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Matjhabeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

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

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The 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.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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 7 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

T.H.E Pietersen
Municipal Manager

Report of the Auditor General

To the Provincial Legislature 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 2010, 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 7 to 67.

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; and
- 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; and
- 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] [note 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 2010 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 PFMA/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)].

Emphasis of Matter

Without qualifying my audit opinion, I draw attention to the following matter(s):

Additional text

Additional text

Additional text

Additional text

Additional text

Other matters

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Additional text

Matters of governance

Additional text

Material corrections made to the financial statements submitted for audit

Additional text

Value-for-money matters

Additional text

Internal control

Additional text

Performance audit reports issued during the year

Additional text

Investigations in progress or completed

Additional text

Unaudited supplementary schedules

Additional text

Other reporting responsibilities

Reporting on performance information

I have audited the performance information as set out on pages xx to xx.

Responsibility of the Accounting Officer for the performance information

In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

I conducted my engagement in accordance with section 13 of the PAA read with General Notice 646 of 2007, issued in Government Gazette No. 646 of 25 May 2007 [and section 45 of the MSA].

In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Additional text

Additional text

Additional text

Additional text

Additional text

Additional text

Appreciation

The assistance rendered by the staff of Matjhabeng Local Municipality during the audit is sincerely appreciated.

Auditor General

Accounting Officer's Report

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

1. Review of activities

2. Going concern

We draw attention to the fact that at the Unspent conditional grants (Note 16) exceed the total cash and cash equivalents (Note 7) and other financial assets (Note 4) by R33 035 117 (2009: R11 717 160). This could indicate a possible going concern problem as the municipality does not have sufficient funds available to cover the unspent conditional grants disclosed.

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

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

3. Subsequent events

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

4. Accounting 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.

5. 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

6. 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;

.

Chair person and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

Accounting Officer's Report

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors 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 funtion.

7. Bankers

ABSA Bank Limited

8. Auditors

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

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	3	7,066,112	7,035,933
Other financial assets	4	15,146,664	13,792,546
Trade and other receivables	5	11,547,193	2,836,144
Consumer debtors	6	133,227,246	123,551,616
Cash and cash equivalents	7	30,375,076	25,045,589
		197,362,291	**172,261,828**
Non-Current Assets			
Property, plant and equipment	8	876,346,011	759,075,783
Other financial assets	4	252,610	212,731
Consumer debtors	9	-	6,774,822
		876,598,621	**766,063,336**
Non-Current Assets		876,598,621	766,063,336
Current Assets		197,362,291	172,261,828
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**1,073,960,912**	**938,325,164**
Liabilities			
Current Liabilities			
Other financial liabilities	11	26,786,505	53,889,688
Finance lease obligation	12	3,110,016	2,506,566
Trade and other payables	13	402,169,323	337,097,869
VAT payable	14	15,506,114	64,764,656
Consumer deposits	15	25,706,018	25,265,307
Unspent conditional grants and receipts	16	78,266,173	46,426,864
		551,544,149	**529,950,950**
Non-Current Liabilities			
Other financial liabilities	11	-	6,912,565
Finance lease obligation	12	11,468,030	13,730,784
Provisions	17	72,606,272	59,661,353
		84,074,302	**80,304,702**
Non-Current Liabilities		84,074,302	80,304,702
Current Liabilities		551,544,149	529,950,950
Liabilities of disposal groups		-	-
Total Liabilities		**635,618,451**	**610,255,652**
Assets		1,073,960,912	938,325,164
Liabilities		(635,618,451)	(610,255,652)
Net Assets		**438,342,461**	**328,069,512**
Net Assets			
Accumulated surplus		438,342,461	328,069,514

Matjhabeng Local Municipality
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	21	181,926,366	168,929,618
Service charges	22	587,382,889	488,397,853
Rental of facilities and equipment		12,479,800	9,949,159
Interest received (trading)		39,665,414	107,107,553
Fines		2,903,537	1,446,188
Licences and permits		9,573	8,256
Government grants & subsidies	23	420,950,546	297,298,374
Agency fee income		7,310,860	6,904,586
Commissions received	24	505,606	465,485
Other income	24	17,185,334	17,509,002
Interest received - investment	25	3,160,465	2,640,134
Dividends received	25	55,137	37,317
Total Revenue		**1,273,535,527**	**1,100,693,525**
Expenditure			
Personnel	26	(325,649,546)	(279,434,429)
Remuneration of councillors	27	(18,242,286)	(18,697,232)
Depreciation and amortisation	28	(28,890,271)	(23,024,682)
Impairment loss/ Reversal of impairments	29	(208,760,412)	(297,576,133)
Finance costs	30	(19,240,037)	(29,095,468)
Repairs and maintenance		(27,012,512)	(30,696,597)
Bulk purchases	31	(362,454,672)	(286,641,598)
Contracted services	32	(2,558,411)	(2,440,556)
General Expenses	33	(160,352,434)	(128,259,936)
Total Expenditure		**(1,153,160,581)**	**(1,095,866,631)**
Gain on disposal of assets and liabilities		-	5,744,890
Revenue		1,273,535,527	1,100,693,525
Expenditure		(1,153,160,581)	(1,095,866,631)
Other		-	5,744,890
Surplus for the year		**120,374,946**	**10,571,784**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2008	**807,139,007**	**807,139,007**
Changes in net assets		
Prior year adjustments	142,289,411	142,289,411
Restatement of opening retained income 01 July 2008	(631,930,688)	(631,930,688)
Net income (losses) recognised directly in net assets	(489,641,277)	(489,641,277)
Surplus for the year	10,571,784	10,571,784
Total recognised income and expenses for the year	(479,069,493)	(479,069,493)
Total changes	(479,069,493)	(479,069,493)
Balance at 01 July 2009 as restated	**145,437,459**	**145,437,459**
Changes in net assets		
Restatement of opening retained income 01 July 2008	97,582,640	97,582,640
Restatement of 2009 profit	(16,245,902)	(16,245,902)
Correction of balance as at 01 July 2009	101,295,312	101,295,312
Restatement of assessment rates	(10,101,994)	(10,101,994)
Net income (losses) recognised directly in net assets	172,530,056	172,530,056
Surplus for the year	120,374,946	120,374,946
Total recognised income and expenses for the year	292,905,002	292,905,002
Total changes	292,905,002	292,905,002
Balance at 30 June 2010	**438,342,461**	**438,342,461**

Note(s)

Cash flow statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Cash receipts from customers		1,082,227,676	834,017,891
Interest income		3,160,465	2,640,134
Dividends received		55,137	37,317
		1,085,443,278	836,695,342
Payments			
Cash paid to suppliers and employees		(877,644,203)	(630,554,838)
Finance costs		(15,882,038)	(26,214,675)
		(893,526,241)	(656,769,513)
Total receipts		1,085,443,278	836,695,342
Total payments		(893,526,241)	(656,769,513)
Net cash flows from operating activities	34	**191,917,037**	**179,925,829**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(218,741,616)	(144,031,795)
Proceeds from sale of property, plant and equipment	8	-	5,744,890
Net movement in financial assets		(1,393,997)	(1,782,372)
Transfer of work in progress to Infrastructure		72,581,114	28,535,184
Net cash flows from investing activities		**(147,554,499)**	**(111,534,093)**
Cash flows from financing activities			
Repayment of other financial liabilities		(34,015,748)	(18,982,954)
Finance lease payments		(5,017,303)	(3,918,838)
Net cash flows from financing activities		**(39,033,051)**	**(22,901,792)**
Net increase/(decrease) in cash and cash equivalents		**5,329,487**	**45,489,944**
Cash and cash equivalents at the beginning of the year		25,045,589	(20,444,355)
Cash and cash equivalents at the end of the year	7	**30,375,076**	**25,045,589**

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
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction contracts
GRAP 12	Inventory
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non cash-Generating Assets
IGRAP 1	Interpretation of GRAP: Applying the Probsbility Test on Initial Recognition of Exchange Revenue

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 Relevant Legislation

Legislation:

The following legislation refers to the relevant legislation governing the municipality's operations:

The Constitution of the Republic of South Africa;
The Municipal Structures Act 117 of 1998;
The Municipal Systems Act 32 of 2000;
The Municipal Finance Management Act 56 of 2003;
The Municipal Property Rates Act 6 of 2004,
The Basic Conditions of the Employment Act 75 of 1997;
The Value Added Tax Act 89 of 1991;
The Skills Development Act 9 of 1999;
The Water Service Act 108 of 1997;
The Housing Act of 1997;
The Promotion of Access to Information Act 2 of 2000; and
The Disaster Management Act 57 of 2000

1.2 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

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 17 - Provisions.

