investments | 38,203,975 | 36,886,577 |
| | 38,339,443 | 36,978,731 |

Renegotiated terms for financial assets at fair value through surplus or deficit

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

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

Fair values of loans and receivables

| | | |
|-----------------------|-----------|-----------|
| Loans and receivables | 1,573,511 | 1,138,687 |
|-----------------------|-----------|-----------|

The fair value of loans and receivables were estimated using the fund value as determined by the institution. The fair value is determined annually at the statement of financial position date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010 and 30 June 2009 no accounts were past due.

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.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-----------|-----------|
|--|-----------|-----------|

12. Other financial assets (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.

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

13. Financial assets by category

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

2010

| | Loans and receivables | Fair value through surplus or deficit - designated | Available-for- sale | Total |
|--|--------------------------|---|------------------------|--------------------|
| Other financial assets - current | 7,696,850 | - | - | 7,696,850 |
| Trade and other receivables from exchange transactions | 88,880,997 | - | - | 88,880,997 |
| Other receivables from non-exchange transactions | 1,130,290 | - | - | 1,130,290 |
| VAT receivable | 8,385,055 | - | - | 8,385,055 |
| Consumer debtors | 225,694,620 | - | - | 225,694,620 |
| Cash and cash equivalents | 13,355,678 | - | - | 13,355,678 |
| Investments in controlled entities | - | - | 300 | 300 |
| Other financial assets - non current | 1,210,749 | 38,339,443 | - | 39,550,192 |
| Long term receivables | 25,999,793 | - | - | 25,999,793 |
| | 372,354,032 | 38,339,443 | 300 | 410,693,775 |

2009

| | Loans and receivables | Fair value through surplus or deficit - designated | Available-for- sale | Total |
|--|--------------------------|---|------------------------|--------------------|
| Other financial assets | 10,459,512 | - | - | 10,459,512 |
| Trade and other receivables from exchange transactions | 73,941,702 | - | - | 73,941,702 |
| Other receivables from non-exchange transactions | 1,130,290 | - | - | 1,130,290 |
| VAT receivable | 24,022,114 | - | - | 24,022,114 |
| Consumer debtors | 100,072,500 | - | - | 100,072,500 |
| Investments in controlled entities | - | - | 300 | 300 |
| Cash and cash equivalents | 967,606 | - | - | 967,606 |
| Other financial assets - non current | 1,129,647 | 36,978,731 | - | 38,108,378 |
| Long term receivables | 18,744,387 | - | - | 18,744,387 |
| | 230,467,758 | 36,978,731 | 300 | 267,446,789 |

14. Retirement benefits

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All Councillors 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.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-------------------|-------------------|
| 15. Other financial liabilities | | |
| Held at amortised cost | | |
| DBSA Loan | 10,613,727 | 11,608,314 |
| The loans are unsecured, bear interest at rates of 15% (2009:15%) per annum and are repayable in bi-annual instalments that vary between R96,860 and R332,251. | | |
| FNB Intabazwe Corridor | 15,876,361 | - |
| The loan is unsecured, bears interest at 11.45 % per annum, repayable in bi-annual instalments of R 3,538,176 | | |
| | 26,490,088 | 11,608,314 |

Refer to Appendix A for more detail on other financial liabilities.

The municipality did not default on any principal or interest repayments during the period for loans payable. No terms were renegotiated before the financial statements were authorised for issue.

Non-current liabilities

| | | |
|-------------------|------------|------------|
| At amortised cost | 19,622,076 | 10,614,930 |
|-------------------|------------|------------|

Current liabilities

| | | |
|-------------------|-------------------|-------------------|
| At amortised cost | 6,868,012 | 993,384 |
| | 26,490,088 | 11,608,314 |

The fair values of the financial liabilities approximates their carrying amounts.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|----------------|------------------|
| 16. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | 581,600 | 1,385,679 |
| - in second to fifth year inclusive | - | 595,406 |
| | 581,600 | 1,981,085 |
| less: future finance charges | (20,005) | (269,503) |
| Present value of minimum lease payments | 561,595 | 1,711,582 |
| Present value of minimum lease payments due | | |
| - within one year | 561,595 | 1,139,736 |
| - in second to fifth year inclusive | - | 571,846 |
| | 561,595 | 1,711,582 |
| Non-current liabilities | - | 571,846 |
| Current liabilities | 561,595 | 1,139,736 |
| | 561,595 | 1,711,582 |

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

The average lease term was 5 years and the average effective borrowing rate was 10% (2009:14%).

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 to Appendix A for more detail on borrowings.

The municipality did not default on any of the principal or interest repayments during the period of the lease agreements. No terms were renegotiated before the financial statements were authorised..

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|--|-------------------|-------------------|
| Expanded Public Works Programme Incentive Grant For Municipalities | 820,050 | - |
| Financial Management Grant | 17,381 | - |
| ICT Strategy | - | 305 |
| Installation and Maintenance of Security Equipment | 6,167,244 | - |
| Intabazwe Corridor Development Grant | - | 15,039,257 |
| Integrated National Electrification Programme (Municipal) Grant | - | 5,400,000 |
| Municipal Infrastructure Grant | - | 6,729,125 |
| Municipal Systems Improvement Grant | 340,000 | - |
| Operation Hlasela Projects | 1,450,000 | - |
| RDP House | 3,976,632 | 4,482,892 |
| Regional Bulk Infrastructure Grant | 1,394,800 | - |
| Water Services Operating Subsidy Grant | 1,283,002 | 4,970,250 |
| | 15,449,109 | 36,621,829 |

See note 28 for reconciliation of grants from National/Provincial Government.

18. Trade and other payables from exchange transactions

| | | |
|------------------------------|------------|------------|
| Accrued bonus | 3,558,107 | 2,692,639 |
| Accrued leave pay | 10,832,887 | 10,876,757 |
| Deposits received | 16,970,307 | 16,966,306 |
| Payments recieved in advance | 70,425,962 | 12,051,656 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|--------------------|--------------------|
| 18. Trade and other payables from exchange transactions (continued) | | |
| Sundry payables | 40,775,011 | 21,452,837 |
| Trade payables | 15,569,285 | 14,500,438 |
| Unidentified deposits | 57,998,689 | 57,998,689 |
| | 216,130,248 | 136,539,322 |

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying values.

19. Consumer deposits

| | | |
|-------------|------------------|------------------|
| Electricity | 1,512,982 | 353,101 |
| Rates | 7,960,968 | 7,607,867 |
| | 9,473,950 | 7,960,968 |

Guarantees in lieu of deposits amount to R74,600.

20. Financial liabilities by category

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

2010

| | Financial liabilities at amortised cost | Total |
|---|---|--------------------|
| Other financial liabilities | 26,490,088 | 26,490,088 |
| Finance lease obligation | 561,595 | 561,595 |
| Trade and other payables from exchange transactions | 201,739,254 | 201,739,254 |
| Consumer deposits | 9,473,950 | 9,473,950 |
| Unspent conditional grants and receipts | 15,449,109 | 15,449,109 |
| | 253,713,996 | 253,713,996 |

2009

| | Financial liabilities at amortised cost | Total |
|---|---|--------------------|
| Other financial liabilities | 11,608,314 | 11,608,314 |
| Finance lease obligation | 1,711,582 | 1,711,582 |
| Trade and other payables from exchange transactions | 122,969,926 | 122,969,926 |
| Consumer deposits | 7,960,968 | 7,960,968 |
| Unspent conditional grants and receipts | 36,621,829 | 36,621,829 |
| Bank overdraft | 27,303,812 | 27,303,812 |
| | 208,176,431 | 208,176,431 |

21. Revenue

| | | |
|----------------------------------|--------------------|--------------------|
| Rendering of services | 580,890 | 928,665 |
| Property rates | 151,425,032 | 114,034,553 |
| Service charges | 259,398,540 | 190,150,025 |
| Rental of facilities & equipment | 224,069 | 902,124 |
| Fines | 282,471 | 546,677 |
| Government grants & subsidies | 393,450,235 | 308,364,605 |
| | 805,361,237 | 614,926,649 |

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Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|--------------------|--------------------|
| 21. Revenue (continued) | | |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Rendering of services | 580,890 | 928,665 |
| Service charges | 259,398,540 | 190,150,025 |
| Rental of facilities & equipment | 224,069 | 902,124 |
| | 260,203,499 | 191,980,814 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Property rates | 151,425,032 | 114,034,553 |
| Fines | 282,471 | 546,677 |
| Government grants & subsidies | 393,450,235 | 308,364,605 |
| | 545,157,738 | 422,945,835 |
| 22. Rendering of services | | |
| Admission fees | 124,025 | 128,045 |
| Callout fees | 1,822 | 179,076 |
| Cemetary fees | 303,626 | 532,942 |
| Entrance fees | 151,417 | 88,602 |
| | 580,890 | 928,665 |
| 23. Property rates | | |
| Rates received | | |
| Industrial/Commercial | 22,608,929 | 2,083,027 |
| National and Provincial Government | 117,136,570 | 1,568,604 |
| Residential | 11,679,533 | 110,382,922 |
| | 151,425,032 | 114,034,553 |
| Valuations | | |
| Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2006. Interim valuations are processed on a bi-annual basis to take into account changes in individual property values due to alterations and subdivisions. | | |
| A general rate of R.03802 (2009: R0.3082) is applied to the value of residential properties, R0.7604 (2009: R0.7604) is applied to the value of business, industrial and mining properties and R0.0951 (2009: R0.0951) is applied to the value of state owned, agricultural land and public benefit organisation to determine assessment rates. Rebates of 90% (2009: 90%) are granted on agricultural land and undeveloped properties, excluding rural state owned properties. Rebates of 98% (2009: 98%) are granted on residential develop properties and 95% on other developed properties. No rebates are granted for state owned properties. Pensioners, indigents and public benefit organisations recieve a 100% rebate. | | |
| The new general valuation will be implemented on 01 July 2010. | | |
| 24. Service charges | | |
| Refuse removal | 18,153,860 | 16,142,572 |
| Sale of electricity | 155,403,297 | 123,270,410 |
| Sale of water | 62,088,793 | 35,131,244 |
| Sewerage and sanitation charges | 23,752,590 | 15,605,799 |
| | 259,398,540 | 190,150,025 |

MALUTI-A-PHOFUNG MUNICIPALITY

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Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|----------------|----------------|
| 25. Rental of facilities and equipment | | |
| Premises | 19,265 | 188,731 |
| Facilities and equipment | 204,804 | 713,393 |
| | 224,069 | 902,124 |

26. Operating lease

Lessor

The council leases various fixed properties under non-cancellable operating leases to various parties. The lease agreements have escalations of 10% or 12% per year with the agreements varying from 5 years to 9 years and 11 months. Rental income, for these agreements, to the value of R90,853 (2009:R14,501) has been recognised in the statement of financial performance during the year.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

| | | |
|-------------------------------|----------------|----------------|
| Receivable within 1 year | 75,617 | 83,650 |
| Receivable within 1 - 5 years | 414,325 | 330,674 |
| Receivable later than 5 years | - | - |
| | 489,942 | 414,324 |

Contingent rent recognised in the financial statements R3,088 (2009: R937)

27. Interest received - consumers

| | | |
|------------------|------------|------------|
| Consumer debtors | 11,182,917 | 18,756,151 |
|------------------|------------|------------|

Interest received from consumer debtors are interest charged on overdue account.

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Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|--------------------|--------------------|
| 28. Government grants and subsidies | | |
| Equitable share | 208,608,527 | 165,373,440 |
| Financial Management Grant | 732,619 | 500,000 |
| ICT Strategy Grant | 932,805 | - |
| Installation and maintenance of security equipment | 3,832,756 | - |
| Intabazwe Corridor Grant | 15,039,257 | 5,195,743 |
| Integrated National Electrification Programme (Municipal) Grant | 15,515,000 | 1,700,570 |
| Municipal Infrastructure Grant | 111,849,125 | 88,337,232 |
| Municipal Systems Improvement Grant | 395,000 | 735,000 |
| RDP Houses Grant | 506,260 | - |
| Regional Bulk Infrastructure Grant | 21,289,888 | 27,928,620 |
| Water Services Operating Subsidy Grant | 14,748,998 | 18,594,000 |
| | 393,450,235 | 308,364,605 |

Expanded Public Works Programme Incentive Grant For Municipalities

| | | |
|-----------------------|---------|---|
| Current-year receipts | 820,050 | - |
|-----------------------|---------|---|

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is to incentivise provinces to increase labour intensive employment through programme; that maximise job creation and skills development as encapsulated in the EPWP guidelines.

Financial Management Grant

| | | |
|-------------------------|---------------|-----------|
| Current-year receipts | 750,000 | 500,000 |
| Current year receivable | (732,619) | (500,000) |
| | 17,381 | - |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA)

Intabazwe Corridor Development Grant

| | | |
|---|--------------|-------------------|
| Balance unspent at beginning of year | 15,039,257 | - |
| Current-year receipts | - | 20,235,000 |
| Conditions met - transferred to revenue | (15,039,257) | (5,195,743) |
| | - | 15,039,257 |

The purpose of the grant is to develop roads and sanitation infrastructure for the Intabazwe Corridor.

