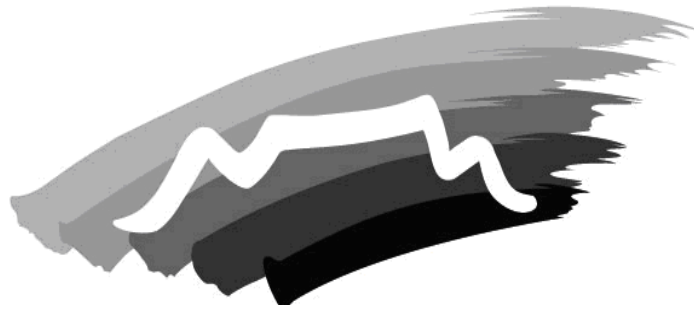


**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**



**DRAFT ANNUAL FINANCIAL
STATEMENTS**

for the year ended

30 JUNE 2007



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GENERAL INFORMATION

MAYOR	Alderman H Zille
DEPUTY MAYOR	Councillor C Williams
SPEAKER	Councillor JD Smit

MEMBERS OF THE MAYORAL COMMITTEE

Alderman H Zille	Executive Mayor of the Mayoral Committee
Councillor GCR Haskin	Mayoral Committee Member and Chairperson of the Amenities and Sport Portfolio
Councillor B Walker	Mayoral Committee Member and Chairperson of the Corporate Services and Human Resources Portfolio
Councillor SP Grindrod	Mayoral Committee Member and Chairperson of the Economic, Social Development and Tourism Portfolio
Alderman I Neilson	Mayoral Committee Member and Chairperson of the Finance Portfolio
Councillor M Fienies	Mayoral Committee Member and Chairperson of the Health Portfolio
Councillor D Plato	Mayoral Committee Member and Chairperson of the Housing Portfolio
Councillor M Nieuwoudt	Mayoral Committee Member and Chairperson of the Planning and Environment Portfolio
Councillor D Ximbi	Mayoral Committee Member and Chairperson of the Safety and Security Services Portfolio
Councillor L Roelf	Mayoral Committee Member and Chairperson of the Trading Services and Infrastructure Portfolio
Councillor E Thomson	Mayoral Committee Member and Chairperson of the Transport, Roads and Stormwater Portfolio

MEMBERS OF THE AUDIT COMMITTEE

Aklaaq Mahmood	Chairperson
Bertina Engelbrecht	Deputy Chairperson
Andre Barkhuizen	Member
Mervyn Burton	Member
Bulelani Mahlangu	Member
Ray Schur	Member

AUDITORS	Office of the Auditor-General Business Connexion Building Ring Road, Century Boulevard Century City 7441	P O Box 110 Cape Town 8000
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BANKERS	ABSA Bank 1 st Floor Tijgerpark IV Willie Van Schoor Drive Tyger Valley 7530	P O Box 4453 Tyger Valley 7536
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REGISTERED OFFICE	12 Hertzog Boulevard Cape Town 8000	P O Box 655 Cape Town 8000
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CITY MANAGER	Achmat Ebrahim
CHIEF FINANCIAL OFFICER	Mike Richardson

COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

COUNCILLOR/ALDERMAN

Abdullah, R	Groenewald, E	Mbaliswana, M G	Sasman, D P
Abrahams, A	Gutuza, FS	Mcgluwa, J J	Sass, G M
Abrahams, A N	Haskin, GCR	McKenzie, C L	Sawant, E
Amira, D	Hassiem, W	Mdluli, V V	Schäfer, D A
Anderson-Jardine, L O	Haywood, M	Mgayiya, N P	Schwella, W
Arendse, M G	Heber, B	Mgodeli, P	Serritslev, A M
Arendse, P S	Hermans, J	Mgxekeni, T M	Sidinana, L T
Arendse, S W P	Hill, P A D	Middleton, J H	Sikhutshwa, T R
Ariefdien, M G	Hlazo, M W	Mini, G B	Siljeur, G R
Bala-Mjobo, B V	Holderness, N	Mkutswana, M A	Simons, J M
Baskiti, M	Ipser, C W	Mngxunyeni, P M	Sims, S
Bayat, S	Iversen, I	Mnqasela, M	Smit, D
Beerwinkel, C F	Jackson, I R	Mocke, D	Smit, J D
Bent, N L	Jacobs, B M	Mofoko, N M	Smith, D R
Benya, L	Jacobs, J	Mokoena, J M	Smith, J
Bergh, A V	Jacobs, N A	Morkel, G N	Solizwe, M T
Berry, E A	Jaftha, W D	Mpongo, Kululwa	Sonnenberg, E J
Bevu, T N	Jama, J S	Mrawu, R	Sotashe, X R
Billie, N E	Jelele, L D	Msuthu, N M	Steenkamp, F R
Blaai, B C	Jespersen, G A	Mthiya, T B	Stemela, H P
Booi, P T	Joko, B	Murudker, M	Tabisher, C
Bottoman, T N	Jonas, A S	Mxolose, W S	Thee, J W P
Brady, W E	Jones, M	Ncedana, M	Thomas, C R
Bredenhand, J C	Justus, C R	Neilson, I D	Thompson, E L
Brenner, H I	Kallie, A	Nieuwoudt, M J	Thompson, T B
Britz, M T	Kearns, F	Njamela, JG	Timm, G
Brynard, C A	Kent, M E A	Nkwele, W A	Traut, A
Burger, J H H	Kinahan, O M	Ntamo, G T	Trout, T V
Carstens, E M	Klaas, M N	Ntloko, H N	Truter, B
Cavanagh, G V	Kleinsmith, G	Nyameka, N	Tshambula, D
Chabaan, BJ	Koty, P N	Nyanga, X	Twigg, G G
Chapple, P H	Kwayinto, E N	O'Connell, R A	Tyhalisisu, V K T
Christians, D J	Labase, M M	Oliver, M J	van Dalen, P
Claasen, C P V	Labuschagne, C	Omar, A R	van der Bijl, W
Claassen, H M	Landingwe, N J	Orrie, A	van Rensburg, L J
Clayton, C C	Lategan, K H	Otto, A	van Rensburg, M J
Cortje-Alcock, B A	Lee, B E H	Pascoe, G I	van Wyk, J
Daniels, C J	Le Roux, B	Pearce, Y	Venter, J D
Dase, N	Ludidi, M T	Pick, U E	Vlotman, B
Dudley, D K	Lukas, A	Pieterse, D	Vos, J
Dunn, L R	Maboee, B E	Pietersen, E	Walker, V M
Else, D	Mafilika, B	Plato, D	Watkyns, B R W
Erasmus, J F	Magwentshu, N D	Pretorius, I J	Willemse, J A
Esbach, B M	Makanda, M	Pringle, S B	Williams, A
Fienies, M M	March, G W	Purchase, F	Williams, C
Figlan, A M	Martin, F J	Qually, D L	Williams, D C
Gabriel, N A	Matha, M S	Rau, R	Xazana, R
Gabriel, P J	Matiwane, M P	Raymond, F H L	Ximbi, D L
Gexa, N G	Matshikiza, A B	Ridder, J C	Yiba, L P L
Gophe, X O	Matshoba, M O	Robinson, A C	Zille, O H
Gouws, P J H	Mavungavunga, V N	Roelf, L E	Zuma, B A
Green, A M	Mawela, X G	Ross, N D	
Grindrod, S P	Maxakato, F H	Rothman, L J	

CHIEF WHIP: A M Serritslev



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 11 to 60 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the City.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

ACHMAT EBRAHIM
CITY MANAGER

DATE: 31 AUGUST 2007

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

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.

These standards are summarized as follows:

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

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

A summary of the significant accounting policies, which have been consistently applied, except for the following:

- The City made certain retrospective changes to its application of certain accounting standards. The changes were:
 - Investments available for sale have been reclassified as investment property to the value of R4 million (2006: R4 million).
 - IT software items have been reclassified from Property, plant and equipment to intangible assets to the value of R69 million (2006: R119 million) and the related depreciation from Depreciation to Amortisation. The City has identified and recorded software that was previously included as part of Property, plant and equipment as a separate intangible asset because it was not considered an integral part of the related hardware.
- The City has adopted AC134. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income, and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the City previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. This resulted that an amount of R4,625 million (2006: R4,386 million) have been reclassified from reserves to non-current liabilities. Further details are given in the Statement of Changes in Net Assets and note 36.

In the process of applying the City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which has the most significant effect on the amounts recognised in the financial statements:

- **Operating Lease Commitments – City as Lessor**

The City has entered into commercial property leases on its investment property portfolio. The City has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases

- **Pension and Other Post Employment Benefits**

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2. HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act No 107 of 1997).

2.1 Housing Development Fund

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the City maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4) (d) (ii) (aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account and be utilised by the City for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilization of the Housing Development Fund:

- The Housing Development Fund is cash backed, and invested in accordance with the investment policy of the City.
- The proceeds in this fund are utilized for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

2.2 Unrealised Housing Proceeds

In order to comply with Section 14(4) (d) (i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

3. RESERVES

The City creates and maintains reserves in terms of specific requirements.

3.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment, from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the City.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

3.2 Insurance Reserve

A general insurance reserve has been established and subject to re-insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Reinsurance premiums paid to external re-insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance and is transferred to the Insurance reserve via the Statement of Changes in Net Assets as a contribution.

An actuarial valuation is obtained each year to assess the adequacy of the Insurance Reserve at year-end.

3.3 Compensation for Occupational Injuries and Diseases (COID) Reserve

The City has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

The certificate of Exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the City deposit cash and/or securities with the Commissioner, the market values of which in aggregate, shall not be less than the capitalised value of the of the continuing liability of the City as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalized value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID Reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the City is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment or at fair value where assets have been acquired by grant or donation.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Land is also not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and recognised in the Statement of Financial Performance. The City has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R5 000.

4.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	10-30	Buildings	20 - 30
Pedestrian Malls	30	Specialist vehicles	10 - 15
Electricity	20-30	Other vehicles	5-7
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialized plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
		Landfill Sites	30

Assets under construction work are carried at cost. Depreciation commences when the asset is ready for their intended use.

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

The City has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for the estimated costs of closure and rehabilitation during, and at the end of the life of the landfill sites where a constructive obligation exists. Rehabilitation cost capitalised to the cost of the landfill site, is written off on a straight-line basis over the estimated useful lives of the site.

4.2 Investment properties

Investment properties are held to earn rental income and for capital appreciation and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary. Investment property excludes owner-occupied property where it is used in the production or supply of goods or services or for administrative purposes or property held to provide a social service.

Investment property, other than vacant land, is depreciated on the straight-line basis over the useful lives of the assets estimated at 20 to 30 years.

4.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

The City recognised computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the City and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads. However, computer software costs associated with maintaining computer software programs and the acquisition of software licences are recognised as an expense as incurred.

Direct computer software development costs recognised as assets are amortised on the straight-line basis over the useful lives of the assets estimated at 3 to 5 years.

5. INVESTMENTS

Financial assets and financial liabilities are recognised on the City's statement of financial position when the City has become a party to contractual provisions of the instrument.

5.1 Investments in Financial Instruments

- *Held to maturity (HTM) investments* are financial assets with fixed or determinable payments and fixed maturity where the City has the positive intent and ability to hold the investment to maturity.
- *Loans and receivables originated by the enterprise* are financial assets that are created by providing money, goods or services directly to a debtor.
- *Financial assets at fair value through profit or loss* are financial assets that meet either of the following conditions:
 - they are classified as held for trading, or
 - upon initial recognition they are designated as at fair value through the statement of financial performance.
- *Available for sale investments* are financial assets that are designated as available for sale or are not classified as,
 - loans and receivables,
 - held to maturity investments, or
 - financial assets at fair value through the statement of financial performance.

Initial Measurement of financial instruments is *at cost, which is the fair value* of the consideration given or received. The fair value is usually the transaction price or market price. In terms of AC 133:67 *transaction costs* are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

Subsequent Measurement of financial assets.

- HTM investments and loans and receivables originated by the City and not held for trading are subsequently recognized at amortized cost using the effective interest rate method. Amortized cost is defined in AC 133:11 as the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.
- Financial assets at fair value through profit or loss, and available for sale investments are measured at fair value without any deduction for transaction costs. Fair value is determined using valuation techniques which discount future cash flows attributable to the financial assets.

The carrying amounts of such investments are reduced to recognize any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the statement of financial performance.

5.2 Investment in Controlled Entities

Investments in controlled entities under ownership control or effective control of the City are carried at cost and are classified as available for sale investments. Separate consolidated financial statements will be prepared to account for the City's share of net assets and post-acquisition results of these investments.

The carrying amounts of such investments are reduced to recognize any decline, other than one of a temporary nature, in the value of individual investments. This reduction in carrying value is recognized in the statement of financial performance.

5.3 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the City and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost and are classified as available for sale investments. Separate consolidated financial statements will be prepared to account for the City's share of net assets and post-acquisition results of these investments

The carrying amounts of such investments are reduced to recognize any decline, other than one of a temporary nature, in the value of individual investments. This reduction in carrying value is recognized in the statement of financial performance.

6. INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility.

7. ACCOUNTS RECEIVABLE

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the City will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

8. TRADE AND OTHER PAYABLES

Trade and other payables are stated at their nominal value.

9. REVENUE RECOGNITION

Revenue excluding value-added taxation where applicable is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the City and these benefits can be measured reliably. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9.2 Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

- 9.3 Service charges relating to Electricity and Water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 9.4 Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.
- 9.5 Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is recognised when received.
- 9.6 Income in respect of housing rental and instalment sale agreements is accrued monthly.
- 9.7 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the Insurance Reserve.
- Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on Trust Funds is allocated directly to the fund and is not recognised in the Statement of Financial Performance.
 - Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.
- 9.8 Dividends are recognised when the City's right to receive payment is established.
- 9.9 Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income is recognized in terms of the agency agreement.
- 9.10 Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the City.
- 9.11 Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable.
- 9.12 Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- The City has transferred to the buyer the significant risks and rewards of ownership of the goods.
 - The City 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 City.
 - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies are recognised to the extent that the City 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 and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the City's interest it is recognised as interest earned in the Statement of Financial Position.

11.1 Grants and receipts of a revenue nature

Income is transferred to the statement of financial performance as revenue to the extent that the criteria, conditions or obligations have been met.

11.2 Grants and receipts of a capital nature

Income is reclassified as deferred income under non-current liabilities in the statement of financial position to the extent that the criteria, conditions or obligations have been met and is credited to the statement of financial performance on a straight-line basis over the expected useful lives of the related asset.

12. PROVISIONS

A provision is recognized when the City has a present legal or constructive obligation as a result of a past event and 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 amount of the obligation.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

14. EMPLOYEES BENEFITS

14.1 Retirement Benefit Plans

Defined contribution plans are post-employment benefit plans under which an entity 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 are post-employment benefit plans other than defined contribution plans.

The City provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

14.2 Post Retirement Pension Funds

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff Provident Funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various Pension Funds. The City contributes monthly to the Funds. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the liabilities.

The liability in respect of current pensioners are regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation together with adjustments for the unrecognised actuarial gains and losses and past service costs.

