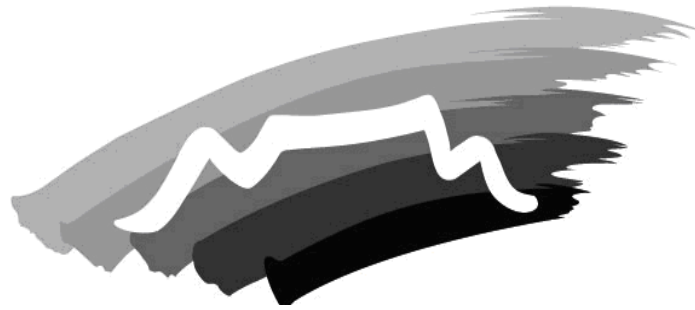


**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**



**ANNUAL FINANCIAL
STATEMENTS**

for the year ended

30 JUNE 2008



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GENERAL INFORMATION

MAYOR	Alderman	H Zille
DEPUTY MAYOR	Councillor	G C R Haskin
SPEAKER	Councillor	JD Smit
CHIEF WHIP	Councillor	AM Serritslev

MEMBERS OF THE MAYORAL COMMITTEE

Alderman H Zille	Executive Mayor of the Mayoral Committee
Councillor S Sims	Mayoral Committee Member for Amenities and Sport
Councillor B Walker	Mayoral Committee Member for Corporate Services and Human Resources
Councillor SP Grindrod	Mayoral Committee Member for Economic, Social Development and Tourism
Councillor I Neilson	Mayoral Committee Member for Finance
Councillor M Fienies	Mayoral Committee Member for Health
Councillor D Plato	Mayoral Committee Member for Housing
Councillor M Nieuwoudt	Mayoral Committee Member for Planning and Environment
Councillor D Ximbi	Mayoral Committee Member for Safety and Security Services
Councillor C R Justus	Mayoral Committee Member for Trading Services and Infrastructure
Councillor E Thompson	Mayoral Committee Member for Transport, Roads and Stormwater

MEMBERS OF THE AUDIT COMMITTEE

Aglaak Mahmood	Chairperson
Bertina Engelbrecht	Deputy Chairperson
Ray Schur	Member
Mervyn Burton	Member

AUDITORS	The Auditor-General Business Connexion Building Ring Road, Century Boulevard Century City, 7441	Private Bag X1 Chempet 7442
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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	Grindrod, S P	Maxakato, F H	Rossouw, S
Abrahams, A	Groenewald, E	Mbaliswana, M G	Salwary, M I
Abrahams, A N	Gutuza, FS	Mcgluwa, J J	Sasman, D P
Amira, D	Haskin, GCR	McKenzie, C L	Sass, G M
Anderson-Jardine, L O	Hassiem, W	Mdluli, V V	Sawant, E
Arendse, M G	Haywood, M	Mgayiya, N P	Schäfer, D A
Arendse, P S	Heber, B	Mgodeli, P	Schwella, W
Arendse, S W P	Hermans, J	Mgxekeni, T M	Serritslev, A M
Ariefdien, M G	Heuvel, J A	Middleton, J H	Sidinana, L T
Bala-Mjobo, B V	Hill, P A D	Mini, G B	Sikhutshwa, T R
Baskiti, M	Hlazo, M W	Mkutswana, M A	Siljeur, G R
Bayat, S	Holderness, N	Mngxunyeni, P M	Simons, J M
Beerwinkel, C F	Ipser, C W	Mnqasela, M	Sims, S
Bent, N L	Iversen, I	Mocke, D	Smit, D
Benya, L	Jackson, I R	Mofoko, N M	Smit, J D
Bergh, A V	Jacobs, B M	Mokoena, J M	Smith, D R
Berry, E A	Jacobs, J	Morkel, G N	Smith, J
Bevu, T N	Jacobs, N A	Mpongo, Kululwa	Solizwe, M T
Billie, N E	Jaftha, W D	Mrawu, R	Sonnenberg, E J
Blaai, B C	Jeffreys, C B	Msuthu, N M	Sotashe, X R
Booi, P T	Jama, J S	Mthiya, T B	Steenkamp, F R
Bottoman, T N	Jelele, L D	Murudker, M	Stemela, H P
Brady, W E	Jespersen, G A	Mxolose, W S	Tabisher, C
Bredenhand, J C	Joko, B	Ncedana, M	Thee, J W P
Brenner, H I	Jonas, A S	Neilson, I D	Thomas, C R
Britz, M T	Jones, M	Nieuwoudt, M J	Thompson, E L
Brynard, C A	Justus, C R	Njamela, JG	Thompson, T B
Burger, J H H	Kallie, A	Nkwele, W A	Timm, G
Carstens, E M	Kearns, F	Ntamo, G T	Traut, A
Cavanagh, G V	Kent, M E A	Ntloko, H N	Trout, T V
Chaaban, BJ	Kinahan, O M	Ntotoviyane, C	Truter, B
Chapple, P H	Klaas, M N	Nyameka, N	Tshambula, D
Christians, D J	Kleinsmith, G	Nyanga, X	Twigg, G G
Claasen, C P V	Kotyi, P N	O'Connell, R A	Tyhalisisu, V K T
Claassen, H M	Kwayinto, E N	Oliver, M J	van Dalen, P
Clayton, C C	Labase, M M	Omar, A R	van der Bijl, W
Cloete, P	Labuschagne, C	Orrie, A	van Rensburg, L J
Cortje-Alcock, B A	Landingwe, N J	Otto, A	van Rensburg, M J
Daniels, C J	Lategan, K H	Pascoe, G I	van Wyk, J
Dase, N	Lee, B E H	Pearce, Y	Venter, J D
Davids, M M	Le Roux, B	Pick, U E	Vlotman, B
Dudley, D K	Ludidi, M T	Pieterse, D	Vos, J
Dunn, L R	Lukas, A	Pietersen, E	Walker, V M
Else, D	Maboee, B E	Plato, D	Watkyns, B R W
Erasmus, J F	Mafilika, B	Pretorius, I J	Willemse, J A
Esbach, B M	Magwentshu, N D	Pringle, S B	Williams, A
Fienies, M M	Makanda, M	Purchase, F	Williams, C
Figlan, A M	March, G W	Qually, D L	Williams, D C
Frans, J	Martin, F J	Rau, R	Xazana, R
Gabriel, N A	Matha, M S	Raymond, F H L	Ximbi, D L
Gabriel, P J	Matiwane, M P	Ridder, J C	Yiba, L P L
Gexa, N G	Matshikiza, A B	Robinson, A C	Zille, O H
Gophe, X O	Matshoba, M O	Roelf, L E	Zuma, B A
Gouws, P J H	Mavungavunga, V N	Ross, N D	
Green, A M	Mawela, X G	Rothman, L J	



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 16 to 70 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 30 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: *27* AUGUST 2008

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The City again posted a higher than expected net results in relation to budgeted amounts for the year ended 30 June 2008 given the prevailing market condition.

An increased focus to improve service delivery had a positive effect on the Capital Implementation Program having grown from 77% in the previous year to just under 80% in the year under review.

The City focused on a strong recovery drive of arrear debt from debtors as part of its endeavour to cope with increased demands being made on its financial resources by rapidly growing developmental challenges.