Provision of rehabilitation:
The provision is based on the rehabilitation of 5 landfill sites (Allanridge; Odendaalsrus; Welkom; Hennenman; Meloding).

These landfill sites represents a total of 181.80 hectare of land as measured by the Manager of Spatial Planning.

Rehabilitation is assumed to occur within 25 years.

The main component of the rehabilitation costs consists of the rehabilitation of the soil.

The rehabilitation cost of the soil is calculated as R300/m3 (The layout of the soil should be = ±0.25m2 square meter) and are made up as follows:

Ground cost	R100.00 – R120.00 per cubic meter
Transport cost	R6 / km / m3 @ R20 / km = R120 / m3
Levelling and compaction of Ground	R80 / m3
Total	R300/m3

These costs may vary depending on area where red soil is purchased and the type of red soil (i.e. loose soil)

Other costs involved in the rehabilitation are as follows and are based on management best estimate of these costs involved:

Plant used in the rehabilitation (calculated as the Cost price of the plant over useful live of 5 years)	R 550,000.00
Legal aspects (Implementation)	R 100,000.00

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 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 19.

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.

1.3 Property, plant and equipment

Accounting Policies

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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

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

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

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

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

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

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

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

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

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

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

1.4 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 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.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

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 reclassification adjustment and

1.4 Financial instruments (continued)
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/provision 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 a provision/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 provision/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 not carried at

1.4 Financial instruments (continued)

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.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

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.

1.4 Financial instruments (continued)

Financial liabilities

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

Impairment of financial assets

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

Assets are carried at amortised cost.

1.5 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 - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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.

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.6 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.6 Inventories (continued)

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

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

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

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

1.7 Impairment of cash-generating assets

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

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

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

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

Identification

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-

1.7 Impairment of cash-generating assets (continued)

generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.7 Impairment of cash-generating assets (continued)

the other assets of the unit.

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

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

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

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

1.9 Employee benefits

Short-term employee benefits

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

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

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

Defined benefit plans

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

Actuarial valuations are conducted at intervals not exceeding three years by independent actuaries separately for each plan.

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

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

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

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

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

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

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

1.10 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.11 Revenue from exchange transactions

Measurement

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

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 expensethe probability test on initial recognition of exchange revenue; it should not be applied by analogy to other types of transactions.

Sale of goods

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

Rendering of services

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

1.11 Revenue from exchange transactions (continued)

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

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

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.12 Revenue from non-exchange transactions

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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

Fines

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

1.12 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.13 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.

1.14 Investment income

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

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

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

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

1.18 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.

1.19 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
- (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.

1.19 Irregular expenditure (continued)

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 debt impairment 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.

1.20 Use of estimates

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

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 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 issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

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

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

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

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

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

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

2. New standards and interpretations (continued)
and actual amounts shall present separately for each level of legislative oversight:
- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

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

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

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

GRAP 103: Heritage Assets

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

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

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

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

The carrying amount of a heritage asset should be derecognised:

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

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

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

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

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

GRAP 21: Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

GRAP 26: Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

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

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

The standard prescribes recognition and measurement for:

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

The standard also deals with Entity combinations and Curtailments and settlements.

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 2011.

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

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

GRAP 104: Financial Instruments

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
loss is recognised by separating the instrument into its component parts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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 2011.

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

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Inventories

Consumables - at cost	2,149	2,149
Water - at cost	7,063,963	7,033,784
	7,066,112	**7,035,933**

Refer to note 31 for the water purchases.

4. Other financial assets

Available-for-sale		
Unlisted shares Shares in Senwes and Senwesbel	252,610	212,731
Held to maturity		
ABSA Fixed Deposit (2059359440) The maturity date of the investment is 2010/09/26 and interest is earned at a rate of 7.71% per annum	443,580	372,622
ABSA Fixed Deposit (2059440982) The maturity date of the investment is 2011/04/30 and interest is earned at a rate of 7.25% per annum	14,703,084	13,419,924
	15,146,664	**13,792,546**
	-	-
	-	-
	252,610	212,731
	15,146,664	13,792,546
	-	-
Total other financial assets	**15,399,274**	**14,005,277**
Non-current assets		
Available-for-sale	252,610	212,731
Current assets		
Held to maturity	15,146,664	13,792,546
Non-current assets	252,610	212,731
Current assets	15,146,664	13,792,546
	15,399,274	**14,005,277**

Fair value information

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

Limited cession over ABSA investment account: 20-5944-0982		
The total investments pledged as collateral for ABSA overdraft facilities	10,000,000	6,000,000
	10,000,000	6,000,000
	-	-
	-	-

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 2010 and 2009, as all the financial assets were disposed of at their redemption date.

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. Trade and other receivables

Deposits	9,850	9,850
Health Subsidies	85,715	85,715
Sundry Debtors	11,451,628	2,740,579
	11,547,193	**2,836,144**

Included in sundry debtors are irregular expenditure incurred during the year which will be recovered. Refer to note 47.

6. Consumer debtors

Gross balances		
Rates	141,090,619	161,042,558
Electricity	66,727,006	55,263,005
Water	239,171,970	199,436,114
Sewerage	96,637,244	94,851,464
Refuse	66,810,043	68,458,525
Housing rental	630,269	27,165,570
Other (specify)	205,372,364	513,981
	816,439,515	**606,731,217**
Less: Provision for debt impairment		
Rates	(115,999,983)	(128,225,992)
Electricity	(34,934,595)	(44,001,746)
Water	(203,484,767)	(158,795,873)
Sewerage	(79,391,910)	(76,017,764)
Refuse	(56,795,230)	(54,508,339)
Housing rental	(613,553)	(21,629,887)
Other (specify)	(191,992,231)	-
	(683,212,269)	**(483,179,601)**
Net balance		
Rates	25,090,636	32,816,566
Electricity	31,792,411	11,261,259
Water	35,687,203	40,640,241
Sewerage	17,245,334	18,833,700
Refuse	10,014,813	13,950,186
Housing rental	16,716	5,535,683
Other (specify)	13,380,133	513,981
	133,227,246	**123,551,616**
Rates		
Current (0 -30 days)	12,433,291	14,751,008
31 - 60 days	6,577,956	10,224,237
61 - 90 days	5,855,359	7,450,227
91 - 120 days	224,030	391,094
	25,090,636	**32,816,566**
Electricity		
Current (0 -30 days)	20,852,395	11,261,259
31 - 60 days	6,376,193	-
61 - 90 days	3,347,609	-
91 - 120 days	1,216,214	-
	31,792,411	**11,261,259**

Figures in Rand	2010	2009
6. Consumer debtors (continued)		
Water		
Current (0 -30 days)	14,228,219	24,102,325
31 - 60 days	9,748,327	13,186,094
61 - 90 days	8,012,115	3,351,822
91 - 120 days	3,698,542	-
	35,687,203	**40,640,241**
Sewerage		
Current (0 -30 days)	7,088,090	8,533,374
31 - 60 days	4,676,591	6,738,055
61 - 90 days	3,825,101	3,562,271
91 - 120 days	1,655,552	-
	17,245,334	**18,833,700**
Refuse		
Current (0 -30 days)	4,207,228	5,328,504
31 - 60 days	2,816,073	4,037,517
61 - 90 days	2,637,558	3,644,847
91 - 120 days	353,954	939,318
	10,014,813	**13,950,186**
Housing rental		
Current (0 -30 days)	5,624	517,386
31 - 60 days	5,572	501,229
61 - 90 days	5,520	502,947
91 - 120 days	-	4,014,121
	16,716	**5,535,683**
Other (specify)		
Current (0 -30 days)	4,693,013	513,981
31 - 60 days	4,401,501	-
61 - 90 days	3,710,284	-
91 - 120 days	575,335	-
	13,380,133	**513,981**
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	46,171,806	51,445,296
31 - 60 days	30,202,788	31,745,731
61 - 90 days	25,561,816	30,354,448
91 - 120 days	563,935,441	429,816,419
	665,871,851	543,361,894
Less: Provision for debt impairment	(579,555,237)	(447,312,177)
	86,316,614	**96,049,717**
Industrial/ commercial		
Current (0 -30 days)	22,342,850	20,902,774
31 - 60 days	8,317,920	9,612,958
61 - 90 days	5,715,289	5,787,539
91 - 120 days	101,247,957	48,897,086
	137,624,016	85,200,357
Less: Provision for debt impairment	(102,697,298)	(54,456,583)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

