Matjhabeng Local Municipality
Annual financial statements
for the year ended 30 June 2009

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Municipal Services
Accounting Officer	THE Pietersen
Registered office	Civic Centre Welkom 9460
Postal address	PO Box 708 Welkom 9460
Bankers	ABSA Bank Limited Welkom
Auditors	Auditor General

Index

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

Abbreviations

MLM	Matjhabeng Local Municipality
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPAS	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)
GRAP	Generally Recognised Accounting Practice

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 6 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:

T.H.E Pietersen

Report of the Auditor General

To the Provincial Legislature and the Council of Matjhabeng Local Municipality

Report on the Financial Statements

I have audited the accompanying annual financial statements of the Matjhabeng Local Municipality which comprise the statement of financial position as at 30 June 2009, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 6 to 57.

Responsibility of the Accounting Officer for the annual financial statements

The accounting officer is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] and the [Companies Act, 1973 (Act No. 61 of 1973)] [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section xx of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Basis of accounting

The Entity's policy is to prepare annual financial statements on [the basis of accounting determined by the National Treasury] [entity-specific basis of accounting] as set out in [accounting policy note xx] [note xx to the financial statements].

Opinion

In my opinion the annual financial statements present fairly, in all material respects, the financial position of Matjhabeng Local Municipality as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the PFMA/MFMA (if the entity falls within the scope of the PFM/MFMA) and Companies Act, 1973 (if the entity falls within the scope of the Companies Act) or section xx of the entity's enabling legislation (if the entity does not fall within the scope of the PFMA/MFMA)].

Auditor General

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in municipal services and operates principally in the Free State Province, South Africa.

The operating results for the year were disappointing for the following reason:

Net surplus of the municipality was R 23,439,541 (2008: surplus R 46,156,294).

2. Subsequent events

The accounting officer is aware of matters and circumstances arising since the end of the financial year. Refer to note 46.

3. Accounting policies

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

4. Accounting Officer

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

Name
T.H.E Pietersen

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

Chairperson and Chief Executive

The Chairperson of the Council (Speaker) is a non-executive and independent person (as defined by the Code). The Municipal Manager fullfills the role of Chief Executive.

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

Accounting Officer's Report

The upper limits of the remuneration of the Municipal Manager, and the Chief Financial Officer, who are the only two executive members of the municipality, are determined by SALGA and the accounting officer will determine the remuneration within the above mentioned limits.

Audit and risk committee

The Audit and risk committee was not active for the year.

Internal audit

The municipality has an internal audit function.

6. Bankers

ABSA Bank Limited.

7. Auditors

Auditor General will continue in office for the next financial period.

Matjhabeng Local Municipality
Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

Figures in Rand	Notes	2009	2008
Assets			
Current Assets			
Inventories	3	7,035,933	5,485,321
Other financial assets	4	13,792,546	12,222,680
Trade and other receivables	5	2,934,161	1,502,385
Consumer debtors	6	123,658,976	117,258,001
Cash and cash equivalents	7	20,697,833	5,609,894
		168,119,449	**142,078,281**
Non-Current Assets			
Property, plant and equipment	8	670,918,379	569,161,875
Other financial assets	4	225	225
Consumer debtors	9	6,774,822	8,463,325
		677,693,426	**577,625,425**
Total Assets		**845,812,875**	**719,703,706**
Liabilities			
Current Liabilities			
Other financial liabilities	10	29,838,417	26,344,057
Finance lease obligation	11	2,506,566	1,451,337
Trade and other payables	12	337,497,538	227,815,936
Taxes and transfers payable	13	111,942,239	114,640,392
Consumer deposits	14	25,265,307	24,404,763
Deferred income / Unspent conditional grants and receipts	15	47,634,664	7,770,587
Bank overdraft	7	-	26,054,249
		554,684,731	**428,481,321**
Non-Current Liabilities			
Other financial liabilities	10	31,619,652	53,441,150
Finance lease obligation	11	13,730,784	15,824,058
Provisions	16	2,423,073	2,042,087
		47,773,509	**71,307,295**
Total Liabilities		**602,458,240**	**499,788,616**
Net Assets		**243,354,635**	**219,915,090**
Net Assets			
Reserves			
Capitalisation reserve	17	12,437	12,437
Government grant reserve	18	305,777,204	237,042,642
Accumulated deficit		(62,435,006)	(17,139,985)
Total Net Assets		**243,354,635**	**219,915,094**

Statement of Financial Performance

Figures in Rand	Notes	2009	2008
Revenue			
Property rates	21	169,289,393	158,557,249
Service charges	23	500,255,547	452,703,890
Rental of facilities and equipment		15,694,049	9,984,846
Interest received (Arrear Accounts)		107,136,263	96,959,815
Fines		1,446,188	829,630
Licences and permits		8,256	8,015
Government grants and subsidies	24	296,529,132	312,734,932
Agency fee income		6,904,586	6,163,434
Commissions received		465,485	524,199
Other income	25	17,397,545	34,563,764
Interest received - investment	30	2,640,134	3,407,317
Dividends received	30	37,317	23,043
Total Revenue		**1,117,803,895**	**1,076,460,134**
Expenditure			
Employee related costs	28	(282,723,425)	(257,130,692)
Remuneration of councillors	29	(18,697,232)	(15,739,735)
Depreciation and amortisation	31	(15,517,932)	(9,505,993)
Impairment loss/ Reversal of impairments	32	(297,576,133)	(327,539,415)
Finance costs	33	(28,628,474)	(23,701,638)
Repairs and maintenance		(30,574,835)	(31,316,030)
Bulk purchases	37	(286,641,598)	(261,354,862)
Contracted services	36	(2,440,556)	(3,209,879)
General Expenses	26	(131,564,169)	(104,585,927)
Total Expenditure		**(1,094,364,354)**	**(1,034,084,171)**
Surplus or deficit on sale of assets and liabilities		-	3,780,331
Surplus for the year		**23,439,541**	**46,156,294**
Attributable to:			
Net Asset holders of the controlling entity		23,439,541	46,156,294

Matjhabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributions from owners	Capitalisation reserve	Government grant reserve	Total reserves	Accumulated deficit	Total net assets
Opening balance as previously reported	-	15,222	116,316,918	116,332,140	(51,431,472)	64,900,668
Adjustments						
Prior year adjustments	-	-	-	-	(11,864,807)	(11,864,807)
Balance at 01 July 2008 as restated	**-**	**15,222**	**116,316,918**	**116,332,140**	**(63,296,279)**	**53,035,861**
Changes in net assets						
Surplus for the year	-	-	-	-	46,156,294	46,156,294
Offsetting of depreciation	-	(2,785)	(7,221,884)	(7,224,669)	-	(7,224,669)
Capital grants used to purchase PPE	-	-	127,947,608	127,947,608	-	127,947,608
Total changes	-	(2,785)	120,725,724	120,722,939	46,156,294	166,879,233
Opening balance as previously reported	-	12,437	237,042,642	237,055,079	16,739,012	253,794,091
Adjustments						
Prior year adjustments - Accumulated Surplus 01 July 2008	-	-	-	-	(33,878,997)	(33,878,997)
Balance at 01 July 2008 as restated	**-**	**12,437**	**237,042,642**	**237,055,079**	**(17,139,985)**	**219,915,094**
Changes in net assets						
Capital grants used to purchase PPE	-	-	68,734,562	68,734,562	(68,734,562)	-
Net income (expenses) recognised directly in net assets	-	-	68,734,562	68,734,562	(68,734,562)	-
Surplus for the year	-	-	-	-	23,439,541	23,439,541
Total recognised income and expenses for the year	-	-	68,734,562	68,734,562	(45,295,021)	23,439,541
Total changes	-	-	68,734,562	68,734,562	(45,295,021)	23,439,541
Balance at 30 June 2009	**-**	**12,437**	**305,777,204**	**305,789,641**	**(62,435,006)**	**243,354,635**
Notes		17	18			

Matjhabeng Local Municipality
Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

Figures in Rand	Notes	2009	2008
Cash flows from operating activities			
Cash receipts from customers		787,662,780	749,586,509
Cash paid to suppliers and employees		(581,947,275)	(568,413,222)
Cash generated from operations	38	205,715,505	181,173,287
Interest income		2,640,134	3,407,317
Dividends received		37,317	23,043
Finance costs		(25,747,681)	(22,048,017)
Net cash from operating activities		**182,645,275**	**162,555,630**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(118,547,789)	(171,464,552)
Sale of property, plant and equipment	8	-	3,780,331
Sale of financial assets		(1,569,866)	(1,039,485)
Net cash from investing activities		**(120,117,655)**	**(168,723,706)**
Cash flows from financing activities			
Repayment of other financial liabilities		(18,327,138)	(13,941,160)
Movement in Consumer deposits		860,544	753,221
Finance lease payments		(3,918,838)	(1,653,621)
Net cash from financing activities		**(21,385,432)**	**(14,841,560)**
Total cash movement for the year		**41,142,188**	**(21,009,636)**
Cash at the beginning of the year		(20,444,355)	565,281
Net increase (decrease) in cash and cash equivalents	7	**20,697,833**	**(20,444,355)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP	
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

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 / Held to maturity investments and/or loans and receivables

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

The municipality used the prime interest rate 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.