The financial activities of the year are reviewed in the sections of this report.

2. OPERATING RESULTS

The overall summarized operating results for the City as at 30 June 2008 are shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service are shown in Appendix D to the annual financial statements.

	2007	2008			2007 to 2008
	Actual R'000	Actual R'000	Budget R'000	Variance R'000	Growth %
REVENUE					
Property rates	2,475,480	3,258,741	3,136,000	(122,741)	31.64
Service charges	5,154,618	5,749,773	5,702,689	(47,084)	11.55
RSC levies and Grants in lieu of RSC Levies	968,837	1,107,242	1,107,242	0	14.29
Government grants and subsidies	577,616	666,638	752,259	85,621	15.41
Finance income	496,744	535,703	407,946	(127,757)	7.84
Other	1,194,092	1,218,295	1,173,138	(42,806)	2.03
	10,867,387	12,536,392	12,279,274	(254,767)	15.36
EXPENSES					
Employee-related costs	3,010,652	3,430,193	3,485,980	55,787	13.94
Impairment of debtors	392,449	708,643	558,571	(150,072)	80.57
Impairment of other assets	8,901	35,009	8,000	(27,009)	293.32
Depreciation and amortization expense	710,044	774,709	870,807	96,098	9.11
Finance cost	479,421	482,476	311,703	(170,773)	0.64
Bulk purchases	1,998,112	2,141,514	2,164,272	22,758	7.18
Repairs and Maintenance	963,530	1,185,860	1,210,242	24,382	23.07
Other expenses	2,465,370	3,299,602	3,242,198	(57,404)	33.84
	10,028,479	12,058,006	11,851,773	(206,233)	20.24
Surplus for the year	838,908	478,386	427,501		
Statement of Changes in Net Assets	(467,766)	(167,817)	(125,827)		
Net results for the year	371,142	310,569	301,674		
Accumulated Surplus at beginning of year	853,297	1,224,439			
Accumulated Surplus at end of year	1,224,439	1,535,008			

Actual revenue has increased by approximately 15.3%, whilst expenditure increased approximately 20.2% between the respective financial years.

A comparison of actual results to the approved budget, and explanations of material differences, are set out in the annual financial statements as per appendix E(1).

**CITY of CAPE TOWN
REPORT OF THE CHIEF FINANCIAL OFFICER**

Included in the statement of changes in net assets is a contribution of approximately R735,6 million made to the following funds and reserves. R'000

Contribution to Capital Replacement Reserve	651,761
Contribution to the Housing Statutory Fund	20,542
Contribution to the Self Insurance Reserve	63,285

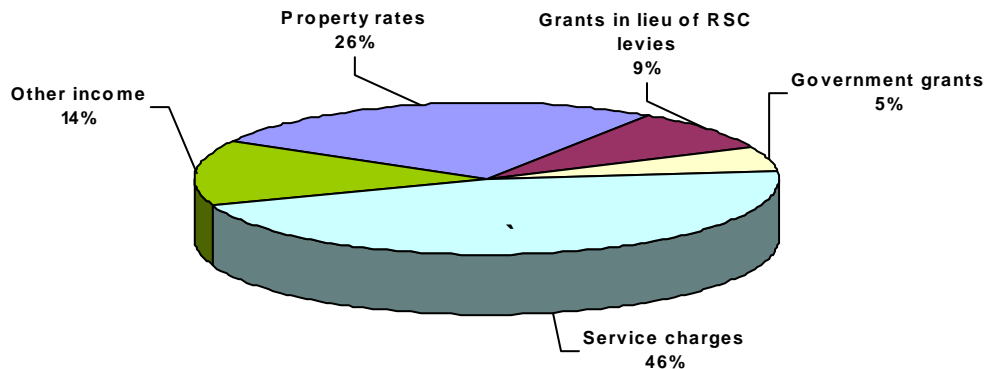
The increased reserves allocated to the Capital Replacement Reserve was to support the capital renewal program in particular for water and electricity services.

2.1 Operating Revenue

The major revenue streams that supported the programmes and activities of the Municipality were:

- Property Rates;
- Service Charges made up as follows
 - Electricity sales
 - Water sales
 - Waste water management (sewerage and sanitation)
 - Waste management (solid waste);
- Government grants; and
- Other

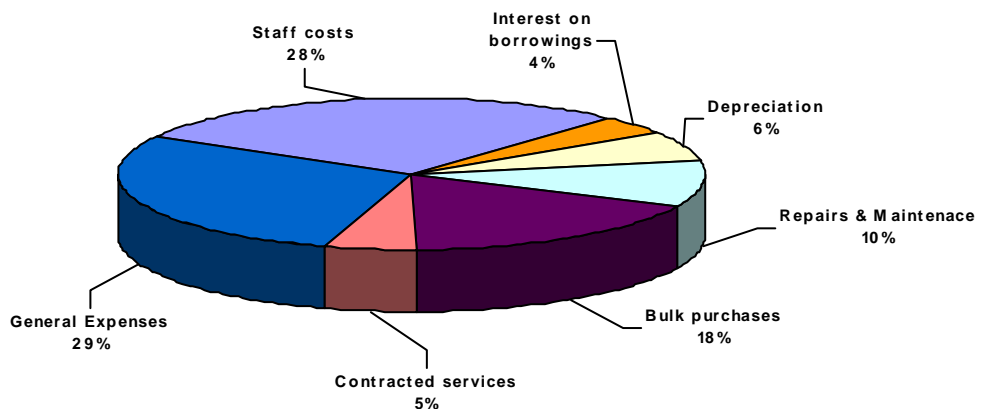
The City experienced a total revenue growth of 15.0% on the amounts realized in the previous financial year but which was approximately 2.08% above the amount targeted in this year's budget. The following graph indicates the main categories of income.



Further detail of service charges is contained in note 22 of the financial statements.

2.2 Operating Expenditure

The following graph indicates the main categories of expenditure for the year under review. The pro-active management control and containment of cost increases remains a key priority of the City.



Further detail is contained in notes 29 to 36 to the financial statements.

**CITY of CAPE TOWN
REPORT OF THE CHIEF FINANCIAL OFFICER**

3. OPERATING RESULTS PER SERVICE

The following is a summary of the operating results of the various services.

3.1 Rates and General Services

Rates and General Services	Actual 2008 R'000	Budget 2008 R'000	Variance 2008 R'000	Actual 2007 R'000
Income	7,202,988	7,020,522	(182,466)	6,100,612
Expenditure	(7,017,484)	(6,753,305)	264,179	(5,655,064)
Surplus for the year	185,504	267,217	81,713	445,548
Statement of changes in net assets	40,643	177,344	136,701	(437,117)
Net results for the year	226,147	444,561	218,414	8,431

The lower than expected net results in relation to budgeted amounts was mainly due to the increased expenditure in the category general expenses and repairs and maintenance.