Actuarial gains or losses are accounted for using the “*corridor method*”. Actuarial gains and losses are recognised eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are being performed annually.

14.3 Medical Aid: Continued Members

The City provides post retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the City is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the City for the remaining 70%. Under an accrued rights position agreed to by Council, the age of internally appointed staff under the City's new conditions of service determines, on a sliding scale basis, the post-retirement subsidy for medical aid. External appointments do not qualify for post retirement medical aid subsidy.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. In addition the City will contribute annually for the next five years, with effect from 1 July 2003, towards funding the unrecognised transitional liability which was calculated on the projected unit credit actuarial valuation method (AC 116).

The liability in respect of current pensioners are regarded as fully accrued and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at the fair value of the obligation together with adjustments for the unrecognised actuarial gains and losses and past service costs.

Actuarial gains or losses are accounted for using the “*corridor method*”. Actuarial gains and losses are recognised eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme. Actuarial valuations are being performed annually.

14.4 Short-term and long-term employee benefits

The cost of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The City recognises the expected cost of performance bonuses only when the City has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The City provides long-term incentives to eligible employees payable on completion of years of employment. The City's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

15. LEASES

15.1 The City as Lessee

15.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the City.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

15.1.2 Operating leases are those leases, which do not fall within the scope of the above definition. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

15.2 The City as Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

16. BORROWINGS

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The City has entered into interest rate swap agreements in order to manage the floating interest rate risk attached to certain of its external borrowings. These derivatives are classified as held for trading financial instruments. Upon initial recognition, the City measures these derivatives at fair value through profit or loss. Subsequently, they are re-measured at fair value and carried on the balance sheet as assets when the fair value is positive and liabilities when the fair value is negative.

18. GRANTS-IN-AID

The City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the City does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

19. VALUE ADDED TAX

The City accounts for Value Added Tax on the payment basis.

20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at balance sheet date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or as expenses in the period in which they arise.

24. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified and restated. The nature and reasons for the reclassification and restatement are disclosed.

CITY of CAPE TOWN
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R '000	2006 Restated R '000
NET ASSETS AND LIABILITIES			
Net assets		3 130 881	2 346 017
Housing Development Fund	1	532 225	501 627
Reserves	2	1 357 428	994 610
Capital Replacement Reserve		807 493	530 846
Self-insurance Reserve		549 935	463 764
Accumulated Surplus		1 241 228	849 780
Non-current liabilities		8 373 117	7 883 266
Deferred Income	3	4 370 090	4 122 397
Long-term liabilities	4	2 038 052	2 217 222
Non-current provisions	5	1 964 975	1 543 647
Current liabilities		3 841 375	3 412 367
Consumer deposits	6	214 449	176 982
Provisions	7	330 214	337 888
Payables	8	2 381 451	2 113 105
Unspent conditional grants and receipts	9	587 409	438 763
VAT	10	116 966	208 152
Current portion of long-term liabilities	4	210 886	137 477
Total Net Assets and Liabilities		<u>15 345 373</u>	<u>13 641 650</u>
ASSETS			
Non-current assets		10 734 398	9 464 298
Property, plant and equipment	11	9 761 821	8 484 315
Investment property	12	99 489	103 844
Intangible assets	13	69 683	119 964
Investments	14	491 267	409 154
Long-term receivables	15	279 185	294 287
Interest rate derivatives	45	32 953	52 734
Current assets		4 610 975	4 177 352
Inventory	16	143 393	121 171
Consumer debtors	17	1 761 964	1 818 946
Other debtors	18	154 826	160 481
Current portion of long-term receivables	15	19 773	22 287
Cash and cash equivalents	19	2 531 019	2 054 467
Total Assets		<u>15 345 373</u>	<u>13 641 650</u>

CITY of CAPE TOWN

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

BUDGET			ACTUAL	
2006	2007		2007	2006
R '000	R '000	Note	R '000	Restated R '000
REVENUE				
2 182 783	2 566 157	20	2 475 508	2 290 488
4 466 243	5 119 781	21	5 086 896	4 365 372
970 699	110 000	22	137 510	1 027 420
174 094	224 700	23	145 257	154 873
300 246	332 425	24	493 946	423 476
118 912	153 204		180 753	174 977
22 978	24 695		26 895	25 280
90 000	111 983		104 960	104 263
1 440 412	2 605 937	25	1 512 496	549 226
135 169	174 313	26	221 199	225 280
0	0	27	33 957	4 913
43 000	42 700		46 691	46 288
9 944 536	11 465 895		10 466 068	9 391 856
EXPENDITURE				
2 759 427	3 041 384	28	3 010 002	2 718 393
50 935	65 133	29	65 938	51 801
341 840	737 412	30	218 519	599 567
65 189	147 562		143 634	59 140
704 799	772 248	31	450 374	328 712
987 649	911 781		963 530	803 972
383 798	289 245	32	283 630	349 325
1 859 232	1 989 077	33	1 996 241	1 780 755
509 373	509 472		491 248	534 657
70 252	82 179	34	79 871	66 370
2 129 832	2 243 929	35	1 882 402	2 213 261
12	111		844	3 321
0	0		19 781	7 844
9 862 338	10 789 533		9 606 014	9 517 118
98 556	676 362		860 054	(108 904)
0	0		0	(16 358)
98 556	676 362		860 054	(125 262)
SURPLUS/(DEFICIT) FOR THE YEAR				

CITY of CAPE TOWN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund R '000	Capital Replacement Reserve R '000	Capitalisation Reserve R '000	Government Grants and Reserve R '000	Donations and Public Contributions R '000	Self- Insurance Reserve R '000	Accumulated Surplus R '000	Total R '000
2006								
Balance at 1 July 2005	626 411	371 317	2 787 819	1 377 431	65 691	346 759	920 665	6 496 093
Changes in accounting policy note 36							61 100	61 100
Correction of prior year error - note 37	(71 441)	59	50	(19 847)	17 523		144 519	70 863
Restated balance at 1 July 2005	554 970	371 376	2 787 869	1 357 584	83 214	346 759	1 126 284	6 628 056
Net surplus for the year							1 973	0
Transfer to Capital Replacement Reserve		367 343					(367 343)	0
Property, plant and equipment purchased	(16 932)	(207 873)					224 805	0
Capital grants used to purchase PPE				469 582	34 861		(504 443)	0
Contribution to Insurance Reserve						45 115	(45 115)	0
Transfer to Housing Development Fund	(36 411)						36 411	0
Offsetting of Depreciation			(255 263)	(87 457)	(3 964)		346 684	0
Balance at 30 June 2006	501 627	530 846	2 532 606	1 739 709	114 111	391 874	819 256	6 628 056
2007								
Balance at 30 June 2006 - previously reported	501 627	530 846	2 532 606	1 739 709	114 111	391 874	819 256	6 630 029
Changes in accounting policy note 36			(2 532 606)	(1 739 709)	(114 111)		0	(4 386 426)
Correction of prior year error - note 37						71 890	30 524	102 414
Restated balance at 30 June 2006	501 627	530 846	0	0	0	463 764	849 780	2 346 017
Net surplus for the year							860 054	860 054
Transfer to Capital Replacement Reserve		809 496					(809 496)	0
Property, plant and equipment purchased	(5 566)	(532 849)					538 415	0
Contribution to Insurance Reserve						86 171	(161 361)	(75 190)
Transfer to Housing Development Fund	36 164						(36 164)	0
Balance at 30 June 2007	532 225	807 493	0	0	0	549 935	1 241 228	3 130 881

CITY of CAPE TOWN
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R '000	2006 Restated R '000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		10 533 140	9 571 751
Cash paid to suppliers and employees		(8 041 018)	<u>(7 483 202)</u>
Cash generated from operations	38	2 492 122	2 088 549
Interest received		242 154	203 121
Interest paid		(224 606)	(327 437)
NET CASH FROM OPERATING ACTIVITIES		<u>2 509 670</u>	<u>1 964 233</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1 953 422)	(1 520 642)
Proceeds on disposal of property, plant and equipment		54 215	49 713
Decreases in non-current receivables		17 616	39 197
Decrease/(Increase) in investments		(83 233)	(61 791)
NET CASH FROM INVESTING ACTIVITIES		<u>(1 964 824)</u>	<u>(1 493 523)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised (Interest capitalised)		29 293	236 387
Loans repaid		(135 054)	(379 718)
Increase in consumer deposits		37 467	15 296
NET CASH FROM FINANCING ACTIVITIES		<u>(68 294)</u>	<u>(128 035)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	39	476 552	342 675
Cash and cash equivalents at the beginning of the year		2 054 467	<u>1 711 792</u>
Cash and cash equivalents at the end of the year		<u>2 531 019</u>	<u>2 054 467</u>

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
1. HOUSING DEVELOPMENT FUND		
Realised Housing Proceeds		
Balance at beginning of the year	207 244	251 675
Income	68 647	60 997
Land Sales	651	9 797
Repayments Long-Term Debtors	45 713	41 673
Repayments Public Organisations	2 884	3 088
Service Contributions	6 068	0
Subsidy Refunds and Other	13 331	6 439
Add: Interest	9 619	5 457
Less : Expenditure	29 674	92 729
Funding Capital Projects	5 566	16 932
Funding Operating Projects	24 108	75 797
Less : Non Cash transfer to provision for impairment	11 480	18 156
Balance at the end of the year	244 356	207 244
Realised Housing Proceeds are fully funded and invested in ring fenced financial instruments		
Unrealised Housing Proceeds		
Balance at beginning of the year	294 383	303 295
Less : Loans realised	22 774	22 217
Long-term Housing Loans	21 284	19 008
Long-term Loans Public Organisations	1 490	3 209
Transfer to / from provision for impairment	16 260	13 305
Balance at the end of the year	287 869	294 383
Unrealised Housing Proceeds represents loan repayments not yet due in terms of the debtors loan agreement.		
TOTAL	532 225	501 627
2. RESERVES		
Capital Replacement Reserve	807 493	530 846
Insurance Reserve	549 935	463 764
Self-insurance Reserve	521 502	439 380
COVID	28 433	24 384
Total Reserves	1 357 428	994 610
The Capital Replacement Reserve and the Self-Insurance Reserve are fully funded and invested in ring-fenced financial instruments.		
3. DEFERRED INCOME		
Assets financed from Capitalisation Reserve	2 363 685	2 532 606
Assets financed from Government Grants	2 110 786	1 739 709
Assets financed from Public Contributions	150 531	114 111
	4 625 002	4 386 426
Less : Current portion transferred to current liabilities	(254 912)	(264 029)
Total Deferred Income	4 370 090	4 122 397
Reconciliation of movement		
Balance at beginning of the year	4 386 426	4 228 667
Additions during the year	502 605	504 443
Income recognised during the year	(264 029)	(346 684)
Balance at end of the year	4 625 002	4 386 426
Less: current portion	(254 912)	(264 029)
Non-current portion	4 370 090	4 122 397
Deferred income represents grants received from government, and capital contributions from the customers, to construct and acquire capital assets.		

	2007	2006
	R '000	Restated R '000
4. LONG-TERM LIABILITIES		
Local Registered Stock Loans	11 400	11 400
Annuity Loans	38 458	48 771
Other Loans	1 921 743	2 103 181
Finance Leases	277 337	191 347
Sub-total	<u>2 248 938</u>	<u>2 354 699</u>
Less : Current portion transferred to current liabilities	210 886	137 477
Annuity Loans	11 464	10 312
Other Loans	188 825	110 492
Finance Leases	10 597	16 673
Total Long-term liabilities (Refer to Appendix A for more detail)	<u>2 038 052</u>	<u>2 217 222</u>

The capitalised lease liabilities are secured by items of leased plant, to the carrying value of R188,507 million. R426,474 million (2006: R349,949 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term liabilities. Refer note 14 and 41 for more detail.

Determination of fair value

The fair value of the long-term liabilities was determined by discounting their cash flows from the reporting date to their final maturity dates at rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.

The fair value of long-term liabilities held at amortised cost amounted to R2,390 million (2006: R2,540 million)

The obligations under finance leases are scheduled below:

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	R '000	R '000	R '000	R '000
Amounts payable under finance leases:				
Payable within one year	38 350	36 335	10 597	7 994
Payable within two to five years	251 786	222 070	169 461	121 487
Payable after five years	0	71 212	0	61 866
	<u>290 136</u>	<u>329 617</u>	<u>180 058</u>	<u>191 347</u>
Less: Future finance obligations	(110 078)	(138 270)	0	0
Present value of lease obligations	<u>180 058</u>	<u>191 347</u>	<u>180 058</u>	<u>191 347</u>
Less: Amounts due for settlement within 12 months			(10 597)	(7 994)
Amount due for settlement after 12 months			<u>169 461</u>	<u>183 353</u>

Refer to Appendix A1 for descriptions of structured loans and finance leases.

5. NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	272 513	289 569
Post Retirement Medical Aid Benefits	1 520 680	1 241 630
Post Retirement Pension Benefits	12 052	12 448
Long Service Leave Benefits	159 730	0
Total Non-current Provisions	<u>1 964 975</u>	<u>1 543 647</u>

Landfill Sites

In terms of the licensing stipulations of the landfill refuse sites, the City will incur rehabilitation costs of R28,1 million to restore the sites. Provision has been made for this amount based on the net present value of cost. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an inflation rate of 5,6% and discounted to present value at the average borrowing cost of 11,42%.

Post Retirement Medical Aid Benefit

The total liability in respect of post-retirement medical benefits amounts to R 1774,10 million as at 30 June 2007 (2006 : R1595,97 million). Provision for R1596,68 million has been made (non-current R1520,68 million, current R76,0 million) - refer note 7 and 46.

Post Retirement Pension Benefits

An actuarial valuation has been performed of the City's unfunded liability in respect of Revenue Pension benefits to eligible employees, retirees and retrenched employees to whom the Municipality must contribute until they reach retirement age. The unfunded liability in respect of past service has been estimated at R 14,8 million of which R 12,1 million relates to the non current portion - refer note 45.

Reconciliation of movement in non-current provisions

Long Service Leave Benefits

The long service leave benefits provision relates to vested leave benefits to which employees may become entitled upon completion of ten years service and every five years thereafter. The provision is utilised when employees are entitled to these awards.

CITY of CAPE TOWN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Long Service Leave Benefits	Landfill Sites	Post Retirement Medical Aid Benefits	Post Retirement Pension Benefits
	R '000	R '000	R '000	R '000
As at 30 June 2007				
Balance at beginning of the year	0	289 569	1 241 630	12 448
Transfer from (to) current	(18 940)	12 377	(70 098)	(2 166)
Contributions to (from) provisions	178 670	(29 433)	349 148	1 770
Balance at end of the year	159 730	272 513	1 520 680	12 052
As at 30 June 2006				
Balance at beginning of the year	0	0	949 330	19 008
Transfer from current	0	(20 000)	(11 000)	(875)
Contributions to provisions	0	309 569	303 300	(5 685)
Balance at end of the year	0	289 569	1 241 630	12 448
			2007	2006
			R '000	Restated R '000

6. CONSUMER DEPOSITS

Electricity and Water	214 449	176 982
Guarantees held in lieu of electricity and water Deposits were R 27,0m (2006 : R25,5m)		

7. PROVISIONS

Ambulance Incentive	713	713
COVID Short term portion	2 460	2 379
Insurance claims	1 038	1 847
Legal Fees	4 028	600
Landfill sites	7 623	20 000
Post Retirement Medical Aid Benefits	76 000	71 000
SARS	0	57 535
Post Retirement Pension Benefits	2 700	3 000
Staff Leave	216 712	180 814
Long Service Leave Benefits	18 940	0
Total Provisions (refer Appendix G for more detail)	330 214	337 888

Ambulance Incentive

An incentive amount was negotiated with the unions to be provided for ambulance staff as compensation for their willingness to be transferred to the Provincial Administration Western Cape.