6. Consumer debtors (continued)

	34,926,718	**30,743,774**
National and provincial government		
Current (0 -30 days)	2,109,637	2,007,794
31 - 60 days	1,742,904	1,191,331
61 - 90 days	913,388	972,698
91 - 120 days	8,177,721	7,243,607
	12,943,650	11,415,430
Less: Provision for debt impairment	(959,734)	(7,882,482)
	11,983,916	**3,532,948**
Total		
Current (0 -30 days)	70,624,293	74,355,864
31 - 60 days	40,263,611	42,550,020
61 - 90 days	32,190,493	36,401,903
91 - 120 days	679,774,913	486,669,895
Less: Arrear accounts reflected as non current consumers	(6,413,795)	(33,246,463)
	816,439,515	606,731,219
Less: Provision for debt impairment	(683,212,269)	(483,179,603)
	133,227,246	**123,551,616**
Less: Provision for debt impairment		
Current (0 -30 days)	(7,116,433)	-
31 - 60 days	(5,661,398)	-
61 - 90 days	(4,796,946)	-
91 - 120 days	(665,637,492)	(483,179,601)
	(683,212,269)	**(483,179,601)**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(483,179,601)	(1,082,105,757)
Contributions to provision	(206,742,162)	(54,359,179)
Debt impairment written off against provision	6,709,494	653,285,335
	(683,212,269)	**(483,179,601)**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	25,626	56,390
Bank balances	30,349,450	24,989,199
	30,375,076	**25,045,589**

The total amount of undrawn facilities available for future operating activities and commitments	-	-
Overdraft facility	10,000,000	10,000,000
Housing Guarantees facility	200,000	500,000
ACB Debits facility	1,500,000	1,500,000
MTN SP Guarantees facility	20,000	20,000
Business card facility	19,000	26,000

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for ABSA overdraft facilities	10,900,000	6,900,000

7. Cash and cash equivalents (continued)

Limited cession of R900,000 over ABSA call account: 50-6438-8780
Limited cession of R10,000,000 over ABSA investment account: 20-5944-0982

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2010	Bank statement balances 30 June 2009	Bank statement balances 30 June 2008	Cash book balances 30 June 2010	Cash book balances 30 June 2009	Cash book balances 30 June 2008
ABSA (Welkom Branch) - Account Number 40 5370 5465 (Primary Bank Account)	640,720	19,783,712	(26,436,374)	3,492,553	16,389,249	(26,054,249)
Outstanding cheques reallocated to trade and other payables	-	-	-	6,931,766	4,347,756	-
ABSA (Welkom Branch) - Account Number 40 5533 9852 (MVS Joint Account)	585	(6,595)	416,741	585	(6,595)	416,741
ABSA (Welkom Branch) - Account Number 405 644 3399 (Market Account)	1,110,525	1,032,741	2,002,965	1,108,265	820,403	1,965,637
FNB (Welkom Branch) - Account Number 542 3117 3409 (Collection Account)	273,461	230,299	212,801	273,311	230,000	210,937
ABSA - Account Number 6054300806	883,572	855,358	796,284	883,572	855,358	796,284
ABSA - Account Number 9094617107	426,879	103,325	103,325	427,932	103,325	103,325
ABSA - Account Number 9106684115	13,769,477	77,302	56,040	13,832,085	77,302	56,040
ABSA - Account Number 5064388780	900,000	900,000	900,000	900,000	900,000	900,000
ABSA - Account Number 911141338	11,647	11,339	10,750	11,672	11,339	10,750
ABSA - Account Number 9106684238	1,204,270	76,469	58,123	1,256,616	76,469	58,123
ABSA - Account Number 9106538138	167	25,887	3,244	2,269	25,873	3,244
ABSA - Account Number 9106684157	2,279	2,229	2,160	2,283	2,229	2,160
ABSA - Account Number 9123515666	10,710	10,451	10,108	10,710	10,451	10,108
ABSA - Account Number 6301667719	16,228	12,698	405	16,280	12,698	405
ABSA - Account Number 6303885159	-	-	53	-	53	53
ABSA - Account Number 6304159559	29	29	29	29	29	29
ABSA - Account Number 9085913568	51,366	47,869	42,890	51,638	47,869	42,890
ABSA - Account Number 9065014332	455,956	424,920	380,774	458,374	424,920	380,774
ABSA - Account Number 9086656806	43,714	40,739	36,501	43,946	40,739	36,501
FNB - Account Number 61404001177	4,887	4,839	4,666	4,887	4,839	4,666
FNB - Account Number 62003503019	640,677	614,893	567,448	640,677	614,893	567,448
Total	**20,447,149**	**24,248,504**	**(20,831,067)**	**30,349,450**	**24,989,199**	**(20,488,134)**

Bank account without a balance at year end is:

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

7. Cash and cash equivalents (continued)

ABSA - Account Number 6304284885

8. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	242,942,935	-	242,942,935	242,942,935	-	242,942,935
Infrastructure	826,380,948	(603,930,794)	222,450,154	753,320,885	(585,434,639)	167,886,246
Furniture and fixtures	10,730,141	(9,291,407)	1,438,734	10,329,526	(8,240,929)	2,088,597
Motor vehicles	70,687,983	(50,918,718)	19,769,265	59,345,171	(48,006,227)	11,338,944
Office equipment	20,592,951	(10,349,300)	10,243,651	20,384,223	(6,707,152)	13,677,071
IT equipment	5,261,023	(2,761,303)	2,499,720	4,851,540	(2,422,654)	2,428,886
Other	10,671,902	(4,568,213)	6,103,689	5,891,980	(2,790,715)	3,101,265
Bins and containers	117,098	(105,288)	11,810	117,098	(93,769)	23,329
Specialised Vehicles	13,360,637	(4,538,626)	8,822,011	13,360,637	(3,877,295)	9,483,342
Capital work in progress	362,064,042	-	362,064,042	306,105,168	-	306,105,168
Total	**1,562,809,660**	**(686,463,649)**	**876,346,011**	**1,416,649,163**	**(657,573,380)**	**759,075,783**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Transfer to Infrastructure	Total
Land	242,942,935	-	-	-	242,942,935
Furniture and fixtures	2,088,597	400,615	(1,050,478)	-	1,438,734
Motor vehicles	11,338,944	11,342,812	(2,912,491)	-	19,769,265
Office equipment	13,677,071	208,728	(3,642,148)	-	10,243,651
IT equipment	2,428,886	409,483	(338,649)	-	2,499,720
Infrastructure	167,886,246	73,060,063	(18,496,155)	-	222,450,154
Other	3,101,265	4,779,923	(1,777,499)	-	6,103,689
Bins and containers	23,329	-	(11,519)	-	11,810
Capital work in progress	306,105,168	128,539,992	-	(72,581,118)	362,064,042
Specialised vehicles	9,483,342	-	(661,331)	-	8,822,011
	759,075,783	**218,741,616**	**(28,890,270)**	**(72,581,118)**	**876,346,011**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Depreciation	Transfer to Infrastructure	Total
Land	242,942,935	-	-	-	242,942,935
Furniture and fixtures	3,110,156	7,050	(1,028,609)	-	2,088,597
Motor vehicles	11,616,488	1,726,779	(2,004,323)	-	11,338,944
Office equipment	17,077,870	172,363	(3,573,162)	-	13,677,071
IT equipment	2,500,229	250,945	(322,288)	-	2,428,886
Infrastructure	153,789,591	28,974,514	(14,877,859)	-	167,886,246
Other	786,037	3,085,492	(770,264)	-	3,101,265
Bins and containers	34,848	-	(11,519)	-	23,329
Capital work in progress	234,745,659	99,894,693	-	(28,535,184)	306,105,168
Specialised Vehicles	42	9,919,959	(436,659)	-	9,483,342
	666,603,855	**144,031,795**	**(23,024,683)**	**(28,535,184)**	**759,075,783**

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.

Investment property 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 2011.