3.2 Housing Service

Housing Service	Actual 2008 R'000	Budget 2008 R'000	Variance 2008 R'000	Actual 2007 R'000
Income	355,566	386,744	31,178	318,595
Expenditure	(663,271)	(643,380)	19,891	(461,686)
Deficit for the year	(307,705)	(256,636)	51,069	(143,091)
Statement of changes in net assets	82,554	68,988	(13,566)	29,614
Net results for the year	(225,151)	(187,648)	37,503	(113,477)

The higher than expected deficit for the year in relation to the budgeted amount is mainly due to the increased contribution to the working capital reserve.

3.3 Trading Services

Electricity Service

Electricity Service	Actual 2008 R'000	Budget 2008 R'000	Variance 2008 R'000	Actual 2007 R'000
Income	3,486,538	3,524,062	37,524	3,175,589
Expenditure	(3,366,101)	(3,413,208)	(47,107)	(3,025,552)
Surplus for the year	120,437	110,854	(9,583)	150,037
Statement of changes in net assets	(322)	1,265	1,586	(31,355)
Net results for the year	120,115	112,119	(7,997)	118,682

The higher than expected net result in relation to the budgeted amount is mainly due to improved operational efficiency despite a lower than anticipated income.

**CITY of CAPE TOWN
REPORT OF THE CHIEF FINANCIAL OFFICER**

3.4 Waste Management (Solid Waste)

Waste Management	Actual 2008 R'000	Budget 2008 R'000	Variance 2008 R'000	Actual 2007 R'000
Income	1,185,856	1,101,869	(83,987)	951,063
Expenditure	(1,170,936)	(1,086,579)	84,357	(881,961)
Surplus for the year	14,920	15,290	370	69,102
Statement of change in net assets	(11,546)	(6,905)	4,641	(25,908)
Net results for the year	3,374	8,385	5,011	43,194

The lower than expected net results in relation to budgeted amounts is mainly due to the increased expenditure in the category general expenses.

3.5 Water Service (Water & Waste Water Management)

Water Service	Actual 2008 R'000	Budget 2008 R'000	Variance 2008 R'000	Actual 2007 R'000
Income	3,254,885	3,111,388	(143,497)	2,899,419
Expenditure	(2,789,655)	(2,820,611)	(30,956)	(2,582,107)
Surplus for the year	465,230	290,777	(174,453)	317,312
Statement of changes in net assets	(279,147)	(366,518)	(87,371)	(3,000)
Net results for the year	186,083	(75,741)	(261,824)	314,312

The higher than expected surplus for the year in relation to budget was due to consumption levels being higher than anticipated and the under spending of repairs and maintenance.

4. CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year amounted to R3,120 billion which represented 78.54% (2007: 77.38%) of the approved capital budget. Although the total amount expended reflects an increased trend of 1.16%, expenditure still represents a considerably lower than planned implementation rate. An additional amount of R623 million was rolled over to supplement the capital budget of 2008/2009.

Capital Expenditure per Service	Actual 2008 R'000	Budget 2008 R'000	Variance Actual/ Budget %	Actual 2007 R'000
Rates and General	1,861,843	2,422,746	(23.15)	1,047,759
Housing	116,484	267,931	(56.52)	171,752
Electricity	543,788	569,757	(4.56)	327,550
Water Service (Water & Waste Water Management)	487,195	596,293	(18.30)	327,068
Waste Management (Solid Waste)	110,436	115,473	(4.36)	95,278
	3,119,746	3,972,200	(21.46)	1,969,407

The aforementioned fixed assets were financed from the following sources.

Source of Finance	Actual 2008 R'000	Budget 2008 R'000	Variance Actual/ Budget %	Actual 2007 R'000
Capital Replacement Reserve	571,720	646,298	(11.54)	538,415
External Finance Fund	1,242,470	1,664,301	(25.35)	893,913
Contributions, Grants and Donations	1,275,656	1,643,367	(22.38)	502,605
Revenue	29,900	18,234	63.98	34,474
	3,119,746	3,972,200	(21.46)	1,969,407

A complete analysis of capital expenditure (budgeted and actual) per functional area is included in Appendix C and E2 whilst Appendices B and B1 contain detail according to asset class. More details regarding external loans used to finance fixed assets are shown in Appendix A.

**CITY of CAPE TOWN
REPORT OF THE CHIEF FINANCIAL OFFICER**

5. EXTERNAL LOANS, INVESTMENTS AND CASH

During the year under review, loans of R224, million were repaid, whilst interest to the value of R32,6 million was capitalized and loans of R1,4 billion were received.

Long term investments as at 30 June 2008 amounted to R390,2 million and short term investments amounted to R 3221,9 million of which R514,5 million was set aside for the repayment of loans. Cash and cash equivalents increased by R721,5 million to R1,15 billion.

Additional information regarding loans, investments and cash and cash equivalents provided in notes 4, 15, 20 and Appendix A to the financial statements.

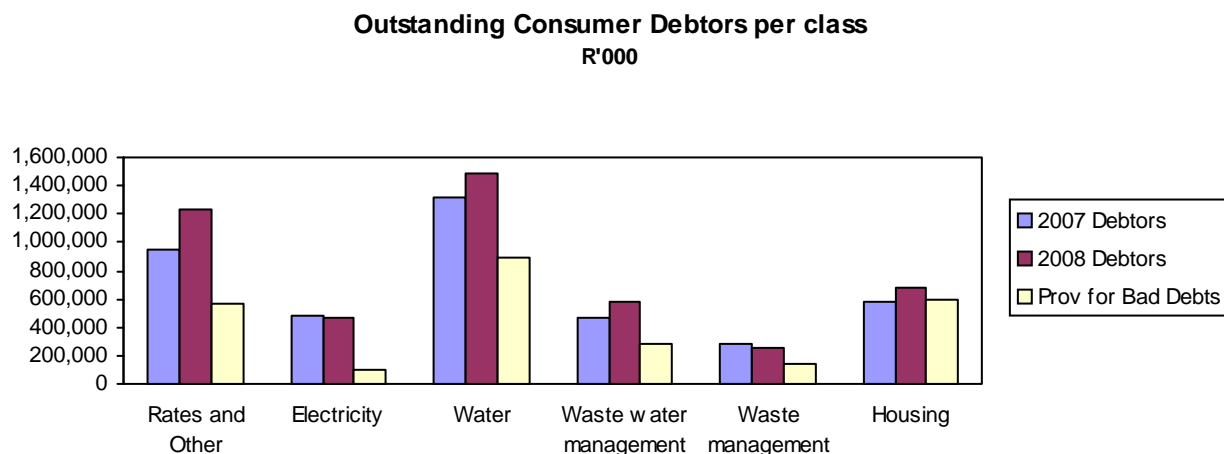
The City issued its first publicly listed municipal bond, CCT01, on 23 June 2008, for R1 billion as part of a R7 billion Domestic Medium Term Note (DMTN) programme listed on the Bond Exchange of South Africa (BESA). The bond was well received by the investor community, being almost three times over subscribed.

6. CONSUMER DEBTORS

Outstanding consumer debtors at 30 June 2008 were R4,695 billion. The amounts included in the consumer debtor balances considered to be doubtful are covered by a provision for bad debts of R2,57 billion which represents 54,75% of the total. An amount of R442,6 million was written-off during the year under review.

Additional information regarding consumer debtors is contained in Note 18.

The outstanding consumer debtors as at 30 June 2008 are represented graphically below, reflecting also the coverage by the bad debts reserve.