Insurance Claims

Provision has been made for outstanding insurance claims as at 30 June 2007 out of the Insurance Reserve.

Legal Fees

Legal cost relating to process of defending City of Cape Town in Labour Appeal Court and Labour Court cases of which the court dates have already been set.

Landfill sites

Current portion of non-current provision, which is due -refer note 5 for more detail.

Post Retirement Medical Aid Benefits

Current portion of non-current provision, which is due - refer note 5 for more detail.

SARS

A settlement with SARS has been reached and the matter has now been resolved.

Post Retirement Pension Benefits

Current portion of non-current provision, which is due - refer note 5 for more detail.

Staff leave

Annual leave accrues to employees on an monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year end.

Long Service Leave Benefits

Current portion of non-current provision, which is due - refer note 5 for more detail.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
8. PAYABLES		
Trade creditors	1 256 659	984 766
Payments received in advance	465 750	487 531
RSC Levies	22 658	56 264
Inter-company advances	214 278	118 371
Third party payments	121 041	159 089
Deferred income	254 912	264 029
Other creditors	46 153	43 055
Total Creditors	2 381 451	2 113 105

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2007	2006
	R '000	R '000
Conditional Grants from other spheres of Government	492 138	345 022
MIG Grants	0	0
National Government	237 444	147 300
PAWC - other	254 694	197 722
Other Conditional Receipts	95 271	93 741
Public contributions	95 271	93 741
Total Conditional Grants and Receipts	587 409	438 763

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 25 and 27 for more detail of grants from National and Provincial Government.

10. VAT

VAT Payable	264 163	300 177
VAT Receivable	(147 197)	(92 025)
Net VAT Payable	116 966	208 152

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services.

11. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value
	R '000	R '000	R '000
As at 30 June 2007			
Land and Buildings	2 438 351	1 016 958	1 421 393
Infrastructure	9 487 101	3 810 948	5 676 153
Community	959 888	165 011	794 877
Heritage	6 646	0	6 646
Leased Assets	398 960	210 453	188 507
Housing Rental Developments	1 039 516	473 528	565 988
Other	2 418 590	1 310 333	1 108 257
Total Property, Plant and Equipment	16 749 052	6 987 231	9 761 821
As at 30 June 2006			
Land and Buildings	2 391 828	1 004 347	1 387 481
Infrastructure	8 717 102	3 515 455	5 201 647
Community	422 096	145 541	276 555
Heritage	2 772	0	2 772
Leased Assets	289 201	113 371	175 830
Housing Rental Developments	1 032 233	452 344	579 889
Other	2 077 603	1 217 462	860 141
Total Property, Plant and Equipment	14 932 835	6 448 520	8 484 315

Refer to **Appendix B and B(1)** for more detail.

Certain parcels of land, the value of which is included in land and buildings, have been made available to the Cape Town Community Housing Company.

The lease property, plant and equipment is encumbered as set out in Note 4. Provision has been made for the estimated costs of restoring refuse landfill sites, included in other assets, as described in Note 5.

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

12. INVESTMENT PROPERTY

	Cost	Accumulated Depreciation	Carrying Value
	R '000	R '000	R '000
As at 30 June 2007			
Vacant Land	38 409	0	38 409
Land and Buildings	90 241	29 161	61 080
	128 650	29 161	99 489
As at 30 June 2006			
Vacant Land	38 320	0	38 320
Land and Buildings	90 296	24 772	65 524
	128 616	24 772	103 844

Rental income has been received on various properties during the year. Fair value is determined from property sales statistics, and is the basis for property valuations for rating purposes.

Property valuations are conducted by independent valuers. The last General Valuation was performed during the year under review and will be implemented with effect from 1 July 2007. These valuations were used as basis for disclosure.

The fair value of the investment properties amounted R 291,535 million (R 171,722 million)

13. INTANGIBLE ASSETS

	Cost	Accumulated Amortisation	Carrying Value
	R '000	R '000	R '000
As at 30 June 2007			
Computer Software	261 489	191 806	69 683
As at 30 June 2006			
Computer Software	259 468	139 504	119 964
		2007	2006
		R '000	Restated R '000

14. INVESTMENTS

14.1 Held to maturity

Listed

RSA Government stock at amortised cost	26 024	20 909
Eskom stock at amortised cost	1 512	1 474
Total listed investments	27 536	22 383

The fair value of the listed held to maturity investments is estimated at R 27,9 million (2006: R 22,9 million)

Unlisted

Bank Deposits

Fixed Deposits: Sinking fund deposits for redemption of long-term loan liabilities - refer note 4	426 474	349 949
Other fixed Deposits	2 380 595	1 926 842
Less: Provision for impairment	(14 800)	(14 800)
Total unlisted investments	2 792 269	2 261 991

The fair value of the unlisted held to maturity investments is estimated at R 2,882 million (2006: R 2,369 million)

Total held to maturity

Total held to maturity	2 819 805	2 284 374
Less: current portion maturing within next twelve months - refer note 19	(2 367 307)	(1 914 517)
Total held to maturity (non current)	452 498	369 857

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R '000	2006 Restated R '000
14.2 Available for sale		
Unlisted		
Investment in municipal entities at cost:		
Cape Town International Convention Centre Company (Pty) Ltd	284 000	284 000
Less: Provision for impairment - refer note 30	(245 231)	(244 703)
	<u>38 769</u>	<u>39 297</u>
Objective indicators of impairment of the City's investment in Convenco exist, which oblige the City to calculate an impairment loss. The carrying amount of the City's investment in Convenco, R284 million, has been compared with its share of the present value of Convenco's estimated future cash flows (R77.3 million) discounted at a market related rate of interest and an amount of R245.2 million has been recognised as an impairment loss.		
Regional Electricity Distributor One (RED 1)	<u>0</u>	<u>0</u>
The City holds 5 ordinary shares of R1 each		
Investment in joint venture company:		
Cape Town Community Housing Company (Pty) Ltd	0	0
Original investment at cost	26 289	25 697
Less : Amounts previously written off	(10 000)	(10 000)
Less : Provision for impairment - refer note 30	(16 289)	(15 697)
Other investment at cost	<u>0</u>	<u>0</u>
Total available for sale	<u>38 769</u>	<u>39 297</u>
The fair value of the unlisted available for sale investments is estimated at R 38,8 million (2006: R 39,3 million)		
Total Investments	<u><u>491 267</u></u>	<u><u>409 154</u></u>
Determination of fair value		
The fair value of the listed investments was determined by reference to their quoted market price at the reporting date.		
The fair value of the unlisted investments was determined by discounting their future cash flows from the reporting date to their maturity dates at rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.		
15. LONG-TERM RECEIVABLES		
Loans to employees	8 899	17 474
Sporting bodies	2 124	2 325
Public Organisations	34 743	36 233
	<u>253 127</u>	<u>258 148</u>
Housing selling development loans	295 003	316 284
Less: Provision for impairment	(41 876)	(58 136)
Other : Road widening and Epping Fresh Market Credit Facility	65	2 394
	<u>298 958</u>	<u>316 574</u>
Less : Current portion transferred to current receivables	19 773	22 287
Loans to employees	4 455	6 456
Sporting bodies	188	201
Public Organisations	1 414	1 377
Housing selling development loans	13 703	11 918
Other: Road widening and Epping Fresh Market Credit Facility	13	2 335
Total Non-Current Loans	<u><u>279 185</u></u>	<u><u>294 287</u></u>
Reconciliation of impairment provision		
Balance at beginning of the year	58 136	71 441
Transfers to/(from) provisions	(16 260)	(13 305)
Balance at 30 June	<u><u>41 876</u></u>	<u><u>58 136</u></u>
Loans to employees		
Staff were entitled to various loans, such as car and computer loans which attract interest at 8% to 17% per annum, and are repayable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans are repayable by 2010.		

2007	2006
	Restated
R '000	R '000

Sporting Bodies

Loans were made to sporting bodies to facilitate the development of sporting facilities. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

Public Organisations

Loans to public organisations were granted in terms of the National Housing policy. The applicable interest rate and loan repayment periods are determined by the Minister of Housing. At present these loans attract interest at 1%(buildings) and 11%(infrastructure) and are repayable over 30 years.

Housing Selling Development Loans

Housing loans are granted to qualifying individuals in terms of the National Housing policy. These loans attract interest at a rate determined by the Minister of Housing, currently 13,5% per annum and are repayable over 20 years.

Road Widening

A loan was made to a ratepayer for the amount due by him in respect of the construction of a road. This loan attracts interest at a rate of 15% per annum and is repayable over a maximum period of 10 years.

Epping Fresh Produce Market Credit

Certain accredited buyers at the Epping Market were allowed to buy fresh produce on credit. After the Epping Market was sold by the City, the debtors negotiated with the City and approval was given for the repayment of the debt in monthly instalments.

16. INVENTORY

Consumable stores	114 780	90 630
Medical supplies	1 419	2 832
Spare parts	1 819	1 822
Meters	15 319	14 247
Water	4 945	4 401
Other goods held for resale (plants, compost)	5 111	7 239
Total Inventory	143 393	121 171

Inventory to the value of R4,018 million (2006: R3,686) was written-off during the year.

17. CONSUMER DEBTORS

	Gross Balances	Provision for Impairment	Net Balance
	R'000	R'000	R'000
As at 30 June 2007			
Service debtors	3 547 111	(1 903 365)	1 643 746
Rates and Other	983 954	(396 857)	587 097
Trade: Electricity	475 365	(141 861)	333 504
Water	1 328 524	(932 043)	396 481
Waste Management (solid waste)	276 412	(151 577)	124 835
Waste Water Management (sewerage and sanitation)	463 899	(277 981)	185 918
RSC Levies	18 957	(3 046)	15 911
Housing Rental Developments	225 659	(188 146)	37 513
Public Organisations Housing Loans	4 319	(1 435)	2 884
Housing Selling Developments	343 759	(265 938)	77 821
Total	4 120 848	(2 358 884)	1 761 964
As at 30 June 2006			
Service debtors	4 450 214	(2 822 491)	1 627 723
Rates and Other	1 525 858	(628 735)	897 123
Trade: Electricity	536 152	(277 395)	258 757
Water	1 503 978	(1 248 515)	255 463
Waste Management (solid waste)	323 130	(256 629)	66 501
Waste Water Management (sewerage and sanitation)	518 315	(408 171)	110 144
RSC Levies	42 781	(3 046)	39 735
Housing Rental Developments	307 325	(236 596)	70 729
Public Organisations Housing Loans	6 157	(4 745)	1 412
Housing Selling Developments	320 384	(201 302)	119 082
Total	5 084 080	(3 265 134)	1 818 946

	Analysis of Consumer Debtors Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 180 R'000	+180 R'000
As at 30 June 2007						
Rates and Other	983 953	198 129	40 583	74 146	267 908	403 187
Electricity	475 365	253 763	16 698	28 360	54 660	121 884
Water	1 328 524	206 565	49 070	114 153	194 857	763 879
Waste Management	276 412	71 594	13 714	22 985	41 125	126 994
Waste Water Management	463 899	97 296	22 324	44 302	70 905	229 072
RSC Levies	18 957	0	0	0	0	18 957
Housing Rental Developments	225 659	46 517	8 308	8 292	19 022	143 520
Housing Selling Developments	348 079	34 436	3 443	1 900	8 966	299 334
Total	4 120 848	908 300	154 140	294 138	657 443	2 106 827
As at 30 June 2006						
Rates and Other	1 525 858	195 005	44 177	38 299	113 518	1 134 859
Electricity	536 152	206 625	36 787	15 345	37 060	240 335
Water	1 503 978	141 043	66 694	46 726	138 345	1 111 170
Waste Management	323 130	44 135	12 694	9 672	31 400	225 229
Waste Water Management	518 315	67 187	24 398	18 559	50 866	357 305
RSC Levies	42 781	1 394	2 365	3 070	2 895	33 057
Housing Rental Developments	307 325	27 569	6 979	7 125	15 233	250 419
Housing Selling Developments	326 541	20 528	3 045	3 183	10 888	288 897
Total	5 084 080	703 486	197 139	141 979	400 205	3 641 271

	2007 R '000	2006 Restated R '000
Reconciliation of impairment provision		
Balance at beginning of the year	3 265 134	2 391 426
Contributions to provisions	384 263	953 745
Transfers to/from provisions	6 232	13 303
Bad debts written-off	(1 296 745)	(93 340)
Balance at 30 June	2 358 884	3 265 134

18. OTHER DEBTORS

Payments made in advance	6 128	6 796
Rate and general	66 579	31 754
Property rentals	28 450	21 363
Sporting bodies	418	1 770
Miscellaneous accounts	58 311	84 486
Government subsidies	17 233	46 151
	177 119	192 320
Less : Provision for impairment	(22 293)	(31 839)
Total Other Debtors	154 826	160 481

Reconciliation of impairment provision

Balance at beginning of the year	31 839	31 839
Transfers to/from provisions	22 293	0
Bad debts written-off	(31 839)	0
Balance at 30 June	22 293	31 839

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
19. CASH AND CASH EQUIVALENTS (BANK AND CASH)		
The Municipality has the following bank accounts: -		
Main Bank account	40-5658-4470 128 788	121 375
Salary Bank account	40-5658-4496 0	0
Cashier's Bank account	40-5658-4527 0	0
General Income Bank account	40-5658-4569 0	0
RSC Levies Bank account	40-5542-0263 0	0
RSC Levies Agents Bank account	40-5961-0446 0	0
Market Bank account (holding account)	40-5089-3435 0	0
Traffic Fines Bank account	62073198816 35	44
	<u>128 823</u>	<u>121 419</u>
All accounts are with ABSA except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The Market bank account is currently a holding account to facilitate the receipt of sundry debtor payments.		
Bank statement balance at beginning of year	121 419	93 545
Bank statement balance at end of year	<u>128 823</u>	<u>121 419</u>
Cash book balance at beginning of year	<u>139 684</u>	<u>113 545</u>
Petty Cash / Float	255	266
Cash	128 823	121 419
Cash in transit	34 634	18 265
Cash book balance at end of year	<u>163 712</u>	<u>139 950</u>
Investments: Current portion matures within next twelve months - refer note 14.	<u>2 367 307</u>	<u>1 914 517</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>2 531 019</u>	<u>2 054 467</u>

20. PROPERTY RATES

Actual

Residential	}	2 435 480	2 291 278
Commercial			
State			
Penalties		68 622	105 135
		<u>2 504 102</u>	<u>2 396 413</u>
Less		(28 594)	(105 925)
Income forgone *		(28 594)	(26 267)
Revenue Recognition		0	(79 658)
Total Property Rates		<u>2 475 508</u>	<u>2 290 488</u>

Valuations

Rateable Properties	202 631 892	196 984 074
Non-Rateable Properties	8 455 071	9 427 676
Total Property Valuations	<u>211 086 963</u>	<u>206 411 750</u>

* Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations as at July

Residential	139 473 863	128 734 488
Commercial	54 928 744	61 388 230
Agriculture	1 093 898	1 000 602
State	14 108 047	13 835 987
Municipal	1 482 411	1 452 443
Total Property Valuations	<u>211 086 963</u>	<u>206 411 750</u>

A general valuation on land and buildings is performed every four years. The last general valuation came into effect on 1 July 2002. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied on an annual basis with the final date for payment being 30 September. Interest at prime plus 1% per annum and a collection fee is levied on rates. The new general valuation will be implemented on 1 July 2007.