1.2 Property, plant and equipment

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

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

Item	**Average useful life**
Land	
• Depreciation not applicable	Indefinite life
Infrastructure	
• Electricity	20 - 30 Years
• Pedestrian Malls	20 - 30 Years
• Roads and Pedestrian Malls	15 - 30 Years
• Sewerage	15 - 30 Years
• Water	15 - 20 Years
Community	
• Airports	20 Years
• Recreational Facilities	20 - 30 Years
• Buildings	30 Years
• Security	3 - 5 Years
Other property, plant and equipment	
• Bins and Containers	5 - 10 Years
• Motor Vehicles	3 - 7 Years
• Furniture and Fittings	7 - 10 Years
• Specialist Vehicles	10 - 15 Years
• Office Equipment	3 - 7 Years
• Plant and Equipment	2 - 5 Years
• Specialised equipment	10 - 15 Years

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment

1.2 Property, plant and equipment (continued)
is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Available for sale financial assets
- 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, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

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

Subsequent measurement

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available for sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available for sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

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

Impairment of financial assets

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

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

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

Accounting Policies

1.3 Financial instruments (continued)

reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

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

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

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

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

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 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is

1.3 Financial instruments (continued)
not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Financial liabilities and equity instruments

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

Gains and losses

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

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit,
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit, and
- 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.

Impairment of financial assets

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

Accounting Policies

1.3 Financial instruments (continued)

Assets are carried at amortised cost.

1.4 Leases

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

Finance leases – lessee

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

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

Operating leases – lessee

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

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

1.5 Inventories

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

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

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

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

1.6 Impairment of assets

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

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

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

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

1.7 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

Accounting Policies

1.7 Employee benefits (continued)

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 benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.
Actuarial valuation are confucted on an annual basis by independant actuaries seperately for each plan.

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

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

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

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

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

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

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

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

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

1.8 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:
- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are deducted from the related expense.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.10 Types of revenue

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

1.10 Types of revenue (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

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

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

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

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

1.11 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.12 Investment income

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

1.13 Borrowing costs

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

1.14 Comparative figures

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

1.15 Unauthorised expenditure

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

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

1.16 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.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

1.17 Irregular expenditure (continued)

- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as bad debt and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Use of Estimates

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

1.19 Presentation of Currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

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

1.21 Reserves

Capitalisation reserve

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

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

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

1.21 Reserves (continued)

Government grant reserve

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

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

1.22 Conditional Grants and receipts

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

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:

IFRIC 14 (AC 447) IAS 19 - The Limitation on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation addresses the limitation of a defined benefit asset in accordance with paragraph 58 of IAS 19 (AC 116) Employee Benefits. The interpretation provides guidance in the determination of the amount of economic benefits available in the form of refunds and reductions in future contributions, which will affect the maximum amount which may be measured as a defined benefit asset.

The effective date of the interpretation is for years beginning on or after 01 January 2008.

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

The impact of the interpretation is not material.

2.2 Standards and interpretations not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

GRAP 12: Inventories

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

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

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

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

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

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

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

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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

2. New standards and interpretations (continued)

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

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

GRAP 13: Leases

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

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

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

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

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

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

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

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

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

GRAP 14: Events after the reporting date

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

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

Two types of events can be identified:

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

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

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

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

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

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

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

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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

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

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

GRAP 17: Property, Plant and Equipment

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

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

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

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

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may

2. New standards and interpretations (continued)
continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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

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

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

GRAP 18: Segment Reporting

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

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

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

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

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

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

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

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

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

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

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

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

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

2. New standards and interpretations (continued)

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

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

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

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

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

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

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

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

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

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

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

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

IGRAP1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

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

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

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

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

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

IPSAS 21: Impairment of Non Cash-Generating Assets

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

IPSAS 20: Related Party Disclosure

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

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

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

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

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

Figures in Rand	2009	2008

3. Inventories

Consumables - at cost	2,149	378,114
Water - at cost	7,033,784	5,107,207
	7,035,933	**5,485,321**

4. Other financial assets

Available for sale		
Unlisted shares	225	225
Shares in Senwes and Senwesbel		
Held to maturity		
ABSA Fixed Deposit (2059359440)	372,622	336,122
The maturity date of the investment is 2009/09/24 and interest is earned at a rate of 12.35% per annum		
ABSA Fixed Deposit (2059440982)	13,419,924	11,886,558
The maturity dat of the investment is 2010/04/30 and interest is earned at a rate of 8.25% per annum		
	13,792,546	**12,222,680**
Total other financial assets	**13,792,771**	**12,222,905**
Non-current assets		
Available for sale	225	225
Current assets		
Held to maturity	13,792,546	12,222,680
	13,792,771	**12,222,905**

Fair values are determined annually at statement of financial position date.

The total investments pledged as collateral for ABSA overdraft facilities	6,000,000	6,000,000

Limited cession of R6,000,000 over ABSA investment account: 20-5944-0982

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.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.

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.

5. Trade and other receivables

Deposits	9,850	9,850
Health Subsidies	85,715	85,714
Sundry Debtors	2,838,596	1,406,821
	2,934,161	**1,502,385**

Included in sundry debtors are unauthorised expenditure incurred during the year which will be recovered. Refer to note

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired, except for the

Figures in Rand	2009	2008

5. Trade and other receivables (continued)

interest component included. At 30 June 2009 and 2008, all accounts were past due that was impaired.

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R 85,715 (2008: R 85,715) were impaired and provided for.

The amount of the provision was R 85,715 as of 30 June 2009 (2008: R 85,715).

The ageing of these loans is as follows:

Over 6 months	85,715	85,715

Reconciliation of provision for impairment of trade and other receivables

Opening balance	85,715	85,715

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.

6. Consumer debtors

Gross balances		
Rates	161,042,558	180,656,364
Electricity	55,263,005	39,170,249
Water	199,436,114	270,885,704
Sewerage	95,472,805	155,301,000
Refuse	68,458,525	104,885,275
Housing rental	27,165,570	479,278
Other (specify)	-	375,140,545
	606,838,577	**1,126,518,415**
Less: Provision for bad debts		
Rates	(128,225,992)	(161,852,052)
Electricity	(44,001,746)	(35,093,064)
Water	(158,795,873)	(242,689,524)
Sewerage	(76,017,764)	(139,135,898)
Refuse	(54,508,339)	(93,967,887)
Housing rental	(21,629,887)	(429,390)
Other (specify)	-	(336,092,599)
	(483,179,601)	**(1,009,260,414)**
Net balance		
Rates	32,816,566	18,804,312
Electricity	11,261,259	4,077,185
Water	40,640,241	28,196,180
Sewerage	19,455,041	16,165,102
Refuse	13,950,186	10,917,388
Housing rental	5,535,683	49,888
Other (specify)	-	39,047,946
	123,658,976	**117,258,001**
Rates		
Current (0 -30 days)	14,751,008	3,412
31 - 60 days	10,224,237	11,524,392
61 - 90 days	7,450,227	4,903,808
91 - 120 days	391,094	2,372,700