ICT Strategy

| | | |
|---|-----------|------------|
| Balance unspent at beginning of year | 305 | - |
| Current-year receipts | 932,500 | 305 |
| Conditions met - transferred to revenue | (932,805) | - |
| | - | 305 |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is to implement the Enterprise Resource Plan in line with the ICT strategy.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|------------------|------------------|
| 28. Government grants and subsidies (continued) | | |
| RDP House | | |
| Balance unspent at beginning of year | 4,482,892 | - |
| Current-year receipts | - | 4,482,892 |
| Conditions met - transferred to revenue | (506,260) | - |
| | 3,976,632 | 4,482,892 |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is for the construction of low cost housing in the municipal area.

Regional Bulk Infrastructure Grant

| | | |
|---|------------------|--------------|
| Current-year receipts | 22,684,688 | 27,928,620 |
| Conditions met - transferred to revenue | (21,289,888) | (27,928,620) |
| | 1,394,800 | - |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment works at resource development and link such water resource development with the local bulk and local distribution networks on a regional basis cutting across several local municipal boundaries. In the case of sanitation to supplement regional bulk collection as well as regional waste water treatment works.

Water Services Operating Subsidy Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 4,970,250 | - |
| Current-year receipts | 11,061,750 | 23,564,250 |
| Conditions met - transferred to revenue | (14,748,998) | (18,594,000) |
| | 1,283,002 | 4,970,250 |

The purpose of the grant is to fund bulk, connector and internal infrastructure of water services at a basic level of service. The grant is transferred to Maluti-a-Phofung Water (Pty) Ltd.

Municipal Infrastructure Grant

| | | |
|---|---------------|------------------|
| Balance unspent at beginning of year | 6,729,125 | 8,469,357 |
| Current-year receipts | 105,120,000 | 86,597,000 |
| Conditions met - transferred to revenue | (111,849,125) | (88,337,232) |
| | - | 6,729,125 |

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

Operation Hlasela Projects

| | | |
|-----------------------|-----------|---|
| Current-year receipts | 1,450,000 | - |
|-----------------------|-----------|---|

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is for the cleaning of the municipal area.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|------------------|-----------|
| 28. Government grants and subsidies (continued) | | |
| Installation and Maintenance of Security Equipment | | |
| Current-year receipts | 10,000,000 | - |
| Conditions met - transferred to revenue | (3,832,756) | - |
| | 6,167,244 | - |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is for the installation and maintenance of security around the Lesotho and Phuthaditjhaba border.

Integrated National Electrification Programme (Municipal) Grant

| | | |
|---|--------------|------------------|
| Balance unspent at beginning of year | 5,400,000 | - |
| Current-year receipts | 10,115,000 | 7,100,570 |
| Conditions met - transferred to revenue | (15,515,000) | (1,700,570) |
| | - | 5,400,000 |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is for the municipality to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Municipal Systems Improvement Grant

| | | |
|---|----------------|-----------|
| Current-year receipts | 735,000 | 735,000 |
| Conditions met - transferred to revenue | (395,000) | (735,000) |
| | 340,000 | - |

Conditions still to be met - remain liabilities (see note 17)

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government: Municipal Systems Act 32 of 2000.

29. Other income

| | | |
|-----------------------------------|------------------|------------------|
| Advertising income | 76,157 | 5,862 |
| Blockages | 14,883 | 1,164,201 |
| Commission from salary deductions | 131,617 | 159,048 |
| Conservancy services | 165,135 | 633,919 |
| Escorting - vehicles | 8,731 | 253,922 |
| Income from valuations | 36,669 | 38,292 |
| New connection fees | 284,697 | 227,584 |
| Other income | 303,070 | 916,981 |
| Private work | 1,040 | 1,232 |
| Reconnection fees | 201,936 | (3,296,068) |
| Sale of erven | 574 | - |
| Sale of tender documents | 143,870 | 312,791 |
| Searching fees | 21,871 | 17,686 |
| Training income | 808,344 | 611,969 |
| | 2,198,594 | 1,047,419 |

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Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|----------------|------------------|
| 30. Interest received - investments | | |
| Interest revenue | | |
| Other financial asset | 3,405,899 | 5,055,873 |
| The amount included in Investment revenue arising from exchange transactions amounted to R 3,405,899 (2009: R 5,055,873). | | |
| 31. Operating surplus | | |
| Operating surplus for the year is stated after accounting for the following: | | |
| Operating lease charges | | |
| Premises | | |
| • Contractual amounts | - | 15,792 |
| Motor vehicles | | |
| • Contractual amounts | (8,891) | 3,580,123 |
| Equipment | | |
| • Contractual amounts | 285,878 | 455,432 |
| | 276,987 | 4,051,347 |
| Surplus on sale of property, plant and equipment | - | - |
| Impairment on other financial assets | - | 37,881 |
| Depreciation on property, plant and equipment | 35,934,870 | 32,390,778 |
| Employee costs | 147,767,627 | 133,565,140 |

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Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|--------------------|--------------------|
| 32. Personnel | | |
| Acting allowances | 63,245 | 120,567 |
| Bargaining council contribution | 41,432 | 32,777 |
| Basic | 83,003,461 | 63,629,637 |
| Bonus | 7,227,389 | 6,183,030 |
| Car allowance | 2,759,923 | 7,207,773 |
| Group insurance | 58,474 | 38,658 |
| Housing benefits and allowances | 569,361 | 724,559 |
| Leave pay provision charge | 684,846 | 4,205,291 |
| Medical aid - company contributions | 4,873,487 | 4,164,644 |
| Overtime payments | 6,783,585 | 7,526,002 |
| Post-employment benefits - pension - defined contribution plan | 13,612,624 | 12,996,348 |
| Skills development levies | 965,580 | 1,053,949 |
| Standby allowance | 611,414 | 481,813 |
| Telephone / cellphone allowance | 208,100 | 535,936 |
| Tool allowance | 720 | 720 |
| Travel, motor car, accommodation, subsistence and other allowances | 2,680,568 | 2,305,312 |
| Unemployment insurance fund | 831,245 | 739,344 |
| Workmen compensation fund | - | 330 |
| | 124,975,454 | 111,946,690 |
| Remuneration of Municipal Manager | | |
| Annual Remuneration | 183,639 | 578,423 |
| Allowances | 90,031 | 144,471 |
| Contributions to UIF, Medical and Pension Funds | 45,044 | - |
| | 318,714 | 722,894 |

The remuneration as reflected in 2010 is for a period of 5 months due to a new appointment in February 2010.

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Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|----------------|----------------|
| 32. Personnel (continued) | | |
| Remuneration of Chief Financial Officer | | |
| Annual Remuneration | 438,843 | 400,756 |
| Allowances | 250,811 | 254,903 |
| Contributions to UIF, Medical and Pension Funds | 117,265 | 92,736 |
| | 806,919 | 748,395 |
| Remuneration of Director: Municipal Infrastructure | | |
| Annual Remuneration | 411,105 | 406,207 |
| Allowances | 205,667 | 134,128 |
| Contributions to UIF, Medical and Pension Funds | 39,633 | 32,777 |
| | 656,405 | 573,112 |
| Remuneration of Director: Local Economic Development | | |
| Annual Remuneration | - | 191,711 |
| Allowances | - | 6,020 |
| Contributions to UIF, Medical and Pension Funds | - | 6,704 |
| | - | 204,435 |
| The post was vacant for the 2010 year | | |
| Remuneration: Chief Operating Officer | | |
| Annual Remuneration | 655,538 | 602,128 |
| Allowances | 149,784 | 138,000 |
| Contributions to UIF, Medical and Pension Funds | 9,078 | - |
| | 814,400 | 740,128 |
| Remuneration of Director: Public Safety | | |
| Annual Remuneration | 395,338 | 413,106 |
| Allowances | 172,323 | 143,100 |
| Contributions to UIF, Medical and Pension Funds | 99,192 | 63,004 |
| | 666,853 | 619,210 |
| Remuneration of Director: Corporate Services | | |
| Annual Remuneration | 434,868 | 409,543 |
| Allowances | 155,181 | 158,259 |
| Contributions to UIF, Medical and Pension Funds | 6,811 | - |
| | 596,860 | 567,802 |
| Remuneration of Director: Parks, Sports, Recreation, Arts and Culture | | |
| Annual Remuneration | 472,335 | 458,676 |
| Car Allowance | 171,541 | 126,530 |
| Contributions to UIF, Medical and Pension Funds | 12,102 | - |
| | 655,978 | 585,206 |

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Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|-------------------|-------------------|
| 32. Personnel (continued) | | |
| Remuneration of Director: Community Services | | |
| Annual Remuneration | 410,960 | 393,186 |
| Allowances | 177,338 | 143,100 |
| Contributions to UIF, Medical and Pension Funds | 74,105 | 63,004 |
| | 662,403 | 599,290 |
| Remuneration of Director: Spatial Development Planning and Housing | | |
| Annual Remuneration | 378,300 | 37,872 |
| Allowances | 186,435 | 12,000 |
| Contributions to UIF, Medical and Pension Funds | 83,545 | - |
| | 648,280 | 49,872 |
| 33. Remuneration of councillors | | |
| Councillors | 10,242,263 | 10,347,719 |
| Executive Mayor | 790,136 | 627,968 |
| Mayoral Committee Members | 5,414,476 | 4,776,103 |
| Speaker | 518,486 | 456,316 |
| | 16,965,361 | 16,208,106 |
| 34. Community project expenditure | | |
| Capital expenditure acquired during the year | 217,875,448 | 136,675,017 |
| Less: Assets capitalised | (177,775,466) | (74,505,341) |
| | 40,099,982 | 62,169,676 |
| 35. Fair value adjustments | | |
| Other financial assets | | |
| • Other financial assets (Designated as at FV through S&D) | (131,624) | 15,158 |
| 36. Depreciation and amortisation | | |
| Property, plant and equipment | 35,934,870 | 32,390,778 |
| 37. Impairment loss/ Reversal of impairments | | |
| Impairments | | |
| Other financial assets | - | 37,881 |
| The recoverable amount of the Momentum asset was based on its fair value less costs to sell | | |
| Fair value less cost to sell | | |
| The fair value less cost to sell was estimated using the fund value as determined by the institution. | | |
| 38. Finance costs | | |
| Financial institutions | 3,997,662 | 2,510,336 |

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| | 2010 R | 2009 R |
|---|--------------------|--------------------|
| 39. Debt impairment | | |
| (Reversal)/Contributions to debt impairment provision | (20,797,249) | 40,524,889 |
| 40. Repairs and maintenance | | |
| Heading | | |
| Land and buildings | 554,578 | 281,791 |
| Vehicles | 3,239,488 | 2,812,570 |
| General | 4,748,344 | 908,104 |
| Street lights, names, signs and stormwaters | 4,585,501 | 7,955,796 |
| Motors and pumps | 53,411 | 8,364 |
| Office equipment, machinery and computers | 350,364 | 172,451 |
| Roads | 3,149,852 | 1,556,185 |
| Network reticulation | 2,256,723 | 2,988,925 |
| Substations | 65,421 | 342,982 |
| Traffic lights | 87,144 | 99,994 |
| | 19,090,826 | 17,127,162 |
| 41. Bulk purchases | | |
| Electricity | 146,947,709 | 110,033,274 |
| Water | 19,600,108 | 27,857,643 |
| | 166,547,817 | 137,890,917 |
| 42. Contracted services | | |
| Information technology services | 7,581,261 | 11,340,273 |
| Insurance | 15,567,311 | 15,578,518 |
| Operating leases | 1,104,000 | 1,269,092 |
| Other contractors | 2,174,906 | 1,657,160 |
| Specialist services | 42,683,864 | 18,809,144 |
| | 69,111,342 | 48,654,187 |
| 43. Grants and subsidies paid | | |
| Other subsidies | | |
| Dwaf Subsidy to Maluti a Phofung Water (Pty) Ltd | 14,748,998 | 18,594,000 |
| Equitable share to Maluti a Phofung Water (Pty) Ltd | 47,040,000 | 23,366,624 |
| | 61,788,998 | 41,960,624 |

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| | 2010 R | 2009 R |
|--|--------------------|-------------------|
| 44. General expenses | | |
| Advertising | 273,823 | 166,606 |
| Auditors remuneration | 2,994,745 | 4,012,303 |
| Bank charges | 1,010,520 | 909,362 |
| Capacity building | 211,860 | 253,954 |
| Chemicals | 7,149 | 7,566 |
| Cleaning | 269,767 | 455,330 |
| Consulting and professional fees | 14,297,820 | 16,937,334 |
| Consumables | 1,096,780 | 1,130,400 |
| Electricity | 1,519,229 | 1,059,513 |
| Entertainment | 567,451 | 797,893 |
| FMG expenditure | 732,619 | - |
| Fuel and oil | 3,841,757 | 3,875,341 |
| IDP expenses | 158,220 | 429,425 |
| IT expenses | 1,985,724 | 572,942 |
| Indigent subsidy | 8,283,369 | 10,730,027 |
| Lease rentals on operating lease | 276,987 | 4,051,347 |
| Local economic development projects | 85,117 | 41,422 |
| MSIG expenditure | 395,000 | 847,392 |
| Magazines, books and periodicals | 15,962 | 36,081 |
| Mayoral fund | 940,830 | 1,198,879 |
| Motor vehicle expenses | 73,490 | 108,788 |
| Other expenses | 2,634,244 | 2,759,042 |
| Postage and courier | 1,850,672 | 2,037,292 |
| Promotions | 683,672 | 403,916 |
| Protective clothing | 790,124 | 867,329 |
| Security (Guarding of municipal property) | 3,109,241 | 1,824,769 |
| Subscriptions and membership fees | 1,193,385 | 811,699 |
| Telephone and fax | 3,126,860 | 3,011,078 |
| Training | 492,031 | 1,105,342 |
| Valuation costs | 5,146,920 | 567,074 |
| Venue expenses | 1,330,460 | 1,382,318 |
| | 59,395,828 | 62,391,764 |
| 45. Auditors' remuneration | | |
| Fees | 2,994,745 | 4,011,459 |
| Expenses | - | 844 |
| | 2,994,745 | 4,012,303 |
| 46. Cash generated from operations | | |
| Surplus | 239,079,320 | 60,577,896 |
| Adjustments for: | | |
| Depreciation and amortisation | 35,934,870 | 32,390,778 |
| Fair value adjustments | 131,624 | (15,158) |
| Impairment loss | - | 37,881 |
| Debt impairment | (20,797,249) | 40,524,889 |
| Changes in working capital: | | |
| Inventories | (350,900) | (608,753) |
| Trade and other receivables from exchange transactions | (14,939,295) | (119,286,445) |
| Consumer debtors | (104,824,871) | (76,268,837) |
| Prepayments | - | 1,914,805 |
| Trade and other payables from exchange transactions | 79,590,926 | 137,487,216 |
| VAT | 15,637,059 | (26,527,137) |
| Unspent conditional grants and receipts | (21,172,720) | 23,669,580 |
| Consumer deposits | 1,512,982 | 353,101 |
| | 209,801,746 | 74,249,816 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-----------|-----------|
|--|-----------|-----------|

47. Other cash item

Other cash items are represented by the change in working capital of Trade and other receivables from exchange transactions

48. Contingencies

Management can not reliably estimate the financial effect of the claims due to uncertainties relating to when the cases will be resolved and management are not able to reliably determine the amount payable. The amounts disclosed, where applicable, reflects the claim against the Council.