7. IRREGULAR EXPENDITURE

The unresolved irregular expenditure reported in the financial year 2006/07 and referred to SCOPA by Council is still being investigated and discussed within sub-committees appointed by SCOPA to determine the potential of any recoverability.

8. EXPRESSION OF APPRECIATION

I wish to convey my sincere appreciation to Her Worship the Executive Mayor, Mayoral Committee, the Chairperson and the members of the Finance Portfolio Committee, the Audit Committee, SCOPA, City Manager and Executive Management Team for their support and co-operation received during the year.

A special word of gratitude to all financial staff especially the accounting staff for their contribution and to the staff of the Auditor-General, the auditors appointed by him, and their staff, for conducting the external audit and for their assistance, support and co-operation during the year.

Finally, a further word of thanks to everybody for the months of hard work, sacrifices and concerted effort during the year to enable the City to finalise these financial statements within the prescribed period.



MIKE RICHARDSON
CHIEF FINANCIAL OFFICER

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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.

The Minister of Finance has, in terms of General Notice 522 of 2007, exempted municipalities from compliance with certain of the above-mentioned standards and aspects or parts of these standards. The City has opted not to apply any of the exemptions for the 07/08 financial year which is consistent with the basis of preparation adopted for the 06/07 financial year. **The Minister of Finance has further exempted municipalities from limiting the initial recognition of revenue as described in GAMAP 9 due to uncertainty regarding the flow of economic benefits to the entity.** In terms of the general notice municipalities must recognise revenue on a gross basis. The City has applied the exemption for the 07/08 financial year which is a change in the accounting policy for revenue adopted for the 06/07 financial year. Refer to note 46 for more details.

The Minister of Finance has, in terms of Government Gazette 31021, dated 9 May 2008 promulgated the implementation of the new GRAP standards with effect from 1 July 2008. These GRAP standards will replace the current GAMAP standards. The City did not consider adopting these standards earlier as its preliminary investigations indicated that the impact of the standards on the financial statements will be of little significance.

Details of the City's significant accounting policies are set out below, and are consistent with those applied in the previous financial year except for the following:

- Adoption of AC144 Financial Instruments: Disclosures. AC144 supersedes the disclosure requirements of AC125. One of the main disclosure requirements added by AC144 is that an entity must group its financial instruments into classes of similar instruments, and when disclosures are required, make disclosures by class.
- The City reclassified interest paid and receivable under the heading finance costs and finance income respectively on the face of the Statement of Financial Performance.
- Bank deposits maturing within 12 months of balance sheet date have been reclassified from cash and cash equivalents to short term investments to the value of R3,227 million (2007: R2,093 million). Cash and cash equivalents will in future only include call deposits and short term bank deposits with a maturity of three months or less from inception.
- **The City has in accordance with the change in its accounting policy (refer note 46) restated its revenue and expenditure amounts.** This resulted in a net increase in revenue and expenditure to the value of R336,652 million (refer note 22, 24 and 31).

- Deferred income arising as a result of the financing of assets out of grant income and previously presented as an off set against depreciation expenditure has now been reclassified as income and the depreciation expenditure shows at its gross amount on the Statement of Financial Performance. This resulted in an increase in revenue and expenditure to the value of R324,261 million.

In the process of applying the City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have 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.

- **Impairment of Trade Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment on their ability to make payments based on their credit worthiness. This was performed per service identifiable categories across all classes of debtors.

- **Property, Plant and Equipment**

The useful lives of assets are based on management's estimation. Management considers the impact on technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and what their condition will be like at that time.

- **Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in Note 5 and 48 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

- **Held-to-maturity Financial Assets**

Management has reviewed the held-to-maturity financial assets in the light of its capital management and liquidity requirements and has confirmed the positive intention and ability to hold those assets to maturity.

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, it 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 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 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 assets 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 City maintains and acquires assets to provide a social service to the community with no intention of disposing of the assets for any economic gain and thus no residual values are determined other than for motor vehicles.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not insignificant, are reassessed annually. 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 (revised)	10
Water	15-20	Office equipment (revised)	5 - 10
Sewerage	15-20	Furniture and fittings (revised)	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 (revised)	10	Equipment (revised)	5 - 10
		Landfill Sites	30

Assets under construction work are carried at cost. Depreciation of an asset commences when the asset is ready for its 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.

4.2 Impairment of Property, Plant and Equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

5. 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 which 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.

6. 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 recognises 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.

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.

7. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Assets classified as held for sale are measured at the lower of the asset's carrying amount or fair value less cost to sell.

8. FINANCIAL INSTRUMENTS

Financial instruments are recognised when the City becomes a party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through the Statement of Financial Performance, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. The subsequent measurement of financial instruments is dealt with as follows:

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the City has transferred substantially all risks and rewards of ownership or when the enterprise loses control of contractual rights that comprise the assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

8.1 Financial Assets

The City classifies its financial assets into the following categories:

- *Held-to-maturity.*
- *Loans and receivables.*
- *Available-for-sale; and*
- *Held for trading.*

The classification is dependent on the purpose for which the financial asset is acquired and is as follows:

- *Held-to-maturity 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. They are subsequently measured at amortised cost using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.*
- *Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.*
- *Available-for-sale financial assets are financial assets that are designated as available for sale and are subsequently measured at fair value at Statement of Financial Position date except for investments in equity instruments that do not have quoted market price in an active market and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.*
- *Held for trading financial assets include derivative financial instruments used by the City to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than 1 year, the fair value of these instruments will be reflected as a non-current asset or liability and are subsequently measured at fair value at Statement of Financial Position date.*

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exist that a financial asset is impaired. The carrying amounts of cash 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.

8.2 Financial Liabilities

The City measures all financial liabilities including trade and other payables, at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and trade and other payables (excluding provisions). 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.

8.3 Trade Payables and Other

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

9. 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 **except for plants and compost which are valued at the tariffs charged**. 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.

10. ACCOUNTING FOR RENEWABLE ENERGY

This is a scheme administered by the City of Cape Town for voluntary participation by electricity consumers for promoting green awareness. The instruments of the scheme are described generally as green certificates.

These rights are recorded at weighted average purchase cost net of the Eskom bulk charge.

Rights held are disclosed in the Statement of Financial Position as current assets.

Excess assets held after annual acquittal cannot be carried forward to future years and are recorded in the Statement of Financial Performance as an expense.

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently stated at amortised cost, less provision for impairment. 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 subject to the approval of the necessary dedicated authority. Amounts receivable within 12 months from the 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. Interest is charged on overdue amounts.

12. REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised provided the 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.

12.1 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.

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

12.3 Service charges relating to Electricity and Water are based on consumption. Meters are read on a periodic basis and revenue is recognised provided that the benefits can be measured reliably. 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.

12.4 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.

12.5 Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is recognised when received.

12.6 Income in respect of housing rental and instalment sale agreements is accrued monthly.

12.7 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
- 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.

12.8 Dividends are recognised when the City's right to receive payment is established

12.9 Income for agency services is recognized on a monthly basis once the income collected on behalf of agents is **earned**. The income is recognized in terms of the agency agreement.

12.10 Donations are recognized on a cash receipt basis or at fair value 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.