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
6. Consumer debtors (continued)		
	32,816,566	**18,804,312**
Electricity		
Current (0 -30 days)	11,261,259	8,572
31 - 60 days	-	4,068,613
	11,261,259	**4,077,185**
Water		
Current (0 -30 days)	24,102,325	16,300
31 - 60 days	13,186,094	15,749,740
61 - 90 days	3,351,822	8,604,237
91 - 120 days	-	3,825,903
	40,640,241	**28,196,180**
Sewerage		
Current (0 -30 days)	8,533,374	1,497
31 - 60 days	6,738,055	6,411,153
61 - 90 days	4,183,612	3,892,982
91 - 120 days	-	5,859,470
	19,455,041	**16,165,102**
Refuse		
Current (0 -30 days)	5,328,504	844
31 - 60 days	4,037,517	3,909,984
61 - 90 days	3,644,847	2,373,480
91 - 120 days	939,318	4,633,080
	13,950,186	**10,917,388**
Housing rental		
Current (0 -30 days)	517,386	-
31 - 60 days	501,229	8,855
61 - 90 days	502,947	8,604
91 - 120 days	4,014,121	32,429
	5,535,683	**49,888**
Other (specify)		
Current (0 -30 days)	-	210,249
31 - 60 days	-	11,643,318
61 - 90 days	-	12,428,875
91 - 120 days	-	14,765,504
	-	**39,047,946**
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	51,445,296	23,913,326
31 - 60 days	31,745,731	45,917,279
61 - 90 days	29,461,665	30,639,206
91 - 120 days	430,636,561	967,270,259
	543,289,253	1,067,740,070
Less: Provision for bad debts	(447,996,141)	(962,564,034)
	95,293,112	**105,176,036**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

6. Consumer debtors (continued)

Industrial/ commercial

Current (0 -30 days)	20,902,774	2,163,645
31 - 60 days	9,612,958	17,209,968
61 - 90 days	5,787,539	4,949,587
91 - 120 days	48,897,086	108,241,449
	85,200,357	132,564,649
Less: Provision for bad debts	(54,482,431)	(119,541,723)
	30,717,926	**13,022,926**

National and provincial government

Current (0 -30 days)	2,007,794	773
31 - 60 days	1,191,331	1,540,541
61 - 90 days	972,698	622,844
91 - 120 days	7,243,607	5,358,167
	11,415,430	7,522,325
Less: Provision for bad debts	(7,885,452)	-
	3,529,978	**7,522,325**

Total

Current (0 -30 days)	74,355,864	26,077,743
31 - 60 days	42,550,020	64,667,788
61 - 90 days	36,401,903	36,211,637
91 - 120 days	487,490,036	1,080,869,915
Less: Arrear accounts reflected as non current consumers	(6,774,822)	(8,463,325)
	634,023,001	1,199,363,758
Less: Provision for bad debts	(510,364,025)	(1,082,105,757)
	123,658,976	**117,258,001**

Reconciliation of bad debt provision

Balance at beginning of the year	634,023,001	1,199,363,758
Contributions to provision	(510,364,025)	(1,082,105,757)
	123,658,976	**117,258,001**

The following reconciliation of bad debt provision includes the non current consumer debtor balance.

Reconciliation of bad debt provision

Balance at beginning of the year	1,082,105,757	772,429,450
Contribution to provision	55,071,962	309,676,307
Bad debts written off against provision	(626,813,694)	-
	510,364,025	**1,082,105,757**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	56,390	43,779
Bank balances	20,641,443	5,566,115
Bank overdraft	-	(26,054,249)
	20,697,833	**(20,444,355)**

Current assets	20,697,833	5,609,894
Current liabilities	-	(26,054,249)
	20,697,833	**(20,444,355)**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

7. Cash and cash equivalents (continued)

The total amount of undrawn facilities available for future operating activities and commitments	10,000,000	-

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for ABSA overdraft facilities Limited cession of R900,00 over ABSA call account: 50-6438-8780	900,000	900,000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
ABSA (Welkom Branch) - Account Number 40 5370 5465 (Primary Bank Account)	19,783,712	(26,436,374)	(602,404)	16,389,249	(26,054,249)	(4,445,647)
ABSA (Welkom Branch) - Account Number 40 5533 9852 (MVS Joint Account):	(6,595)	416,741	320,405	(6,595)	416,741	320,405
ABSA (Welkom Branch) - Account Number 405 644 3399 (Market Account):	1,032,741	2,002,965	1,939,600	820,403	7,014,438	7,014,438
FNB (Welkom Branch) - Account Number 542 3117 3409 (Collection Account)	230,299	212,801	56,506	230,000	210,937	54,691
ABSA - Account Number 6054300806	855,358	796,284	740,505	855,358	796,284	740,505
ABSA - Account Number ABSA 9094617107	103,325	103,325	103,325	103,325	103,325	103,325
ABSA - Account Number 9106684115	77,302	56,040	52,176	77,302	56,040	52,176
ABSA - Account Number 5064388780	900,000	900,000	900,000	900,000	900,000	900,000
ABSA - Account Number 911141338	11,339	10,750	10,247	11,339	10,750	10,247
ABSA - Account Number 9106684238	76,469	58,123	54,115	76,469	58,123	54,115
ABSA - Account Number 9106538138	25,887	3,244	3,198	25,873	3,244	3,198
ABSA - Account Number 9106684157	2,229	2,160	2,105	2,229	2,160	2,105
ABSA - Account Number 9123515666	10,451	10,108	9,800	10,451	10,108	9,800
ABSA - Account Number 6301667719	12,698	405	397	12,698	405	397
ABSA - Account Number 6303885159	-	53	53	53	53	53
ABSA - Account Number 6304159559	29	29	29	29	29	29
ABSA - Account Number 9085913568	47,869	42,890	38,876	47,869	42,890	38,876
ABSA - Account Number 9065014332	424,920	380,774	406,265	424,920	380,774	406,265
ABSA - Account Number 9086656806	40,739	36,501	33,085	40,739	36,501	33,085
FNB - Account Number 61404001177	4,839	4,666	-	4,839	4,666	-
FNB - Account Number 62003503019	614,893	567,448	526,676	614,893	567,448	526,676

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

7. Cash and cash equivalents (continued)

Total	**24,248,504**	**(20,831,067)**	**4,594,959**	**20,641,443**	**(15,439,333)**	**5,824,739**

8. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	470,413,660	(262,454,984)	207,958,676	470,413,660	(262,373,842)	208,039,818
Infrastructure	481,364,516	(391,325,818)	90,038,698	481,364,516	(383,504,931)	97,859,585
Community	10,298,877	(9,327,045)	971,832	10,298,877	(9,300,130)	998,747
Capital work in progress	341,806,452	-	341,806,452	241,733,342	-	241,733,342
Heritage	1,010	-	1,010	1,010	-	1,010
Other	139,789,787	(109,648,076)	30,141,711	122,588,461	(102,059,088)	20,529,373
Total	**1,443,674,302**	**(772,755,923)**	**670,918,379**	**1,326,399,866**	**(757,237,991)**	**569,161,875**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Land and Buildings	208,039,818	-	(81,142)	207,958,676
Infrastructure	97,859,585	-	(7,820,887)	90,038,698
Community	998,747	-	(26,915)	971,832
Capital work in progress	241,733,342	100,073,110	-	341,806,452
Heritage	1,010	-	-	1,010
Other	20,529,373	18,474,679	(8,862,341)	30,141,711
	569,161,875	**118,547,789**	**(16,791,285)**	**670,918,379**

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Other changes, movements	Depreciation	Total
Land and Buildings	206,520,998	-	1,599,962	(81,142)	208,039,818
Infrastructure	101,426,687	4,247,346	-	(7,814,448)	97,859,585
Community	594,369	-	431,293	(26,915)	998,747
Capital work in progress	79,182,494	162,654,852	(104,004)	-	241,733,342
Heritage	1,010	-	-	-	1,010
Other	5,671,185	4,562,354	13,152,674	(2,856,840)	20,529,373
	393,396,743	**171,464,552**	**15,079,925**	**(10,779,345)**	**569,161,875**

Assets subject to finance lease (Net carrying amount)

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

The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2010.

Investment properties that the Municipality controls are included under property, plant and equipment and are not separately disclosed. It is expected that this will be done by 30 June 2010.

9. Consumer debtors

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

9. Consumer debtors (continued)

Consumer debtors with arrangements that is not payable within the next financial year.