There is no reimbursement from any third parties for potential obligations of the municipality.

All the claims are being contested based on legal advice.

Litigations in the process against the Council relating to civil claims include the following:

| | |
|--|-------------------|
| - Claim by Council for overpayment to supplier and contra claim by supplier for alleged breach of contract | |
| Claims for alleged breach of contract | 15,000,000 |
| Claim by Council for overpayment to supplier | (304,106) |
| - Claims for services rendered | 198,667 |
| - Claim by individuals for damages | 13,000 |
| - Appeals lodged against judgements in favour of the Council | 170,000 |
| | 15,077,561 |

Litigations in the process against the Council relating to labour arbitration include the following:

- Unilateral change to the terms and conditions of employment
- Constructive dismissal

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|------------------|--------------|
| 49. Related parties | | |
| Relationships | | |
| Controlled entities | Refer to note 10 | |
| Controlled entity by councillors' spouse | Mayihlome Tyres | |
| Related party balances | | |
| Amounts included in Trade receivable/(Trade Payable) regarding related parties | | |
| Maluti-a-Phofung Water (Pty) Ltd | (15,019,009) | (15,019,009) |
| Maluti-a-Phofung Water (Pty) Ltd | 6,795,707 | 4,824,468 |
| Amounts included in Consumer receivables | | |
| Maluti-a-Phofung Water (Pty) Ltd | 5,754,816 | 5,071,398 |
| Amounts included in Grants and subsidies paid | | |
| Maluti-a-Phofung Water (Pty) Ltd | 61,788,998 | 41,470,595 |
| Amounts included in Bulk purchases | | |
| Maluti-a-Phofung Water (Pty) Ltd | 19,600,108 | 27,857,643 |
| Amounts included in General expenses | | |
| Maluti-a-Phofung Water (Pty) Ltd | (1,729,157) | (1,742,148) |
| Amounts included in Repairs and maintenance | | |
| Mayihlome Tyres | 953,996 | - |
| Amounts included in Capital expenditure | | |
| Mayihlome Tyres | 1,823 | - |

50. Prior period errors

Property rates income for the 2008/09 year was understated due to prior period errors for 2007/08 being corrected in the 2008/09 year. Contributions to medical aid of pensioners were incorrectly allocated to sundry debtors where these amounts should have been expensed prior to the 2008/09 year. Opening balances of sundry receivables were incorrectly written off during the 2008/09 year. Consumer debtors opening balances was incorrectly adjusted with a difference identified in 2006/07. The comparative statements for 2008/09 have been restated.

A VAT calculation error on a invoice resulted in the incorrect input VAT claimed and the overpayment of creditors. Input VAT was either not claimed or incorrectly claimed on certain valid tax invoices and in some instances input VAT claimed was not recorded in the general ledger for the 2008/09 year. The comparative statements for 2008/09 have been restated.

Operating leases was not straight lined in the prior years and some lease agreements treated as operating leases were found to be finance leases. The comparative statements for 2008/09 have been restated.

Some invoices for creditors were provided for twice during the calculation of accruals during 2008/09 and were reversed. Interest and penalties due to the South African Revenue Service were not previously provided for and a portion of the payment made was allocated to Skills Development expense. The opening balance of trade creditors were incorrectly adjusted with the difference between the 2007 financial statement closing balance and the 2008 general ledger opening balance. The difference was allocated in the 2008 ledger, just to a different vote. The provision for expenses provided in the prior year but subsequently paid in the preceding year, was incorrectly allocated against opening accumulated surplus. The comparative statements for 2008/09 have been restated.

Invoices dated after 30 June 2008 were correctly reversed in the 2008 year however they were never captured again in the 2009 year. Invoices dated before 30 June 2008 were correctly accounted for in the 2008 year but the same invoice was also provided for in the 2009 year, this duplication has been corrected. The comparative statements for 2008/09 have been restated.

Expenditure incurred during 2009 for bulk water purchases and paving of roads were incorrectly classified as grant and

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-----------|-----------|
|--|-----------|-----------|

50. Prior period errors (continued)

subsidies paid. Expenses of the credit and petrol cards have not been accounted for during the 2009 year and some supplier invoices were allocated against debtors accounts. These transactions were corrected and the comparative statements for the 2008/09 have been restated.

The leave provision did not take into account leave taken by employees during June 2009 and the bonus provision as at 30 June 2009 was not the best estimate based on information available at that time. Both provisions were recalculated and the comparative figures were restated.

The balances of the Momentum and Standard Bank investments were incorrectly restated and disclosed during the 2008/09 financial year. The comparative statements for 2008/09 have been restated.

It was noted through inspection of the supporting documentation on fixed asset acquisitions, that VAT was included on the cost price of some assets. The VAT was correctly claimed during the 2008/09 year. Assets in construction were incorrectly allocated to debtors accounts. Assets were duplicated in the asset register during the 2007/08 financial year. For some of the assets the start date for depreciation were recorded incorrectly which resulted in depreciation being incorrectly calculated, these dates have been corrected. The carrying amount of assets previously depreciated down to R1 has been corrected as these assets are still in use. These transactions were corrected and accordingly restated in the comparative figures for 2008/09.

The salary suspense and cash suspense votes were reconciled and cleared. The comparative statements for 2008/09 have been restated.

Interest received on the deposit held by Eskom was not provided for and insurance income was never recognised as income in the statement of financial performance but rather recognised as a sundry receivable. The comparative statements for 2008/09 have been restated.

Stale cheques for invoices dated before 30 June 2009 was cancelled. The comparative statements for 2008/09 have been restated.

Revenue for conditions met relating to the Water service operating subsidy grant was incorrectly included in the Municipal infrastructure grant and revenue for conditions met in respect of the Municipal infrastructure grant was incorrectly transferred to the Water services operating subsidy grant. Grant revenue for the Water services operating subsidy grant was incorrectly recognised as bulk water purchases. Unspent portion of the Intabazwe corridor grant has not been disclosed in the statement of financial position. The comparative statements for 2009 have been restated.

Inventory written off was incorrectly allocated to the statement of financial performance. The comparative statements for 2009 have been restated.

Reconciliation was performed on the debtor and creditor accounts with Maluti a Phofung Water (Pty) Ltd. Corrections have been made which include provision for insurance premiums paid by the municipality on behalf of the entity, provision for water, sewerage and industrial effluent levies. The comparative statements for 2008/09 have been restated.

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

Statement of financial position

| | | |
|--|---|---------------|
| Increase in Inventory | - | 1,328,880 |
| Decrease in Other financial assets - current | - | (572) |
| Decrease in Trade and other receivables from exchange transactions | - | (78,000,887) |
| Increase in VAT receivable | - | 3,185,393 |
| Increase in Consumer debtors | - | (18,708,245) |
| Increase in Property, plant and equipment | - | (135,676,068) |
| Decrease in Long term deposit | - | (1,396,486) |
| Increase in Finance lease obligation - non current liability | - | (761,455) |
| Decrease in Trade and other payables from exchange transactions | - | 53,242,746 |
| Increase in Unspent conditional grants | - | (16,015,332) |
| Decrease in Bank overdraft | - | 2,696,450 |
| Increase in Finance lease obligation - current liability | - | (383,925) |
| Increase in Opening accumulated surplus | - | 185,376,348 |

Statement of financial performance

| | | |
|----------------------------|---|--------------|
| Increase in Property rates | - | (12,025,555) |
|----------------------------|---|--------------|

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-----------|--------------|
| 50. Prior period errors (continued) | | |
| Decrease in Service charges | - | 251,473 |
| Decrease in Rental of facilities and equipment | - | 7,415 |
| Increase in Interest received - consumers | - | (196,886) |
| Decrease in Government grant and subsidies | - | 17,673,249 |
| Increase in Other income | - | (874,026) |
| Increase in Interest received - investments | - | (268,887) |
| Increase in Personnel expenses | - | 11,680,842 |
| Increase in Capital expenditure | - | 105,284 |
| Decrease in Depreciation and amortisation | - | (19,110,716) |
| Increase in Finance costs | - | 420,801 |
| Increase in Repairs and maintenance | - | 671,319 |
| Increase in Bulk purchases | - | 3,714,971 |
| Decrease in Contracted services | - | (1,742,148) |
| Decrease in Grants and subsidies paid | - | (3,985,008) |
| Increase in General expenses | - | 8,791,025 |

51. Comparative figures

Certain comparative figures have been reclassified.

A reconciliation of the salary suspense accounts was performed and corrections were made. The corrections resulted in the balance being reclassified from receivable to payables and some accounts from payables to receivables.

Rental, photocopy and poster income were incorrectly mapped as general expenses.

Inthabazwe is grant income that has been consolidated with government grant and subsidies.

Various personnel costs were incorrectly disclosed as general expenditure during 2008/09. Included in personnel cost for 2009 was cost for leasing of equipment, protective clothing and uniforms, these costs have been reclassified to general expenses.

Due to the significance of the transactions relating to capital expenditure and contracted service it is disclosed separately.

Depreciation expenditure was incorrectly classified as general expenses.

Cost to maintain roads has been incorrectly classified as general expenses.

Debtors raised for grants not received has been incorrectly classified as debtors from exchange transactions.

The provision for outstanding petrol card payments were incorrectly included in receivables.

Payments received in advance from consumers were previously incorrectly netted off against the outstanding consumer balances. These payments have now been reclassified to trade and other payables.

The effects of the reclassification are as follows:

Statement of financial position

| | | |
|--|---|--------------|
| Increase in Trade and other receivables from exchange transactions | - | 4,365,116 |
| Increase in Other receivables from non-exchange transactions | - | 1,130,290 |
| Increase in Consumer debtors | - | 12,051,656 |
| Increase in Trade and other payables from exchange transactions | - | (17,922,291) |
| Increase in Unspent conditional grants and receipts | - | (305) |

Statement of financial performance

| | | |
|--|---|--------------|
| Increase in Rental of facilities and equipment | - | (76,653) |
| Increase in Government grants and subsidies | - | (20,235,000) |
| Decrease in Inthabazwe corridor income | - | 20,235,000 |
| Increase in Other income | - | (3,662) |
| Increase in Personnel expenses | - | 5,108,083 |
| Increase in Capital expenditure | - | 62,064,392 |
| Increase in Depreciation and amortisation | - | 90,206 |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-----------|---------------|
| 51. Comparative figures (continued) | | |
| Increase in Repairs and maintenance | - | 1,556,185 |
| Increase in Contracted services | - | 50,396,335 |
| Decrease in Grants and subsidies paid | - | (809,112) |
| Decrease in General expenses | - | (118,325,774) |

52. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk.

Liquidity risk

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

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

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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, 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.

53. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated surplus of R780,553,095 and that the municipality's total assets exceed its liabilities by R780,553,095.

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.

54. Events after the reporting date

At the time of preparing and submitting the annual financial statements there were no subsequent events to disclose.

55. Unauthorised expenditure

At the time of preparing and submitting the annual financial statements there were no unauthorised expenditure to disclose.

56. Fruitless and wasteful expenditure

At the time of preparing and submitting the annual financial statements there were no fruitless and wasteful expenditure to disclose.