Assets subject to finance lease (Net carrying amount)

	2010	2009
Office equipment	9,886,443	13,443,002

Figures in Rand	2010	2009

9. Consumer debtors

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

Non-current consumer debtors		
Arrangements - Gross Balances	6,413,795	33,246,463
Less: Provision for doubtful debt	(6,413,795)	(26,471,640)
	-	**6,774,823**

10. Financial assets by category

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

2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other financial assets	-	252,610	15,146,664	15,399,274
Trade and other receivables	11,547,193	-	-	11,547,193
Cash and cash equivalents	-	-	30,375,076	30,375,076
Consumer debtors (Current)	133,227,246	-	-	133,227,246
Consumer debtors (Non-current)	-	-	-	-
	144,774,439	**252,610**	**45,521,740**	**190,548,789**

2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other financial assets	-	212,731	13,792,546	14,005,277
Trade and other receivables	2,836,144	-	-	2,836,144
Cash and cash equivalents	-	-	20,704,427	20,704,427
Consumer debtors (Current)	123,551,616	-	-	123,551,616
Consumer debtors (Non-current)	6,774,822	-	-	6,774,822
	133,162,582	**212,731**	**34,496,973**	**167,872,286**

11. Other financial liabilities

Held at amortised cost		
Sanlam Loan	-	21,311,627
Refer to Appendix A for detail		
PIC Loan	817,945	3,890,429
Refer to Appendix A for detail		
DBSA Consolidated Loan	19,922,458	18,070,952
Refer to Appendix A for detail		
ABSA Loan	(1,203,022)	2,093,686
Refer to Appendix A for detail		
INCA Loans	(187,123)	4,878,741
Refer to Appendix A for detail		
FBC (INCA) Loan	786,357	2,805,137
Refer to Appendix A for detail		
PACOFS Loan	-	368,464
Refer to Appendix A for detail		
FS Mun Pension Fund Loans	-	21,148
Refer to Appendix A for detail		
DBSA 02131/102	994,171	1,369,770
Refer to Appendix A for detail		

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
11. Other financial liabilities (continued)		
DBSA 08110/102	5,655,719	5,992,299
Refer to Appendix A for detail		
	26,786,505	**60,802,253**
	-	-
	26,786,505	60,802,253
Non-current liabilities		
At amortised cost	-	6,912,565
Current liabilities		
At amortised cost	26,786,505	53,889,688
	-	6,912,565
	26,786,505	53,889,688
	26,786,505	**60,802,253**
The Municipality defaulted on the redemption terms of the following loans:		
Sanlam	-	21,311,627
PIC Loan	817,945	3,890,429
DBSA Consolidated Loan	19,922,460	18,070,952
ABSA Loan	(1,203,022)	2,093,686
INCA Loan	(187,123)	4,878,741
FBC (INCA) Loan	786,357	2,805,137
	20,136,617	**53,050,572**
The Municipality renegotiated the terms of the following loans:		
Sanlam	-	21,311,627
PIC Loan	817,945	3,890,429
INCA Loan	(187,123)	4,878,741
FBC (INCA) Loan	786,357	2,805,137
	1,417,179	**32,885,934**

The Municipality defauled on the DBSA and INCA loan agreements. None of these loans terms were renegotiated.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

12. Finance lease obligation

Minimum lease payments due		
- within one year	5,768,559	4,947,518
- in second to fifth year inclusive	14,352,923	17,072,353
	20,121,482	22,019,871
less: future finance charges	(5,543,435)	(5,782,521)
Present value of minimum lease payments	**14,578,047**	**16,237,350**
Present value of minimum lease payments due		
- within one year	3,110,016	2,506,566
- in second to fifth year inclusive	11,468,030	13,730,784
	14,578,046	**16,237,350**
Non-current liabilities	11,468,030	13,730,784
Current liabilities	3,110,016	2,506,566
	14,578,046	**16,237,350**
The total future minimum sublease payment expected to be received under non-cancellable sublease	-	-

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 19% (2009: 17%).

Interest rates are linked to prime at the contract date. Most of the leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

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

13. Trade and other payables

Trade payables	324,949,794	252,827,412
Payments received in advanced	11,361,756	29,047,326
Accrued leave pay	37,406,362	30,389,012
Accrued bonus	7,268,852	6,228,135
Operating lease payables	(61,493)	123,359
Deposits received	35,827	59,935
Other creditors	21,208,225	18,422,690
	402,169,323	**337,097,869**

14. VAT payable

Tax refunds payables	15,506,114	64,764,656

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

Only when payment is made to creditors, input VAT is claimed from the Receiver of Revenue.

15. Consumer deposits

Water and electricity	25,706,018	25,265,307
Guarantees		
Guarantees held in lieu of Electricity and Water Deposits	4,200,256	3,398,547

Figures in Rand	2010	2009

15. Consumer deposits (continued)

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2010	2009
Unspent conditional grants and receipts		
Financial Management Grant	-	22,522
Municipal Infrastructure Grant	70,116,561	39,891,779
Municipal Infrastructure Grant - PMU	3,289,567	3,289,567
Department of Mineral and Energy Affairs	460,507	507
Provincial Clinic Repairs Grant	361,843	361,843
LED Grant	555,940	555,940
Parks Lotto	71,587	569,706
Municipal Systems Improvement Grant	1,691,256	1,735,000
Department of Water and Environmental Affairs	131,495	-
Operation Hlasela - Bopa Lesedi Development	1,587,417	-
	78,266,173	**46,426,864**

Movement during the year

	2010	2009
Balance at the beginning of the year	46,426,864	7,332,029
Receipts during the year	164,013,769	110,610,500
Income recognition during the year	(132,174,460)	(71,515,665)
	78,266,173	**46,426,864**

See note 23 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Environmental rehabilitation	59,661,353	12,944,919	72,606,272

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Environmental rehabilitation	50,280,642	9,380,711	59,661,353

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

18. Financial liabilities by category

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

2010

	Financial liabilities at amortised cost	Fair value	Total
Other financial liabilities: Current	26,786,505	-	26,786,505
Other financial liabilities: Non-current	-	-	-
Finance leases: Current	3,110,016	-	3,110,016
Finance leases: Non-current	11,468,030	-	11,468,030
Trade and other payables	-	402,169,323	402,169,323

Notes to the Annual Financial Statements

Figures in Rand			2010	2009

18. Financial liabilities by category (continued)

		41,364,551	**402,169,323**	**443,533,874**

2009

	Financial liabilities at amortised cost	Fair value	Fair value through surplus or deficit - held for trading	Total
Other financial liabilities: Current	53,889,688	-	-	53,889,688
Other financial liabilities: Non-current	6,912,565	-	-	6,912,565
Finance leases: Current	2,506,566	-	-	2,506,566
Finance leases: Non-current	13,730,784	-	-	13,730,784
Trade and other payables	-	332,750,112	-	332,750,112
Bank overdraft	-	-	6,595	6,595
	77,039,603	**332,750,112**	**6,595**	**409,796,310**

19. Retirement benefits

Defined benefit plan

All councillors and employees belong to defined retirement plans administered by the Provincial Pension Fund. These funds are subject to a tri-annual actuarial valuation. As these are multi-employer funds, these amounts are accounted for as defined contribution plans. The last actuarial valuation performed by actuaries appointed by the Provincial Pension Fund was as at 30 June 2005.

20. Revenue

	2010	2009
Property rates	181,926,366	168,929,618
Service charges	587,382,889	488,397,853
Rental of facilities & equipment	12,479,800	9,949,159
Fines	2,903,537	1,446,188
Licences and permits	9,573	8,256
Government grants & subsidies	420,950,546	297,298,374
Agency fees income	7,310,860	6,904,586
	1,212,963,571	**972,934,034**

	2010	2009
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	587,382,889	488,397,853
Rental of facilities & equipment	12,479,800	9,949,159
Licences and permits	9,573	8,256
	599,872,262	**498,355,268**

	2010	2009
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	181,926,366	168,929,618
Fines	2,903,537	1,446,188
Government grants & subsidies	420,950,546	297,298,374
Agency fees income	7,310,860	6,904,586
	613,091,309	**474,578,766**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

21. Property rates

Rates received

Residential	90,552,568	95,480,479
Commercial	77,357,430	59,445,579
State	13,488,572	13,534,157
Small holdings and farms	527,796	469,403
	181,926,366	**168,929,618**

Valuations

Residential	344,210,379	407,699,381
Commercial	171,139,524	169,908,094
State	44,020,624	50,194,939
Small holdings and farms	4,009,000	4,009,000
Exempted	281,960,550	218,023,112
	845,340,077	**849,834,526**

The last general valuation came into effect during 1995.