Non current consumer debtors		
Arrangements - Gross Balance	33,246,463	81,308,668
Less: Provision for doubtful debt	(26,471,640)	(72,845,343)
	6,774,823	**8,463,325**

10. Other financial liabilities

Held at amortised cost		
Sanlam Loan	21,311,627	41,238,193
Refer to Appendix A for detail		
PIC Loan	3,890,429	2,996,235
Refer to Appendix A for detail		
DBSA Consolidated Loan	18,070,952	24,465,052
Refer to Appendix A for detail		
ABSA Loan	2,749,502	2,564,453
Refer to Appendix A for detail		
INCA Loans	4,878,741	4,122,774
Refer to Appendix A for detail		
FBC(INCA) Loan	2,805,137	2,160,391
Refer to Appendix A for detail		
PACOFS Loan	368,464	284,430
Refer to Appendix A for detail		
Free State Municipal Pension Fund Loans	21,148	1,953,679
Refer to Appendix A for detail		
DBSA 02131/102	1,369,770	-
Refer to Appendix A for detail		
DBSA 08110/102	5,992,299	-
Refer to Appendix A for detail		
	61,458,069	**79,785,207**
Non-current liabilities		
At amortised cost	31,619,652	53,441,150
Current liabilities		
At amortised cost	29,838,417	26,344,057
	61,458,069	**79,785,207**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

11. Finance lease obligation

Minimum lease payments due		
- within one year	4,947,518	4,331,851
- in second to fifth year inclusive	17,072,353	21,450,327
	22,019,871	25,782,178
less: future finance charges	(5,782,521)	(8,506,784)
Present value of minimum lease payments	**16,237,350**	**17,275,394**
Present value of minimum lease payments due		
- within one year	2,506,566	1,451,337
- in second to fifth year inclusive	13,730,784	15,824,057
	16,237,350	**17,275,394**
Non-current liabilities	13,730,784	15,824,058
Current liabilities	2,506,566	1,451,337
	16,237,350	**17,275,395**

The average lease term was 5 years and the average effective borrowing rate was 17%.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

12. Trade and other payables

Trade payables	254,414,868	155,355,963
Amounts received in advance	29,037,439	23,484,742
Accrued leave pay	33,678,008	32,595,756
Accrued bonus	6,228,135	4,925,955
Deposits received	59,935	58,225
Other creditors	14,079,153	11,395,295
	337,497,538	**227,815,936**

13. Taxes and transfers payable

VAT	111,942,239	114,640,392

VAT is payable to SARS on the receipts basis. Only when payment is received from debtors is output VAT paid to SARS.

Only when payment is made to creditors, input VAT is claimed from SARS.

14. Consumer deposits

Water and electricity	25,265,307	24,404,763
Guarantees		
Guarantees held in lieu of Electricity and Water Deposits	3,398,547	3,124,047

15. Deferred income / Unspent conditional grants and receipts

Deferred income comprises:

Conditional grants and receipts		
Financial Management Grant	1,230,321	2,031,749
Municipal Infrastructure Grant	43,181,348	4,751,343
Department of Mineral and Energy Affairs	507	507

Figures in Rand	2009	2008

15. Deferred income / Unspent conditional grants and receipts (continued)

Provincial Clinic Repairs Grant	361,842	361,842
LED Grant	555,940	555,940
Parks Lotto	569,706	69,206
Municipal systems improvement grant	1,735,000	-
	47,634,664	**7,770,587**

Movement during the year

Balance at the beginning of the year	7,770,587	28,938,709
Additions during the year	110,610,500	114,021,158
Income recognition during the year	(70,746,423)	(135,189,280)
	47,634,664	**7,770,587**

See note 24 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Environmental rehabilitation	2,042,087	380,986	2,423,073

Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Environmental rehabilitation	-	2,042,087	2,042,087

The provision for rehabilitation relates to the rehabilitation of the Municipality's landfill sites.

17. Capitalisation reserve

Opening Balance	12,437	12,437

18. Government grant reserve

Opening Balance	237,042,642	109,095,034
Transfer from the accumulated surplus	68,734,562	127,947,608
	305,777,204	**237,042,642**

19. Financial assets by category

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

2009

	Loans and receivables	Held to maturity investments	Available for sale	Total
Other financial assets	-	225	13,792,546	13,792,771
Trade and other receivables	2,934,161	-	-	2,934,161
Cash and cash equivalents	-	-	20,625,557	20,625,557
Consumer debtors (Current)	152,916,963	-	-	152,916,963
Consumer debtors (Non-current)	8,348,516	-	-	8,348,516
	164,199,640	**225**	**34,418,103**	**198,617,968**

19. Financial assets by category (continued)

2008

	Loans and receivables	Held to maturity investments	Available for sale	Total
Other financial assets	-	225	12,222,680	12,222,905
Trade and other receivables	1,502,385	-	-	1,502,385
Cash and cash equivalents	-	-	560,894	560,894
Consumer debtors (Current)	123,186,463	-	-	123,186,463
Consumer debtors (Non current)	2,534,866	-	-	2,534,866
	127,223,714	**225**	**12,783,574**	**140,007,513**

20. Financial liabilities by category

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

2009

	Financial liabilities at amortised cost	Fair value	Fair value through surplus or deficit - designated	Total
Other financial liabililties: Current	29,838,417	-	-	29,838,417
Other financial liabilities: Non current	31,619,652	-	-	31,619,652
Finance leases: Current	2,506,566	-	-	2,506,566
Finance leases: Non current	13,730,784	-	-	13,730,784
Trade and other payables	-	337,497,540	-	337,497,540
	77,695,419	**337,497,540**	**-**	**415,192,959**

2008

	Financial liabilities at amortised cost	Fair value	Fair value through surplus or deficit - designated	Total
Other financial liabilities: Current	26,344,057	-	-	26,344,057
Other financial liabilities: Non current	53,441,150	-	-	53,441,150
Finance leases: Current	1,451,337	-	-	1,451,337
Finance leases: Non current	15,824,058	-	-	15,824,058
Trade and other payables	-	227,815,936	-	227,815,936
Bank overdraft	-	260,542,498	-	260,542,498
	97,060,602	**488,358,434**	**-**	**585,419,036**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

21. Property Rates

Rates received

Residential	97,023,728	82,063,277
Commercial	57,820,717	57,926,096
State	13,914,999	13,983,200
Small holdings and farms	529,949	530,783
Other	-	4,053,893
	169,289,393	**158,557,249**

Valuations

Residential	410,144,828	410,144,828
Commercial	165,003,534	165,003,534
State	50,337,749	50,337,749
Small holdings and farms	4,517,300	4,517,300
Exempted	219,686,467	219,686,467
	849,689,878	**849,689,878**

The last general valuation came into effect during 1995.

The new general valuation will be implemented during 2010.

22. Retirement benefits

Defined benefit plan

All Councillors and employees belong to defined benefit retirement plans administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. As these are multi-employer funds, these amounts are accounted for as defined contribution plans.

The deficit (if applicable) will be financed by an increased contribution from all participating member municipalities.

The actuarial valuation was not available as at 30 June 2009. The valuation for 30 June 2005 is currently being performed.

23. Service charges

Sale of electricity	212,062,399	178,364,912
Sale of water	160,454,176	158,959,104
Sewerage and sanitation charges	80,054,172	71,427,865
Refuse removal	47,684,800	43,952,009
	500,255,547	**452,703,890**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

24. Government grants and subsidies

Lejweleputswa District Municipality	2,886,966	2,851,836
Equitable Share	221,334,166	174,278,708
Operating grant - MIG	1,710,433	854,612
Financial Management Grant	301,429	903,254
Tenders - MIG financing	-	3,500
Municipal Infrastructure Grant	68,734,562	129,352,849
MIG - PMU	1,561,576	-
Municipal Systems Improvement Grant	-	2,085,001
LED Grant	-	334,985
Lotto - Parks	-	431,294
Sports and Culture	-	100,000
Department of Mineral and Energy Affairs	-	919,495
Provincial Clinic Repairs Grant	-	252,193
District Municipality Grant - Capital Grant	-	317,205
District Municipality Grant - Operating Grant	-	50,000
	296,529,132	**312,734,932**

24.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The grant is disbursed by National Treasury. The grant has not been withheld.