12.11 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.

12.12 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- **Prepaid electricity sold is only recognised as income once the related units are consumed.**

13. 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.

14. CONDITIONAL GRANTS AND RECEIPTS (Deferred Income)

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 performance.

14.1 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.

14.2 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.

15. 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.

16. ENVIRONMENTAL REHABILITATION PROVISIONS

Estimated long-term environmental provisions, comprising rehabilitation and landfill sites closure, are based on the City's policy taking into account current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation which did not relate to the initial related asset are charged to the Statement of Financial Performance.

17. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

18. EMPLOYEES BENEFITS

18.1 Retirement Benefit Plans

The City provides retirement benefits for its employees and councillors. 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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. The contributions and lump sum payments are charged against income in the year they become payable.

18.2 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 is 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 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 performed annually.

18.3 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.

The liability in respect of current pensioners is 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 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 performed annually.

18.4 Short-term and long-term employee benefits

The costs 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.

19. LEASES

19.1 The City as Lessee

19.1.1 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.

19.1.2 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.

19.2 The City as Lessor

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

20. 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 statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

21. VALUE ADDED TAX

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

22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for 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.

23. 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.

24. 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.

25. 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 applying 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.

26. BORROWING COSTS

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

27. COMPARATIVE INFORMATION

Comparative figures are re-classified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

CITY of CAPE TOWN
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R '000	2007 R '000
NET ASSETS AND LIABILITIES			
Net assets		3 594 938	3 114 092
Housing Development Fund	1	490 354	532 225
Reserves	2	1 569 576	1 357 428
Capital Replacement Reserve		908 673	807 493
Self-insurance Reserve		660 903	549 935
Accumulated Surplus		1 535 008	1 224 439
Non-current liabilities		10 852 339	8 381 439
Deferred Income	3	5 402 793	4 374 396
Long-term borrowings	4	3 047 812	2 038 052
Provisions	5	2 400 457	1 964 975
Derivative Financial Instruments	45	1 277	4 016
Current liabilities		5 475 678	3 872 775
Consumer deposits	6	237 591	214 449
Provisions	7	556 019	333 209
Payables	8	2 563 237	2 345 164
Unspent conditional grants and receipts	9	1 562 884	649 726
VAT	10	145 308	117 027
Current portion of long-term borrowings	4	409 239	210 886
Current portion of derivative financial instruments	45	1 400	2 314
Total Net Assets and Liabilities		<u>19 922 955</u>	<u>15 368 306</u>
ASSETS			
Non-current assets		12 846 342	10 740 276
Property, plant and equipment	11	12 142 997	9 790 463
Investment property	12	95 076	99 468
Intangible assets	13	20 083	71 920
Investments	15	390 218	491 266
Long-term receivables	16	197 968	279 185
Derivative Financial Instruments	45	0	7 974
Current assets		7 076 613	4 628 030
Assets classified as held-for-sale	14	242	980
Inventory	17	216 340	159 471
Trade Receivables	18	2 124 457	1 752 553
Other Receivables	19	329 231	145 585
Short term investments	15	3 221 903	2 093 663
Current portion of long-term receivables	16	16 949	19 773
Current portion of derivative financial instruments	45	8 664	18 649
Cash and cash equivalents	20	1 158 827	437 356
Total Assets		<u>19 922 955</u>	<u>15 368 306</u>

CITY of CAPE TOWN

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

BUDGET			ACTUAL	
2007	2008		2008	2007
R '000	R '000	Note	R '000	R '000
REVENUE				
2 566 157	3 136 000	Property rates	21 3 258 741	2 475 480
5 119 781	5 702 689	Service charges	22 5 749 773	5 154 618
110 000	12 700	Regional Services Levies	23 20 475	137 510
224 700	239 405	Rental of letting stock and facilities	24 249 697	220 469
332 425	407 946	Finance income	25 535 703	496 744
153 204	161 018	Fines	159 225	180 753
24 695	32 042	Licences and permits	31 037	26 895
111 983	110 828	Income for agency services	112 654	104 960
1 782 271	1 859 501	Government grants and subsidies	26 1 767 663	1 512 496
354 337	356 037	Deferred Income	324 261	259 723
174 313	217 255	Other income	27 273 076	217 091
0	0	Public contributions and donated property, plant and equipment	28 6 217	33 957
42 700	43 853	Gains on disposal of property, plant and equipment	47 870	46 691
10 996 566	12 279 274	Total Revenue	12 536 392	10 867 387
EXPENDITURE				
3 041 384	3 485 980	Employee related costs	29 3 430 193	3 010 652
65 133	70 648	Remuneration of councillors	30 70 935	65 938
737 412	566 571	Impairment costs	31 743 652	401 350
147 562	148 875	Collection costs	143 935	143 634
772 248	870 807	Depreciation and amortisation expense	32 774 709	710 044
911 781	1 210 242	Repairs and maintenance	1 185 860	963 530
289 245	311 703	Finance costs	33 482 476	479 421
1 989 077	2 164 272	Bulk purchases	34 2 141 514	1 998 112
509 472	599 439	Contracted services	596 506	491 248
82 179	84 273	Grants and subsidies paid	35 81 919	79 871
2 244 071	2 338 939	General expenses	36 2 404 694	1 683 835
111	24	Loss on disposal of property, plant and equipment	1 613	844
10 789 675	11 851 773	Total Expenditure	12 058 006	10 028 479
206 891	427 501	Surplus from operations	478 386	838 908
206 891	427 501	SURPLUS FOR THE YEAR	478 386	838 908

CITY of CAPE TOWN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Housing Development Fund R '000	Capital Replacement Reserve R '000	Self- Insurance Reserve R '000	Accumulated Surplus R '000	Total R '000
2007					
Balance as at 30 June 2006	501 627	530 846	463 764	871 553	2 367 790
Correction of prior year error - note 37				(18 256)	(18 256)
Restated Balance as at 1 July 2006	501 627	530 846	463 764	853 297	2 349 534
Restated surplus for the year	0			838 908	838 908
Surplus at 30 June 2007- previously reported				867 934	
Correction of prior year error - note 37				(29 026)	
Transfer to Capital Replacement Reserve	0	809 496		(809 496)	0
Property, plant and equipment purchased	(5 566)	(532 849)		538 415	0
Contribution to Insurance Reserve	0		86 171	(160 521)	(74 350)
Transfer to Housing Development Fund	36 164			(36 164)	0
Balance at 30 June 2007	532 225	807 493	549 935	1 224 439	3 114 092
2008					
Net surplus for the year				478 386	478 386
Transfer to Capital Replacement Reserve		651 761		(651 761)	0
Property, plant and equipment purchased	(25 970)	(550 581)		576 551	0
Contribution to Insurance Reserve			110 968	(108 508)	2 460
Transfer to Housing Development Fund	(15 901)			15 901	0
Balance at 30 June 2008	490 354	908 673	660 903	1 535 008	3 594 938

* The insurance adjustment of R2,460 million relates to a compensation Occupational Injuries and Diseases provision made in the 06/07 financial year by means of a disclosure journal now reversed.