The new general valuation will be implemented during 2011.

22. Service charges

Sale of electricity	289,865,603	205,393,238
Sale of water	159,696,154	156,867,707
Sewerage and sanitation charges	85,481,550	78,570,663
Refuse removal	52,339,582	47,566,245
	587,382,889	**488,397,853**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. Government grants and subsidies

Department of Water and Environmental Affairs	6,244,998	-
Equitable Share	284,476,086	221,334,166
Financial management Grant	772,521	1,070,671
Lejweleputswa District Municipality	1,446,946	2,886,966
Lotto - Parks	498,119	-
MIG - PMU	-	1,561,576
Municipal Systems Improvement Grant	778,744	-
Municipali Infrastructure Grant	76,803,443	68,734,562
Operating grant - MIG	3,125,775	1,710,433
Operation Hlasela - Bopa Lesedi Development	3,949,387	-
Operation Hlasela - Roads	37,992,067	-
Operation Hlasela - Roads (Clean-up of Kutlwanong Township)	362,460	-
Operation Hlasela - Upgrade Offices	500,000	-
Operation Hlasela - Housing	4,000,000	-
	420,950,546	**297,298,374**

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.

Financial Management Grant

Balance unspent at beginning of year	22,522	593,193
Current-year receipts	750,000	500,000
Conditions met - transferred to revenue	(772,522)	(1,070,671)
	-	**22,522**

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.

Municipal Infrastructure Grant

Balance unspent at beginning of year	39,891,779	4,751,342
Current-year receipts	110,154,000	74,689,000
Conditions met - transferred to revenue	(76,803,443)	(68,734,563)
Conditions met (operating expenditure) - transferred to revenue	(3,125,775)	-
2009/2010 subsidy received in advance	-	29,186,000
	70,116,561	**39,891,779**

Conditions still to be met - remain liabilities (see note 16)

The Municipal Infrastructure Grant is to finance the extension of services and to alleviate poverty. The purpose of the grant is also to stimulate local economic deveopment and job creation over the medium term. R22 108 000 of grants were withdrawn during 2009 due to non-compliance with stated procedures, but were made available in 2010 and is included with current year receipts.

Minicipal Infrastructure Grant - PMU

Balance unspent at beginning of year	3,289,567	5,000,000
Conditions met - transferred to revenue	-	(1,710,433)
	3,289,567	**3,289,567**

Conditions still to be met - remain liabilities (see note 16)

The Municipal Infrastructure Grant - PMU is to finance the project amangement costs associated with the Municipal

23. Government grants and subsidies (continued)

Infrastructure Grant described above. The grant is used to defray certain administrative costs. The grant has not been withheld.

Department of Mineral and Energy Affairs

Balance unspent at beginning of year	507	507
Current-year receipts	460,000	-
	460,507	**507**

Conditions still to be met - remain liabilities (see note 16)

The Municipality was granted a total of R550,000 for electrification of Thabong (ext. 15) and Bronville (ext. 9) - Phase 3.

Provincial Maintenance of Clinics

Balance unspent at beginning of year	361,843	416,769
Current-year receipts	-	197,266
Conditions met - transferred to revenue	-	(252,192)
	361,843	**361,843**

Conditions still to be met - remain liabilities (see note 16)

LED Grant

Balance unspent at beginning of year	555,940	555,940

Conditions still to be met - remain liabilities (see note 16)

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

Lotto - Parks

Balance unspent at beginning of year	569,706	69,206
Current-year receipts	-	500,500
Conditions met - transferred to revenue	(498,119)	-
	71,587	**569,706**

Conditions still to be met - remain liabilities (see note 16)

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

Municipal Systems Improvement Grant

Balance unspent at beginning of year	1,735,000	1,000,000
Current-year receipts	735,000	735,000
Conditions met - transferred to revenue	(778,744)	-
	1,691,256	**1,735,000**

Conditions still to be met - remain liabilities (see note 16)

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

Operation Hlasela - Roads

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. Government grants and subsidies (continued)

Current-year receipts	32,500,000	-
Current-year receipts (Clean-up of Kutlwanong Township)	410,970	-
Conditions met - transferred to revenue	(37,992,067)	-
Conditions met - transferred to revenue (Clean-up of Kutlwanong Township)	(362,460)	-
Transfer of balance to Sundry Debtors	5,443,557	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16)

Money was granted by Province (Premier Office) for upgrading of roads in Matjhabeng.

Operation Hlasela - Upgrade Offices

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(500,000)	-
	-	**-**

Money was granted by Province (Premier Office) for upgrading of municipal offices in Thabong.

Operation Hlasela - Housing

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-
	-	**-**

Money was granted by Province (Premier Office) to build 50 houses for the previously disadvantage people.

Department of Water and Environmental Affairs

Current-year receipts	6,376,493	-
Conditions met - transferred to revenue	(6,244,998)	-
	131,495	**-**

Conditions still to be met - remain liabilities (see note 16)

This was money granted by the Department in order to assist Matjhabeng with Klippan Sewerage.

Operation Hlasela - Bopa Lesedi Development

Current-year receipts	5,016,804	-
Current-year receipts - other projects	520,000	-
Conditions met - transferred to revenue	(3,949,387)	-
	1,587,417	**-**

Conditions still to be met - remain liabilities (see note 16)

The Office of the Premier has appointed Bopa Lesedi Development (Pty) Ltd as the Project Manager for the Matjhabeng ("the Operation Hlasela Project"), which provides for the immediate implementation of a number of viable projects in the Matjhabeng Local Municipality.

200 workers were appointed (a directive from Premier Office) in order to help with necessary work in Phomolong. The payment for these workers are from the budget of Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. Other income

Commissions received	505,606	465,485
Other income	17,185,334	17,509,002
	17,690,940	**17,974,487**

Other income		
Disconnection fees	2,256,747	2,434,166
Dumping fees	2,607,360	429,739
Fair value adjustment	39,879	212,506
Hostel fees	2,497,925	5,749,667
Services rendered	1,575,891	1,901,674
Sundries	8,207,532	6,781,250
	17,185,334	**17,509,002**

25. Investment revenue

Dividend revenue		
Local Dividends	55,137	37,317
Interest revenue		
Financial Assets	3,160,465	2,640,134
	55,137	37,317
	3,160,465	2,640,134
	3,215,602	**2,677,451**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R3 160 465 (PY: R2 640 134).

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

26. Employee related costs

Basic	186,912,008	155,199,534
Bonus	14,609,467	12,720,998
Medical aid - company contributions	25,962,819	21,631,441
UIF	1,942,626	1,745,230
Leave pay provision charge	11,750,438	2,855,913
Post-employment benefits - Pension - Defined contribution plan	30,774,061	27,841,861
Overtime payments	26,904,198	30,828,988
Long-service awards	543,799	465,402
Transport allowance (bus coupons)	12,800,257	13,067,843
Housing benefits and allowances	2,388,649	3,195,757
Other allowances	3,687,524	2,148,169
Insurance group	3,918,321	3,729,938
	322,194,167	**275,431,074**

Remuneration of Municipal Manager

Annual Remuneration	686,603	610,021
Car Allowance	180,000	165,000
Contributions to UIF, Medical and Pension Funds	34,939	27,210
	901,542	**802,231**

Remuneration of Chief Finance Officer

Annual Remuneration	253,530	451,620
Car Allowance	186,667	197,620
Contributions to UIF, Medical and Pension Funds	900	1,286
	441,097	**650,526**

The position of Chief Finance Officer was vacant from 19 May 2009 to December 2009 when it was filled.

The position of Chief Finance Officer is vacant from June 2010.