24.2 Financial Management Grant

Balance unspent at beginning of year	1,031,749	1,711,044
Current-year receipts	500,000	-
Conditions met - transferred to revenue	(301,429)	(679,295)
	1,230,320	**1,031,749**

The Financial Management Grant is to assist the Municipality implement the financial reforms that are contained in the Municipal Finance Management Act. The grant has not been withheld.

24.3 Tenders - MIG Financing

Balance unspent at beginning of year	-	3,500
Conditions met - transferred to revenue	-	(3,500)
	-	**-**

The conditions of this grant are to finance the calling of tenders for MIG. No grant was received for the year.

24.4 Municipal Infrastructure Grant

Balance unspent at beginning of year	4,751,342	24,165,643
Current-year receipts	74,689,000	109,747,398
Conditions met - transferred to revenue	(68,734,562)	(129,161,699)
2009/2010 subsidy received in advanced	29,186,000	-
	39,891,780	**4,751,342**

The Municipal Infrastructure Grant is to finance the extension of services and to alleviate poverty. The purpose of the grant is also stimulate local economic development and job creation over the medium term. R22 108 000 of grants were withdrawn during the year (2008: R56 263 000) due to non-compliance with stated procedures.

24.5 MIG - PMU

Balance unspent at beginning of year	-	42,727

Figures in Rand	2009	2008

24. Government grants and subsidies (continued)

Current-year receipts	5,000,000	811,885
Conditions met - transferred to revenue	(1,710,433)	(854,612)
	3,289,567	**-**

The Municipal Infrastructure Grant -PMU is to finance the project management costs associated with the Municipal Infrastructure Grant described above. The grant is used to defray certain administrative costs. The grant has not been withhold.

24.6 Municipal Systems Improvement Grant

Balance unspent at beginning of year	1,000,000	2,085,001
Current-year receipts	735,000	1,000,000
Conditions met - transferred to revenue	-	(2,085,001)
	1,735,000	**1,000,000**

The Municipal Systems Improvement Grant is to support the municipal and governance systems, planning and implementation, reviewing integrated development plans and implementing the Municipal Systems Act. The grant has not been withheld.

24.7 LED Grant

Balance unspent at beginning of year	555,940	13,525
Current-year receipts	-	877,400
Conditions met - transferred to revenue	-	(334,985)
	555,940	**555,940**

This grant from the Provincial Government has been used to encourage local economic development through property development. The grant has been used in town establishment. The grant was not withheld.

24.8 Lotto - Parks

Balance unspent at beginning of year	69,206	500,500
Current-year receipts	500,500	-
Conditions met - transferred to revenue	-	(431,294)
	569,706	**69,206**

The Municipality was allocated an amount from Lotto to construct recreational facilities within the municipal areas. The grant has not been withheld.

24.9 Provincial Maintenance of Clinics

Balance unspent at beginning of year	361,842	416,769
Current-year receipts	-	197,266
Conditions met - transferred to revenue	-	(252,193)
	361,842	**361,842**

24.10 Department of Mineral and Energy Affairs

Balance unspent at beginning of year	507	-
Current-year receipts	-	920,002
Conditions met - transferred to revenue	-	(919,495)
	507	**507**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

25. Other income

Commissions received	465,485	524,199
Other income	17,397,545	34,563,764
	17,863,030	**35,087,963**

Other income		
Disconnections	2,434,895	2,195,293
Hostel fees	5,749,667	8,799,061
Services rendered	2,118,304	12,618,064
Sundries	7,094,679	10,951,346
	17,397,545	**34,563,764**

26. General expenses

Advertising	291,733	393,265
Assets expensed	236,423	259,495
Auditors remuneration	2,592,568	2,325,268
Bank charges	1,806,288	2,321,237
Chemicals	34,270	58,013
Cleaning	280,391	376,063
Community development and training	6,160	127,612
Conferences and seminars	25,652	73,659
Consulting and professional fees	32,092,566	22,640,730
Entertainment	369,312	415,076
Insurance	2,702,807	3,229,814
Magazines, books and periodicals	12,463	8,055
Marketing	588,495	50,465
Medical expenses	94,949	13,986
Municipal services	15,318,530	11,958,619
Operating cost of equipment	12,577,209	2,790,021
Operating cost of vehicles	23,932,009	19,027,534
Other expenses	4,231,108	10,745,584
Pest control	10,143	26,781
Printing and stationery	1,394,445	1,740,622
Royalties and license fees	2,846,060	2,575,771
Security (Guarding of municipal property)	10,452,086	4,819,743
Skills Development Levy	2,221,211	2,150,698
Subscriptions and membership fees	1,964,472	2,538,979
Telephone and fax	10,164,206	10,343,855
Training	2,794,143	1,282,545
Travel - local	1,016,156	1,575,655
Uniforms	1,508,314	716,782
	131,564,169	**104,585,927**

27. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Surplus on sale of property, plant and equipment	-	3,780,331
Impairment on trade and other receivables	297,576,133	327,539,415
Depreciation on property, plant and equipment	15,517,932	9,505,993
Employee costs	301,420,657	272,870,427

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

28. Employee related costs

Basic	155,199,534	144,841,194
Bonus	12,720,998	11,795,119
Medical aid - company contributions	21,631,441	19,037,974
UIF	1,745,230	1,657,432
Leave pay provision charge	6,144,909	3,422,336
Post-employment benefits - Pension - Defined contribution plan	27,841,861	25,063,549
Overtime payments	30,828,988	26,877,007
Long-service awards	465,402	434,955
Transport allowance (bus coupons)	13,067,843	12,481,534
Housing benefits and allowances	3,195,757	2,616,651
Other allowances	2,148,169	1,816,334
Insurance group	3,729,938	3,411,553
	278,720,070	**253,455,638**

Remuneration of Municipal Manager

Annual Remuneration	610,021	450,420
Car Allowance	165,000	167,954
Performance Bonuses	-	65,961
Contributions to UIF, Medical and Pension Funds	27,210	43,957
Housing Subsidy	-	53,746
Entertainment and cellphone allowance	-	167,954
	802,231	**949,992**

The position of Municipal Manager was vacant in the month of June 2008. The remuneration shown for 2008 is therefore for 11 months and includes annual leave encashed of R104,130.

The position of Municipal Manager was vacant from 1 July 2008 to 10 August 2008.

Remuneration of Chief Finance Officer

Annual Remuneration	451,620	458,898
Car Allowance	197,620	34,185
Contributions to UIF, Medical and Pension Funds	1,286	487
	650,526	**493,570**

The position of Chief Finance Officer was vacant from October 2007 to June 2008. The remuneration shown for 2008 is therefore for 3 months and includes annual leave encashed of R177,070.

The position of Chief Finance Officer is vacant from 12 May 2009 and is still vacant.

Remuneration of Chief Operating Officer

Annual Remuneration	477,138	387,659
Car Allowance	81,000	109,898
Performance Bonuses	-	95,795
Contributions to UIF, Medical and Pension Funds	81,012	101,472
Housing Subsidy	-	30,000
	639,150	**724,824**

The position of Chief Operating Officer is vacant from 1 April 2009 and is still vacant.

Remuneration of the Director: Community Services

Annual Remuneration	477,949	427,272

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

28. Employee related costs (continued)

Car Allowance	74,000	72,000
Contributions to UIF, Medical and Pension Funds	71,280	66,250
Housing Subsidy	-	32,000
	623,229	**597,522**

Remuneration of the Director: Corporate Services

Annual Remuneration	477,795	398,032
Car Allowance	165,000	180,000
Performance Bonuses	-	24,000
Contributions to UIF, Medical and Pension Funds	1,535	1,511
	644,330	**603,543**

The position of Chief Operating Officer is vacant from 1 June 2009 and is still vacant.

Remuneration of Director: Infrastructure

Annual Remuneration	642,350	268,928
Car Allowance	-	24,000
Contributions to UIF, Medical and Pension Funds	1,539	675
Housing Subsidy	-	12,000
	643,889	**305,603**

29. Remuneration of councillors

Executive Major	590,161	529,143
Deputy Executive Mayor	4,191,741	4,141,038
Mayoral Committee Members	11,703,957	9,494,282
Speaker	474,580	424,589
Councillors	-	-
Councillors' pension contribution	1,579,282	1,775,443
Pension fund	(237,656)	(1,473,830)
Medical aid contribution	395,167	1,473,829
Other	-	(624,759)
	18,697,232	**15,739,735**

In-kind benefits

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

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time drivers/bodyguards.