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|---|-------------------------|-------------------------|
| 57. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Current year subscription / fee | 958,345 | - |
| Amount paid - current year | (958,345) | - |
| | <u>-</u> | <u>-</u> |
| Audit fees | | |
| Current year subscription / fee | 3,449,021 | 6,272,124 |
| Amount paid - current year | (3,449,021) | (6,272,124) |
| | <u>-</u> | <u>-</u> |
| PAYE and UIF | | |
| Opening balance | 1,002,996 | - |
| Current year subscription / fee | 18,739,290 | 12,974,473 |
| Amount paid - current year | (17,582,036) | (11,971,477) |
| Amount paid - previous years | (1,002,996) | - |
| | <u>1,157,254</u> | <u>1,002,996</u> |
| Pension and Medical Aid Deductions | | |
| Opening balance | 2,317,768 | - |
| Current year subscription / fee | 31,091,838 | 6,413,302 |
| Amount paid - current year | (28,467,775) | (4,095,534) |
| Amount paid - previous years | (2,317,768) | - |
| | <u>2,624,063</u> | <u>2,317,768</u> |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

| | 2010 R | 2009 R |
|--|-----------|-----------|
|--|-----------|-----------|

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

VAT

| | | |
|----------------|-----------|------------|
| VAT receivable | 8,385,055 | 24,022,114 |
|----------------|-----------|------------|

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 2010:

| 30 June 2010 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|--------------|--|--|---------------|
| Gamede EN | 271 | 90 | 361 |
| Lefora QW | 459 | 84 | 543 |
| Mahlaba MA | 361 | 22,142 | 22,503 |
| Mohlekwa TR | 1,184 | 652 | 1,836 |
| Mositi MC | 666 | 69 | 735 |
| Norman MV | 1,214 | 9,749 | 10,963 |
| | 4,155 | 32,786 | 36,941 |
| 30 June 2009 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
| Mahlaba MA | 1,500 | 34,009 | 35,509 |
| Mkhonza TP | 1,500 | 32,009 | 33,509 |
| Mokoena DJ | - | 1,336 | 1,336 |
| Mokoena MJ | - | 24,839 | 24,839 |
| | 3,000 | 92,193 | 95,193 |

58. Actual operating expenditure versus budgeted operating expenditure

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

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010
Appendix A: Schedule of external loans

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX A

June 2010

Schedule of External Loans as at 30 June 2010

| Loan Number | Redeemable | Balance at 30 June 2009 | Received during the period | Redeemed written off during the period | Balance at 30 June 2010 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA |
|------------------------------------|---------------|----------------------------|----------------------------------|---|----------------------------|---|---|
| | | Rand | Rand | Rand | Rand | Rand | Rand |
| Other financial liabilities | | | | | | | |
| DBSA | 11018/103 | 31/12/2012 | 1,339,786 | - | 316,537 | 1,023,249 | - |
| DBSA | 11019/105 | 31/15/2015 | 1,096,774 | - | 109,485 | 987,289 | - |
| DBSA | 11021/102 | 31/12/2015 | 284,613 | - | 28,412 | 256,201 | - |
| DBSA | 11076/103 | 30/06/2018 | 1,307,244 | - | 76,165 | 1,231,079 | - |
| DBSA | 11078/202 | 30/06/2018 | 1,346,153 | - | 78,433 | 1,267,720 | - |
| DBSA | 11084/103 | 31/12/2015 | 2,698,058 | - | 269,333 | 2,428,725 | - |
| DBSA | 13768/102 | 31/12/2020 | 1,165,965 | - | 40,894 | 1,125,071 | - |
| DBSA | 13768/202 | 31/12/2020 | 1,018,869 | - | 35,735 | 983,134 | - |
| DBSA | 13766/302 | 31/12/2021 | 1,350,852 | - | 39,593 | 1,311,259 | - |
| FNB | 4000014650706 | 01/10/2012 | - | 18,652,327 | 2,775,966 | 15,876,361 | - |
| | | | 11,608,314 | 18,652,327 | 3,770,553 | 26,490,088 | - |
| Finance lease obligations | | | | | | | |
| ABSA | 69307910 | 01/01/2011 | 66,599 | - | 40,250 | 26,349 | - |
| ABSA | 69307928 | 01/01/2011 | 66,600 | - | 40,240 | 26,360 | - |
| ABSA | 69307901 | 08/01/2011 | 67,414 | - | 40,734 | 26,680 | - |
| ABSA | 68643746 | 01/10/2010 | 59,225 | - | 43,286 | 15,939 | - |
| ABSA | 68643738 | 01/10/2010 | 33,920 | - | 24,815 | 9,105 | - |
| ABSA | 68643304 | 01/10/2010 | 33,931 | - | 24,785 | 9,146 | - |
| ABSA | 68643290 | 01/10/2010 | 33,931 | - | 24,785 | 9,146 | - |
| ABSA | 68648128 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | - |
| ABSA | 68648110 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | - |
| ABSA | 68648101 | 01/10/2010 | 34,097 | - | 24,939 | 9,158 | - |
| ABSA | 68648098 | 01/10/2010 | 34,097 | - | 24,939 | 9,158 | - |
| ABSA | 68648080 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | - |
| ABSA | 68648071 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | - |
| Quince asset managment | CF22/34 | 01/11/2010 | 1,145,380 | - | 761,455 | 383,925 | - |
| | | | 1,711,582 | - | 1,149,988 | 561,594 | - |

Supplementary information

Appendix B: Analysis of property, plant and equipment

MALUTI-A-PHOFUNG MUNICIPALITY
MALUTI-A-PHOFUNG MUNICIPALITY
APPENDIX B

June 2010

Analysis of property, plant and equipment as at 30 Jun
Cost/Revaluation Accumulated

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand |
|--------------------|----------------------------|-------------------|-------------------|-------------------|
| Land and buildings | - | - | - | - |
| Infrastructure | - | - | - | - |
| Community Assets | - | - | - | - |

Supplementary information

Appendix C: Segmental analysis of property, plant and equipment

June 2010

Municipality

Undefined Difference:

Undefined Difference:

Total

| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand |
|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|
| - | - | - | - | - | - |
| (1,874,969) | 760,016 | | | | |
| (1,874,969) | 760,016 | | | | |
| - | - | - | - | - | - |

Supplementary information

Appendix D: Segmental Statement of Financial Performance

June 2010

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MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

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

APPENDIX E(1)

June 2010

Yearly

| | Current year 2009 | Current year 2009 | | | |
|-------------------------------------|-------------------|-------------------|--------------|---------|---|
| | Act. Bal. | Bud. Amt | Variance | | Explanation of Significant Variances greater than 10% versus Budget |
| | Rand | Rand | Rand | Var | |
| Revenue | 822,148,647 | 899,633,974 | (77,485,327) | (8.6) | |
| Expenses | (582,937,692) | (887,864,923) | 304,927,231 | (34.3) | |
| Other revenue and costs | (131,624) | - | (131,624) | - | |
| Net surplus/ (deficit) for the year | 239,079,331 | 11,769,051 | 304,795,607 | 2,589.8 | |

MALUTI-A-PHOFUNG MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

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

MALUTI-A-PHOFUNG MUNICIPALITY

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2010

| 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 you municipality comply with the grant conditions in terms of the grant framework in the late Division of Revenue Act |
|--|---|--------------------|------------|------------|------------|-----------------------|------------|------------|------------|---|---------------------------------------|---|
| | | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | | | |
| MSIG | National Treasury | 735,000 | - | - | - | 384,260 | 10,740 | - | - | - | N/A | Yes |
| MIG | National Treasury | 29,523,000 | 24,648,000 | 28,156,000 | 22,793,000 | 14,306,262 | 37,415,463 | 23,645,801 | 36,540,763 | 5,164,000 | N/A | Yes |
| Integrated National Electrification Programme (Municipal) Grant | DME | 580,000 | - | 9,535,000 | - | 1,342,682 | 1,903,783 | 6,686,603 | 5,783,948 | - | N/A | Yes |
| 200 RDP Houses | DPLG & Housing | - | - | - | - | - | - | 356,982 | 149,278 | - | N/A | Yes |
| ICT Strategy | DBSA | 764,284 | - | 168,216 | - | 395,600 | 365,204 | - | 172,000 | - | N/A | Yes |
| WSOSG | Dept of Water Affairs & Forestry | 3,687,000 | 3,687,000 | 3,687,250 | - | 3,687,250 | 3,449,250 | 3,925,249 | 3,687,249 | - | N/A | Yes |
| RBIG (DWAF) | Dept of Water Affairs & Forestry | - | 10,694,794 | 11,989,895 | - | 3,134,512 | 6,161,901 | 7,693,895 | 7,070,074 | - | N/A | Yes |
| FMG | National Treasury | 750,000 | - | - | - | - | - | - | 732,619 | - | N/A | Yes |
| Expanded Public Works Programme Incentive Grant For Municipalities | National Treasury | - | 820,050 | - | - | - | - | - | - | - | N/A | Yes |
| Installation and maintenance of security equipment | Department of Police, Roads & Transport | - | - | 10,000,000 | - | - | - | - | 3,832,756 | - | N/A | Yes |
| Operation Hlasela projects | Department of Social development | - | - | 1,450,000 | - | - | - | - | - | - | N/A | Yes |
| Intabazwe Corridor Development Grant | Department of Provincial and Local Government | - | - | - | - | 5,595,239 | 5,097,788 | 5,078,676 | 5,601,564 | - | N/A | Yes |
| | | 36,039,284 | 39,849,844 | 64,986,361 | 22,793,000 | 28,845,805 | 54,404,129 | 47,387,206 | 63,570,251 | 5,164,000 | | |

Supplementary information

Appendix G: Schedule of other financial assets

MALUTI-A-PHOFUNG MUNICIPALITY

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2010

| 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 you municipality comply with the grant conditions in terms of the grant framework in the related Division of Revenue Act |
|--|---|--------------------|------------|------------|------------|-----------------------|------------|------------|------------|---|---------------------------------------|--|
| | | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | | | |
| MSIG | National Treasury | 735,000 | - | - | - | 384,260 | 10,740 | - | - | - | N/A | Yes |
| MIG | National Treasury | 29,523,000 | 24,648,000 | 28,156,000 | 22,793,000 | 14,306,262 | 37,415,463 | 23,645,801 | 36,540,763 | 5,164,000 | N/A | Yes |
| Integrated National Electrification Programme (Municipal) Grant | DME | 580,000 | - | 9,535,000 | - | 1,342,682 | 1,903,783 | 6,686,603 | 5,783,948 | - | N/A | Yes |
| 200 RDP Houses | DPLG & Housing | - | - | - | - | - | - | 356,982 | 149,278 | - | N/A | Yes |
| ICT Strategy | DBSA | 764,284 | - | 168,216 | - | 395,600 | 365,204 | - | 172,000 | - | N/A | Yes |
| WSOSG | Dept of Water Affairs & Forestry | 3,687,000 | 3,687,000 | 3,687,250 | - | 3,687,250 | 3,449,250 | 3,925,249 | 3,687,249 | - | N/A | Yes |
| RBIG (DWAF) | Dept of Water Affairs & Forestry | - | 10,694,794 | 11,989,895 | - | 3,134,512 | 6,161,901 | 7,693,895 | 7,070,074 | - | N/A | Yes |
| FMG | National Treasury | 750,000 | - | - | - | - | - | - | 732,619 | - | N/A | Yes |
| Expanded Public Works Programme Incentive Grant For Municipalities | National Treasury | - | 820,050 | - | - | - | - | - | - | - | N/A | Yes |
| Installation and maintenance of security equipment | Department of Police, Roads & Transport | - | - | 10,000,000 | - | - | - | - | 3,832,756 | - | N/A | Yes |
| Operation Hlasela projects | Department of Social development | - | - | 1,450,000 | - | - | - | - | - | - | N/A | Yes |
| Intabazwe Corridor Development Grant | Department of Provincial and Local Government | - | - | - | - | 5,595,239 | 5,097,788 | 5,078,676 | 5,601,564 | - | N/A | Yes |
| | | 36,039,284 | 39,849,844 | 64,986,361 | 22,793,000 | 28,845,805 | 54,404,129 | 47,387,206 | 63,570,251 | 5,164,000 | | |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

| | Loan number | Redeemable | Balance at 01 July 2009 | Received during the year | Redeemed during the year | Balance at 30 June 2010 | Current liabilities | Non current liabilities |
|------------------------------------|---------------|------------|-------------------------|--------------------------|--------------------------|-------------------------|---------------------|-------------------------|
| | | | R | R | R | R | R | R |
| Other financial liabilities | | | | | | | | |
| DBSA | 11018/103 | 31/12/2012 | 1,339,786 | - | 316,537 | 1,023,249 | 365,799 | 657,450 |
| DBSA | 11019/105 | 31/15/2015 | 1,096,774 | - | 109,485 | 987,289 | 126,524 | 860,765 |
| DBSA | 11021/102 | 31/12/2015 | 284,613 | - | 28,412 | 256,201 | 32,833 | 223,368 |
| DBSA | 11076/103 | 30/06/2018 | 1,307,244 | - | 76,165 | 1,231,079 | 88,019 | 1,143,060 |
| DBSA | 11078/202 | 30/06/2018 | 1,346,153 | - | 78,433 | 1,267,720 | 90,638 | 1,177,082 |
| DBSA | 11084/103 | 31/12/2015 | 2,698,058 | - | 269,333 | 2,428,725 | 311,248 | 2,117,477 |
| DBSA | 13768/102 | 31/12/2020 | 1,165,965 | - | 40,894 | 1,125,071 | 47,536 | 1,077,535 |
| DBSA | 13768/202 | 31/12/2020 | 1,018,869 | - | 35,735 | 983,134 | 41,539 | 941,595 |
| DBSA | 13766/302 | 31/12/2021 | 1,350,852 | - | 39,593 | 1,311,259 | 46,024 | 1,265,235 |
| FNB | 4000014650706 | 01/10/2012 | - | 18,652,327 | 2,775,966 | 15,876,361 | 5,717,852 | 10,158,509 |
| | | | 11,608,314 | 18,652,327 | 3,770,553 | 26,490,088 | 6,868,012 | 19,622,076 |