Remuneration of Chief Operating Officer

Annual Remuneration	408,333	477,138
Car Allowance	-	81,000
Contributions to UIF, Medical and Pension Funds	900	81,012
	409,233	**639,150**

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

Remuneration of Director: Community Services

Annual Remuneration	514,144	477,949
Car Allowance	84,000	74,000
Contributions to UIF, Medical and Pension Funds	68,898	71,280
	667,042	**623,229**

Remuneration of Director: Corporate Services

Annual Remuneration	355,826	477,795
Car Allowance	-	165,000
Contributions to UIF, Medical and Pension Funds	53,407	1,535
	409,233	**644,330**

Figures in Rand	2010	2009

26. Employee related costs (continued)

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

Remuneration of Directors: Infrastructure

Annual Remuneration	625,690	642,350
Contributions to UIF, Medical and Pension Funds	1,542	1,539
	627,232	**643,889**

Total employee related costs	325,649,546	279,434,429

27. Remuneration of councillors

Executive Major	604,736	590,161
Mayoral Committee Members	3,940,825	4,191,741
Council Members	12,186,805	11,703,957
Speaker	507,795	474,580
Councillors' pension contribution	1,645,604	1,579,282
Pension fund	(1,092,756)	(237,656)
Medical aid contribution	449,277	395,167
	18,242,286	**18,697,232**

In-kind benefits

The Executive Mayor, Deputy 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 bodyguards.

28. Depreciation and amortisation

Property, plant and equipment	28,890,271	23,024,682

29. Impairment of assets

Impairments		
Trade and other receivables	208,760,412	297,576,133
	208,760,412	297,576,133
	-	-

30. Finance costs

Non-current borrowings	7,526,931	8,475,714
Trade and other payables	8,355,107	17,738,961
Finance leases	3,357,999	2,880,793
	19,240,037	**29,095,468**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 19,240,037 (2009: R29 095 468).

31. Bulk purchases

Electricity	181,142,921	134,753,871
Water	181,311,751	151,887,727

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

31. Bulk purchases (continued)

	362,454,672	**286,641,598**

32. Contracted services

Meter Reading Services	2,558,411	2,440,556

33. General expenses

Advertising	801,469	291,733
Assets expensed	601,239	236,559
Auditors remuneration	5,061,264	2,592,568
Bank charges	1,929,048	1,806,288
Chemicals	163,899	34,270
Cleaning	379,987	280,391
Community development and training	97,470	6,160
Conferences and seminars	27,455	25,652
Consulting and professional fees	47,221,622	32,092,566
Donations	26,850	-
Entertainment	491,386	369,312
Insurance	2,854,374	2,702,807
Magazines, books and periodicals	2,513	12,463
Marketing	538,095	588,495
Medical expenses	6,451	94,949
Municipal services	3,552,577	2,927,305
Operating cost of equipment	18,022,414	12,729,095
Operating cost of vehicles	20,662,613	23,928,077
Other expenses	15,256,776	13,230,833
Pest control	4,140	10,143
Printing and stationery	1,576,208	1,395,282
Royalties and license fees	3,175,154	2,832,460
Security (Guarding of municipal property)	17,459,911	10,452,086
Skills Development Levy	2,511,945	2,221,211
Subscriptions and membership fees	2,174,333	1,964,472
Telephone and fax	10,458,826	10,116,146
Training	2,324,403	2,794,143
Travel - local	908,611	1,016,156
Uniforms	2,061,401	1,508,314
	160,352,434	**128,259,936**

34. Cash generated from operations

Surplus	120,374,946	10,571,784
Adjustments for:		
Depreciation and amortisation	28,890,271	23,024,682
Loss on sale of assets and liabilities	-	(5,744,890)
Finance costs - Finance leases	3,357,999	2,880,793
Impairment deficit	208,760,412	297,576,133
Movements in provisions	12,944,919	57,619,266
Restatement of assessment rates	(10,101,994)	-
Changes in working capital:		
Inventories	(30,179)	(1,550,612)
Trade and other receivables	(217,471,461)	(298,909,892)
Consumer debtors	(9,675,630)	(6,293,615)
Consumer debtors - non current	6,774,822	1,688,503
Trade and other payables	65,071,454	109,422,592
VAT	(49,258,542)	(49,875,736)
Unspent conditional grants and receipts	31,839,309	38,656,277
Consumer deposits	440,711	860,544

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

34. Cash generated from operations (continued)

	191,917,037	**179,925,829**

35. Auditors' remuneration

Fees	5,061,264	2,592,568

36. Rental of facilities and equipment

Premises		
Premises	4,954,773	3,037,611
Facilities and equipment		
Rental of facilities	7,525,027	6,911,548
Premises	4,954,773	3,037,611
Garages and parking	-	-
Facilities and equipment	7,525,027	6,911,548
	12,479,800	**9,949,159**

37. Operating surplus

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

Surplus on sale of property, plant and equipment	-	5,744,890
Impairment on trade and other receivables	208,760,412	297,576,133
Depreciation on property, plant and equipment	28,890,271	23,024,683
Employee costs	343,891,832	298,131,661

38. Commitments

Capital and other expenditure

• Property, plant and equipment	48,969,765	-
• Professional fees	21,351,151	-
• Not yet contracted for and authorised by accounting officer	14,511,033	22,423,155
	84,831,949	**22,423,155**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	676,975	662,203
- in second to fifth year inclusive	1,491,267	1,882,438
	2,168,242	**2,544,641**

The total future minimum sublease payment expected to be received under non-cancellable sublease:	-	-

Operating lease payments represent rentals payable by the municipality for certain of its office properties, equipment and fire trucks. No sublease payment expected to be received under non-cancellable sublease.

Figures in Rand	2010	2009

39. Contingencies

Contingencies

The following cases against the Municipality are being defendeed 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	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	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	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	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	250,000
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	71,119
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
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)	-	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

39. Contingencies (continued)

SAMWU versus Matjhabeng Local Municipality. SAMWU, on behalf of 284 affected employees, filed an application in the Labour Court seeking an order that the Municipality provide transport to and from work for the affected employees after it was withdrawn at 06 July 2003.(Financial implication still unknown).	6,000,000	6,000,000
KLM Housing Management versus Matjhabeng Local Municipality. On 18/11/2009 the municipality was issued with notice of motion by KLM Housing management for payment	2,357,466	-
SAMWU obo T JOBO versus Matjhabeng Local Municipality. Employee Mr T Jobo took the municipality to the South African Bargaining council for a relief for remuneration of motor vehicle scheme.	109,824	-
Oppenheimer Golf Course versus Matjhabeng Local Municipality. The municipality was served with Combined Summons for damage suffered as a result of an overflowing of Witpan Sewer Plant which resulted to the alleged damage of the golf course.	802,360	-
Koth Properties versus Matjhabeng Local Municipality. Koth Properties was appointed to prepare general valuations. The agreement was terminated by die municipality. Koth Properties issued a combined summons against the municipality for breach of contract	14,400,000	-
Wright-guard Security Services versus Matjhabeng Local Municipality .The municipality was issued with Combined Summons by the security service provider, claiming a payment for services alleged to have been rendered.	3,200,000	-
Rover's Club versus Matjhabeng Local Municipality. Issued the municipality with Notice of Motion from the High Court, directing the municipality to commence by no later than 1st January 2011 with the re-establishment and contruction of rugby club facilities at new premises for their beneficial and undisturbed use and occupation. Directing the municipality to enter into a lease agreement with the same terms as per their initial contract.	3,500,000	-
Fujutsi Services (Pty) Ltd versus Matjhabeng Local Municipality. The municipality was issued with a Combined Summons from Fujitsu Services (Pty)Ltd. Alleged that the municipality failed to make payments.	7,051,941	-
	46,923,681	**15,502,090**

40. Prior period errors

Several errors were corrected during the year.