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
21. SERVICE CHARGES		
Sale of Electricity	2 897 307	2 653 863
Sale of Water	1 024 949	1 059 056
Waste Management	475 517	440 272
Waste Water Management	640 635	570 445
Other	197 917	184 855
	<u>5 236 325</u>	<u>4 908 491</u>
Less	(149 429)	(543 119)
Revenue Recognition	(111 726)	(476 007)
Income forgone	(37 703)	(67 112)
Total Service Charges	<u>5 086 896</u>	<u>4 365 372</u>
22. REGIONAL SERVICE LEVIES		
RSC Levies was abolished as from 1 July 2006. The liability for RSC Levies which accrued before 1 July 2006 remained payable.		
Regional Service Levies - turnover	112 975	842 348
Regional Services Levies - remuneration	24 535	173 774
	<u>137 510</u>	<u>1 016 122</u>
Less : Revenue Recognition	0	11 298
Total Regional Service Levies	<u>137 510</u>	<u>1 027 420</u>
23. RENTAL OF LETTING STOCK AND FACILITIES		
Rental agreements	198 596	189 939
Hire / Rentals	21 873	22 984
	<u>220 469</u>	<u>212 923</u>
Less : Revenue Recognition	(75 212)	(58 050)
Total Rentals	<u>145 257</u>	<u>154 873</u>
24. INTEREST RECEIVABLE		
Interest receivable - external investments	306 581	241 837
Interest receivable - outstanding debtors	187 365	181 639
Total Interest Receivable	<u>493 946</u>	<u>423 476</u>
25. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	295 542	254 216
RSC levy replacement	968 837	0
MIG projects	181 135	227 428
Provincial Health subsidies	106 368	105 759
Metropolitan Transport Advisory Board	41 506	69 356
National projects	146 605	45 858
Provincial projects other	214 716	307 868
Other	17 367	8 323
	<u>1 972 076</u>	<u>1 018 808</u>
Less: Deferred income	(459 580)	(469 582)
Total Government Grant and Subsidies	<u>1 512 496</u>	<u>549 226</u>

Equitable Share

These grants are used to subsidise the provision of basic services to indigent communities.

MIG projects

Balance unspent at beginning of year	0	(17 951)
Regrouping adjustment	25 461	0
Current year receipts	(193 340)	(186 244)
Adjustments	(147)	2 228
Conditions met - transferred to revenue	181 135	227 428
Amounts still to be claimed	(13 109)	(25 461)
Conditions still to be met - transferred to liabilities (refer note 9)	<u>0</u>	<u>0</u>

This grant was used to fund the construction of infrastructural assets for the City. Other than the amount unspent, the conditions of the grant have been met. No funds have been withheld.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
Provincial Health Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote (see Appendix D)	(106 368)	(105 759)
Conditions met - transferred to revenue	106 368	105 759
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The City renders services on behalf of the PAWC and is refunded partially for expenditure incurred. This grant has been used to fund clinic services. The conditions of the grant have been met. There were no delays in payment of the subsidies nor were any amounts withheld.

Provincial projects and MTAB

Balance unspent at beginning of year	(197 722)	(163 114)
Regrouping adjustment	25 141	16 584
Current year receipts	(371 451)	(405 414)
Interest earned	(6 361)	(5 998)
Adjustments	49 142	(26 799)
Conditions met - transferred to revenue	256 223	377 224
Amounts still to be claimed	(9 666)	9 795
Conditions still to be met - transferred to liabilities (refer note 9)	<u>(254 694)</u>	<u>(197 722)</u>

The City received various grants from PAWC for projects. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

National Government projects

Balance unspent at beginning of year	(147 300)	(121 265)
Regrouping adjustment	119	1 182
Current year receipts	(234 995)	(76 672)
Interest earned	(3 260)	(113)
Adjustments	1 387	3 710
Conditions met - transferred to revenue	146 605	45 858
Conditions still to be met - transferred to liabilities (refer note 9)	<u>(237 444)</u>	<u>(147 300)</u>

These grants received from National Government are for operating and capital expenditure such as budget reform, restructuring, urban renewal and other. Excluding the amounts unspent, the conditions of the grants have been met. See appendix F.

26. OTHER INCOME

Insurance recoveries	528	1 273
Bulk infrastructure levies	91 106	82 945
City Improvement District (CIDS)	40 850	45 431
Gain on foreign exchange	0	40
Skills Development levy	14 311	22 622
Other income	74 404	71 132
	<u>221 199</u>	<u>223 443</u>
Less : Revenue Recognition	0	1 837
	<u><u>221 199</u></u>	<u><u>225 280</u></u>

27. PUBLIC CONTRIBUTIONS

Public contributions: Consumer connections	40 121	30 346
Other	36 861	9 428
	<u>76 982</u>	<u>39 774</u>
Less: Deferred income	(43 025)	(34 861)
	<u><u>33 957</u></u>	<u><u>4 913</u></u>

Public contributions and other third party funds

Balance unspent at beginning of year	(93 741)	(68 422)
Regrouping adjustment	972	4 811
Current year receipts	(88 449)	(66 995)
Interest earned	(1 330)	(930)
Adjustments	10 295	574
Conditions met - transferred to revenue	76 982	39 774
Amounts still to be claimed	0	(2 553)
Conditions still to be met - transferred to liabilities (refer note 9)	<u>(95 271)</u>	<u>(93 741)</u>

The City receives grants from various private vendors for operating and capital projects. Included in these funds are monies held on behalf of third parties. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
28. EMPLOYEE RELATED COSTS		
Salaries and Wages	2 175 928	2 059 727
Social contributions - UIF, pensions and medical aid	563 244	524 882
Travel, motor car, accommodation, subsistence and other allowances	213 780	204 989
Housing benefits and allowances	43 025	44 325
Overtime payments	146 108	117 136
Performance bonus - net contribution	0	(7 139)
Long service leave benefits	180 322	0
	<u>3 322 407</u>	<u>2 943 920</u>
Expenditure Recharged	(312 405)	(225 527)
Recharged to repairs and maintenance	(296 131)	(207 266)
Recharged to capital projects	(16 274)	(18 261)
Total Employee Related Costs	<u>3 010 002</u>	<u>2 718 393</u>

Remuneration of Executives

	Total	Annual	Performance	Car	Social
	R'000	Salary	Bonus	Allowance	Contribution
	R'000	R'000	R'000	R'000	R'000
2007					
City Manager	1 218	922	152	50	94
Finance	955	621	91	117	126
Health (from September 2006)	959	633	96	125	105
Integrated Human Settlement Services	682	507	0	23	152
Service Delivery Integration (from November 2006)	1 104	767	121	85	131
Economic and Social Dev. (from November 2006)	664	513	0	60	91
Safety and Security (from November 2006)	601	551	0	0	50
Community Development	973	703	80	84	106
Corporate Services	948	674	90	68	116
Strategy & Planning	840	685	149	6	0
Transport, Roads & Stormwater (from Nov 2006)	553	516	0	0	37
Utility Services	1 021	768	91	48	114
Chief Audit Executive	816	667	72	69	8
Executive Management Unit (until January 2007)	492	479	0	0	13
	<u>11 826</u>	<u>9 006</u>	<u>942</u>	<u>735</u>	<u>1 143</u>

	Total	Annual	Performance	Car	Social
	R'000	Salary	Bonus	Allowance	Contribution
	R'000	R'000	R'000	R'000	R'000
2006					
Municipal Manager (until February 2006)	935	563	186	93	93
Finance	1 053	755	167	110	21
Chief Operations Officer (until May 2006)	935	888	31	16	0
City Secretariat	1 087	718	172	83	114
Community Development	950	713	29	93	115
Corporate Support Services (until May 2006)	984	922	46	16	0
Corporate Support Services (June 2006)	95	74	0	10	11
Executive Management Unit	888	833	39	9	7
Strategy & Development	965	909	42	14	0
Transport, Roads & Planning	1 114	717	179	95	123
Services & Infrastructure	693	560	0	65	68
Chief Audit Executive	881	782	39	56	4
	<u>10 580</u>	<u>8 434</u>	<u>930</u>	<u>660</u>	<u>556</u>

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
29. REMUNERATION OF COUNCILLORS		
Executive Mayor	778	595
Deputy Executive Mayor	583	501
Speaker	596	509
Mayoral Committee Members	5 204	3 875
Sub Council Chairpersons	11 924	6 131
Chief Whip	558	443
Councillors	39 358	34 058
Councillors' medical aid contributions	245	1 087
Councillors' pension contributions	6 692	4 602
Total Councillors' Remuneration	65 938	51 801
In-kind Benefits		
<p>The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full-time and have access to Council's vehicles for official functions.</p> <p>Sub Council Chairpersons and full time Councillors are provided with an office, administrative and secretarial support at the cost of Council.</p> <p>The Executive Mayor has two full-time bodyguards and all Councillors have access to security in terms of the Councillors' security policy.</p> <p>Councillors are provided with work stations / ward offices which are appropriately equipped. Computers are provided to councillors either in their offices or at their homes.</p>		
30. IMPAIRMENT COSTS		
Impairment of consumer and other debtors	209 618	353 165
Impairment of investment in subsidiary and joint venture	1 120	245 328
<p>Provision for value impairment of investments was made resulting from assessments in terms of future economic benefits for the recovery of carrying values. Refer note 14.</p>		
Impairment of property, plant and equipment	7 781	1 074
<p>Provision for impairment was made due to the decommissioning of land and buildings.</p>		
Total Impairment costs	218 519	599 567
31. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of property, plant and equipment	657 712	617 682
Depreciation of investment property	4 389	5 412
Amortisation of intangible assets	52 302	52 302
	714 403	675 396
Less: Deferred income income recognised	(264 029)	(346 684)
Total Depreciation and Amortisation expense	450 374	328 712
32. INTEREST PAID		
Long-term liabilities	235 896	289 092
Finance leases	47 734	60 233
Total Interest on External Borrowings	283 630	349 325
33. BULK PURCHASES		
Electricity	1 768 416	1 609 564
Water	227 825	171 191
Total Bulk Purchases	1 996 241	1 780 755
34. GRANTS AND SUBSIDIES PAID		
Ad Hoc	825	1 722
Community Upliftment	4 494	5 953
Destination Marketing Organisation	32 000	30 000
Economic Promotion and Job Creation	2 467	1 675
Educational Institutions and Health Forums	1 784	2 167
Khayelitsha Community Trust	10 023	0
Health and HIV/Aids/TB	793	232
Programmes, Conferences & Events	8 056	4 725
S A National Parks	3 270	6 340
Senior Citizens and Disabled	303	406
Social Arts & Culture and other	5 655	727
Sporting Bodies	2 971	1 813
Wesgro	7 230	10 610
Total Grants and Subsidies	79 871	66 370

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
35. GENERAL EXPENSES		
Chemicals	59 106	54 574
Communication and publication	18 714	41 722
Computer services and software	18 311	14 290
Consultants	21 494	69 589
Contributions - Medical aid	354 148	370 370
Electricity - Eskom payments	28 126	29 649
Fuel	105 398	107 033
Furniture and Fittings	34 360	30 374
Hire charges	81 066	71 942
Legal fees	22 181	24 326
Levy: Skills development	24 105	22 974
Licences and permits	47 606	59 089
Loss on foreign exchange	229	474
Materials and consumables	41 603	43 552
MIDS/CIDS	38 789	43 414
Minor Tools and Equipment	26 252	25 544
Pharmaceutical supplies	22 865	24 432
Postage and courier	17 864	22 687
Printing and stationary	47 194	33 865
Rental	26 830	32 580
Scrapping of assets	7 109	1 105
Security services	128 575	95 787
Sewerage services - disposals external	24 988	30 454
Telecommunications	84 831	83 664
Training	27 465	18 209
Transformation	0	45 804
Insurance : claims	21 805	23 837
Insurance : underwriting	22 460	25 161
Indigent relief	202 691	186 032
Operating grants and donations - Projects	161 990	188 165
Contributions transfer and other	210 869	428 752
	<u>1 929 024</u>	<u>2 249 450</u>
Expenditure Recharged	(46 622)	(36 189)
Recharged to repairs and maintenance	(44 977)	(33 414)
Recharged to capital projects	(1 645)	(2 775)
Total General Expenses	<u>1 882 402</u>	<u>2 213 261</u>

36. CHANGES IN ACCOUNTING POLICY

36.1 The Financial Statements have been prepared in terms of circular 18 in accordance with the approved three GRAP and eight GAMAP statements. Subsequently, an additional directive, circular 36, was issued which states that in the event of any material transactions, balances and/or events falling outside the scope of the above standards, these events must comply with the SA GAAP statements. As a result of the above. the City has applied the following SA GAAP statements and the effect of the changes in accounting policies at the beginning of the year on the accumulated surplus is as follows:

* AC133,Financial Instruments: Recognition and Measurement

Gain on valuation of derivatives	0	60 578
Retention fair value adjustment	0	9 527

* AC105,Leases

Finance leases previously treated as operating leases	0	(9 005)
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36.2 Capital grants and receipts had previously been recognised as revenue once the conditions attached to the grant as contemplated in Circular 18, had been met.

Circular 44 has since been issued which requires the guidelines contained in AC 134 to be followed. Capital grants and receipts has accordingly been restated to give recognition to income on a straight line basis over the useful lives of the assets.