Figures in Rand	2009	2008

30. Investment revenue

Dividend revenue		
Local Dividends	37,317	23,043
Interest revenue		
Financial Assets	2,640,134	3,407,317
	2,677,451	**3,430,360**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R2 640 134 (PY: R3 407 317).

31. Depreciation and amortisation

Property, plant and equipment	15,517,932	9,505,993

32. Impairment of assets

Impairments		
Trade and other receivables	297,576,133	327,539,415

33. Finance costs

Non-current borrowings	8,525,487	13,556,030
Trade and other payables	17,222,194	8,491,987
Finance leases	2,880,793	1,653,621
	28,628,474	**23,701,638**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R28 628 474 (PY: R23 701 638).

34. Auditors' remuneration

Fees	2,592,568	2,325,268

35. Rental of facilities and equipment

Premises		
Premises	8,782,501	3,257,619
Facilities and equipment		
Rental of facilities	6,911,548	6,727,227
	15,694,049	**9,984,846**

36. Contracted Services

Meter Reading Services	2,440,556	3,209,879

37. Bulk purchases

Electricity	134,753,871	111,136,818
Water	151,887,727	150,218,044
	286,641,598	**261,354,862**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

38. Cash generated from operations

Surplus before taxation	23,439,541	46,156,294
Adjustments for:		
Depreciation and amortisation	15,517,932	9,505,993
Surplus on sale of assets	-	(3,780,331)
Dividends received	(37,317)	(23,043)
Interest received	(2,640,134)	(3,407,317)
Finance costs	28,628,474	23,701,638
Impairment deficit	297,576,133	327,539,415
Movements in provisions	380,986	2,042,087
Other non-cash items	1,273,355	-
Changes in working capital:		
Inventories	(1,550,612)	(4,642,371)
Trade and other receivables	(299,007,909)	22,653,606
Consumer debtors	(6,400,975)	(355,311,689)
Prepayments	1,688,503	-
Trade and other payables	109,681,604	144,052,267
VAT	(2,698,153)	(6,145,138)
Deferred income / Unspent conditional grants and receipts	39,864,077	(21,168,124)
	205,715,505	**181,173,287**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	-
• Investment property	-	-
• Other financial assets	-	-
Not yet contracted for and authorised by accounting officer	22,423,155	72,441,383

This committed expenditure relates to infrastructure and will be financed by available bank facilities, retained surpluses, , funds internally generated and the Municipal infrastructure grant

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	552,477	1,164,006
- in second to fifth year inclusive	2,117,222	3,954,858
- later than five years	-	-
	2,669,699	**5,118,864**

Operating lease payments represent rentals payable by the municipality for certain of its office properties, equipment and fire trucks. .

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

40. Contingencies

The following cases against the Municipality are being defended and have been recorded as a contingent liability as there is uncertainty as to the outcome of the cases. The Municipality is defending the cases. The potential legal costs have not been included in the claims against the Municipality:

Contingencies		
Odyssey Holdings versus Matjhabeng Local Municipality. Odyssey Holdings alleged that it was appointed in terms of Tender 22/2002 for the construction of Stormwater drainage in Kutlwanong.	1,383,511	1,383,511
V&V Consulting Engineers versus Matjhabeng Local Municipality. Summons issued against the municipality, wherein the municipality was sued for failure to pay V&V Consulting Engineers for services rendered.	856,695	-
LGW Contractors versus Matjhabeng Local Municipality. Summons issued against the municipality for payment for alleged standing time.	1,847,958	1,847,958
Sala Pension Fund versus Matjhabeng Local Municipality. Combined summons against Matjhabeng Municipality received alleging that the municipality was indebted to the fund.	145,259	-
Sala Pension Fund versus Matjhabeng Local Municipality. Sala Pension Fund alleged that the Fund was under-funded. The municipality received combined summons alleging that the municipality is indebted to the fund.	2,493,046	-
Cllr Cornelius Smit versus Matjhabeng Local Municipality. Summons were issued against the municipality for legal fees relating to Cllr Cornellius Smit, Botha and Beneke in respect of the Speakers investigation regarding complaints against the councillors.	39,012	-
Tall Tree versus Matjhabeng Local Municipality. During 2002/03 the Municipality arranged for a Lekgotla at Qwa-Qwa. Tall Tree was appointed as a facilitator. It is alleged that the Company failed to submit its quotation as requested and also failed to produce and/or deliver in accordance with its appointment. Tall Tree subsequently issued summons for payment. The municipality does not accept offer of Tall Tree being R400 000 and that each party to pay its own legal costs.	534,318	534,318
Mr Mokgotsi versus Matjhabeng Local Municipality. Mr Mogotsi applied for the advertised position of the Executive Manager in which he was not appointed. The unsuccessful applicant referred the matter to CCMA citing unfair discrimination.	250,000	380,000
HF Daniels & TG Bezuidenhout versus Matjhabeng Local Municipality. The applicants brought an application to the High Court in which they sought a declaration order to the effect that they were not placed in the same position as previously held by them or "close match" positions in terms of the placement .policy. The applicants were retrenched from May 2009.	71,119	834,060
Mr CG Jacobs versus Matjhabeng Local Municipality. Mr. C.G. Jacobs indicated in 2003 of his intention to resign from the Municipality at the retirement age of 60 (sixty). Mr Jacobs was allegedly advised to reserve his rights in the matter as there was a strong indication that the rules of the Free State Pension Fund would change increasing the retirement age up to 65 (sixty five) years. Although Mr. Jacobs wrote to Council informing it that he reserves his right not to retire pending the outcome of the decision of the Free State Pension Fund, he (Mr. Jacobs) filled out the application forms for his pension funds to be released which subsequently occurred. Council informed him on the 1st of October 2003 to vacate his office. Subsequently he referred his matter to the Bargaining Council. The Municipality lost its arguments at arbitration.	1,881,172	1,881,172
Leeuwbosch Farms CC & Stolz versus Matjhabeng Local Municpality. Matjhabeng Municipality concluded 4 deeds of sales to purchase farms for housing development. Funds for the purchase price of the farms were to come from the Department of Housing. No funds were received from the department and consequently the purchase price was not settled. The municipality received two summons for the commencement of action by one of the sellers to purchase prices.	4,200,000	4,200,000

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
40. Contingencies (continued)		
HSI International versus Matjhabeng Local Municipality. Nineteen (19) warrant of execution were issued against the municipality for the interest and legal costs incurred by HSI International in respect of the summons previously issued (on 5 January 2009).	75,943	-
Matjhabeng Local Municipality versus Peyper Attorneys. Matjhabeng Municipality was sued for almost R90 000 but the claim was dismissed.	6,070	-
The State versus Matjhabeng Municipality and Others. Summons in criminal case regarding the contravention of section 151(1)(d) of the National Water Act, No. 36 of1998 (failure to comply with a directive issued in terms of section 53) (Financial implication still unknown)	-	-
	13,784,103	**11,061,019**

41. Related parties

Relationships	
A Styger	Neumann van Rooyen Sesele
J Fourie	Neumann van Rooyen Sesele
HC van Rooyen	Neumann van Rooyen Sesele
NE Nyembe	Mamelo Trading 540
SJ Liphoko	Tle Le Bone construction
T Beneke	Eriksens motor centre
C Dingani	Mphohadi business ventures
TE Thoabala	Poloko Trading
DC Smit	S&S Cartage International
BD Mhlafu	Saboa Transport services
FE Taliwe	Streeksraad uitvoerende kunste: Oranje Vrystaat

Related party transactions

	2009	2008
Purchases from (sales to) related parties		
Neumann van Rooyen Sesele	698,138	943,200
Mamelo trading 540	3,292,310	-
Tle Le Bone Construction	35,821	1,600,624
Eriksens Motor centre	533,678	-
Mphohadi Business Venture	143,938	-
Poloka Trading	87,523	-
S&S Cartage International	5,050	-
Saboa Transport services	44,658	-
Streeksraad uitvoerdende kunste: Oranje Vrystaat	-	100

42. Prior period errors

Several errors were corrected during the year.