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

Statement of financial position		
Total restatements	81,336,740	36,213,974
Statement of financial position		
Property, plant and equipment	88,157,405	8,003,859
Trade and other payables	1,587,458	21,900,767
Trade and other receivables	(211,045)	1,358,998
Cash and cash Equivalents	-	(5,048,801)
Finance lease obligations (current)	-	418,511
Finance lease obligations (Non-current)	-	(11,372,365)
Other financial liabilities	655,816	2,851,835
Inventory	-	5,107,207
Taxes and transfers payable	47,177,586	8,481,918
Unspent conditional grants and receipts	1,207,800	990,132
Provision for rehabilitation	(57,238,280)	3,521,913
Statement of financial performance		
Total restatements on prior year surplus/(deficit)	16,245,900	70,092,968
Total restatements on opening accumulated surplus	(97,582,640)	(33,878,994)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
40. Prior period errors (continued)		
	(81,336,740)	**36,213,974**
Statement of financial performance		
Depreciation and amortisation	7,506,750	1,273,354
Interest received - Investment	-	5,733
General expenses	(3,427,591)	(4,748,037)
Bulk purchases	-	49,685,373
Employee related costs	-	2,503,965
Repairs and maintenance	121,762	1,903,064
Finance costs	466,993	(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	(769,242)	4,257,077
Other income	12,347,229	(4,303,358)
Opening accumulated surplus	(97,582,640)	(17,102,786)
Corrections to Trade and other payables		
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)
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)
Correction of Capital Creditors and Capital Work in Progress that was overprovided as at 30 June 2009	1,587,458	-
	1,587,458	**26,826,720**
Provision for staff leave and bonus understated		
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)**
Finance lease		
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)**
Backlog depreciation of finance leases		
Correction of depreciation as a result of corrections to errors in prior period finance leases.	-	1,273,353
Water Inventories understated		
Correction of water inventories not recorded in the prior period.	-	5,107,207

Figures in Rand	2010	2009

40. Prior period errors (continued)

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
Various corrections to individual debtor accounts.	(211,045)	-
	(211,045)	**1,358,998**

Movement on Market Bank account brought into account

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
Additions to property, plant and equipment were erroneously expensed in the prior period.	-	6,333,797
Correction of Capital Creditors and Capital Work in Progress that was overprovided as at 30 June 2009	(1,392,508)	-
Various corrections to Property, plant and equipment as a result of a complete fixed asset verification performed and new fixed asset register compiled. Impact on cost price (2008 and prior).	62,157,430	-
Reversal of accumulated depreciation as a result of fixed asset corrections (2008 and prior)	666,829,922	-
Reversal of depreciation for 2009 as a result of fixed asset corrections.	11,975,592	-
Decrease in work in progress as a result of capitalization (2008 and prior)	(5,215,888)	-
Decrease in work in progress as a result of capitalization (2009)	(28,535,185)	-
Increase in Infrastructure assets capitalization (balances before 2008)	5,215,888	-
Increase in Infrastructure assets capitalization (2009)	28,535,185	-
Depreciation correction on Infrastructure Assets as work in progress were capitalized and recalculation of depreciation were performed (2008 and prior).	(570,556,780)	-
Depreciation correction on Infrastructure Assets as work in progress were capitalized recalculation of depreciation were performed (2009).	(14,877,858)	-
Depreciation correction on Moveable Assets as a result of new fixed asset register compiled (2008 and prior).	(61,373,910)	-
Depreciation correction on Moveable Assets as a result of new fixed asset register compiled (2009).	(4,604,483)	-
	88,157,405	**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)

Figures in Rand	2010	2009
40. Prior period errors (continued)		
Conditions were met on the grant, but revenue was not recognised in the past (2008 and prior)	438,558	-
Conditions were met on the grant, but revenue was not recognised in 2009	769,242	-
	1,207,800	**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
Corrections made to ABSA loan prior to 2009 as the "Arrears/Advance" account was not properly recorded in the past	606,042	-
Corrections made to ABSA loan prior in 2009 as the "Arrears/Advance" account was not properly recorded in the past	49,774	-
	655,816	**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
Correction of Capital Creditors and Capital Work in Progress that was overprovided as at 30 June 2009 - VAT portion provided	(194,950)	-
Corrections of Value Added Tax based on an analysis made between the VAT reflected in the accounting records and the VAT according to the VAT Printouts obtained from South African Revenue Services	49,301,569	-
Recording of SARS penalties and interest not recorded in the past (2008 and prior)	(1,214,222)	-
Recording of SARS penalties and interest not recorded in 2009	(516,767)	-
Correction of VAT as a result of reversal of Internal Charges	43,997	-
Correction of incorrect VAT transactions on Creditor invoices and credit notes - 2008 and prior	(156,369)	-
Correction of incorrect VAT transactions on Creditor invoices and credit notes - 2009	(85,672)	-
	47,177,586	**8,481,918**
Provision for rehabilitation		
Restatement of rehabilitation provision as it was stated at cost instead of discounted value	-	3,521,913
Restatement of provision for rehabilitation as management reviewed and updated the base cost for rehabilitation on which the provision is based. Management also included all 5 sites compared to only 1 site in the prior years.	(48,238,555)	-
Unwinding of discount increased for 2009 as a result of the updated provision for rehabilitation cost	(8,999,725)	-
	(57,238,280)	**3,521,913**
Restatement of expenses		
Expenses paid in 2008 not accrued in 2007	-	16,776,208
Restatement made against opening retained surplus	-	(16,776,208)
Restatement of repairs and maintenance as a result of incorrect treatment of VAT on the transactions.	121,762	-
Restatement of general expenses as a result of incorrect treatment of VAT on the transactions.	(36,090)	-

Figures in Rand		2010	2009
40. Prior period errors (continued)			
Unwinding of discount on Provision for rehabilitation understated in 2009 due to understatement of base cost for rehabilitation.		8,999,725	-
		9,085,397	**-**
Finance costs			
Interest paid to creditors understated in 2009 due to penalties and interest on VAT paid to SARS not accurately recorded		516,767	-
Interest on Annuity loans not properly recorded in the past due to ABSA loan "Arrears/Advance" account not properly recorded		(49,774)	-
		466,993	**-**
Government Grants and subsidies			
Conditions were met on the financial management grant, but revenue was not recognised in 2009		(769,242)	-
Reversal of internal Charges			
Internal charges do not represent an outflow or consumption of assets or increase in liability, resulting in an overstatement of operating expenditure.		(12,391,226)	-
Internal charges do not represent an outflow or consumption of assets or increase in liability, resulting in an overstatement of service charges.		11,857,695	-
Internal charges do not represent an outflow or consumption of assets or increase in liability, resulting in an overstatement of property rates.		359,776	-
Internal charges do not represent an outflow or consumption of assets or increase in liability, resulting in an overstatement interest received arrear accounts.		28,710	-
Internal charges do not represent an outflow or consumption of assets or increase in liability, resulting in an overstatement of other income.		101,048	-
		(43,997)	**-**
Depreciation			
Correction of depreciation as a result of new fixed asset register and work in progress capitalized as infrastructure		7,506,749	-

41. 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 returns for member and 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 12, 11, 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 municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2010 and 2009 respectively were as follows:

Total borrowings			
Finance lease obligation	12	14,578,046	16,237,350
Other financial liabilities	11	26,786,505	60,802,253
		41,364,551	**77,039,603**
Less: Cash and cash equivalents	7	30,375,076	25,045,589

Figures in Rand	2010	2009

41. Risk management (continued)

Net debt	10,989,475	51,994,014
Total equity	438,342,461	328,069,514
Total capital	**449,331,936**	**380,063,528**

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Risk management is carried out by a central treasury department (entity 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 and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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 2010 and 2009, 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 board. The utilisation of credit limits is regularly monitored. .

42. Going concern

We draw attention to the fact that the Unspend conditional grants (Note 16) exceed the total cash and cash equivalents (Note 7) and other financial assets (Note 4) by R33 035 117 (2009: R11 717 160. This could indicate a possible going concern problem as the municipality does not have sufficient funds available to cover the unspent conditional grants disclosed.

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

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

43. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

On the 16th August 2010 municipality was served with municipality for payment of R614 412, 70. In brief the Matjhabeng Local Municipality concluded a Service Level Agreement with Universal Pulse in respect of purification of waste water in all sewer

43. Events after the reporting date (continued)

plants around the Municipality in May 2008. It was detected that the said agreement was in contravention with Municipal Finance Management Act as the terms agreed upon exceeded the required three year period and on the other hand an invoice for payment in the amount of R1 114 412.70 for work done was produced.

Pursuant to the above a round table discussion was held wherein amount in the sum of R500 000, 00 (Five hundred thousand rand) were to be effected by the municipality to the agreed bank account of the Universal Pulse on or before the 23 December 2009.On the 19th January 2010 municipality only effected an amount of R200 000, 00 (two hundred thousand rand) and further payment in amount of R300 000, 00 (three hundred thousand rand) was effected. The Combined Summons issued herein is for the outstanding amount out of the R1 114 412.70 invoice.

On the 9th July 2010 municipality was issued with summons from ADW Van Den Berg Attorneys wherein the latter alleges that the municipality is indebted to it an amount of R2 220, 72 for professional services rendered.