CITY of CAPE TOWN
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		R '000	R '000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		13 613 210	11 122 710
Cash paid to suppliers and employees		(9 920 961)	(8 421 610)
Cash generated from operations	38	3 692 249	2 701 100
Finance Income		261 317	224 942
Finance Costs		(461 172)	(400 387)
NET CASH FROM OPERATING ACTIVITIES		3 492 394	2 525 655
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3 119 746)	(1 969 407)
		59 981	55 195
Increase in assets held for sale		738	(980)
Decreases in non-current receivables		84 041	17 616
Increase in investments		(1 027 192)	(405 379)
NET CASH FROM INVESTING ACTIVITIES		(4 002 178)	(2 302 955)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised and interest capitalised		1 434 790	29 293
Loans repaid		(224 541)	(135 054)
Increase in consumer deposits		23 142	37 467
Deferred expenditure		(2 136)	0
NET CASH FROM FINANCING ACTIVITIES		1 231 255	(68 294)
NET INCREASE IN CASH AND CASH EQUIVALENTS	39	721 471	154 406
Cash and cash equivalents at the beginning of the year		437 356	282 950
Cash and cash equivalents at the end of the year		1 158 827	437 356

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R '000	2007 R '000
1. HOUSING DEVELOPMENT FUND		
Realised Housing Proceeds		
Opening Balance	244 356	207 244
Add: Income	66 141	68 647
Land Sales	11 345	651
Repayments Long-Term Debtors	45 357	45 713
Repayments Public Organisations	75	2 884
Service Contributions	5 939	6 068
Subsidy Refunds	3 425	13 331
Other	0	0
Add: Interest	20 541	9 619
Less: Interest	43 290	29 674
Funding Capital Projects	25 970	5 566
Funding Operating Projects	17 320	24 108
Less : Non Cash transfer to provision for impairment	6 650	11 480
Closing Balance - Realised Proceeds	281 098	244 356
Realised Housing Proceeds are fully funded and invested in ring fenced financial instruments.		
Unrealised Housing Proceeds		
Opening Balance	287 869	294 383
Less : Loans realised	(31 957)	(22 774)
Long-term Housing Loans	(30 315)	(21 284)
Long-term Loans Public Organisations	(1 642)	(1 490)
Transfer from / (to) provision for impairment - long term debtors selling schemes	(42 824)	16 260
Transfer from / (to) provision for impairment - long term Public Organisations	(3 832)	0
Closing Balance - Unrealised Proceeds	209 256	287 869
Unrealised Housing Proceeds represent loan repayments not yet due in terms of the debtors loan agreement.		
CLOSING BALANCE HOUSING FUND	490 354	532 225
2. RESERVES		
Capital Replacement Reserve	908 673	807 493
Insurance Reserve	660 903	549 935
Self-insurance Reserve	624 177	521 502
Compensation for Occupational Injuries and Diseases	36 726	28 433
TOTAL RESERVES	1 569 576	1 357 428
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 Fund	2 169 887	2 367 805
Assets financed from Government Grants	3 213 740	2 110 972
Assets financed from Public Contributions	192 769	150 531
Less : Current portion transferred to payables (Refer Note 8)	(173 603)	(254 912)
TOTAL DEFERRED INCOME	5 402 793	4 374 396
Reconciliation of movement		
Balance at beginning of the year	4 629 308	4 386 426
Additions during the year	1 275 655	502 605
Income recognised during the year	(328 567)	(259 723)
Balance at end of the year	5 576 396	4 629 308
Less: current portion	(173 603)	(254 912)
Non-current portion	5 402 793	4 374 396
Deferred income represents government grants and capital contributions received from customers for the construction and acquiring of capital assets.		

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R '000	R '000
4. LONG-TERM LIABILITIES		
Local Registered Stock Loans	1 009 264	11 400
Annuity Loans	26 994	38 458
Other Loans	2 251 781	2 019 021
Finance Leases	169 012	180 059
Sub-total	<u>3 457 051</u>	<u>2 248 938</u>
Less : Current portion transferred to current liabilities	409 239	210 886
Local Registered Stock Loans - transaction costs	(143)	0
Annuity Loans	12 766	11 464
Other Loans	384 565	188 825
Finance Leases	12 051	10 597
TOTAL LONG-TERM LIABILITIES	<u>3 047 812</u>	<u>2 038 052</u>

The capitalised lease liabilities are secured by items of leased plant, to the carrying value of R161,45 million. R514,56 million (2007: R426,47 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term liabilities. Refer Note 15 and 40 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 R3,26 million (2007: R2,39 million).

Liquidity Risk Analysis

Contractual Maturity Analysis of Total Borrowings

At the reporting date the City's liabilities have contractual maturities which are summarised below:

2007/2008	0	482 752
2008/2009	758 587	580 861
2009/2010	748 146	537 690
2010/2011	552 948	380 681
2011/2012	452 840	271 538
2012/2013	412 140	236 015
2013/2014	422 684	246 592
2014/2015	356 531	183 265
2015/2016	317 013	146 378
2016/2017	425 836	257 942
2017/2018	257 459	90 856
2018/2019	196 887	33 091
2019/2020	175 404	14 203
2020/2021	158 434	0
2021/2022	155 740	0
2022/2023	1 137 572	0
	<u>6 528 221</u>	<u>3 461 864</u>

The City manages its liquidity risk in respect of the above by linking repayment of external borrowings to internal advances to services which are repaid out of rates and tariffs via the depreciation charge on the underlying fixed assets financed out of the loans. In addition, ring-fenced sinking fund deposits are created to meet the eventual capital redemption of those borrowings with a bullet (end of term) capital repayment.

The obligations under finance leases are scheduled below:

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	2008	2007
	R '000	R '000	R '000	R '000
Amounts payable under finance leases:				
Payable within one year	38 539	38 350	12 051	10 597
Payable within two to five years	213 192	251 787	156 960	169 462
Payable after five years	0	0	0	0
	<u>251 731</u>	<u>290 137</u>	<u>169 011</u>	<u>180 059</u>
Less: Future finance obligations	(82 719)	(110 078)	0	0
Present value of lease obligations	<u>169 012</u>	<u>180 059</u>	169 011	180 059
Less: Amounts due for settlement within 12 months			(12 051)	(10 597)
Amount due for settlement after 12 months			<u>156 960</u>	<u>169 462</u>

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

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R '000	2007 R '000
5. PROVISIONS (NON-CURRENT)		
Rehabilitation of Landfill sites	397 357	272 513
Post Retirement Medical Aid Benefits	1 803 197	1 520 680
Post Retirement Pension Benefits	12 338	12 052
Long Service Leave Benefits	187 565	159 730
TOTAL PROVISIONS (Non-Current)	2 400 457	1 964 975

Landfill Sites

Provision is made in terms of the City's licensing stipulations of the landfill waste sites, for the estimated costs of rehabilitation of waste sites. 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 annual inflation rate of 7,9% (2007: 5,6%) and discounted to present value at the average borrowing cost of 11,715% (2007: 11,42%) hence the difference. The payment dates of total closure and rehabilitation are uncertain but are currently expected to be between 2009 and 2020.