* AC134 Accounting for government grants

Increase in non-current liabilities -Deferred Income	4 386 426	0
Decrease in reserves	(4 386 426)	0
Increase in movement of Statement of Changes in Net Assets	157 759	0
Decrease in movement in the Statement of Financial Performance	-157 759	0
	<u>0</u>	<u>61 100</u>

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R '000	2006 Restated R '000
37. CORRECTION OF ERROR-PRIOR YEAR ADJUSTMENTS		
Impairment Provision	0	(71 441)
Impairment of long-term housing debtors was considered and transferred from Housing Development Fund.		
Bulk Water	0	(2 069)
Bulk water expenses relating to the 2005 financial year were paid in the 2006 year and the financial statements were adjusted to reflect the expenditure in the correct financial year.		
Inventory	0	(11 572)
Entries for electricity transformers issued in the 2005 year only passed in the 2006 year.		
Depreciation	0	4 275
Adjustments to the 2005 depreciation incorrectly raised only adjusted in the 2006 financial year.		
Post-employment Health Care benefits	0	151 670
Incorrect contribution to post retirement medical benefits in 2005 year corrected in 2006 year.		
Interest rate derivatives		
Adjustment to SWAP 4 ABSA R50 million loan	9 128	0
Performance bonuses		
Performance bonuses incorrectly treated as a provision	21 607	0
Operating leases		
Operating leases smoothing adjustments	(211)	0
	<u>30 524</u>	<u>70 863</u>
37.1 Restated prior year comparatives (Revenue Recognition)		
Property Rates (refer note 20)	62 694	0
Service Charges (refer note 21)	68 340	0
Rental of Letting Stock (refer note 23)	9 086	0
Other Income (refer note 26)	119 705	0
	<u>259 825</u>	<u>0</u>
The City restated its revenue derived from trading activities in accordance with GAMAP 9 and Circular 9 of SAICA to recognise revenue only when it is probable that future economic benefits or service potential will materialise. This resulted in an adjustment made in the prior year to the respective revenue and impairment cost line items in the Statement of Financial Performance.		
37.2 Movement in reserves		
Capital Replacement Reserve	0	59
Capitalisation Reserve Adjustment	0	50
Government Grant Reserve Adjustment	0	(19 847)
Public Contribution Reserve Adjustment	0	17 523
Insurance reserve	71 890	0
	<u>71 890</u>	<u>(2 215)</u>
These adjustments relate to creditors raised erroneously and the incorrect utilisation of funds for expenditure.		
38. CASH GENERATED BY OPERATIONS		
Surplus for the year	860 054	(125 262)
Adjustment for :-	157 283	1 954 330
- Insurance reserve	(75 190)	71 890
- Depreciation	714 403	675 396
- Impairment	7 781	1 074
- Impairment of investments	1 120	245 328
- Gain and loss on disposal of property, plant and equipment	(45 847)	(42 967)
- Loss on valuation of derivatives	19 781	7 844
- Contribution to provisions – current	413 654	302 478
- Contribution to impairment provision	(915 796)	873 708
- Deferred income	247 693	(106 270)
- Investment income	(493 946)	(423 476)
- Interest paid	283 630	349 325
Operating surplus before working capital changes:	1 017 337	1 829 068
Increase in inventories	(22 222)	(3 476)
(Increase) / Decrease in debtors	1 215 024	(341 095)
Increase in other debtors	15 201	(34 232)
Increase in unspent conditional grants and receipts	148 646	68 011
Increase in creditors	209 322	533 829
Increase / (Decrease) in net VAT	(91 186)	36 444
Cash generated by operations	<u>2 492 122</u>	<u>2 088 549</u>

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R '000	Restated R '000
39. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	2 531 019	2 054 467
Balance at the beginning of the year	2 054 467	1 711 792
Net increase in cash and cash equivalents (Refer note 19)	476 552	342 675

40. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Opening balance	0	23 607
Irregular expenditure current year	0	314 760
Approved by Council	0	(11 607)
Transfer to receivables for recovery	0	0
Closing balance	0	326 760

Incident	Disciplinary steps / criminal proceedings		
Misappropriation of inventory at stores.	Criminal proceedings taken and reported to SAPS. Council resolution dated 28 September 2005.	0	1 039
Alleged irregular hire of plant and equipment	Criminal proceedings taken and reported to SAPS. Council resolution dated 7 December 2006.	0	12 000
Cell phone allowances of Councillors	The Chief Whip and a select committee of Councillors to enter into further discussions with the Auditor-General on the regularisation of the presumed unauthorised allowances. Council resolution dated 25 October 2006	0	3 389
Reimbursement of travelling allowances of Councillors	After consultation with the MEC the issues have been referred to MAYCO for consideration. Council resolution dated 25 October 2006	0	6 665
Outstanding PAYE paid on behalf of Councillors	Council resolution dated 25 October 2006	0	514
Contracts not provided during the 2004/05 audit	No contracts could be provided. Council resolution dated 7 December 2006	0	1 094
Severance packages paid without approved policy	No policy or Council approval was available to verify the validity of these payments. Council resolution dated 7 December 2006	0	45 963
Transport allowances	No policy existed to grant these allowances. Council resolution dated 7 December 2006.	0	700
Performance bonus paid to City Manager	Discrepancies between performance evaluation results and ratings according to summary of performance appraisal. The validity and accuracy of amount could not be verified. Council resolution dated 7 December 2006.	0	186
Performance bonus paid to Executive Directors	No performance contracts existed for two Executive Directors and the determination of the benefits were not properly approved. The validity and accuracy of amounts could not be verified. Council resolution dated 7 December 2006.	0	743
Performance bonus paid to relevant Directors, Sub-Council Co-ordinators and certain managers without relevant evaluation	No performance evaluations was performed for these employees and an across the board rating approved by the City Manager was used. No council approval or delegated authority could be obtained. Council resolution dated 7 December 2006.	0	2 490
Supply chain management policy not followed in procurement of services - no tender could be submitted.	Report in terms of section 32 of MFMA to be submitted to SCOPA .Council resolution dated 7 December 2006.	0	261 152
No quotations could be submitted regarding certain expenditure	Report in terms of section 32 of MFMA to be submitted to SCOPA .Council resolution dated 7 December 2006.	0	2 388
Regulatory framework for supply chain management and Council's policy on payment of travel not followed	Report in terms of section 32 of MFMA to be submitted to SCOPA .Council resolution dated 7 December 2006.	0	44
Council approved the submissions on the various dates specified in the above table regarding the irregular expenditure except for the items specified as having been reviewed on 7 December 2006 and referred to SCOPA for further investigation in accordance with Section 32 (2)b of the MFMA.		0	(11 607)
Estimated irregular expenditure		0	326 760

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities raised (refer Appendix A)	0	200 000
Used to finance property, plant and equipment	1 734 538	1 342 855
2005/2006 and prior years	840 584	1 342 855
2006/2007	893 954	0
Total EFF (overdrawn)	(1 734 538)	(1 142 855)
Cash set aside for the repayment of long-term liabilities - refer note 4 and 14	426 474	349 949
Cash (overdrawn) / cash invested	(1 308 064)	(792 906)

External loans have been utilised in accordance with the Municipal Finance Management Act. The City's cash flow budget takes into account the cash flow requirement to ensure that external loans can be repaid on redemption date. Capital expenditure during the year under review was temporarily financed out of revenue. A bridging finance facility of R300 million has been put in place and is available for use together with the R400 million balance of a R600 million term loan concluded in 2005/2006

42. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Social crime prevention	0	270
Earthmoving Equipment repairs	0	272
Emergency pipeline repairs	0	3 027
Extension of consultants: Potsdam wastewater treatment works	0	30 000
Driving License Testing Centre: Phillipi	0	49
Appointment of Consultants	63 790	0
Information Technology Upgrade	7 547	0
Upgrading of Electricity Services	14 448	0
Extension of contract	22 639	0
Upgrading of Road Infrastructure	3 078	0
Supply and delivery of plant and equipment	754	0
Others	104 788	0

Total amount condoned by Council

217 044 **33 618**

	SALGA Contributions R '000	Audit Fees R '000	PAYE UIF R '000	Pension and Medical Aid R '000
As at 30 June 2007				
Opening balance	0	243	27 578	74 829
Council subscriptions	6 000	14 033	394 852	911 493
Amount paid - current year	(6 000)	(12 579)	(361 884)	(832 151)
Amount paid - previous years	0	(243)	(27 578)	(74 850)
Balance unpaid (included in creditors)	0	1 454	32 968	79 321
As at 30 June 2006				
Opening balance	0	265	29 614	65 833
Council subscriptions	6 840	11 748	388 022	903 119
Amount paid - current year	(6 840)	(11 505)	(360 444)	(828 290)
Amount paid - previous years	0	(265)	(29 614)	(65 833)
Balance unpaid (included in creditors)	0	243	27 578	74 829

VAT

VAT output payables and VAT input receivables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

The below Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2007 and have made signed arrangements to pay amounts outstanding.

	Total	Outstanding 90 days	Outstanding > 90 days
	R	R	R
As at 30 June 2007			
L O Anderson-Jardine	11 866		11 866
W Brady	7 736		7 736
A M Figlan	4 558		4 558
W Hassiem	156 960		156 960
I R Jackson	2 177		2 177
W D Jaftha	28 153		28 153
N D Magwetsu	4 130		4 130
R P Mravu	2 790		2 790
M Murudker	97 670		97 670
M Ncedana	493		493
A R Omar	3 293		3 293
J W P Thee	5 213		5 213
T V Trout	3 826		3 826
Total signed arrangements	328 867	0	328 867

	Total	Outstanding 90 days	Outstanding > 90 days
	R	R	R
As at 30 June 2006			
B A Zuma (Jeremiah)	300	300	0
B V Bala	200	200	0
F H Maxakato	2 026	618	1 408
G G Twigg	2 289	1 542	747
J F Erasmus	3 753	3 639	114
J Pascoe	105	105	0
J T Mokoena	145	141	4
J W P Thee	200	194	6
L R Dunn	1 390	1 390	0
M Mbaliswano	113	0	113
M Murudker	206 149	194 323	11 825
M Ncedana	2 011	162	1 849
M T Mgxekeni	283	283	0
N Jacobs	215	91	124
N P Mgayiya	4 716	1 258	3 458
N T Bottoman	3 087	2 926	161
P M Motyi	128	37	91
P Mgcoleli	817	651	167
V V Mdluli	1 151	1 000	151
W Hassiem	23 547	16 876	6 671
Total Councillor Arrear Consumer Accounts	252 626	225 736	26 890

In addition, the below councillors were in arrears as at 30 June 2007 and have made signed arrangements to pay amounts outstanding.

A M Figlan	10 903		10 903
B V Bala	2 948		2 948
C Carstens	5 066		5 066
C P V Claasen	2 992		2 992
D J Christians	5 549		5 549
D W Jaftha	48 382		48 382
E L Thompson	11 798		11 798
J F Erasmus	50 973		50 973
M A & P W Mkutshwana	9 094		9 094
N D Magwentshu	9 317		9 317
N G Gexa	3 162		3 162
P F Mngxunyeni	11 701		11 701
Total signed arrangements	171 886	0	171 886

Account in dispute

W Hassiem	190 972	184 747	6 225
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CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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43. COMMITMENTS

43.1 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	3 319 095	729 553
Infrastructure	388 080	612 861
Community	2 878 357	37 188
Other	49 626	0
Housing Development Fund	3 032	79 504
- Approved but not yet contracted for	319 085	163 824
Infrastructure	294 733	67 453
Community	7 885	24 571
Heritage	0	0
Other	16 467	71 800
Total	3 638 180	893 377
This expenditure will be financed from:		
- External Loans	308 059	449 437
- Asset Financing Reserve	740 653	99 468
- Government Grants	2 493 619	344 472
- Other sources	95 849	0
	3 638 180	893 377

The substantial increase in capital commitments is attributable mainly to funds committed to the Green Point Soccer Stadium.

43.2 OPERATING LEASE COMMITMENTS

The City as Lessee

Future minimum lease payments under non-cancellable operating leases:

Buildings	31 911	57 871
Payable within one year	18 119	26 216
Payable within two to five years	13 792	31 655
Vehicles and other equipment	93 955	128 149
Payable within one year	32 248	34 179
Payable within two to five years	61 707	93 970
	125 866	186 020

In terms of the additional guidance from AC 105 (leases), escalations in operating leases are no longer recognised in the periods they actually incurred, but are now charged in the statement of financial performance on a straight-line basis over the term of the lease. The impact has been an increase in current year expenditure of R615,904 .

The City as Lessor

At Statement of Financial Performance date the City has contracted with tenants for the following future minimum lease payments.

Payable within one year	7 521	7 835
Payable within two to five years	27 468	28 430
Payable after five years	71 819	78 386
	106 808	114 651

The City lets its investment properties under operating leases. Property rental income earned during the year was R7,552million (2006:R7,750million). The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date.

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase in current year income of R160 461.

44. FINANCIAL RISK MANAGEMENT

Interest rate risk

The City is not exposed to interest rate risk on its financial liabilities. All of the City's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans. Similarly with financial assets, the City invests its surplus funds on fixed interest rate deposits with banks for fixed terms not exceeding one year.

Liquidity risk

The City manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the City's main banker to cater for any unexpected temporary shortfall in operating funds.

Credit risk

The City manages credit risk in its borrowing and investing activities by dealing with only A rated financial institutions and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the City's credit control and debt collection policy. The City's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in paragraph 6 of the Chief Financial Officer's report and in note 17 to the financial statements.

Fair value interest rate risk

The City is exposed to fair value interest rate risk on that portion of its external investments and loan liabilities which is at fixed interest rates. The fair values of these financial assets and liabilities are disclosed and compared with their carrying values in notes 4 and 14.

45. INTEREST RATE DERIVATIVES

Interest rate swap agreements, based on notional amounts totalling R250 million, have been entered into as part of two structured external loans to the City over the life of the loans 1998 - 2010. These derivatives are classified as held for trading financial instruments, and fair valued through profit or loss.

46. RETIREMENT BENEFIT INFORMATION

The City makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. Contributions of R325,9 million (2006 : R296,1million) to the defined benefit and defined contribution structures are expensed as incurred during the year under review.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

Defined Benefit Scheme

The DB section is a multi-employer plan and the contribution rate payable is 27%, 9% by the members and 18% by their councils. The fund was certified as being in a sound financial condition as at 30 June 2006 by the Actuary. The valuation disclosed an actuarial surplus of R293 million and was funded 111.4%.

Defined Contribution Scheme

This scheme was established to accommodate the unique characteristics of contract employees and "cost to company" employees. All existing members were given the option to transfer to the defined contribution plan before 01 July 2003. The actuary report certified that, the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy and given normal circumstances. The report further indicated that the defined contribution plan is funded on sound actuarial principles.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in future. The Actuary certified the fund, a defined contribution plan, as being in a sound financial position as at 30 June 2006.

SALA PENSION FUND

The fund is a defined benefit plan, and is financially sound and was 105,4% funded as at 30 June 2006 . The City is contributing an additional 2.71% to the Fund as from July 2005, effective from July 2003.

MUNICIPAL COUNCILLORS' PENSION FUND

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and their councils (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2005 and the actuary reported that the fund is as a whole in a sound financial position .

NATIONAL FUND FOR MUNICIPAL WORKERS

The Retirement and Pension Funds are both defined contribution schemes. The last voluntary actuarial valuation of the Fund was performed on 30 June 2006. As at 30 June 2006 the interim results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005 and certified as being in a financially sound position. The next statutory valuation is due not later than 30 June 2008.

CAPE MUNICIPAL PENSION FUND

The Cape Municipal Pension Fund operates both as a defined benefit and defined contribution schemes. The last actuarial valuation of the fund was performed at 30 June 2006 and certified the fund as being in a financially sound position. The next statutory valuation is due by 30 June 2009.