| | Loan number | Redeemable | Balance at 01 July 2009 | Received during the year | Redeemed during the year | Balance at 30 June 2010 | Current liabilities | Non current liabilities |
|----------------------------------|-------------|------------|-------------------------|--------------------------|--------------------------|-------------------------|---------------------|-------------------------|
| | | | R | R | R | R | R | R |
| Finance lease obligations | | | | | | | | |
| ABSA | 69307910 | 01/01/2011 | 66,599 | - | 40,250 | 26,349 | 26,349 | - |
| ABSA | 69307928 | 01/01/2011 | 66,600 | - | 40,240 | 26,360 | 26,360 | - |
| ABSA | 69307901 | 08/01/2011 | 67,414 | - | 40,734 | 26,680 | 26,680 | - |
| ABSA | 68643746 | 01/10/2010 | 59,225 | - | 43,286 | 15,939 | 15,939 | - |
| ABSA | 68643738 | 01/10/2010 | 33,920 | - | 24,815 | 9,105 | 9,105 | - |
| ABSA | 68643304 | 01/10/2010 | 33,931 | - | 24,785 | 9,146 | 9,146 | - |
| ABSA | 68643290 | 01/10/2010 | 33,931 | - | 24,785 | 9,146 | 9,146 | - |
| ABSA | 68648128 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | 9,157 | - |
| ABSA | 68648110 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | 9,157 | - |
| ABSA | 68648101 | 01/10/2010 | 34,097 | - | 24,939 | 9,158 | 9,158 | - |
| ABSA | 68648098 | 01/10/2010 | 34,097 | - | 24,939 | 9,158 | 9,158 | - |
| ABSA | 68648080 | 01/10/2010 | 34,097 | - | 24,939 | 9,158 | 9,158 | - |
| ABSA | 68648071 | 01/10/2010 | 34,097 | - | 24,940 | 9,157 | 9,157 | - |
| Quince Asset Rental | CF22/34 | 01/11/2010 | 1,145,380 | - | 761,455 | 383,925 | 383,925 | - |
| | | | 1,711,582 | - | 1,149,987 | 561,595 | 561,595 | - |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

| | Loan number | Redeemable | Balance at 01 July 2008 | Received during the year | Redeemed during the year | Balance at 30 June 2009 | Current liabilities | Non current liabilities |
|------------------------------------|-------------|------------|-------------------------|--------------------------|--------------------------|-------------------------|---------------------|-------------------------|
| | | | R | R | R | R | R | R |
| Other financial liabilities | | | | | | | | |
| DBSA | 11018/103 | 31/12/2012 | 1,613,696 | - | 273,910 | 1,339,786 | 316,371 | 1,023,415 |
| DBSA | 11019/105 | 31/15/2015 | 1,191,516 | - | 94,742 | 1,096,774 | 109,385 | 987,389 |
| DBSA | 11021/102 | 31/12/2015 | 309,200 | - | 24,587 | 284,613 | 28,386 | 256,227 |
| DBSA | 11076/103 | 30/06/2018 | 1,373,153 | - | 65,909 | 1,307,244 | 76,030 | 1,231,214 |
| DBSA | 11078/202 | 30/06/2018 | 1,414,023 | - | 67,870 | 1,346,153 | 78,292 | 1,267,861 |
| DBSA | 11084/103 | 31/12/2015 | 2,931,120 | - | 233,062 | 2,698,058 | 269,086 | 2,428,972 |
| DBSA | 13768/102 | 31/12/2020 | 46,553 | - | 46,553 | - | - | - |
| DBSA | 13768/102 | 31/12/2020 | 1,201,145 | - | 35,180 | 1,165,965 | 40,766 | 1,125,199 |
| DBSA | 13768/202 | 31/12/2020 | 1,049,611 | - | 30,742 | 1,018,869 | 35,623 | 983,246 |
| DBSA | 13766/302 | 31/12/2021 | 1,384,913 | - | 34,061 | 1,350,852 | 39,445 | 1,311,407 |
| FDC | | | (82,565) | - | (82,565) | - | - | - |
| | | | 12,432,365 | - | 824,051 | 11,608,314 | 993,384 | 10,614,930 |

| | Loan number | Redeemable | Balance at 01 July 2008 | Received during the year | Redeemed during the year | Balance at 30 June 2009 | Current liabilities | Non current liabilities |
|----------------------------------|-------------|------------|-------------------------|--------------------------|--------------------------|-------------------------|---------------------|-------------------------|
| | | | R | R | R | R | R | R |
| Finance lease obligations | | | | | | | | |
| ABSA | 61866898 | 08/2008 | 18,414 | - | 18,414 | - | - | - |
| ABSA | 61866901 | 08/2008 | 18,414 | - | 18,414 | - | - | - |
| ABSA | 61866910 | 08/2008 | 18,414 | - | 18,414 | - | - | - |
| ABSA | 61868394 | 08/2008 | 25,535 | - | 25,535 | - | - | - |
| ABSA | 63122802 | 01/2009 | 87,856 | - | 87,856 | - | - | - |
| ABSA | 69307901 | 08/2011 | 102,400 | - | 34,986 | 67,414 | 41,150 | 26,264 |
| ABSA | 69307910 | 01/2011 | 101,159 | - | 34,560 | 66,599 | 40,651 | 25,948 |
| ABSA | 69307928 | 01/2011 | 101,159 | - | 34,559 | 66,600 | 40,652 | 25,948 |
| ABSA | 68643746 | 10/2010 | 96,489 | - | 37,264 | 59,225 | 43,571 | 15,654 |
| ABSA | 68643738 | 10/2010 | 55,195 | - | 21,275 | 33,920 | 24,943 | 8,977 |
| ABSA | 68643304 | 10/2010 | 55,213 | - | 21,282 | 33,931 | 24,951 | 8,980 |
| ABSA | 68643290 | 10/2010 | 55,213 | - | 21,282 | 33,931 | 24,951 | 8,980 |
| ABSA | 68648128 | 10/2010 | 55,642 | - | 21,545 | 34,097 | 22,902 | 11,195 |
| ABSA | 68648110 | 10/2010 | 55,642 | - | 21,545 | 34,097 | 22,902 | 11,195 |
| ABSA | 68648101 | 10/2010 | 55,642 | - | 21,545 | 34,097 | 22,902 | 11,195 |
| ABSA | 68648098 | 10/2010 | 55,642 | - | 21,545 | 34,097 | 22,902 | 11,195 |
| ABSA | 68648080 | 10/2010 | 55,642 | - | 21,545 | 34,097 | 22,902 | 11,195 |
| ABSA | 68648071 | 10/2010 | 55,642 | - | 21,545 | 34,097 | 22,902 | 11,195 |
| ABSA | 62689892 | 11/2008 | 10,592 | - | 10,592 | - | - | - |
| ABSA | 62689906 | 11/2008 | 10,592 | - | 10,592 | - | - | - |
| Quince Asset Rental | CF22/34 | 11/2010 | 1,725,022 | - | 579,642 | 1,145,380 | 761,455 | 383,925 |
| | | | 2,815,519 | - | 1,103,937 | 1,711,582 | 1,139,736 | 571,846 |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

| Statutory Name | Cost price | | | | | Accumulated depreciation | | | | Carrying amount |
|---------------------------------|--------------------|-------------------|--------------------|-----------|----------------------|--------------------------|-------------------|----------|--------------------|--------------------|
| | Opening Balance | Additions | Additions | Disposals | Closing Balance | Opening Balance | Depreciation | Disposal | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Community Assets | | | | | | | | | | |
| Civic Buildings | 4,709,766 | 2,549,246 | - | - | 7,259,012 | 374,674 | 143,428 | - | 518,102 | 6,740,910 |
| Parks & Gardens | 866,650 | - | - | - | 866,650 | 34,810 | 28,888 | - | 63,698 | 802,952 |
| Recreation Grounds | 6,082,388 | - | - | - | 6,082,388 | 813,709 | 219,235 | - | 1,032,944 | 5,049,444 |
| Sub Total | 11,658,804 | 2,549,246 | - | - | 14,208,050 | 1,223,193 | 391,551 | - | 1,614,744 | 12,593,306 |
| Heritage | | | | | | | | | | |
| Historical Buildings | 92,340 | - | - | - | 92,340 | 4,107 | 3,078 | - | 7,185 | 85,155 |
| Painting & Art Galleries | 36 | - | - | - | 36 | 36 | - | - | 36 | - |
| Sub Total | 92,376 | - | - | - | 92,376 | 4,143 | 3,078 | - | 7,221 | 85,155 |
| Infrastructure | | | | | | | | | | |
| Drains | 5,882,167 | - | - | - | 5,882,167 | 1,867,925 | 199,785 | - | 2,067,710 | 3,814,457 |
| Electricity | - | - | - | - | - | - | - | - | - | - |
| Electricity Mains | 342,181,799 | 19,447,544 | - | - | 361,629,343 | 277,288,896 | 4,972,823 | - | 282,261,719 | 79,367,624 |
| Electricity Peak Load Equipment | 70,663,680 | - | - | - | 70,663,680 | 32,802,520 | 2,557,216 | - | 35,359,736 | 35,303,944 |
| Pedestrian Malls | 879,213 | - | - | - | 879,213 | 69,970 | 29,807 | - | 99,777 | 779,436 |
| Reservoirs-Water | 9,667,109 | - | - | - | 9,667,109 | 1,835,542 | 616,384 | - | 2,451,926 | 7,215,183 |
| Roads | 111,450,503 | 26,050,279 | - | - | 137,500,782 | 33,562,086 | 5,921,939 | - | 39,484,025 | 98,016,757 |
| Security Measures | 3,748,532 | 2,927,004 | - | - | 6,675,536 | 2,485,330 | 344,604 | - | 2,829,934 | 3,845,602 |
| Sewerage Mains & Purification | 134,908,484 | 2,454,612 | - | - | 137,363,096 | 42,757,621 | 7,014,403 | - | 49,772,024 | 87,591,072 |
| Water Mains | 64,188,001 | 3,676,714 | - | - | 67,864,715 | 18,843,290 | 3,215,862 | - | 22,059,152 | 45,805,563 |
| Water Mains & Purification | 12,079,244 | - | - | - | 12,079,244 | 2,401,316 | 603,491 | - | 3,004,807 | 9,074,437 |
| Water Meter | 52,534,862 | 3,310,279 | - | - | 55,845,141 | 11,457,720 | 3,145,863 | - | 14,603,583 | 41,241,558 |
| Sub Total | 808,183,594 | 57,866,432 | - | - | 866,050,026 | 425,372,216 | 28,622,177 | - | 453,994,393 | 412,055,633 |
| Land & Building | | | | | | | | | | |
| Building | 16,921,376 | - | - | - | 16,921,376 | 1,888,490 | 616,253 | - | 2,504,743 | 14,416,633 |
| Land | 32,599,000 | - | - | - | 32,599,000 | - | - | - | - | 32,599,000 |
| Sub Total | 49,520,376 | - | - | - | 49,520,376 | 1,888,490 | 616,253 | - | 2,504,743 | 47,015,633 |
| Landfill Sites | | | | | | | | | | |
| Landfill Sites | 1,610,480 | - | - | - | 1,610,480 | 461,213 | 110,333 | - | 571,546 | 1,038,934 |
| Sub Total | 1,610,480 | - | - | - | 1,610,480 | 461,213 | 110,333 | - | 571,546 | 1,038,934 |
| Other Assets | | | | | | | | | | |
| Audio Visual Equipment | 89,952 | 3,695 | - | - | 93,647 | 13,557 | 31,570 | - | 45,127 | 48,520 |
| Bins & Containers | 2,250 | - | - | - | 2,250 | 2,137 | 113 | - | 2,250 | - |
| Computer Equipment | 10,081,560 | 70,104 | - | - | 10,151,664 | 5,368,098 | 1,505,606 | - | 6,873,704 | 3,277,960 |
| Computer Software | 629,480 | - | - | - | 629,480 | 461,640 | 160,556 | - | 622,196 | 7,284 |
| Emergency Equipment | 425,281 | - | - | - | 425,281 | 9,980 | 91,948 | - | 101,928 | 323,353 |
| Furniture & Fittings | 4,713,319 | 45,512 | - | - | 4,758,831 | 592,963 | 811,215 | - | 1,404,178 | 3,354,653 |
| Kitchen Equipment | 68,310 | 3,769 | - | - | 72,079 | 3,045 | 23,933 | - | 26,978 | 45,101 |
| Motor Vehicles | 16,231,859 | - | - | - | 16,231,859 | 7,425,215 | 2,612,624 | - | 10,037,839 | 6,194,020 |
| Office Equipment | 835,155 | 74,103 | - | - | 909,258 | 451,256 | 131,765 | - | 583,021 | 326,237 |
| Plant & Equipment | 2,064,954 | - | - | - | 2,064,954 | 180,425 | 822,148 | - | 1,002,573 | 1,062,381 |
| Sub Total | 35,142,120 | 197,183 | - | - | 35,339,303 | 14,508,316 | 6,191,478 | - | 20,699,794 | 14,639,509 |
| Work In Progress | | | | | | | | | | |
| Community Assets | 2,079,103 | - | - | - | 2,079,103 | - | - | - | - | 2,079,103 |
| Infrastructure | 27,564,570 | - | 93,991,570 | - | 121,556,140 | - | - | - | - | 121,556,140 |
| Land & Building | 1,326,881 | - | 23,171,036 | - | 24,497,917 | - | - | - | - | 24,497,917 |
| Sub Total | 30,970,554 | - | 117,162,606 | - | 148,133,160 | - | - | - | - | 148,133,160 |
| Grand Total | 937,178,304 | 60,612,861 | 117,162,606 | - | 1,114,953,771 | 443,457,571 | 35,934,870 | - | 479,392,441 | 635,561,330 |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