Sensitivity Analysis on the Unfunded Accrued Liability (R millions)

Assumption	Change	Liability	% Change	R m Change
Central Assumptions		438.757		
Inflation	+1%	451.374	2.88%	12.617
	-1%	426.369	-2.82%	(12.388)
Discount Rate	+1%	426.870	-2.71%	(11.887)
	-1%	451.331	2.87%	12.574

Post Retirement Medical Aid Benefit

The total liability in respect of post-retirement medical benefits amounts to R 1 892,20 million as at 30 June 2008 (2007: R1 596,68 million). Provision for R1 892,20 million has been made (non-current R1 803,20 million, current R89,00 million) - refer Note 7 and 47. It is expected that approximately 4% of the amount provided will be expensed per annum. This is dependant on the accuracy of the assumption below.

Sensitivity Analysis on the Unfunded Accrued Liability (R millions)

Assumption	Change	In-service	Continuation	Total	% Change	R m Change
Central Assumptions		995.15	1 130.15	2 125.31		
Health care inflation	+1%	1224.38	1 248.34	2 472.72	16%	347.41
	-1%	815.57	1 028.77	1 844.35	-13%	(280.96)
Post-retirement mortality	-1 yr	1029.20	1 174.22	2 203.42	4%	78.11
Average Retirement age	-1 yr	1070.84	1 130.15	2 201.00	4%	75.69

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 R14,50 million of which R12,30 million relates to the non current portion - refer Note 47. It is expected that approximately 13% of the amount provided will be expensed per annum. This is dependant on the accuracy of the assumption below.

Sensitivity Analysis on the Unfunded Accrued Liability (R millions)

Assumption	Change	Liability	% Change	R m Change
Central Assumptions		16.244		
Salary growth	+1%	16.746	3%	0.502
	-1%	15.804	-3%	(0.440)
Pension escalation	1%	17.689	9%	1.445
	-1%	15.021	-8%	(1.223)
Average Retirement age	-2 yrs	16.456	1%	0.212
Withdrawal rates	-50%	16.691	3%	0.447
Post-retirement mortality	-1 yr	16.639	2%	0.395

Long Service Leave Benefits

An actuarial valuation has been performed of the City's liability for long service leave benefits relating 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. It is expected that approximately 12% of the amount provided will be expensed per annum. This is dependant on the accuracy of the assumption made below.

Sensitivity Analysis on the Unfunded Accrued Liability (R millions)

Assumption	Change	Liability	% Change	R m Change
Central assumption		202.410		
General salary inflation	+1%	214.990	6%	12.57
	-1%	191.010	-6%	(11.41)
Average retirement age	-2 yrs	186.280	-8%	(16.14)
	+2 yrs	213.800	6%	11.39
Withdrawal rates	-50%	234.730	16%	32.31

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Reconciliation of movement in non-current Provisions

	Long Service Leave Benefits R '000	Landfill Sites R '000	Post Retirement Medical Aid Benefits R '000	Post Retirement Pension Benefits R '000	Total R '000
As at 30 June 2008					
Balance at beginning of the year	159 730	272 513	1 520 680	12 052	1 964 975
Interest Cost	14 294	32 076	141 928	1 413	189 711
Service Cost & Transitional liability	18 937	126 545	231 074	391	376 947
Benefit Payments	(17 165)	0	(77 485)	(2 018)	(96 668)
Actuarial loss	7 676	0	0	0	7 676
Transfer from operating account	18 940	7 623	76 000	2 700	105 263
Transfer to current provision	(14 847)	(41 400)	(89 000)	(2 200)	(147 447)
Balance at end of the year	187 565	397 357	1 803 197	12 338	2 400 457

	Long Service Leave Benefits R '000	Landfill Sites R '000	Post Retirement Medical Aid Benefits R '000	Post Retirement Pension Benefits R '000	Total R '000
As at 30 June 2007					
Balance at beginning of the year	0	289 569	1 241 630	12 448	1 543 647
Interest Cost	14 290	35 446	127 680	1 163	178 579
Service Cost & liability	181 540	(64 879)	42 380	307	159 348
Transitional liability	0	0	184 080	0	184 080
Benefit Payments	(17 160)	0	(64 680)	(2 166)	(84 006)
Transfer from operating account	0	20 000	65 590	3 000	88 590
Transfer to current provision	(18 940)	(7 623)	(76 000)	(2 700)	(105 263)
Balance at end of the year	159 730	272 513	1 520 680	12 052	1 964 975

	2008 R '000	2007 R '000
6. CONSUMER DEPOSITS		
Electricity and Water	237 591	214 449
Guarantees held in lieu of electricity and water deposits were R28,50 million (2007: R27,00 million)		
Deposits are released when the owner/occupant of a property terminate the contract with the City to supply water and electricity to a property or when certain contractual services are delivered.		
7. PROVISIONS		
Ambulance Incentive	0	713
Staff Parity	108 116	0
Compensation for Occupational Injuries and Diseases	3 221	2 460
Insurance claims	813	1 038
Legal Fees	2 146	4 028
Landfill sites	41 400	7 623
Post Retirement Medical Aid Benefits	89 000	76 000
Post Retirement Pension Benefits	2 200	2 700
Staff Leave	294 276	219 707
Long Service Leave Benefits	14 847	18 940
TOTAL PROVISIONS (Refer Appendix G for more detail)	556 019	333 209

It is expected that the current provisions will be expensed during the next 12 months, except for leave provision where it is expected that 11% of the amount provided will be encashed during the year.

Staff Parity

Provision has been made in terms of the organisational restructuring process. The provision for parity was based on the movement of staff to new salary scales subject to various conditions.

Insurance and COID Claims

Provision has been made for outstanding insurance claims as at 30 June 2008 funded out of the General Insurance (Reserve) Fund. The assessment of claims is based on the assessed quantum of claims received.

Legal Fees

Legal costs relating to the process of defending City of Cape Town in Labour Appeal Court and Labour Court cases for which the court dates have already been set. The calculations of these amounts are based on assessments by Attorneys and/or the Director: Legal Services.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Landfill sites

Current portion of long-term provision, which is due - refer Note 5 for more detail.

Post Retirement Medical Aid Benefits

Current portion of long-term provision, which is due - refer Note 5 for more detail.

Post Retirement Pension Benefits

Current portion of long-term provision, which is due - refer Note 5 for more detail.

Staff leave

Annual leave accrues to employees on a monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year end, based on the value of statutory and non-statutory leave.

Long Service Leave Benefits

Current portion of long-term provision, which is due - refer Note 5 for more detail.

8. PAYABLES

	2008 R '000	2007 R '000
Trade creditors	1 487 919	1 195 172
Payments received in advance	522 802	494 243
RSC Levies	0	22 658
Accrued interest	21 304	59 024
Inter-company advances	149 883	151 961
Third party payments	139 224	121 041
Deferred income	173 603	254 912
Other creditors	68 502	46 153
TOTAL CREDITORS	<u>2 563 237</u>	<u>2 345 164</u>

Guarantees held in lieu of retentions were **R108,40 million** (2007: R7,06 million)

An amount of R62,30 million in respect of unspent conditional Grants and Receipts was inadvertently included in Payables: Inter-Company advances in 2006/07. This incorrect allocation has no impact on the Statement of Financial Performance. The allocation has been corrected by way of a restatement of the Statement of Financial Position.