	Total	DB section	DC section
In-service members	8 290	492	7 798
Pensioners	5 807	5 203	604
Membership 30 June 2006	<u>14 097</u>	<u>5 695</u>	<u>8 402</u>
	2007	2006	
	R 'Million	Restated R 'Million	
Past service position - Defined benefit section	3 735	1 914	
Past service position - Defined contribution section	2 977	1 914	
Total liabilities	<u>6 712</u>	<u>3 828</u>	
Assets valued at market value	<u>6 787</u>	<u>3 828</u>	
Actuarial surplus	<u>75</u>	<u>0</u>	
Actual Employer contribution -Defined benefit section	20.25%	20.25%	
Actual Employer contribution -Defined contribution section	18.00%	18.00%	
Normal Retirement Age	60	60	
Key financial assumption		DB members	DB/DC members
		before retirement	in retirement
Net Discount Rate		3.00%	4.25%

POST EMPLOYMENT HEALTH CARE BENEFITS

For past service of in-service and retired employees, the City recognises and provides for the actuarially determined present value of post retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

The members of medical aid schemes, entitled to a post employment medical scheme subsidy at 30 June 2007 were 14560 (2006: 15311) in-service members and 6443 (2006: 6269) continued members.

	2007	2006
	R '000	Restated R '000
Post Employment Health Care Benefits		
Present value of unfunded liability	1 774.10	1 595.97
Unrecognised transitional liability	(184.08)	(368.15)
Unrecognised actuarial gain/(losses)	6.66	84.81
Net liability in balance sheet	<u>1 596.68</u>	<u>1 312.63</u>
Amounts included in the statement of financial performance		
Service cost	42.38	50.60
Transitional liability recognised	184.08	184.08
Interest costs	127.68	135.69
Total included in profit and loss	<u>354.14</u>	<u>370.37</u>
Movement in the liability recognised in the statement of financial position		
Balance at the beginning of the year	1 307.22	1 009.33
Net expense recognised in statement of financial performance	354.14	370.37
Contributions paid	(64.68)	(67.07)
	<u>1 596.68</u>	<u>1 312.63</u>

The contributions paid are actual contributions paid by the city and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary and actual contributions paid to members by the City of Cape Town.

Key financial assumptions

Discount rate	8.0%	8.0%
Health care cost inflation rate	6.5%	6.5%
Net effective discount rate	1.4%	1.4%
Replacement Ratio	65.0%	65.0%
Expected retirement age - females	60	60
Expected retirement age - males	65	65

Health care arrangement assumptions

It was assumed that the Employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy and that the level of benefits and contributions would remain unchanged, with exception for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to retiree members within the medical scheme are sustainable and will continue.

It is further assumed that the subsidy will continue until the last survivor's death, for eligible members and their spouses and to age 21, if earlier, for dependant children.

Continuation of Membership

It is assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the Employer's health care arrangements.

Family Profile

It is assumed that 90% of in-service members will be married at retirement and that husbands will be four years older than their wives. Retirees' actual marital status is used and the potential for remarriage is ignored.

Plan Assets

There are currently no long-term assets to set aside off-balance sheet in respect of the Employer's post-employment health care liability.

POST RETIREMENT PENSION BENEFITS

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post retirement revenue pensions on an accrual basis using the projected unit credit method.

The number of employees who were eligible for a post retirement pension at 30 June 2006 were 58 (2006: 62) employees and 220 (2006: 226) pensioners.

	2007	2006
	R '000	Restated R '000
Post Employment Retirement Pension Benefits.		
Present value of unfunded liability	15 448	15 448
Interest costs	1 163	0
Current service cost	307	0
Actuarial Gain/losses	2 068	0
Benefits paid	(2 165)	0
Net liability in balance sheet	<u>16 821</u>	<u>15 448</u>
Amounts included in the statement of financial performance		
Service cost	307	307
Interest costs	1 163	1 236
	<u>1 470</u>	<u>1 543</u>
Movement in the liability recognised in the statement of financial position		
Balance at the beginning of the year	15 448	21 133
Net expense recognised in statement of financial performance	1 470	1 543
Increase / Decrease in redundancy benefit	0	(4 656)
Contributions paid	(2 165)	(2 572)
	<u>14 753</u>	<u>15 448</u>
Key financial assumptions		
Discount rate	8.4%	8.0%
General salary inflation rate - employees	6.2%	6.5%
Net effective discount rate - employees	2.1%	1.4%
Pension increase rate - pensioners	2.6%	2.7%
Net effective discount rate - pensioners	5.7%	5.2%

47. CONTINGENT LIABILITY**Guarantees issued**

The Development Bank of South Africa (DBSA) has made a loan to the Gugulethu Central Market Place (the Company) of the sum of R250,000. The City of Cape Town has issued an undertaking to the DBSA to take over the obligation of the Company in terms of the loan agreement, should the Company not be in a position to repay the loan. As at 30 June 2007, the Company was in arrears with its repayment of capital and interest to the DBSA by the sum of R284,196.

Contractual disputes

Various contractual claims by contractors/suppliers and staff are currently in dispute and being addressed through mediation. The maximum potential liability is estimated at R16,8 million.

Staff Parity

The potential liability for staff parity is estimated at R75,5 million

Performance Bonuses

The estimated liability for performance bonuses amounts to R19 million.

Outstanding Insurance Claims

The estimated liability for insurance claims amounts to R72,917 million

Loan agreements

The rates of interest payable on certain structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions for income tax purposes in connection with the loans. In the event of changes to the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders are required to increase or decrease the future rates of interest payable on the loans or their remaining lives in order to absorb the increase or decrease in costs.

48. RELATED PARTY DISCLOSURES

Investments in Municipal Entities	Percentage Owned	Percentage Owned
The following controlled entities identified as Municipal entities by the City of Cape Town will be included in the consolidated annual financial statements :		
Cape Town International Convention Centre Company (Pty) Ltd	50.26%	50.26%
Khayelitsha Community Trust	100.00%	100.00%
Regional Electricity Distributor One (RED 1)	100.00%	100.00%
South Peninsula Micro Loans		100.00%
Phillipi East Trading Centre (Pty) Ltd	100.00%	100.00%
	2007	2006
		Restated
	R '000	R '000

Controlled Entities

The following amounts relate to arms length transactions for the year with the entities listed below:

Cape Town International Convention Centre Company (Pty) Ltd.

Receivables	328	26 891
Service charges	16 317	31 153

Khayelitsha Community Trust

Receivables	1 420	1 420
Grants paid	10 023	1 719

Regional Electricity Distributor One

Inter-company advance	362	1 719
Fees and rentals	8 972	7 033

City Improvement Districts

Receivables	4 855	2
Service charges	43 647	37 931

Cape Town Community Housing Company (Pty) Ltd (Joint Venture)

Receivables	0	7 868
Service charges	364	24

Cape Metropolitan Transport Fund (Administrator of the fund)

Funds held on behalf of Inter Administrator Fund	205 742	116 652
Grants received	41 506	69 381

Councillors

A number of councillors of the City hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Councillor	Position held in entity	Entity	Nature
Chaaban B	Lessee	Greenmarket Square	Property lease
Jelele L	Director	Masibambane Recruitment	Staff recruitment
Joko B	Member	Sizisa Ukhanyo Trading cc	Small business enterprise
Justus C	Director	Communicare	Housing developers
Lukas A	Member	Seasons Find t/a Faras	Catering
Maxakato F	Member	CUYSP	Community upliftment project
Msuthu N	Member	Inyameko Trading cc	Small business enterprise
Purchase F	Member	Regal Cycles cc	Small business enterprise
Qually D	Director	Muizenberg Improvement District	City improvement
Williams A	Director	Blue Downs Community Base Org.	Community upliftment project
Yiba L	Member	Sizisa Ukhanya cc	Small business enterprise

Executive Management Team

No inter-party business transactions took place between the City of Cape Town and key management personnel (City Manager and Executive Directors) and their close family members during the year under review. Details relating to remuneration of executives are disclosed in note 28.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2006
Restated
R '000

49. DISCONTINUED OPERATIONS

In terms of a Council resolution the Maitland Abattoir was closed during the year and all operations were discontinued during the 2005/2006 financial year. The financial activities for the financial year under review are as follows:

Statement of Financial Performance at date of discontinuation

Revenue	2 529
Less: Expenditure	(18 887)
	<u>(16 358)</u>
Inter-departmental charges	14 348
Deficit for the Year	<u><u>(2 010)</u></u>

Statement of Financial Position at date of discontinuation

NET ASSETS AND LIABILITIES

Net Assets	(64 972)
Accumulated deficit	(62 962)
Deficit for the year	<u>(2 010)</u>
Current Liabilities	71 284
Creditors	4 199
Advances COCT	<u>67 085</u>
Total Net Assets and Liabilities	<u><u>6 312</u></u>

ASSETS

Non-current Assets	0
Property, Plant & Equipment	23 176
Less: Accumulated depreciation	<u>(23 176)</u>
Current Assets	6 312
Debtors	7 564
Less: Provision for impairment	<u>(1 252)</u>
Total Assets	<u><u>6 312</u></u>

Cash Flow Statement at date of discontinuation

Cash Flow from operating activities

Cash Receipts	2 529
Cash Paid	18 887
Cash utilised in operations	<u>(16 358)</u>

Cash flow from Financing Activities

Increase in advance COCT	16 358
Net decrease in cash and cash equivalents	<u><u>0</u></u>

50. EVENTS AFTER BALANCE SHEET DATE

The City, at its Council meeting on 29 August 2007, and following a tender process, resolved to dispose of its holding of 2,0 million ordinary shares and 21,3 million sub-ordinated convertible non-voting debentures in the Cape Town Community Housing Company for an amount of R21,2 million.

The City's investment in the Housing Company was fully impaired at 30 June 2007 and carried at a nil value.

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

Index	EXTERNAL LOANS	Effective Interest Rate (nacs)	Loan Number	Redeemable Date	Balance at 30 June 2006 R'000	Received during the year R'000	Capitalised during the year R'000	Redeemed/ written off during year R'000	Balance at 30 June 2007 R'000	Carrying Value of PPE R'000
	LOCAL REGISTERED STOCK									
	ABSA Investor Services	16.500%	830004515	2010	4 600				4 600	2 736
	Standard Bank Nominees	14.650%	830011508	2014	6 800				6 800	5 746
	Total Local Registered Stock				11 400	0	0	0	11 400	8 482
	ANNUITY LOANS									
	ABSA Bank	11.150%	830000000	2010	27 487			5 799	21 688	29 408
	ABSA Bank	11.150%	830000450	2010	21 228			4 478	16 750	23 427
	Inca	15.250%	830000510	2007	56			36	20	39
	Total Annuity Loans				48 771	0	0	10 313	38 458	52 874
	OTHER LOANS									
	DBSA	10.590%	83001050	2018	406 994			16 959	390 035	409 508
	DBSA	12.250%	83001051	2015	233 799			12 988	220 811	241 861
(i)	ABSA Bank	11.410%	830000440	2010	159 065		29 293		188 358	94 151
(ii)	Future Syndications	13.221%	830000910	2008	200 000				200 000	128 477
	Nedcor Bank	1.000%	830000920	2019	50				50	33
(iii)	First Rand Bank	13.345%	830001690	2008	26 230			8 909	17 321	35 059
(iv)	First Rand Bank	13.978%	830001700	2008	12 948			4 366	8 582	14 213
(v)	First Rand Bank	12.962%	830001710	2011	74 041			5 012	69 029	65 534
(vi)	First Rand Bank	12.280%	830003504	2017	207 424			3 201	204 223	166 176
(x)	First Rand Bank	12.816%	830000880	2013	105 963			8 684	97 279	84 593
	ABSA Bank	10.900%	830007011	2018	240 000			20 000	220 000	237 205
(vii)	First Rand Bank	10.194%	830009531	2018	250 000			20 000	230 000	259 014
	DBSA	5.000%	830012028	2020	56 000			4 000	52 000	54 437
	DBSA	9.420%	830012035	2020	130 667			9 334	121 333	125 268
	Total Other Loans				2 103 181	0	29 293	113 453	2 019 021	1 915 529
	FINANCE LEASES									
(viii)	Nedbank	14.564%	830000860	2012	66 627			1 920	64 707	41 002
(ix)	Investec	14.343%	830000870	2011	34 138			4 442	29 696	29 154
(xi)	SCMB	15.209%	830000890	2011	85 230			978	84 252	40 370
	Bankfin	10.500%	63001	2007	5 352			3 948	1 404	0
	Total Finance Leases				191 347	0	0	11 288	180 059	110 526
	TOTAL EXTERNAL LOANS				2 354 699	0	29 293	135 054	2 248 938	2 087 411

* NOTE : Refer to Appendix A.1 for the Structured Loans and Finance Leases Descriptions as per index number

APPENDIX A 1
STRUCTURED LOANS AND FINANCE LEASES DESCRIPTIONS AS AT 30 JUNE 2007

(i) ABSA Bank (830000440)

Structured unsecured 10 year loan. Original loan capital of R50m plus interest (variable swapped into fixed) capitalised over 10 years repayable on 30/06/2010. Deposits are made semi-annually into two sinking funds with ABSA Bank which, together with fixed interest capitalised over 10 years, will settle the loan liability on 30/06/2010.

(ii) Future Syndications (830000910)

Structured R200m 10 year loan funded by ABSA Bank (R172m), Standard Bank (R18m) and FutureBank (Nedbank) (R10m). Loan capital of R200m repayable on 17/09/2008. Interest (fixed on R190m, variable R10m, in terms of interest rate swap agreements) is payable semi-annually. Deposits are made semi-annually into a sinking fund with ABSA Bank which, together with fixed interest capitalised over 10 years, will grow to R200m by 17/09/2008 and be used to settle the loan capital liability on that date. The sinking fund deposit is ceded to Future Syndications as security for the performance of the City's obligations under the loan. The City has ceded the right to prepay the full loan, on at least 30 days notice, subject to being liable for all breakage/unwinding costs.

(iii) FirstRand Bank (830001690)

Structured R150m 15 year loan repayable annually in reducing instalments of capital and fixed rate interest, final redemption on 07/07/2008. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City has lent the sum of R150m to FirstRand at a fixed rate of interest, repayable together with capitalised interest on 07/07/2008. In addition, the City has issued a 15 year bond to FirstRand, at the same fixed rate of interest as the City's R150m loan to FirstRand, redeemable together with compounded interest on 07/07/2008. The City does not disclose the separate asset and liability arising from these transactions on the balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

The City has ceded its rights under its loan to FirstRand as security for its obligations to FirstRand under the original loan and any other indebtedness.

(iv) FirstRand Bank (830001700)

Structured R75m 15 year loan repayable annually in reducing instalments of capital and fixed rate interest, final redemption on 15/12/2008. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City lent the sum of R75m to FirstRand at a fixed rate of interest, repayable together with capitalised interest on 15/12/2008. At the same time, the City issued a 15 year bond to FirstRand, at the same fixed rate of interest as the City's R75m loan to FirstRand, redeemable together with compounded interest on 15/12/2008. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par.42 and contra out exactly.

The City has ceded its rights under its loan to First Rand as security for its obligations to FirstRand under the original loan and any other indebtedness.