| Statutory Name | Cost price | | | | | Accumulated depreciation | | | | Carrying amount |
|---------------------------------|--------------------|-------------------|-------------------|-----------|--------------------|--------------------------|-------------------|----------|--------------------|--------------------|
| | Opening Balance | Additions | Additions WIP | Disposals | Closing Balance | Opening Balance | Depreciation | Disposal | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Community Assets | | | | | | | | | | |
| Civic Buildings | 3,667,276 | 1,042,490 | - | - | 4,709,766 | 252,431 | 122,243 | - | 374,674 | 4,335,092 |
| Parks & Gardens | 866,650 | - | - | - | 866,650 | 5,922 | 28,888 | - | 34,810 | 831,840 |
| Recreation Grounds | 4,571,062 | 1,511,326 | - | - | 6,082,388 | 644,355 | 169,354 | - | 813,709 | 5,268,679 |
| Sub Total | 9,104,988 | 2,553,816 | - | - | 11,658,804 | 902,708 | 320,485 | - | 1,223,193 | 10,435,611 |
| Heritage | | | | | | | | | | |
| Historical Buildings | 92,340 | - | - | - | 92,340 | 1,029 | 3,078 | - | 4,107 | 88,233 |
| Painting & Art Galleries | 36 | - | - | - | 36 | 36 | - | - | 36 | - |
| Sub Total | 92,376 | - | - | - | 92,376 | 1,065 | 3,078 | - | 4,143 | 88,233 |
| Infrastructure | | | | | | | | | | |
| Drains | 5,882,167 | - | - | - | 5,882,167 | 1,668,140 | 199,785 | - | 1,867,925 | 4,014,242 |
| Electricity | - | - | - | - | - | - | - | - | - | - |
| Electricity Mains | 340,213,247 | 1,968,552 | - | - | 342,181,799 | 272,291,315 | 4,997,581 | - | 277,288,896 | 64,892,903 |
| Electricity Peak Load Equipment | 70,663,680 | - | - | - | 70,663,680 | 30,245,304 | 2,557,216 | - | 32,802,520 | 37,861,160 |
| Pedestrian Malls | 879,213 | - | - | - | 879,213 | 40,163 | 29,807 | - | 69,970 | 809,243 |
| Reservoirs-Water | 9,667,109 | - | - | - | 9,667,109 | 1,219,158 | 616,384 | - | 1,835,542 | 7,831,567 |
| Roads | 86,220,710 | 25,229,793 | - | - | 111,450,503 | 27,911,250 | 5,650,836 | - | 33,562,086 | 77,888,417 |
| Security Measures | 3,748,532 | - | - | - | 3,748,532 | 2,166,863 | 318,467 | - | 2,485,330 | 1,263,202 |
| Sewerage Mains & Purification | 124,736,419 | 10,172,065 | - | - | 134,908,484 | 35,881,439 | 6,876,182 | - | 42,757,621 | 92,150,863 |
| Water Mains | 59,724,733 | 4,463,268 | - | - | 64,188,001 | 15,661,898 | 3,181,392 | - | 18,843,290 | 45,344,711 |
| Water Mains & Purification | 12,079,244 | - | - | - | 12,079,244 | 1,797,825 | 603,491 | - | 2,401,316 | 9,677,928 |
| Water Meter | 49,483,179 | 3,051,683 | - | - | 52,534,862 | 8,485,697 | 2,972,023 | - | 11,457,720 | 41,077,142 |
| Sub Total | 763,298,233 | 44,885,361 | - | - | 808,183,594 | 397,369,052 | 28,003,164 | - | 425,372,216 | 382,811,378 |
| Land & Building | | | | | | | | | | |
| Building | 15,065,229 | 1,856,147 | - | - | 16,921,376 | 1,272,548 | 615,942 | - | 1,888,490 | 15,032,886 |
| Land | 32,599,000 | - | - | - | 32,599,000 | - | - | - | - | 32,599,000 |
| Sub Total | 47,664,229 | 1,856,147 | - | - | 49,520,376 | 1,272,548 | 615,942 | - | 1,888,490 | 47,631,886 |
| Landfill Sites | | | | | | | | | | |
| Landfill Sites | 1,610,480 | - | - | - | 1,610,480 | 350,880 | 110,333 | - | 461,213 | 1,149,267 |
| Sub Total | 1,610,480 | - | - | - | 1,610,480 | 350,880 | 110,333 | - | 461,213 | 1,149,267 |
| Other Assets | | | | | | | | | | |
| Audio Visual Equipment | 89,952 | - | - | - | 89,952 | 9,411 | 4,146 | - | 13,557 | 76,395 |
| Bins & Containers | 2,250 | - | - | - | 2,250 | 1,687 | 450 | - | 2,137 | 113 |
| Computer Equipment | 9,261,338 | 820,222 | - | - | 10,081,560 | 4,024,082 | 1,344,016 | - | 5,368,098 | 4,713,462 |
| Computer Software | 629,480 | - | - | - | 629,480 | 301,084 | 160,556 | - | 461,640 | 167,840 |
| Emergency Equipment | 70,281 | 355,000 | - | - | 425,281 | 3,464 | 6,516 | - | 9,980 | 415,301 |
| Furniture & Fittings | 4,651,445 | 61,874 | - | - | 4,713,319 | 497,509 | 95,454 | - | 592,963 | 4,120,356 |
| Kitchen Equipment | 68,310 | - | - | - | 68,310 | 1,865 | 1,180 | - | 3,045 | 65,265 |
| Motor Vehicles | 16,231,859 | - | - | - | 16,231,859 | 5,836,938 | 1,588,277 | - | 7,425,215 | 8,806,644 |
| Office Equipment | 811,822 | 23,333 | - | - | 835,155 | 356,978 | 94,278 | - | 451,256 | 383,899 |
| Plant & Equipment | 2,064,954 | - | - | - | 2,064,954 | 137,522 | 42,903 | - | 180,425 | 1,884,529 |
| Sub Total | 33,881,691 | 1,260,429 | - | - | 35,142,120 | 11,170,540 | 3,337,776 | - | 14,508,316 | 20,633,804 |
| Work In Progress | | | | | | | | | | |
| Community Assets | - | - | 2,079,103 | - | 2,079,103 | - | - | - | - | 2,079,103 |
| Infrastructure | - | - | 27,564,570 | - | 27,564,570 | - | - | - | - | 27,564,570 |
| Land & Building | - | - | 1,326,881 | - | 1,326,881 | - | - | - | - | 1,326,881 |
| Sub Total | - | - | 30,970,554 | - | 30,970,554 | - | - | - | - | 30,970,554 |
| Grand Total | 855,651,997 | 50,555,753 | 30,970,554 | - | 937,178,304 | 411,066,793 | 32,390,778 | - | 443,457,571 | 493,720,733 |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

| Statutory Name | Cost price | | | | | Accumulated depreciation | | | | Carrying amount |
|--|--------------------|-------------------|--------------------|-----------|----------------------|--------------------------|-------------------|----------|--------------------|--------------------|
| | Opening Balance | Additions | Additions WIP | Disposals | Closing Balance | Opening Balance | Depreciation | Disposal | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Legislative authority | 1,421,985 | 3,695 | - | - | 1,425,680 | 596,276 | 287,540 | - | 883,816 | 541,864 |
| Office of the municipal manager | 753,034 | 60,395 | - | - | 813,429 | 243,207 | 158,125 | - | 401,332 | 412,097 |
| Corporate services | 3,724,277 | - | - | - | 3,724,277 | 1,029,254 | 749,885 | - | 1,779,139 | 1,945,138 |
| Financial services | 8,039,839 | 69,970 | - | - | 8,109,809 | 3,573,856 | 795,611 | - | 4,369,467 | 3,740,342 |
| Municipal infrastructure | 854,532,619 | 60,121,950 | 117,162,606 | - | 1,031,817,175 | 430,468,179 | 30,761,039 | - | 461,229,218 | 570,587,957 |
| Community and social services | 13,079,074 | 1,347 | - | - | 13,080,421 | 2,774,221 | 1,018,940 | - | 3,793,161 | 9,287,260 |
| Public safety | 6,664,305 | 4,445 | - | - | 6,668,750 | 2,010,063 | 1,032,050 | - | 3,042,113 | 3,626,637 |
| Parks, sport and recreation | 11,298,431 | - | - | - | 11,298,431 | 1,930,253 | 757,067 | - | 2,687,320 | 8,611,111 |
| Local economic development and tourism | - | - | - | - | - | - | - | - | - | - |
| Housing spatial development and planning | 37,664,740 | 351,059 | - | - | 38,015,799 | 832,262 | 374,613 | - | 1,206,875 | 36,808,924 |
| | 937,178,304 | 60,612,861 | 117,162,606 | - | 1,114,953,771 | 443,457,571 | 35,934,870 | - | 479,392,441 | 635,561,330 |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

| Statutory Name | Cost price | | | | | Accumulated depreciation | | | | Carrying amount |
|--|--------------------|-------------------|-------------------|-----------|--------------------|--------------------------|-------------------|----------|--------------------|--------------------|
| | Opening Balance | Additions | Additions | Disposals | Closing Balance | Opening Balance | Depreciation | Disposal | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Legislative authority | 1,271,597 | 150,388 | - | - | 1,421,985 | 362,921 | 233,355 | - | 596,276 | 825,709 |
| Office of the municipal manager | 538,179 | 214,855 | - | - | 753,034 | 167,684 | 75,523 | - | 243,207 | 509,827 |
| Corporate services | 3,543,968 | 180,309 | - | - | 3,724,277 | 516,297 | 512,957 | - | 1,029,254 | 2,695,023 |
| Financial services | 7,811,573 | 228,266 | - | - | 8,039,839 | 2,864,860 | 708,996 | - | 3,573,856 | 4,465,983 |
| Municipal infrastructure | 774,276,159 | 49,285,906 | 30,970,554 | - | 854,532,619 | 401,641,354 | 28,826,825 | - | 430,468,179 | 424,064,440 |
| Community and social services | 13,032,986 | 46,088 | - | - | 13,079,074 | 2,172,001 | 602,220 | - | 2,774,221 | 10,304,853 |
| Public safety | 6,265,926 | 398,379 | - | - | 6,664,305 | 1,366,171 | 643,892 | - | 2,010,063 | 4,654,242 |
| Parks, sport and recreation | 11,298,431 | - | - | - | 11,298,431 | 1,400,346 | 529,907 | - | 1,930,253 | 9,368,178 |
| Local economic development and tourism | - | - | - | - | - | - | - | - | - | - |
| Housing spatial development and planning | 37,613,178 | 51,562 | - | - | 37,664,740 | 575,159 | 257,103 | - | 832,262 | 36,832,478 |
| | 855,651,997 | 50,555,753 | 30,970,554 | - | 937,178,304 | 411,066,793 | 32,390,778 | - | 443,457,571 | 493,720,733 |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

| 2009 | | | Department | 2010 | | |
|--------------------|--------------------|--------------------|--|--------------------|--------------------|--------------------|
| Actual Income | Actual Expenditure | Surplus/ (Deficit) | | Actual Income | Actual Expenditure | Surplus/ (Deficit) |
| R | R | R | | R | R | R |
| - | 68,668,233 | (68,668,233) | Legislative authority | - | 6,049,018 | (6,049,018) |
| 426,428 | 19,526,745 | (19,100,317) | Corporate services | 593,823 | 17,978,249 | (17,384,426) |
| 360,795 | 9,342,060 | (8,981,265) | Housing spatial development and planning | 359,789 | 14,929,810 | (14,570,021) |
| - | 14,694,177 | (14,694,177) | Office of the municipal manager | 1,439,064 | 9,857,039 | (8,417,975) |
| 16,270,925 | 47,355,726 | (31,084,801) | Community and social services | 18,159,037 | 33,527,528 | (15,368,491) |
| 338,198,952 | 121,535,078 | 216,663,874 | Financial services | 416,114,330 | 173,105,368 | 243,008,962 |
| 1,079,808 | 21,427,402 | (20,347,594) | Public Safety | 656,167 | 28,385,732 | (27,729,565) |
| 1,288,818 | 16,147,534 | (14,858,716) | Parks, sport and recreation | 603,688 | 17,017,757 | (16,414,069) |
| - | 2,982,611 | (2,982,611) | Local economic development and tourism | - | 2,075,294 | (2,075,294) |
| 282,175,524 | 257,543,788 | 24,631,736 | Municipal infrastructure | 384,091,125 | 280,011,908 | 104,079,217 |
| 639,801,250 | 579,223,354 | 60,577,896 | | 822,017,023 | 582,937,703 | 239,079,320 |

| Entity | Vote nr | Other |
|--------|---------|-------------|
| | | 1000 Total |
| | | 1100 Total |
| | | 1200 Total |
| | | 1300 Total |
| | | 1400 Total |
| | | 1500 Total |
| | | 1600 Total |
| | | 1700 Total |
| | | 1800 Total |
| | | 1900 Total |
| | | 9000 Total |
| | | 9999 Total |
| | | Grand Total |

| Acc description | Mapping |
|-----------------|---------|
|-----------------|---------|

| L/S | 2010 Final | 2009 Final | 2008 Final | 2007 Final | 2006 Final |
|-----|------------------|------------|------------|------------|------------|
| | (16,853,414.89) | | | | |
| | 8,274,325.15 | | | | |
| | 17,485,998.56 | | | | |
| | (243,433,548.97) | | | | |
| | (103,428,051.83) | | | | |
| | 15,666,177.48 | | | | |
| | 28,008,640.60 | | | | |
| | 16,502,887.32 | | | | |
| | 2,132,255.37 | | | | |
| | 14,717,512.05 | | | | |
| | 260,927,219.16 | | | | |
| | - | | | | |
| | 0.00 | | | | |

| |
|---------------|
| Budget |
|---------------|

30,467,773.00

12,923,738.00

18,114,417.00

(273,067,594.00)