On the 27th August 2010 municipality was served with Combined Summons from the High Court. The Plaintiff on the matter claimed that the municipality is indebted to it in the amounts illustrated as follows:
Payment of R 166 707, 00
Payment of R 189 427, 20
Payment of R 672 161, 73
Payment of R 252 035, 00

44. Unauthorised expenditure

	2010	2009
Opening balance	623,428,929	448,312,905
Unauthorised expenditure current year	216,155,588	175,116,024
	839,584,517	**623,428,929**

The unauthorised expenditure in 2009 and 2010 relates to expenditure incurred that was not budgeted for.

45. Fruitless and wasteful expenditure

	2010	2009
Opening balance	26,203,631	5,999,951
Fruitless and wasteful expenditure current year	14,171,466	20,203,680
	40,375,097	**26,203,631**

These expenditure includes interest paid for late payment to suppliers and payments toward unfulfilled contracted services.

46. Irregular expenditure

	2010	2009
Opening balance	114,228,330	42,501,981
Add: Irregular Expenditure - current year	14,931,539	71,726,349
	129,159,869	**114,228,330**

Details of irregular expenditure – current year

Non Compliance with remuneration of Public Office Bearers Act	2,888,042
Non Compliance with supply chain management	11,503,497
	14,391,539

Details of irregular expenditure - prior year

Non Compliance with MFMA	30,828,988
Non Compliance with remuneration of Public Office Bearers Act	2,560,696
Non Compliance with supply chain management	38,336,665
	71,726,349

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2010	2009
Current year subscription / fee	2,075,345	3,061,230

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

Material losses

	2010	2009
Losses on water-and electricity distribution	71,400,000	26,600,000

Audit fees

	2010	2009
Opening balance	158,176	332,745
Current year subscription / fee	4,223,894	2,551,706
Amount paid - current year	(3,813,774)	(2,393,530)
Amount paid - previous years	(158,176)	(332,745)
	410,120	**158,176**

PAYE and UIF

	2010	2009
Opening balance	2,907,598	-
Current year payroll deductions	36,341,831	35,750,396
Amount paid - current year	(33,119,125)	(32,842,798)
Amount paid - previous years	(2,907,598)	-
	3,222,706	**2,907,598**

Pension and Medical Aid Deductions

	2010	2009
Opening balance	9,327,100	-
Current year subscription / fee	84,783,756	76,307,818
Amount paid - current year	(77,452,631)	(66,980,718)
Amount paid - previous years	(9,327,100)	-
	7,331,125	**9,327,100**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AN Sentle	625	984	1,609
AP Kotzee	5,195	112,747	117,942
B Sithole	355	3,827	4,182
D Kotzee	1,766	-	1,766
E Peterson	808	3,344	4,152
FE Taliwe	509	4,067	4,576
GL Qwesha	-	41,969	41,969
J Fourie	777	-	777
JHA Edeling	5,335	3,292	8,627
LM Sejane	734	12,507	13,241
MA Mathebula	1,259	14,216	15,475
MA Meko	1,186	-	1,186
MAM Mofoka	968	8,896	9,864

Figures in Rand		2010	2009

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

MC Radebe	1,316	23,262	24,578
ME Semela	407	-	407
ME Tsubane	1,016	13,923	14,939
ME Phetise	617	8,018	8,635
MJ Matlabe	1,017	4,692	5,709
MJ Molefi	2,027	29,272	31,299
MJ Sephiri	598	4,654	5,252
MK Tlhone	791	3,415	4,206
ML Ntsiu	649	8,706	9,355
ML Radebe	3,033	34,189	37,222
MS Moahloli	1,889	26,721	28,610
MS Mokhuma	486	4,005	4,491
SD Nteo	-	250	250
SW Mokwena	18	1,169	1,187
TA Nakwe	33	330	363
TG Mokotedi	252	1,297	1,549
TH Pietersen	59	1,658	1,717
TS Majoe	467	9,118	9,585
TW Dlova	264	35	299
VH Neumann	10,965	39,180	50,145
ZA Thuthani	510	4,378	4,888
ZP Noveld	611	-	611
	46,542	**424,121**	**470,663**

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 Masjoe	2,186	45,552	47,738
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 Thlone	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**

48. Actual vs Budget (Revenue & Expenditure)

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Variance %
Revenue				
Property Rates	181,926,366	172,801,286	9,125,080	5.3
Service charges	587,382,890	667,648,357	(80,265,467)	(12.0)
Rental of facilities and equipment	12,479,799	6,158,796	6,321,003	102.6
Interest received (trading)	39,665,414	71,218,946	(31,553,532)	(44.3)
Fines	2,903,537	4,298,739	(1,395,202)	(32.5)
Licences and permits	9,573	31,493	(21,920)	(69.6)
Government grants & subsidies	420,950,546	279,867,000	141,083,546	50.4
Agency fees	7,310,860	-	7,310,860	100.0
Commissions received	505,606	-	505,606	100.0
Other income	17,185,334	19,993,338	(2,808,004)	(14.0)
Interest received-Investment	3,160,465	-	3,160,465	100.0
Dividends received	55,137	-	55,137	100.0
'	**1,273,535,527**	**1,222,017,955**	**51,517,572**	**385.9**
Expenses				
Personnel	(325,649,546)	(345,104,925)	19,455,379	(5.6)
Remuneration of councillors	(18,242,287)	(17,563,227)	(679,060)	3.9
Depreciation	(28,890,271)	-	(28,890,271)	100.0
Impairments	(208,760,412)	(91,892,390)	(116,868,022)	127.2
Finance costs	(19,240,037)	(14,247,489)	(4,992,548)	35.0
Repairs and maintenance-General	(27,012,512)	(126,944,420)	99,931,908	(78.7)
Bulk purchases	(362,454,673)	(380,063,850)	17,609,177	(4.6)
Contracted Services	(2,558,411)	(3,000,000)	441,589	(14.7)
General Expenses	(160,352,433)	(173,666,929)	13,314,496	(7.7)
	(1,153,160,582)	**(1,152,483,230)**	**(677,352)**	**154.8**
Transfer to other reserves				
Transferes to reserves	-	(55,000,000)	55,000,000	(100.0)
Net surplus/(deficit) for the year	**120,374,945**	**14,534,725**	**105,840,220**	**728.2**

Appendix A
June 2010

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Short term liability Rand	Long term liability Rand
LONG-TERM LOANS								
ABSA @ 18%	3005999867	30/06/2010	2,093,686	-	3,296,708	(1,203,022)	(1,203,022)	-
DBSA @ 10%	02131/102	30/06/2010	1,369,770	-	375,599	994,171	994,171	-
DBSA @ 10%	08110/102	30/06/2013	5,992,299	-	336,579	5,655,720	5,655,720	-
DBSA @ 12.5%	102978	30/06/2012	18,070,954	-	(1,851,506)	19,922,460	19,922,460	-
FS Mun Pension Fund @ 15.95%	65008	30/06/2010	21,148	-	21,148	-	-	-
INCA @ 16.5%	MATJ-00-0003	30/06/2010	4,251,564	-	4,440,491	(188,927)	(188,927)	-
INCA @ 17.1%	VRG109M-S	30/06/2010	72,183	-	150,538	(78,355)	(78,355)	-
INCA @ 17.25%	VRG110M1-S	30/06/2010	110,665	-	110,665	-	-	-
INCA @ 16.05%	VRG110M-S	30/06/2010	214,713	-	214,713	-	-	-
INCA @ 17.44%	VRG112H-S	30/06/2012	229,617	-	82,294	147,323	147,323	-
INCA @ 16.45%	VRG108Z-S	30/06/2009	-	-	(67,164)	67,164	(67,164)	-
INCA(FBC) @ 16.5%	MATJ-00-0003	30/06/2010	2,805,137	-	2,018,780	786,357	786,357	-
INCA(PIC) @ 16.5%	MATJ-00-0003	30/06/2010	3,890,429	-	3,072,484	817,945	817,945	-
PACOFS @ 18%		30/06/2010	368,464	-	368,464	-	-	-
Sanlam @ 16.5%	WKM1103	30/06/2010	21,311,627	-	21,311,627	-	-	-
			60,802,256	**-**	**33,881,420**	**26,920,836**	**26,786,508**	**-**
Total external loans			**60,802,256**	**-**	**33,881,420**	**26,920,836**	**26,786,508**	**-**