(v) FirstRand Bank (830001710)

Structured R125m 15 year loan repayable semi-annually in equal instalments of capital and fixed rate interest. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City sold moveable water assets with a market value of R125m to FirstRand. FirstRand leased the assets back to the City over 15 years with rentals payable during the years 2009 – 2011. At the same time, the City lent R125m to FirstRand, repayable together with interest on the same dates, and in the same amounts, as the rental payable by the City under the lease agreement. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly. The City has ceded its rights under its loan to FirstRand as security for its obligations to First Rand under the original loan and any other indebtedness.

At the expiry of the lease, the City has the option to (a) hand back the assets to FirstRand, (b) request that the assets be sold with the City having the first right of refusal and the sales proceeds refunded to the City as a rebate of rentals, or (c), enter into a new lease for a year.

(vi) FirstRand Bank (830003504)

Structured R220m 15 year loan, R200m of which is repayable semi-annually in equal instalments of capital and fixed rate interest over 15 years, and the balance of R20m payable in one instalment, together with capitalised fixed rate interest, on 30/06/2017. Repayment liabilities relating to the R200m are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to INCA. The bullet repayment of the R20m capital and interest will be made out of the guaranteed investment portfolios of two 15 year sinking fund investment policies purchased from Momentum Group. The City has the right to prepay the full loan, on at least 45 days notice, subject to being liable for all breakage/unwinding costs.

As part of the loan structure, the City purchased two 15 year sinking fund policies from Momentum Group for an upfront premium of R220m. R20m of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, R200m, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand for R200m on day 1 of the policies. The City has ceded and pledged the sinking fund policies to FirstRand as security for the City's obligations to FirstRand under the policies and any other debt liability.

The City does not disclose the separate asset and liability arising from the purchase and sale of the linked investment (unguaranteed) portfolio on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

APPENDIX A 1
STRUCTURED LOANS AND FINANCE LEASES DESCRIPTIONS AS AT 30 JUNE 2007 (continued)

(vii) FirstRand Bank (830009531)

Structured R300m 15 year loan, R74.3m of which is repayable semi-annually in equal instalments of capital and fixed rate interest over 15 years, and the balance of R225.7m payable in one instalment, together with capitalised fixed rate interest, on 30/06/2018. Repayment liabilities relating to the R74.3m are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to Momentum Group. The bullet repayment of the R225.7m capital and interest will be made out of a 15 year sinking fund investment policy purchased from Momentum Group. The City has the right to prepay the full loan, on 30 days notice, subject to being liable for all breakage/unwinding costs.

As part of the loan structure, the City purchased a 15 year sinking fund policy from Momentum Group for a premium of R228.4m which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the City to Momentum, later sold on to FirstRand and FutureGrowth. In terms of a put option agreement, the maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand for a fixed put option price of R894.6m, payable on 30/06/2018. In addition, a variable put option price is payable by FirstRand to the City over the years 2009 – 2018. The City has ceded and pledged the sinking fund policy to FirstRand as security for the City's obligations to FirstRand under the put option agreement and any other debt liability.

The City does not disclose the separate asset and liability arising from the purchase and sale of the proceeds of the sinking fund investment on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

(viii) Nedbank (830000860)

Sale and leaseback structured R55.3m 15 year loan funded by Nedbank through an Infrastructure Trust. Lease rentals equating to fixed rate interest are payable semi-annually over 15 years; a bullet rental amount of R55.3m is payable on 02/01/2012 out of the proceeds of a sinking fund. The City deposits semi-annually with Nedbank equal amounts which, together with compounded interest over 15 years, will equate to the original loan capital on 02/01/2012. The City has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.

The City has the right to prepay the full lease, subject to being liable for all breakage/unwinding costs, in the event of a prejudicial reduction in the assumed benefits payable to the City under the structure.

At the expiry of the lease, the City has the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the City as a rebate of rentals.

(ix) Investec (830000870)

Sale and leaseback structured R54.8m 15 year loan funded by Investec Bank. Lease rentals equating to loan fixed rate interest plus capital are payable semi-annually over 15 years. Investec has granted the City the right to acquire the assets at the expiry of the lease at an agreed option price of R47.6 million. The City has deposited with Investec an amount which, together with compounded interest over 15 years, will equate to the option price payable on 31/12/2011. The City does not disclose the separate asset and liability arising from the sinking fund deposit and the option price on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

The City has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.

The City has the right to prepay the full lease, on at least 90 days notice, subject to being liable for all breakage/unwinding costs, in the event of an increase in the lease rentals arising from a reduction in the assumed benefits payable to the City under the structure.

At the expiry of the lease, the City has the option to (a) exercise its call option to acquire the leased assets or (b) return the leased assets to Investec.

(x) FirstRand (830000880)

Structured R150m 15 year loan repayable semi-annually in equal instalments of capital and fixed rate interest. Repayment liabilities are evidenced by a series of promissory notes issued by the City to FirstRand and later sold on to Momentum Group. The City has the right to prepay the full loan, subject to being liable for all breakage/unwinding costs, in the event of a material reduction in the assumed benefits payable to the City under the structure.

As part of the loan structure, the City leased moveable electricity assets with a market value of R150m to FirstRand for 20 years. Rental is payable in three instalments during 1998 – 2000 with a nominal annual rental thereafter. The rentals are payable into a deposit account with FirstRand which attracts a fixed rate of interest. FirstRand leased the assets back to the City over 15 years with rentals payable during the years 2003 – 2013, out of the deposit account which will reduce to zero on 30/06/2013. The City has ceded its rights to repayment of the deposit to First Rand as security for its obligations to FirstRand under the original loan and any other indebtedness. The City does not disclose the separate asset and liability arising from these transactions on its balance sheet. It applies set-off in respect of these two legs of the structure as they meet the requirements for offsetting of IAS32 par. 42 and contra out exactly.

(xi) Standard Bank (830000890)

Sale and leaseback structured R59.3m 15 year loan. The City sold moveable electricity assets to Standard Bank at the market value of R59.3m. The City invested R5.8m of the proceeds in a sinking fund deposit which, when compounded over 15 years at a fixed rate of interest, grows to the original loan capital amount of R59.3m. Standard Bank leased the assets back to the City with rentals, equating to the loan fixed rate interest, payable annually over 15 years. A bullet rental amount of R59.3m is payable on 24/06/2011 out of the sinking fund deposit. At the expiry of the lease, the City has the option to (a) hand back the assets to Standard Bank, (b) request that the assets be sold with the City having the first right of refusal and the sales proceeds refunded to the City as a rebate of rentals, or (c), enter into a new lease.

The City has the right to prepay the full lease, on 6 months notice, subject to being liable for all breakage/unwinding costs, in the event of an increase in the lease rentals arising from a reduction in the assumed benefits payable to the City under the structure.

Note: the rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007											
	Cost					Accumulated Depreciation					Carrying Value R '000
	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	Opening Balance R '000	Transfers/ Adjustments R '000	Additions R '000	Disposals R '000	Closing Balance R '000	
Land and Buildings											
Land	136 551	13 814	9 873	(470)	159 768	(62 010)	(6 276)	67 246		(1 040)	158 728
Buildings	2 255 277	(16 890)	40 422	(226)	2 278 583	(942 337)	3 271	(76 852)		(1 015 918)	1 262 665
	2 391 828	(3 076)	50 295	(696)	2 438 351	(1 004 347)	(3 005)	(9 606)	0	(1 016 958)	1 421 393
Infrastructure											
Assets Under Construction	547 980	(197 464)	803 234		1 153 750	0				0	1 153 750
Drains	335 786	21 417	12 043		369 246	(146 841)	(612)	(12 605)		(160 058)	209 188
Roads	2 486 916	68 993	26 326		2 582 235	(1 144 516)	19 003	(148 663)		(1 274 176)	1 308 059
Beach Improvements	4 474	19 356	1 402		25 232	(147)	(16 871)	(186)		(17 204)	8 028
Sewerage Mains & Purif	895 175	(80 819)	22 292		836 648	(300 804)	60 566	(42 541)		(282 779)	553 869
Electricity Mains	436 695	730	522		437 947	(106 933)	(246)	(22 296)		(129 475)	308 472
Electricity Peak Load Equip	1 985 354	(16 067)	121		1 969 408	(921 780)	8 709	(67 701)		(980 772)	988 636
Water Mains & Purification	1 600 742	34 973	29 910		1 665 625	(695 837)	162	(54 093)		(749 768)	915 857
Reservoirs - Water	385 018	6 667	1 478		393 163	(197 135)	(6)	(15 837)		(212 978)	180 185
Water Meters and Mains	38 962	3 026	11 859		53 847	(1 462)		(2 276)		(3 738)	50 109
	8 717 102	(139 188)	909 187	0	9 487 101	(3 515 455)	70 705	(366 198)	0	(3 810 948)	5 676 153
Community Assets											
Assets Under Construction	72 444	(6 492)	493 353		559 305	0				0	559 305
Parks & Gardens	9 928	505	161		10 594	(2 392)		(243)		(2 635)	7 959
Libraries	116 557	927	5 095		122 579	(39 543)	1	(3 143)		(42 685)	79 894
Recreation Facilities	61 352	877	2 822	(1 810)	63 241	(20 856)	963	(1 861)		(21 754)	41 487
Civic Buildings	161 815	27 791	14 563		204 169	(82 750)	(1 051)	(14 136)		(97 937)	106 232
	422 096	23 608	515 994	(1 810)	959 888	(145 541)	(87)	(19 383)	0	(165 011)	794 877
Heritage Assets											
Painting & Art Galleries	2 772	(495)	4 390	(21)	6 646	0				0	6 646
	2 772	(495)	4 390	(21)	6 646	0	0	0	0	0	6 646
Leased Assets											
Infrastructure and Other	289 201	109 610	149		398 960	(113 371)	(103 670)	(27 650)	34 238	(210 453)	188 507
	289 201	109 610	149	0	398 960	(113 371)	(103 670)	(27 650)	34 238	(210 453)	188 507
Other Assets											
Assets Under Construction	58 510	(20 891)	181 873		219 492	0				0	219 492
Landfill Sites	322 694	659	23 050		346 403	(4 102)		(63 472)		(67 574)	278 829
Office Equipment	114 606	554	20 514	(9 160)	126 514	(79 511)	920	(11 051)	8 173	(81 469)	45 045
Furniture & Fittings	71 240	283	4 097	(4 899)	70 721	(49 924)	25	(5 994)	4 459	(51 434)	19 287
Bins and Containers	27 337	77	560	(14)	27 960	(17 002)		(4 617)	15	(21 604)	6 356
Emergency Equipment	17 569	(26)	1 885	(1 173)	18 255	(11 302)	7	(1 902)	1 157	(12 040)	6 215
Motor vehicles	846 176	3 993	126 141	(63 115)	913 195	(649 454)	2 766	(51 252)	60 498	(637 442)	275 753
Fire engines	41 651	5 931	11 103	(1 351)	57 334	(28 045)		(3 130)	1 351	(29 824)	27 510
Refuse tankers	38 332	1 573	12 608	(3 451)	49 062	(29 608)	(671)	(2 970)	3 451	(29 798)	19 264
Computer equipment	539 032	3 002	82 887	(35 925)	588 996	(348 358)	1 462	(65 280)	33 235	(378 941)	210 055
Watercraft	456		202		658	(156)		(51)		(207)	451
	2 077 603	(4 845)	464 920	(119 088)	2 418 590	(1 217 462)	4 509	(209 719)	112 339	(1 310 333)	1 108 257
Housing Rental Stock	1 032 233	2 926	6 466	(2 109)	1 039 516	(452 344)	(755)	(21 985)	1 556	(473 528)	565 988
Investment Properties	128 616	34			128 650	(24 772)	3 543	(7 932)		(29 161)	99 489
Intangible Assets	259 468		2 021		261 489	(139 504)		(52 302)		(191 806)	69 683
Total	15 320 919	(11 426)	1 953 422	(123 724)	17 139 191	(6 612 796)	(28 760)	(714 775)	148 133	(7 208 198)	9 930 993

APPENDIX B(1)

RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Reconciliation of Carrying Value	Land and Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other R'000	Leased Assets R'000	Housing R'000	Total R'000
Carrying values at 1 July 2006	1 387 481	5 201 647	276 555	2 772	860 141	175 830	579 889	8 484 315
Cost	2 391 828	8 717 102	422 096	2 772	2 077 603	289 201	1 032 233	14 932 835
Accumulated depreciation	(1 004 347)	(3 515 455)	(145 541)	0	(1 217 462)	(113 371)	(452 344)	(6 448 520)
Acquisitions	50 295	909 187	515 994	4 390	464 920	149	6 466	1 951 401
Capital under Construction							0	0
Depreciation based on cost	(9 606)	(366 198)	(19 383)	0	(209 719)	(27 650)	(21 985)	(654 541)
Carrying value of disposals	(696)	0	(1 810)	(21)	(6 749)	34 238	(553)	24 409
Cost	(696)	0	(1 810)	(21)	(119 088)	0	(2 109)	(123 724)
Accumulated depreciation	0	0	0	0	112 339	34 238	1 556	148 133
Impairment losses	(373)	0					(7 408)	(7 781)
Transfers	(5 708)	(68 483)	23 521	(495)	(336)	5 940	9 579	(35 982)
Carrying Values at 30 June 2007	1 421 393	5 676 153	794 877	6 646	1 108 257	188 507	565 988	9 761 821
Cost	2 391 828	8 717 102	422 096	2 772	2 337 071	289 201	1 032 233	15 192 303
Accumulated depreciation	(1 004 347)	(3 515 455)	(145 541)	0	(1 356 966)	(113 371)	(452 344)	(6 588 024)
Carrying values at 1 July 2005	1 337 949	4 494 908	194 363	1 272	671 585	254 110	572 803	7 526 990
Cost	2 262 909	7 693 990	327 825	1 272	1 880 769	337 124	1 007 875	13 511 764
Accumulated depreciation	(924 960)	(3 199 082)	(133 462)		(1 209 184)	(83 014)	(435 072)	(5 984 774)
Acquisitions	108 356	1 031 507	94 695	2 067	264 115	0	19 902	1 520 642
Capital under Construction	0	0	0	0	0	0	0	0
Depreciation based on cost	(75 648)	(340 958)	(12 025)	0	(203 447)	(18 658)	(20 206)	(670 942)
Carrying value of disposals	642	0	0	(1)	(2 521)	0	(2 622)	(4 502)
Cost	490	0		(1)	(67 310)		(6 445)	(73 266)
Accumulated depreciation	152	0	0		64 789		3 823	68 764
Impairment losses	0	(51)		0		0	(1 023)	(1 074)
Transfers	16 182	16 241	(478)	(566)	130 409	(59 622)	11 035	113 201
Carrying Values at 30 June 2006	1 387 481	5 201 647	276 555	2 772	860 141	175 830	579 889	8 484 315
Cost	2 391 828	8 717 102	422 096	2 772	2 077 603	289 201	1 032 233	14 932 835
Accumulated depreciation	(1 004 347)	(3 515 455)	(145 541)	0	(1 217 462)	(113 371)	(452 344)	(6 448 520)