98,288,536.00

24,393,135.00

39,022,104.00

16,597,318.00

5,208,683.00

16,282,839.00

-

-

(11,769,051.00)

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX E(1)

ACTUAL VS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

| | Actual | Budget | Variance | Variance | Reasons for variances |
|--|----------------------|----------------------|---------------------|----------|---|
| | R | R | R | % | |
| REVENUE | | | | | |
| Rendering of services | 580,890 | 1,112,720 | (531,830) | -47.80% | Less facilities were rented out than anticipated |
| Property rates | 151,425,032 | 230,036,074 | (78,611,042) | -34.17% | Rebate of R45,000 was granted to all properties |
| Service charges | 259,398,540 | 201,505,015 | 57,893,525 | 28.73% | Additional households were identified and billed during the year |
| Rental of facilities and equipment | 224,069 | 500,000 | (275,931) | -55.19% | Less facilities were rented out than anticipated |
| Interest received - Consumers | 11,182,917 | 9,450,000 | 1,732,917 | 18.34% | Interest was raised due to low collection rate |
| Fines | 282,471 | 2,000,000 | (1,717,529) | -85.88% | Ineffective cash collection at traffic department |
| Government grants & subsidies | 393,450,235 | 442,122,500 | (48,672,265) | -11.01% | Grants due were delayed by Treasury |
| Other income | 2,198,594 | 6,357,665 | (4,159,071) | -65.42% | |
| Interest received - investment | 3,405,899 | 6,550,000 | (3,144,101) | -48.00% | Less funds were invested than anticipated |
| | 822,148,647 | 899,633,974 | (77,485,327) | | |
| EXPENSES | | | | | |
| Personnel | (130,802,266) | (152,611,536) | 21,809,270 | -14.29% | Not all vacant posts were filled as budgeted |
| Remuneration of councillors | (16,965,361) | (9,299,164) | (7,666,197) | 82.44% | Councillors' remuneration were budgeted under personnel cost |
| Capital expenditure | (40,099,982) | (284,836,780) | 244,736,798 | -85.92% | Budget include property, plant and equipment that was capitalised |
| Depreciation | (35,934,870) | (40,000,000) | 4,065,130 | -10.16% | |
| Finance costs | (3,997,662) | (7,926,000) | 3,928,338 | -49.56% | New loans were not taken during the year |
| Debt impairment | 20,797,249 | (20,000,000) | 40,797,249 | -203.99% | The impairment is based on the municipality's knowledge of the consumers as well as the consumers ageing of outstanding debt. These indicators shows that the impairment provision of the prior is overstated for the current year. |
| Repairs and maintenance | (19,090,826) | (31,776,834) | 12,686,008 | -39.92% | Due to cash flow constrains the budget was not spend |
| Bulk purchases | (166,547,817) | (177,551,789) | 11,003,972 | -6.20% | |
| Contracted services | (69,111,342) | (79,906,354) | 10,795,012 | -13.51% | Revenue management contract was terminated during the year |
| Grants and subsidies paid | (61,788,998) | (61,789,000) | 2 | 0.00% | |
| General expenses | (59,395,828) | (22,167,466) | (37,228,362) | 167.94% | Due to cash flow constrains the budget was not spend |
| | (582,937,703) | (887,864,923) | 304,927,220 | | |
| OTHER | | | | | |
| Fair value adjustments | (131,624) | - | (131,624) | -100.00% | Compliance with accounting standards |
| | (131,624) | - | (131,624) | | |
| Net surplus/ (deficit) for the year | 239,079,320 | 11,769,051 | 227,310,269 | | |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX E(1)

ACTUAL VS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

| | Actual | Budget | Variance | Variance |
|--|----------------------|----------------------|----------------------|-----------------|
| | R | R | R | % |
| REVENUE | | | | |
| Rendering of services | 928,665 | - | 928,665 | 100.00% |
| Property rates | 114,034,553 | 281,599,000 | (167,564,447) | -59.50% |
| Service charges | 190,150,025 | 300,330,000 | (110,179,975) | -36.69% |
| Rental of facilities and equipment | 902,124 | 500,000 | 402,124 | 80.42% |
| Interest received - consumers | 18,756,151 | 12,000,000 | 6,756,151 | 56.30% |
| Fines | 546,677 | 2,000,000 | (1,453,323) | -72.67% |
| Government grants & subsidies | 308,364,605 | 201,877,000 | 106,487,605 | 52.75% |
| Other income | 1,047,419 | | 1,047,419 | 100.00% |
| Interest received - investment | 5,055,873 | 7,023,000 | (1,967,127) | -28.01% |
| | 639,786,092 | 805,329,000 | (165,542,908) | |
| EXPENSES | | | | |
| Personnel | (117,357,034) | (162,045,000) | 44,687,966 | -27.58% |
| Remuneration of councillors | (16,208,106) | (16,504,000) | 295,894 | -1.79% |
| Depreciation | (32,390,778) | (34,000,000) | 1,609,222 | -4.73% |
| Impairments | (37,881) | - | (37,881) | -100.00% |
| Finance costs | (2,510,336) | (5,276,000) | 2,765,664 | -52.42% |
| Debt impairment | (40,524,889) | - | (40,524,889) | -100.00% |
| Repairs and maintenance | (17,127,162) | (34,446,000) | 17,318,838 | -50.28% |
| Bulk purchases | (137,890,917) | (114,315,000) | (23,575,917) | 20.62% |
| Grants and subsidies paid | (41,960,624) | (21,117,000) | (20,843,624) | 98.71% |
| General expenses | (173,215,627) | (312,218,000) | 139,002,373 | -44.52% |
| <i>General expenses</i> | (62,391,764) | | | |
| <i>Capital expenditure</i> | (62,169,676) | | | |
| <i>Contracted services</i> | (48,654,187) | | | |
| | (579,223,354) | (699,921,000) | 120,697,646 | |
| OTHER | | | | |
| Fair value adjustments | 15,158 | - | 15,158 | 100.00% |
| | 15,158 | - | 15,158 | |
| Net surplus/ (deficit) for the year | 60,577,896 | 105,408,000 | (44,830,104) | |

| Vote nr | Acc description | L/S |
|------------------|---|---------------------------|
| | | 20.36 Total |
| | Capital expenditure | 66.31 Total |
| | Bulk purchases | 66.33 Total |
| | Contracted services | 66.34 Total |
| | Repairs and maintenance | 66.35 Total |
| | Grants and subsidies paid | 66.36 Total |
| | Debt impairment | 66.37 Total |
| | Finance costs | 67.3 Total |
| | Depreciation | 20.35.00.000 Total |
| | | 24.20.10.001 Total |
| | Rendering of services | 60.30.15.000 Total |
| | Property rates and service | 60.30.15.300 Total |
| | Rental of facilities and equipment | 60.30.30.000 Total |
| | Fines | 60.30.33.000 Total |
| OTHER | DME ELECTRIFICATION; | 60.30.36.000 |
| OTHER | GRANTS FROM DWARF; | 60.30.36.000 |
| OTHER | MAP WATER SCHEME STKFTEIN DW | 60.30.36.000 |
| OTHER | GRANTS FROM MIG; | 60.30.36.000 |
| OTHER | GRANTS FOR RDP HOUSES; | 60.30.36.000 |
| OTHER | GRANTS FROM MSIG; | 60.30.36.000 |
| OTHER | Intabazwe corridor income | 60.30.36.000 |
| OTHER | dbsa REVENUE | 60.30.36.000 |
| INFORMATION TE | (DBSA ICT STRATEGY | 60.30.36.000 |
| INFORMATION TE | (RDP HOUSES STRATEGY | 60.30.36.000 |
| BUDGET AND TRE | EQUITABLE SHARE | 60.30.36.000 |
| FINANCE- MANAGI | EQUITABLE SHARE | 60.30.36.000 |
| BUDGET AND TRE | CONTR:FROM COUNCIL | 60.30.36.000 |
| FINANCE- MANAGI | CONTR:FROM COUNCIL | 60.30.36.000 |
| BUDGET AND TRE | GOVR GRANT FINANCIAL MANAGEMENT | 60.30.36.000 |
| FINANCE- MANAGI | GOVR GRANT FINANCIAL MANAGEMENT | 60.30.36.000 |
| REVENUE | ROADS AND POLICE GRANTS | 60.30.36.000 |
| REVENUE | CONTR:FROM COUNCIL:FBS | 60.30.36.000 |
| REVENUE | CONTRIBUTION FROM DPLG (ICT STRATEGY) | 60.30.36.000 |
| REVENUE | MAP WATER SCHEME STERKFONTEIN DWAF | 60.30.36.000 |
| REVENUE | INTABAZWE CORRIDOR | 60.30.36.000 |
| MUNICIPAL INFRA | A E.P.W.P.I PROJET | 60.30.36.000 |
| MUNICIPAL INFRA | A GRANT MIG FUNDS | 60.30.36.000 |
| MUNICIPAL INFRA | A GRANT INEPG | 60.30.36.000 |
| MUNICIPAL INFRA | A GRANT DWAF FUNDS | 60.30.36.000 |
| MUNICIPAL INFRA | A GRANT DME FUNDS | 60.30.36.000 |
| SPARTIAL PLANNII | CONTR EQUITABLE SHARES | 60.30.36.000 |
| | Government grants & subsidies | 60.30.36.000 Total |
| | Interest received - Consumers | 60.30.40.400 Total |
| | Yellow = Other income, Green = Rendering service | 60.30.50.000 Total |
| | Interest received - investment | 61.30.20 Total |
| | | 64.30.20.000 Total |
| | Other income | 64.30.60.000 Total |
| | Remuneration of councillors & Personnel | 65.30.10.000 Total |
| | Remuneration of councillors & Personnel | 65.30.32 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 1 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 2 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 3 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 4 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 5 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 6 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 7 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 8 Total |
| | Remuneration of councillors & Personnel | 65.30.32. 9 Total |

Remuneration of councillors & Personnel
General expenses

65.30.32. 11 Total
66.30.00.000 Total
68.20.10 Total
Grand Total

| 2010 Final | Budget |
|------------------|------------------|
| - | - |
| 39,577,040.18 | 284,706,780.00 |
| 166,547,816.24 | 177,551,789.00 |
| 68,573,169.21 | 79,906,354.00 |
| 19,039,145.47 | 31,716,834.00 |
| 61,788,997.99 | 61,789,000.00 |
| (43,908,181.60) | - |
| 3,997,662.02 | 7,926,000.00 |
| 36,987,482.35 | 40,000,000.00 |
| 300.00 | - |
| (580,890.44) | (782,720.00) |
| (404,138,434.88) | (431,541,089.00) |
| (224,069.57) | (500,000.00) |
| (282,471.00) | (2,000,000.00) |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| (932,804.71) | - |
| (506,259.70) | - |
| - | - |
| (208,608,527.00) | (213,995,000.00) |
| - | - |
| (395,000.00) | (735,000.00) |
| - | - |
| (732,618.89) | (750,000.00) |
| (3,832,756.00) | (10,000,000.00) |
| - | (14,749,000.00) |
| - | (932,500.00) |
| (21,289,888.25) | (30,000,000.00) |
| (15,039,257.34) | - |
| - | (2,383,000.00) |
| (111,908,290.09) | (144,596,000.00) |
| - | (4,400,000.00) |
| (14,748,998.00) | - |
| (15,515,000.00) | (19,582,000.00) |
| - | - |
| (393,509,399.98) | (442,122,500.00) |
| (11,182,916.69) | (9,450,000.00) |
| - | (492,000.00) |
| (3,258,046.02) | (6,550,000.00) |
| - | - |
| (8,874,050.41) | (6,195,665.00) |
| 143,486,453.27 | 159,806,931.00 |
| - | - |
| 318,714.81 | 283,550.00 |
| 806,919.26 | 285,550.00 |
| 656,405.68 | - |
| - | - |
| 814,399.50 | 280,550.00 |
| 666,852.17 | 228,800.00 |
| 596,859.36 | 197,015.00 |
| 655,977.31 | 292,700.00 |
| 662,403.28 | 223,052.00 |

| | |
|------------------|-----------------|
| 648,280.10 | 312,552.00 |
| 59,075,039.57 | 42,357,466.00 |
| - | - |
| (261,058,542.82) | (11,769,051.00) |

260,927,210.00

(131,332.82)