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

	2009	2008
Statement of financial position		
Total restatements	36,213,974	(11,864,807)
Statement of financial position		
Property, plant and equipment	8,003,859	(5,429,921)
Trade and other payables	21,900,767	(11,021,606)
Trade and other receivables	1,358,998	(204,659)
Cash and cash Equivalents	(5,048,801)	99,107
Other financial assets	-	225
Finance lease obligations (current)	418,511	4,692,047
Finance lease obligations (non-current)	(11,372,365)	-
Other financial liabilities	2,851,835	-
Inventory	5,107,207	-

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
42. Prior period errors (continued)		
Taxes and transfers payable	8,481,918	-
Unspent conditional grants and receipts	990,132	-
Provision for rehabilitation	3,521,913	-
	36,213,974	**(11,864,807)**
Statement of financial performance and accumulated surplus		
Total restatements on prior year surplus/(deficit)	70,092,968	(7,810,043)
Total restatements on opening accumulated surplus	(33,878,994)	(4,054,764)
Statement of financial performance and accumulated surplus		
Depreciation and amortisation	1,273,354	(1,650,701)
Interest received - investment	5,733	57,761
General expenses	(4,748,037)	(1,145,040)
Bulk purchases	49,685,373	-
Employee related costs	2,503,695	(5,072,063)
Repairs and maintenance	1,903,064	-
Interest paid	(3,595,470)	-
Rental of facilities and equipment	88,777	-
Interest earned - outstanding debtors	83,118	-
Income for agency services	6,163,434	-
Government Grant and Subsidies	4,257,077	-
Other Income	(4,303,358)	-
Opening accumulated surplus	(17,102,786)	(4,054,764)
	36,213,974	**(11,864,807)**
RCS Levies not accrued or paid		
RCS levies relating to periods prior to 30 June 2006 were not accrued or paid to the District Municipality. These amounts were paid during the current year.	-	(119,312)
State Health Claims		
State Health Claims not accrued in 2007.	-	94,192
State Health Claims erronously accrued in prior periods.	-	(298,851)
	-	**(204,659)**
Interest received		
Interest received was incorrectly capitalised in periods prior to 2007.	-	41,571
Interest received was incorrectly capitalised in the 2007 financial year.	-	57,536
	-	**99,107**
SENWES Investment		
SENWES investments were erronously expensed in prior periods.	-	225
Corrections to Trade and other payables		
Payments to a supplier were not accrued although the work in terms of the contract had been performed prior to June 2007.	-	(272,663)
Several payments were made during the year that relates to prior period creditors that has not been accrued.	(10,233,463)	-
Several payments were made during the year that relates to periods prior to 2008 that has not been accrued.	(1,175,042)	-
Several suppliers were erronously overstated in the prior period.	40,497,474	-
Reversal of a creditor against opening accumulated surplus. The creditor were erronously overstated prior to June 2004.	840,394	-
Correction of Market Agency Creditors that was not recorded in periods prior to the 2008 financial year.	(2,571,110)	-

Figures in Rand	2009	2008

42. Prior period errors (continued)

Correction of Market Agency Creditors that was not recorded in the 2008 financial year.	(427,035)	-
Correction of Market Trade Creditors that was not recorded in periods prior to the 2008 financial year.	(74,026)	-
Correction of Market Trade Creditors that was not recorded in the 2008 financial year.	(30,472)	-
	26,826,720	**(272,663)**

Provision for staff leave and bonus understated

The provision for leave as at 30 June 2007 was not adjusted.	-	(5,072,063)
No accrual was made for employee's 13th cheque. Correction of opening balance against opening accumulated surplus.	(7,429,650)	-
Correction of movement on the bonus accrual for the 2008 financial year.	2,503,695	-
	(4,925,955)	**(5,072,063)**

Accrual of Compensation Commission payments

Amounts payable to the Compensation Commission were not accrued in the 2005 and 2006 financial years.	-	(2,921,667)
Amounts payable to the Compensation Commission were not accrued in the 2007 financial year.	-	(2,635,900)
	-	**(5,557,567)**

Finance lease

Being finance lease repayments incorrectly expensed now reversed due to the non-capitalisation of finance leases in prior periods.	-	3,022,716
Being finance lease repayments incorrectly expensed now reversed due to the non-capitalisation of finance leases in the 2007 financial year.	-	1,669,331
Correction of finance leases that was not recorded in line with accounting statements in periods prior to 2008.	(3,425,067)	-
Correction of finance leases that was not recorded in line with accounting statements in the 2008 financial year.	(7,528,787)	-
	(10,953,854)	**4,692,047**

Backlog depreciation of finance leases

Recording of depreciation on the finance leases (refer to the leases incorrectly expensed in prior periods).	-	(3,779,221)
ecording of depreciation on the finance leases (refer to the leases incorrectly expensed in the 2007 financial year).	-	(1,650,701)
Correction of depreciation as a result of corrections to errors in prior period finance leases.	1,273,353	-
	1,273,353	**(5,429,922)**

Water Inventories understated

Correction of water inventories not recorded in the prior period.	5,107,207	-

Corrections to trade and other receivables

Market Income was erroneously overstated in the prior period.	326,491	-
Correction of Market Trade Receivables that was not recorded in periods prior to the 2008 financial year.	849,709	-
Correction of Market Trade Receivables that was not recorded in the 2008 financial year.	182,798	-
	1,358,998	**-**

Movement on Market Bank account brought into account

Figures in Rand	2009	2008
42. Prior period errors (continued)		
Bringing into account the movement on the Market Bank account for periods prior to the 2008 Financial year.	(5,293,037)	-
Bringing into account the movement on the Market Bank account for the 2008 Financial year.	244,236	-
	(5,048,801)	**-**
Property, Plant and Equipment and Capital work in progress		
Accrual for capital work in progress was made against property, plant and equipment additions instead of Work in Progress in the prior period. Increase in Capital work in progress.	1,214,091	-
Accrual for capital work in progress was made against property, plant and equipment additions instead of Work in Progress in the prior period. Decrease in Property, plant and equipment additions.	(1,214,091)	-
Additions to property, plant and equipment were erroneously expensed in the prior period.	396,710	-
Correction of errors in the capitalisation of equipment under finance leases in the prior period.	6,333,797	-
	6,730,507	**-**
Unspent conditional grants and receipts misstated		
Accrual for capital work in progress was made against property, plant and equipment additions instead of Work in Progress in the prior period. Recording of revenue as conditions were met.	1,214,091	-
Payment of a creditor was not recorded against the creditor , but erroneously against an unspent balance, thus understating the unspent balance of a government grant.	(223,959)	-
	990,132	**-**
Other financial liabilities		
Repayments on interest bearing borrowings were made by a third party in the prior period, thus overstating the liabilities. Recording of a grant received against the interest bearing borrowing.	2,851,836	-
Taxes and transfers payable (VAT corrections)		
Accrual for bulk purchases in the prior year were erroneously made inclusive of VAT, therefore overstating expenses and overstating the VAT creditor.	11,029,970	-
An incorrect accrual of bulk purchases in the prior period was reversed.	(4,918,545)	-
An accrual for capital projects in the prior period were erroneously made against the VAT account instead of the accrual account.	1,384,064	-
Several corrections made to the VAT account as a result of other restatements as listed in this note which had a VAT implication.	986,429	-
	8,481,918	**-**
Provision for rehabilitation		
Restatement of rehabilitation provision as it was stated at cost instead of discounted value	3,521,913	-
Expenses overstated in 2008		
Expenses paid in 2008 not accrued in 2007	16,776,208	-
Restatement made against opening retained surplus	(16,776,208)	-
	-	**-**

43. Comparative figures

Where necessary, comparative figures have been adjusted to correct errors in the prior year presentation and to conform to

Notes to the Annual Financial Statements

Figures in Rand		2009	2008

43. Comparative figures (continued)
changes in presentation in the current year.

The effects of the reclassification are as follows:

Statement of financial position			
Finance lease obligations (Non-current)		-	(4,451,699)
Finance lease obligations (Current)		-	(1,869,484)
Other financial liabilities (Non-current)		-	6,321,183
Other financial liabilities (Current)		-	(1,659,295)
Other financial liabilities (Non-current)		-	1,659,295
Trade and other payables		-	32,222,116
Taxes and transfers payable		-	(32,222,116)
Trade and other payables		-	321,398
Trade and other receivables		-	(321,398)
Taxes and transfers payable		-	(90,900,194)
Consumer debtors		-	90,900,194
Consumer debtors (Net balance: Current)		-	(8,463,325)
Consumer debtors (Net balance: Non-current)		-	8,463,325
Accumulated surplus		-	127,947,608
Government Grant Reserve		-	(127,947,608)
Statement of financial performance			
Rental of facilities and equipment		-	3,780,331
Gain on disposal of property, plant and equipment		-	(3,780,331)
Other income		-	524,199
Commissions received		-	(524,199)
Interest paid to creditors		-	4,881,172
General expenses		-	(4,881,172)

44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 7&10 cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratios at 2009 and 2008 respectively were as follows:

Less: Cash and cash equivalents	7	(20,697,833)	20,444,355
Net debt		(20,697,833)	20,444,355
Total equity		243,354,635	219,915,094
Total capital		222,656,802	240,359,449
Gearing ratio		(8.51)%	9.30 %

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to

44. Risk management (continued)

minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management.