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation					Carrying Value R '000	Budget / Additions 2007 R '000
	Opening Balance	Additions	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Transfers	Closing Balance		
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000		
Executive and Council	14 698	9 729	(985)	(7 420)	16 022	(7 142)	(2 337)	941	(99)	(8 637)	7 385	14 803
Finance and Administration	1 607 508	134 566	(61 838)	403 188	2 083 424	(950 872)	(150 917)	89 206	(66 395)	(1 078 978)	1 004 446	144 995
Planning and Development	290 534	46 950	(2 423)	(2 552)	332 509	(87 600)	(12 215)	2 348	151	(97 316)	235 193	77 653
Health	128 853	17 527	(1 458)	41	144 963	(42 392)	(4 761)	1 401	16	(45 736)	99 227	18 914
Community & Social Services	455 080	38 572	(1 457)	(31 472)	460 723	(191 128)	(11 942)	1 392	4 055	(197 623)	263 100	59 925
Housing	1 256 426	171 752	(2 973)	(67 778)	1 357 427	(471 898)	(19 236)	2 008	(749)	(489 875)	867 552	214 838
Public Safety	438 602	51 347	(10 951)	25 060	504 058	(221 021)	(23 616)	10 858	912	(232 867)	271 191	79 665
Sport and Recreation	895 416	474 541	(6 418)	(351 042)	1 012 497	(370 951)	27 338	5 319	250	(338 044)	674 453	615 328
Environmental Protection	1 479	3 009	(46)	(2 376)	2 066	(388)	(270)	22	185	(451)	1 615	5 693
Waste Management	1 848 391	237 720	(4 542)	(1 345)	2 080 224	(553 756)	(138 692)	4 450	4 717	(683 281)	1 396 943	253 211
Road Transport	3 088 343	255 533	(10 034)	38 947	3 372 789	(1 354 995)	(160 640)	9 916	3 663	(1 502 056)	1 870 733	508 247
Water	2 341 837	184 626	(6 156)	8 850	2 529 157	(1 054 603)	(93 115)	6 107	1 363	(1 140 248)	1 388 909	208 182
Electricity	2 913 925	327 550	(14 441)	(319)	3 226 715	(1 282 673)	(124 166)	14 163	(4)	(1 392 680)	1 834 035	343 364
Abattoir	23 177	0	(2)	(23 175)	0	(23 177)	0	2	23 175	0	0	0
Tourism	16 650	0	0	(33)	16 617	(200)	(206)	0	0	(406)	16 211	0
TOTAL	15 320 919	1 953 422	(123 724)	(11 426)	17 139 191	(6 612 796)	(714 775)	148 133	(28 760)	(7 208 198)	9 930 993	2 544 818

Note 1: The balance as at 30 June 2007 for certain assets includes Electricity and Bulk Water assets held under finance leases with a carrying value of R188,507 million.

Note 2: Encumbered Assets: Certain parcels of land, the value of which is included in this appendix, have been made available to the Cape Town Community Housing Company (CTCHC).

APPENDIX D
SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006	2006	2006		2007	2007	2007
Restated	Restated	Restated		Actual	Actual	Surplus/
Actual	Actual	Surplus/		Income	Expenditure	(Deficit)
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R '000	R '000	R '000		R '000	R '000	R '000
3 024 346	994 422	2 029 924	Rates	4 212 713	1 020 045	3 192 668
3 993	191 515	(187 522)	Executive & Council	4 747	221 844	(217 097)
1 854 883	1 687 194	167 689	Finance & Administration	1 099 453	1 219 492	(120 039)
144 504	299 156	(154 652)	Planning & Development	141 917	309 185	(167 268)
127 427	313 078	(185 651)	Health	140 434	314 153	(173 719)
20 589	204 607	(184 018)	Community & Social Services	23 586	551 706	(528 120)
282 036	473 740	(191 704)	Housing	222 986	368 108	(145 122)
218 838	738 386	(519 548)	Public Safety	227 244	871 681	(644 437)
23 707	526 565	(502 858)	Sport & Recreation	47 652	282 220	(234 568)
14	2 214	(2 200)	Environmental Protection	496	63 660	(63 164)
871 837	889 192	(17 355)	Waste Management	974 144	910 688	63 456
727 218	604 622	122 596	Waste Water Management	878 114	716 764	161 350
33 543	626 474	(592 931)	Road Transport	48 332	623 843	(575 511)
1 551 986	1 580 203	(28 217)	Water	1 834 540	1 667 700	166 840
2 906 876	2 783 509	123 367	Electricity	3 187 329	3 002 768	184 561
17 385	19 395	(2 010)	Discontinued Operations	0	0	0
(114)	58	(172)	Other: Tourism	272	40 048	(39 776)
11 809 068	11 934 330	(125 262)	Sub Total	13 043 959	12 183 905	860 054
2 417 212	2 417 212	0	Less: Inter-Departmental Charges	2 577 891	2 577 891	0
9 391 856	9 517 118	(125 262)	Total	10 466 068	9 606 014	860 054

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	Actual R '000	Budget R '000	Variance R '000	Variance %	Explanation of Variances greater than 10%
REVENUE					
Property rates	2 475 508	2 566 157	90 649	3.53%	
Service charges	5 086 896	5 119 781	32 885	0.64%	Lower income due to revenue recognition
Regional Services Levies - turnover	137 510	110 000	(27 510)	-25.01%	Levies has been abolished since 1 July 2006. More declarations received than expected after this date
Rental of facilities and equipment	145 257	224 700	79 443	35.36%	Lower income due to revenue recognition
Interest receivable	493 946	332 425	(161 521)	-48.59%	Actual interest earned on cash investments exceeding budget due to higher than budgeted cash balance throughout the year resulting from under spend on capital budget.
Fines	180 753	153 204	(27 549)	-17.98%	Intensive fine recovery program was launched, including a media campaign.
Licences and permits	26 895	24 695	(2 200)	-8.91%	
Agency services	104 960	111 983	7 023	6.27%	
Government grants and subsidies	1 512 496	2 605 937	1 093 441	41.96%	Due to accounting adjustments (see adjustments below)
Other income	221 199	174 313	(46 886)	-26.90%	Recoveries from developers were more than budgeted.
Public contributions, donated/contributed PPE	33 957	0	(33 957)	0.00%	
Gains on disposal of property, plant and equipment	46 691	42 700	(3 991)	-9.35%	
Total Revenue	10 466 068	11 465 895	999 827	8.72%	
EXPENDITURE					
Employee related costs	3 010 002	3 041 384	(31 382)	-1.03%	
Remuneration of councillors	65 938	65 133	805	1.24%	
Impairment of consumer and other debtors	218 519	737 412	(518 893)	-70.37%	Refer to revenue items regarding revenue recognition.
Collection costs	143 634	147 562	(3 928)	-2.66%	
Depreciation and amortisation expense	450 374	772 248	(321 874)	-41.68%	Due to accounting adjustments (see adjustments below)
Repairs and maintenance	963 530	911 781	51 749	5.68%	
Interest on external borrowings	283 630	289 245	(5 615)	-1.94%	
Bulk purchases	1 996 241	1 989 077	7 164	0.36%	
Contracted services	491 248	509 472	(18 224)	-3.58%	
Grants and subsidies paid	79 871	82 179	(2 308)	-2.81%	
General expenses - other (including abnormal expenses)	1 882 402	2 243 929	(361 527)	-16.11%	Mainly due to grants and donations not materialising and provisions written back.
Loss on disposal of property, plant and equipment	844	111	733	660.36%	Loss on housing stock sold.
Loss on valuation of derivatives	19 781	0	19 781	0.00%	
Total Expenditure	9 606 014	10 789 533	(1 183 519)	-10.97%	
NET SURPLUS FOR THE YEAR	860 054	676 362	(183 692)	-27.16%	
Adjustments					
Less:Capital grants and donations (AC 134)		(502 605)	(502 605)		
Plus:Depreciation funded by grants and donations (AC 134)		264 029	264 029		
Budgeted surplus/deficit	860 054	437 786	(422 268)	-96.46%	

APPENDIX E(2)

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FC

	Actual	Total Additions	Budget	Variance	Variance
	R '000	R '000	R '000	R '000	%
Executive and Council	9 729	9 729	14 803	5 074	34.28%
Finance and Administration	134 566	134 566	144 995	10 429	7.19%
Planning and Development	46 950	46 950	77 653	30 703	39.54%
Health	17 527	17 527	18 914	1 387	7.33%
Community & Social Services	38 572	38 572	59 925	21 353	35.63%
Housing	171 752	171 752	214 838	43 086	20.06%
Public Safety	51 347	51 347	79 665	28 318	35.55%
Sport and Recreation	474 541	474 541	615 328	140 787	22.88%
Environmental Protection	3 009	3 009	5 693	2 684	47.15%
Waste Management	237 720	237 720	253 211	15 491	6.12%
Road Transport	255 533	255 533	508 247	252 714	49.72%
Water	184 626	184 626	208 182	23 556	11.32%
Electricity	327 550	327 550	343 364	15 814	4.61%
TOTAL	1 953 422	1 953 422	2 544 818	591 396	23.24%

FOR THE YEAR ENDED 30 JUNE 2007

Explanation of Significant Variances greater than 5% versus Budget
Due to tender in dispute.
Due to additional capital requirements for 2010
Due to implementation delays
Disputes regarding final accounts.
Under performance of major projects
Due to rental programme restructuring
Implementation delays
Inability of contractors to deliver services.
Contractor did not deliver within the prescribed timelines.
Delay in awarding contracts
Mainly due to external funding not received.
Delay in awarding contracts

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA

SERVICE	SOURCE	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE					TOTAL R'000
		September R'000	December R'000	March R'000	June R'000	Total R'000	September R'000	December R'000	March R'000	June R'000	Total R'000	
Amenities & Recreation	PAWC ISLP	0	0	0	0	0	0	0	0	22	22	(22)
	PAWC OTHER	0	0	0	1 500	1 500	0	404	137	1 260	1 801	(301)
	PAWC SOCIAL SERVICES	0	0	1 000	0	1 000	0	0	640	51	691	309
	PAWC SPORT & RECREATION	0	0	0	0	0	0	25	247	984	1 256	(1 256)
	PAWC TRANSPORT & PUBLIC WORKS	0	30 000	0	0	30 000	0	0	0	6 378	6 378	23 622
City Health	PAWC HEALTH	3 573	2 463	14 601	1 562	22 199	2 062	5 378	7 337	7 169	21 946	253
Emergency Services	PAWC OTHER	0	0	1 500	0	1 500	0	147	792	2 671	3 610	(2 110)
City Police	PAWC OTHER	0	0	0	0	0	0	0	0	2 000	2 000	(2 000)
	PAWC TRANSPORT & PUBLIC WORKS	0	0	0	0	0	0	290	48	126	464	(464)
Open Space Nature Conservation	PAWC HUMAN SETTLEMENT PROGRAM	0	0	0	0	0	0	12	0	0	12	(12)
	PAWC OTHER	0	0	0	0	0	175	0	181	427	783	(783)
Social Development	PAWC ISLP	0	0	0	0	0	0	0	0	40	40	(40)
	PAWC OTHER	0	0	0	0	0	0	0	46	363	409	(409)
	PAWC SOCIAL SERVICES	0	0	0	0	0	(4)	162	64	393	615	(615)
Economic Development & Tourism	PAWC HUMAN SETTLEMENT PROGRAM	228	0	0	1 408	1 636	301	0	433	871	1 605	31
	PAWC ISLP	0	0	0	0	0	1 632	1 001	36	(350)	2 319	(2 319)
	PAWC OTHER	0	0	0	0	0	0	0	0	384	384	(384)
Planning & Environment	PAWC HOUSING	0	0	0	201	201	254	0	0	0	254	(53)
	PAWC HUMAN SETTLEMENT PROGRAM	714	642	1 260	400	3 016	233	1 223	513	351	2 320	696
	PAWC OTHER	250	1 595	252	671	2 768	420	496	220	929	2 065	703
	STATE - DWAF	0	0	0	0	0	0	0	85	60	145	(145)
	STATE DEPT OTHER	2 130	550	199	0	2 879	8	609	502	822	1 941	938
Public Housing	PAWC HOUSING	91 034	62 433	(590)	9 062	161 939	22 433	27 869	10 217	12 207	72 726	89 213
	PAWC ISLP	12 104	0	0	0	12 104	2 563	1 552	158	315	4 588	7 516
	PAWC OTHER	0	0	0	403	403	0	0	5	475	480	(77.00)
	PROV. HOUSE DEV. BOARD	13 228	31 852	21 629	18 680	85 389	22 486	25 053	15 051	19 576	82 166	3 223
	STATE HOUSING	0	0	1 000	0	1 000	0	0	0	55	55	945
Transport Roads StWater	PAWC MTAB	7 407	7 762	7 776	18 561	41 506	7 407	7 762	7 776	18 561	41 506	0
	PAWC OTHER	0	0	0	0	0	0	0	335	79	414	(414.00)
Electricity	DEPT. MINERAL ENERGY	0	2 924	1 737	0	4 661	1 443	2 697	1 284	2 512	7 936	(3 275.00)
Support Services	MUNICIPAL INFRASTRUCTURE GRANTS	20 000	110 308	33 692	29 340	193 340	51 348	49 831	51 214	28 742	181 135	12 205
Support Services	NATIONAL TREASURY	5 976	4 107	31 844	0	41 927	3 162	6 256	6 177	19 463	35 058	6 869
Support Services	PAWC AGRICULTURE	4 560	0	0	0	4 560	2 810	642	342	497	4 291	269
Support Services	PAWC EDUCATION	400	0	0	0	400	0	0	0	0	0	400
Support Services	PAWC HOUSING	0	0	0	0	0	43	87	70	0	200	(200)
Support Services	PAWC OTHER	0	530	0	0	530	0	0	0	30	30	500
Support Services	PAWC SPORT & RECREATION	0	0	0	800	800	0	488	360	0	848	(48.00)
Support Services	STATE: DEPT. SPORT AND RECREATION	0	0	98 256	83 201	181 457	0	0	0	99 875	99 875	81 582
Water Service	STATE - DWAF	0	1 755	1 315	0	3 070	0	1	1 030	563	1 594	1 476
		161 604	256 921	215 471	165 789	799 785	118 776	131 985	105 300	227 901	583 962	215 823

APPENDIX G

ANALYSIS OF PROVISIONS AS AT 30 JUNE 2007

	For period 30 June 2006				For period 30 June 2007			
	Opening Balance	Contribution	Transfers	Closing Balance	Opening Balance	Contribution	Transfers	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ambulance Incentive	713	0	0	713	713	0	0	713
Insurance claim	44 675	21 800	(64 628)	1 847	1 847	1 038	(1 847)	1 038
Medical Aid	60 000	0	11 000	71 000	71 000	5 000	0	76 000
SARS	26 370	38 426	(7 261)	57 535	57 535	-	(57 535)	0
Performance bonus	7 097	0	(7 097)	0	0	0	0	0
COVID Claims	12 607	1 260	(11 488)	2 379	2 379	2 460	(2 379)	2 460
Legal fees	0	600	0	600	600	4 028	(600)	4 028
Landfill sites	0	0	20 000	20 000	20 000	7 623	(20 000)	7 623
Revenue Pension	2 125	0	875	3 000	3 000	2 700	(3 000)	2 700
Staff Leave	217 723	21	(36 930)	180 814	180 814	35 898	0	216 712
	371 310	62 107	(95 529)	337 888	337 888	58 747	(85 361)	311 274