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 2010

| Name of Grants | Name for Organ of State or Municipal entity | Unspent Balance | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and subsidies delayed/ withheld | Reasons for delay / withholding of funds | Compliance with conditions (Y/N) | Reasons for non-compliance | Unspent Balance |
|--|---|-------------------|--------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|--|--|----------------------------------|----------------------------|-------------------|
| | | 01 July 2009 | September | December | March | June | September | December | March | June | | | | | 30 June 2010 |
| | | | R | R | R | R | R | R | R | R | | | | | R |
| MSIG | National Treasury | - | 735,000 | - | - | - | 384,260 | 10,740 | - | - | - | N/A | Y | N/A | 340,000 |
| MIG | National Treasury | 6,729,125 | 29,523,000 | 24,648,000 | 28,156,000 | 22,793,000 | 14,306,262 | 37,415,463 | 23,645,801 | 36,481,599 | - | N/A | Y | N/A | - |
| Integrated National Electrification Programme (Municipal) Grant | DME | 5,400,000 | 580,000 | - | 9,535,000 | - | 1,342,682 | 1,903,783 | 6,686,603 | 5,581,932 | - | N/A | Y | N/A | - |
| Integrated National Electrification Programme (Eskom) Grant | DME | | - | - | - | - | - | - | - | - | - | N/A | Y | N/A | - |
| 200 RDP Houses | DPLG & Housing | 4,482,892 | - | - | - | - | - | - | 356,982 | 149,278 | - | N/A | Y | N/A | 3,976,632 |
| ICT Strategy | DBSA | 305 | 764,284 | - | 168,216 | - | 395,600 | 365,205 | - | 172,000 | - | N/A | Y | N/A | - |
| WSOSG | Dept of Water Affairs & Forestry | 4,970,250 | 3,687,000 | 3,687,500 | 3,687,250 | - | 3,687,250 | 3,449,250 | 3,925,249 | 3,687,249 | - | N/A | Y | N/A | 1,283,002 |
| RBIG (DWAF) | Dept of Water Affairs & Forestry | - | - | 10,694,794 | 11,989,894 | - | 3,134,512 | 6,161,901 | 7,693,895 | 4,299,580 | - | N/A | Y | N/A | 1,394,800 |
| FMG | National Treasury | - | 750,000 | - | - | - | - | - | - | 732,619 | - | N/A | Y | N/A | 17,381 |
| Expanded Public Works Programme Incentive Grant For Municipalities | National Treasury | - | - | 820,050 | - | - | - | - | - | - | - | N/A | Y | N/A | 820,050 |
| Installation and maintenance of security equipment | Department of Police, Roads & Transport | - | - | - | 10,000,000 | - | - | - | - | 3,832,756 | - | N/A | Y | N/A | 6,167,244 |
| Operation Hlasela projects | Department of Social development | - | - | - | 1,450,000 | - | - | - | - | - | - | N/A | Y | N/A | 1,450,000 |
| Intabazwe Corridor Development Grant | Department of Provincial and Local Government | 15,039,257 | - | - | - | - | 5,595,239 | 5,097,788 | 4,346,230 | - | - | N/A | Y | N/A | - |
| | | 36,621,829 | 36,039,284 | 39,850,344 | 64,986,360 | 22,793,000 | 28,845,805 | 54,404,130 | 46,654,760 | 54,937,013 | - | | | | 15,449,109 |

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 for Organ of State or Municipal entity | Unspent Balance | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and subsidies delayed/ withheld | Reasons for delay / withholding of funds | Compliance with conditions | Reasons for non-compliance | Unspent Balance 30 June 2009 |
|---|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|--|--|----------------------------|----------------------------|------------------------------|
| | | 01 July 2008 | September | December | March | June | September | December | March | June | | | | | R |
| | | | R | R | R | R | R | R | R | R | | | | | |
| MSIG | National Treasury | - | 735,000 | - | - | - | - | 223,400 | 511,600 | - | - | N/A | Y | N/A | - |
| MIG | National Treasury | 8,469,357 | 9,287,000 | 23,409,000 | 14,425,000 | 39,476,000 | 19,792,283 | 33,729,091 | 14,799,700 | 20,016,158 | - | N/A | Y | N/A | 6,729,125 |
| Integrated National Electrification Programme (Municipal) Grant | DME | - | - | - | - | 7,100,570 | 380,948 | 501,162 | - | 818,460 | - | N/A | Y | N/A | 5,400,000 |
| 200 RDP Houses | DPLG & Housing | 4,482,892 | - | - | - | - | - | - | - | - | - | N/A | Y | N/A | 4,482,892 |
| ICT Strategy | DBSA | - | - | - | - | 305 | - | - | - | - | - | N/A | Y | N/A | 305 |
| WSOSG | Dept of Water Affairs & Forestry | - | 9,938,500 | 4,969,250 | 4,969,250 | 3,687,250 | 6,198,000 | 3,099,000 | 6,198,000 | 3,099,000 | - | N/A | Y | N/A | 4,970,250 |
| RBIG (DWAF) | Dept of Water Affairs & Forestry | - | - | - | 14,570,684 | 13,357,936 | - | 1,596,329 | 7,017,580 | 19,529,269 | - | N/A | Y | N/A | (214,558) |
| FMG | National Treasury | - | 500,000 | - | - | - | - | 284,404 | - | 215,596 | - | N/A | Y | N/A | - |
| Intabazwe Corridor Development Grant | Department of Provincial and Local Government | - | - | - | - | 20,235,000 | - | - | 2,290,247 | 2,905,496 | - | N/A | Y | N/A | 15,039,257 |
| | | 12,952,249.00 | 20,460,500.00 | 28,378,250.00 | 33,964,934.00 | 83,857,061.00 | 26,371,231.00 | 39,433,386.00 | 30,817,127.00 | 46,583,979.00 | - | | | | 36,407,271.00 |

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX G

SCHEDULE OF OTHER FINANCIAL ASSETS AS AT 30 JUNE 2010

| Name of the Institution | Account number | Maturity Date | Opening Balance | Withdrawals | Investment made | Interest Earned | Closing Balance |
|---|----------------|---------------|-------------------|--------------------|--------------------|------------------|-------------------|
| | | | R | R | R | R | R |
| Fair value through profit and loss | | | | | | | |
| Listed shares - Sanlam | 5926 | | 92,154 | - | - | 43,314 | 135,468 |
| Momentum | 87756867 | 2012/01/02 | 329,526 | - | - | 11,834 | 341,360 |
| Momentum | 87887109 | 2012/01/05 | 308,668 | - | - | 11,228 | 319,896 |
| Momentum | 87887115 | 2012/01/05 | 2,472,860 | - | - | 117,737 | 2,590,597 |
| Momentum | 87570447 | 2011/01/07 | 12,216,423 | - | - | 557,511 | 12,773,934 |
| Momentum | 88126418 | 2012/01/07 | 658,065 | - | - | 23,633 | 681,698 |
| Momentum | 89456260 | 2011/01/07 | 595,755 | 131,624 | 510,735 | 133,713 | 1,108,579 |
| Mutual | 7560376 | 2006/01/12 | 3,645,253 | - | - | - | 3,645,253 |
| Mutual | 7481893 | 2008/01/07 | 1,889,701 | - | - | - | 1,889,701 |
| Mutual | 8010226 | 2007/01/07 | 2,108,994 | - | - | - | 2,108,994 |
| Mutual | 8010223 | 2005/01/07 | 1,347,637 | - | - | - | 1,347,637 |
| Mutual | 7974326 | 2007/01/07 | 2,957,770 | - | - | - | 2,957,770 |
| Mutual | 8477284 | 2008/01/07 | 7,602,143 | - | - | - | 7,602,143 |
| Sanlam | 11690235x4 | | 474,150 | - | 9,169 | 56,097 | 539,416 |
| Sanlam | 11690236x2 | | 279,632 | - | - | 17,365 | 296,997 |
| Fair value through profit and loss | | | 36,978,731 | 131,624 | 519,904 | 972,432 | 38,339,443 |
| | | | | | | | |
| | | | | | | | |
| Loans and receivables | | | | | | | |
| ABSA Call Account | 9206600685 | | 6,290 | - | - | 1,110 | 7,400 |
| ABSA Savings | 9006721200 | | 106,306 | 260 | - | 1,631 | 107,677 |
| ABSA Collateral - JP Botha | 2054434522 | | 30,477 | - | - | 3,194 | 33,671 |
| ABSA Collateral - CE Barnard | 2057955909 | | 25,238 | - | - | 4,646 | 29,884 |
| ABSA Collateral - D Hlongwane | 2056895005 | | 29,424 | - | - | 5,219 | 34,643 |
| FNB Call Account | 62027358292 | | 13,530 | 94,369,882 | 100,000,000 | 1,152,811 | 6,796,459 |
| FNB Call Account - MIG Funds | 62199534580 | | 97,442 | - | - | 2,709 | 100,151 |
| FNB Call Account - Inthabazwe Corridor | 62212896346 | | 10,141,765 | 40,000,000 | 29,450,000 | 632,438 | 224,203 |
| Sanlam - Money Market | 50189057 | | 1,129,647 | - | - | 81,102 | 1,210,749 |
| Standard bank | 348526407 | | 9,040 | 20,001,560 | 20,000,000 | 355,282 | 362,762 |
| Loans and receivables | | | 11,589,159 | 154,371,702 | 149,450,000 | 2,240,142 | 8,907,599 |
| Non current assets | | | 1,129,647 | - | - | 81,102 | 1,210,749 |
| Current assets | | | 10,459,512 | 154,371,702 | 149,450,000 | 2,159,040 | 7,696,850 |

GRAND TOTAL

| | | | | |
|-------------------|--------------------|--------------------|------------------|-------------------|
| 48,567,890 | 154,503,326 | 149,969,904 | 3,212,574 | 47,247,042 |
|-------------------|--------------------|--------------------|------------------|-------------------|

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX G

SCHEDULE OF OTHER FINANCIAL ASSETS AS AT 30 JUNE 2009

| Name of the Institution | Account number | Maturity Date | Opening Balance | Withdrawals | Investment made | Interest Earned | Closing Balance |
|---|----------------|---------------|-------------------|--------------------|--------------------|------------------|-------------------|
| | | | R | R | R | R | R |
| Fair value through profit and loss | | | | | | | |
| Listed shares - Sanlam | 5926 | | 76,996 | - | - | 15,158 | 92,154 |
| Momentum | 87756867 | 2012/01/02 | 80,407 | - | 287,000 | (37,881) | 329,526 |
| Momentum | 87887109 | 2012/01/05 | 39,288 | - | 190,000 | 79,380 | 308,668 |
| Momentum | 87887115 | 2012/01/05 | 2,280,223 | - | 50,000 | 142,637 | 2,472,860 |
| Momentum | 87570447 | 2011/01/07 | 11,541,690 | - | - | 674,733 | 12,216,423 |
| Momentum | 88126418 | 2012/01/07 | 72,514 | - | 431,280 | 154,271 | 658,065 |
| Momentum | 89456260 | 2011/01/07 | 76,678 | - | 510,734 | 8,343 | 595,755 |
| Mutual | 7560376 | 2006/01/12 | 3,645,253 | - | - | - | 3,645,253 |
| Mutual | 7481893 | 2008/01/07 | 1,889,701 | - | - | - | 1,889,701 |
| Mutual | 8010226 | 2007/01/07 | 2,108,994 | - | - | - | 2,108,994 |
| Mutual | 8010223 | 2005/01/07 | 1,347,637 | - | - | - | 1,347,637 |
| Mutual | 7974326 | 2007/01/07 | 2,957,770 | - | - | - | 2,957,770 |
| Mutual | 8477284 | 2008/01/07 | 7,602,143 | - | - | - | 7,602,143 |
| Sanlam | 11690235x4 | | 451,348 | - | 9,169 | 13,633 | 474,150 |
| Sanlam | 11690236x2 | | 256,666 | - | - | 22,966 | 279,632 |
| Fair value through profit and loss | | | 34,427,308 | - | 1,478,183 | 1,073,240 | 36,978,731 |
| Loans and receivables | | | | | | | |
| ABSA Call Account | 9206600685 | | - | 38,570,000 | 38,000,000 | 576,290 | 6,290 |
| ABSA Savings | 9006721200 | | 101,427 | - | - | 4,879 | 106,306 |
| ABSA Collateral - JP Botha | 2054434522 | | 27,434 | - | - | 3,043 | 30,477 |
| ABSA Collateral - CE Barnard | 2057955909 | | 22,889 | - | - | 2,349 | 25,238 |
| ABSA Collateral - D Hlongwane | 2056895005 | | 26,815 | - | - | 2,609 | 29,424 |
| FNB Call Account | 62027358292 | | 20,123,381 | 101,416,537 | 80,202,784 | 1,103,902 | 13,530 |
| FNB Call Account - MIG Funds | 62199534580 | | - | 19,577,800 | 19,596,000 | 79,242 | 97,442 |
| FNB Call Account - Inthabazwe Corridor | 62212896346 | | - | 10,610,882 | 20,235,000 | 517,647 | 10,141,765 |
| Sanlam - Money Market | 50189057 | | 1,082,918 | 67,813 | - | 114,542 | 1,129,647 |
| Standard bank | 348526407 | | | 38,626,760 | 38,000,820 | 634,980 | 9,040 |
| Loans and receivables | | | 21,384,864 | 208,869,792 | 196,034,604 | 3,039,483 | 11,589,159 |
| Non current assets | | | 1,082,918 | 67,813 | - | 114,542 | 1,129,647 |
| Current assets | | | 20,301,946 | 208,801,979 | 196,034,604 | 2,924,941 | 10,459,512 |
| GRAND TOTAL | | | 55,812,172 | 208,869,792 | 197,512,787 | 4,112,723 | 48,567,890 |