Liquidity risk

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

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

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

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2009 and 2008, the municipality's borrowings at variable rate were denominated in the Rand.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. 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 council. The utilisation of credit limits is regularly monitored.

45. Subsequent events

List subsequent events here

The State versus Matjhabeng Municipality and Others.
Summons in criminal case regarding the contravention of section 151(1)(d) of the National Water Act, No. 36 of1998 (failure to comply with a directive issued in terms of section 53) (Financial implication still unknown).

46. Unauthorised expenditure

	2009	2008
Opening balance	448,312,905	58,801,154
Unauthorised expenditure current year	193,186,651	389,511,751
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
	641,499,556	**448,312,905**

The unauthorised expenditure in 2008 relates to expenditure incurred that was not budgeted.

47. Fruitless and wasteful expenditure

	2009	2008
Opening balance	5,999,951	3,555,784
Fruitless and wasteful expenditure current year	20,203,680	2,444,167
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
	26,203,631	**5,999,951**

Interest paid for late payment to suppliers incurred in the 2005, 2006 and 2007 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

48. Irregular expenditure

Opening balance	904,433	522,007
Add: Irregular Expenditure - current year	1,169,122	382,426
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	2,073,555	**904,433**

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	1,444,616

The Municipality has not paid its contributions due to cash flow constraints.

Audit fees

Opening balance	332,745	-
Current year fee	2,475,295	2,437,072
Amount paid - current year	(2,294,974)	(2,104,767)
Amount paid - previous years	(332,745)	-
Unknown reconciling difference	-	440
	180,321	**332,745**

PAYE and UIF

Current year payroll deductions	35,528,783	32,147,176
Amount paid - current year	(35,528,783)	(32,147,176)
	-	**-**

Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	74,057,656	68,721,868
Amount paid - current year	(74,057,656)	(68,721,868)
	-	**-**

The pension fund deductions for May and June were only paid in July 2009.

VAT

VAT payable	111,942,239	114,640,392

All VAT returns have been submitted by the due date throughout the year, except for March 2009 and June 2009.

Councillors' arrear consumer accounts

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

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AP Kotzee	631	1,325	1,956
TS Majoe	2,186	45,552	47,738

Notes to the Annual Financial Statements

Figures in Rand		2009	2008

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

MA Mathebula	2,460	8,873	11,333
MMT Mathlabe	415	5,239	5,654
MS Moahloli	4,229	31,633	35,862
MJ Molefi	5,045	55,177	60,222
BA Montshioa	855	-	855
E Peterson	833	3,398	4,231
ME Phetise	-	1,170	1,170
GL Qwesha	1,700	57,554	59,254
LLF Radebe	1,021	261	1,282
MC Radebe	3,822	23,056	26,878
ML Radebe	5,404	72,599	78,003
LM Sejane	2,294	22,142	24,436
FE Taliwe	785	7,407	8,192
ZA Thuthani	863	4,872	5,735
ML Tlhone	3,422	18,449	21,871
ME Tsubane	1,087	-	1,087
M Twanana	468	-	468
NM Vanga	2,808	-	2,808
	40,328	**358,707**	**399,035**

30 June 2008	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MC Majwede	1,910	117,726	119,636
Councillor MS Moahloli	(1,955)	13,163	11,208
Councillor E Peterson	(968)	3,175	2,207
Councillor B Sithole	67	1,073	1,140
Councillor ME Tsubane	2,819	29,013	31,832
Councillor MA Mofoka	1,736	21,677	23,413
Councillor TG Mokotedi	1,020	2,932	3,952
Councillor MJ Molefi	1,114	3,108	4,222
Councillor GL Qwesha	(21,571)	23,967	2,396
Councillor ML Tlhone	2,271	12,588	14,859
Councillor FE Taliwe	304	7,227	7,531
Councillor KI Petleki	(957)	5,491	4,534
	(14,210)	**241,140**	**226,930**

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

APPENDIX A

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

	Loan Number	Redeemable	Balance at 30 June 2008 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2009 Rand	Short term liability Rand	Longterm liability Rand
LONG-TERM LOANS								
ABSA @18%	3005999867	30/06/2010	4,735,922	-	1,986,420	2,749,502	2,459,562	289,940
DBSA @10%	02131/102	30/06/2010	2,207,624	-	837,854	1,369,770	654,203	715,567
DBSA @10%	08110/102	30/06/2013	7,214,633	-	1,222,334	5,992,299	682,406	5,309,893
DBSA @ 12.5%	102978	30/06/2012	18,572,841	-	501,887	18,070,954	2,487,372	15,583,582
Free State Municipal Pension Fund @15.95%	65008	30/06/2010	28,587	-	7,439	21,148	14,059	7,089
Free State Municipal Pension Fund @9.25%	73001	30/06/2009	135,856	-	135,856	-	-	-
Free State Municipal Pension Fund @9.5%	73002	30/06/2009	180,567	-	180,567	-	-	-
Free State Municipal Pension Fund @13%	73003	30/06/2009	1,022,957	-	1,022,957	-	-	-
Free State Municipal Pension Fund @13.5%	73004	30/06/2009	1,045,815	-	1,045,815	-	-	-
INCA@16.5%	MATJ-00-0003	30/06/2010	6,827,717	-	2,576,153	4,251,564	3,692,957	558,607
INCA@15.25%	OLS109ZHS	30/06/2009	140,234	-	140,234	-	-	-
INCA@16.45%	VRG108Z-S	30/06/2009	62,060	-	62,060	-	-	-
INCA@17.1%	VRG109M-S	30/06/2010	138,680	-	66,497	72,183	-	72,183
INCA@17.25%	VRG110M1-S	30/06/2010	141,857	-	31,192	110,665	76,783	33,882
INCA@16.05%	VRG110M-S	30/06/2010	275,923	-	61,210	214,713	148,590	66,123
INCA@17.44%	VRG112H-S	30/06/2012	252,770	-	23,153	229,617	57,121	172,496
INCA(FBC) @ 16.5%	MATJ-00-0003	30/06/2010	3,994,236	-	1,189,099	2,805,137	2,160,392	644,745
INCA(PIC) @ 16.5%	MATJ-00-0003	30/06/2010	5,539,584	-	1,649,155	3,890,429	2,996,236	894,193
PACOVS@18%		30/06/2010	522,324	-	153,860	368,464	284,430	84,034
Sanlam@16.5%	WKM1103	30/06/2010	26,745,017	-	5,433,390	21,311,627	14,124,306	7,187,321
			-	-	-	-	-	-
			-	-	-	-	-	-
			79,785,204	**-**	**18,327,132**	**61,458,072**	**29,838,417**	**31,619,655**
STRUCTURED LOANS			**-**	**-**	**-**	**-**	**-**	**-**
FUNDING FACILITY			**-**	**-**	**-**	**-**	**-**	**-**

APPENDIX A

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

	Loan Number Rand	Redeemable Rand	Balance at 30 June 2008 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2009 Rand	Short term liability Rand	Longterm liability Rand
DEVELOPMENT BANK OF SOUTH AFRICA			-	-	-	-	-	-
TOTAL EXTERNAL LOANS			**79,785,204**	**-**	**18,327,132**	**61,458,072**	**29,838,417**	**31,619,655**