Trade creditors

Trade payables are non-interest bearing and are normally settled on 30 day terms except for a retention amount of R94,40 million which could be settled within the next 12 months.

Payments received in advance

Payments received in advance are non-interest bearing and are normally settled on 30 day terms.

Accrued interest

Accrued interest is normally settled within the next 12 months.

CMTF Advance

CMTF advance reflects the transactions between the City and CMTF and are adjusted on a daily basis.

Third party payments

Payments received in advance are non-interest bearing and are normally settled on 30 day terms.

Deferred income

Deferred income is normally settled within the next 12 months.

Other creditors

Other Creditors are non-interest bearing and are normally settled on 30 day terms.

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

	1 466 446	554 455
MIG Grant	60 913	0
National Government	1 079 034	299 761
PAWC - other	326 499	254 694
Other Conditional Receipts	96 438	95 271
Public contributions	96 438	95 271
TOTAL CONDITIONAL GRANTS AND RECEIPTS	<u>1 562 884</u>	<u>649 726</u>

These amounts are separately invested in terms of section 12 of the MFMA. Refer Note 26 and 28 for more detail of grants from National and Provincial Government.

The unspent portion of the conditional grant will be spent over the next two or three years to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance for the 2010 projects and will be fully spent by the advent of the world cup.

The launching of projects in many instances is a protracted process due to interest groups participation. No amounts are due for repayment to the donors for the reasons set out above.

10. VAT

VAT Payable	312 227	264 163
VAT Receivable	(166 919)	(147 136)
TOTAL NET VAT PAYABLE	<u>145 308</u>	<u>117 027</u>

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

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11. PROPERTY, PLANT AND EQUIPMENT

	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000
As at 30 June 2008			
Land and Buildings	2 558 355	1 138 618	1 419 737
Infrastructure	10 726 878	4 201 637	6 525 241
Community	2 135 586	180 906	1 954 680
Heritage	9 145	0	9 145
Leased Assets	398 956	237 503	161 453
Housing Rental Developments	1 140 876	483 542	657 334
Other	2 798 943	1 383 536	1 415 407
TOTAL PROPERTY, PLANT AND EQUIPMENT (Refer to Appendix B & B1 for more detail)	19 768 739	7 625 742	12 142 997
As at 30 June 2007			
Land and Buildings	2 437 392	1 016 958	1 420 434
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	2 445 159	1 307 301	1 137 858
TOTAL PROPERTY, PLANT AND EQUIPMENT (Refer to Appendix B & B1 for more detail)	16 774 662	6 984 199	9 790 463

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 are 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.

The City is required to measure the residual value of an item of property, plant and equipment. Management has determined that all of its infrastructural assets have no active market value and the value of the amount at the end of its life would therefore be nil or insignificant. During the current financial year the City reviewed the estimated useful lives and residual values of property, plant and equipment.

Property, Plant and Equipment to the value of R1,78 million (cost R19,64 million) was written-off during the year. At the time of the preparation of these financial statements the verification of certain assets to the value of R11,56 million was still in process.

Fully depreciated assets at an original cost of R2,90 billion are still currently in used.

12. INVESTMENT PROPERTY

	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000
As at 30 June 2008			
Vacant Land	38 409	0	38 409
Land and Buildings	90 242	33 575	56 667
TOTAL PROPERTY, PLANT AND EQUIPMENT (Refer to Appendix B & B1 for more detail)	128 651	33 575	95 076
As at 30 June 2007			
Vacant Land	38 388	0	38 388
Land and Buildings	90 241	29 161	61 080
TOTAL PROPERTY, PLANT AND EQUIPMENT (Refer to Appendix B & B1 for more detail)	128 629	29 161	99 468

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 was implemented with effect from 1 July 2007. These valuations were used as basis for disclosure. The fair value of the investment properties amounted R321,27 million (2007: R287,53 million)

13. INTANGIBLE ASSETS

	Cost R '000	Accumulated Amortisation R '000	Carrying Value R '000
As at 30 June 2008			
Computer Software (Refer to Appendix B & B1 for more details)	265 043	244 960	20 083
As at 30 June 2007			
Computer Software (Refer to Appendix B & B1 for more details)	263 726	191 806	71 920

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

14. ASSETS CLASSIFIED AS HELD-FOR-SALE

	Cost R '000	Accumulated Depreciation R '000	Carrying Value R '000
As at 30 June 2008			
Land held for sale	68	0	68
Land and Building held for sale	317	(143)	174
TOTAL PROPERTY, PLANT AND EQUIPMENT (Refer to Appendix B & B1 for more detail)	385	(143)	242
As at 30 June 2007			
Land held for sale	980	0	980
Land and Building held for sale	0	0	0
TOTAL PROPERTY, PLANT AND EQUIPMENT (Refer to Appendix B & B1 for more detail)	980	0	980

Various properties have been presented as held for sale following a Council decision to dispose of properties no longer required for municipal purposes. These properties are identified for sale as and when the need arises. These transactions are expected to yield income of approximately R107,20 million and should be concluded by 2012. **Only properties to be sold in the next 12 months, included in the property sales program, are disclosed above.**

15. INVESTMENTS

15.1 Held to maturity

Listed

	2008 R '000	2007 R '000
RSA Government stock at amortised cost	31 650	26 024
Eskom stock at amortised cost	0	1 512
TOTAL LISTED INVESTMENTS	31 650	27 536

The fair value of the listed held to maturity investments is estimated at R28,70 million (2006: R27,90 million)

Unlisted

Fixed Deposits: Sinking fund deposits for redemption of long-term loan liabilities - refer Note 4	514 549	426 474
Other fixed Deposits	4 012 089	2 380 595
Less: Provision for impairment	(14 800)	(14 800)
TOTAL UNLISTED INVESTMENTS	4 511 838	2 792 269
TOTAL HELD TO MATURITY	4 543 488	2 819 805
Less: current portion included in Short term investments	(3 221 903)	(2 093 663)
Less: current portion included in Cash and cash equivalent - refer Note 20	(970 135)	(273 644)
TOTAL HELD TO MATURITY (NON-CURRENT)	351 450	452 498

Contractual maturity analysis of non-current held to maturity investments

2008/09	0	162 594
2009/10	208 853	168 422
2010/11	37 374	32 009
2011/12	29 680	24 545
2013/14	3 671	3 295
2014/15	31 649	26 024
2016/17	40 223	35 609
	351 450	452 498

15.2 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	(245 232)	(245 232)
	38 768	38 768

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 has been compared with its share of the present value of Convenco's estimated future cash flows discounted at a market related rate of interest. As at 30 June 2008, this calculation yields an impairment loss of R231,30 million which is less than the impairment loss of R245,23 million recognised at 30 June 2007. In accordance with S.66 of AC133, an impairment loss previously recognised cannot be reversed; the impairment provision at 30 June 2008 is therefore maintained at R245,23 million.

Regional Electricity Distributor One (RED 1)	0	0
The City holds 5 ordinary shares of R1 each		

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R '000	2007 R '000
Investment in joint venture company:		
Cape Town Community Housing Company (Pty) Ltd	0	0
Original investment at cost	26 289	26 289
Less : Amounts previously written off	(10 000)	(10 000)
Less : Provision for impairment	(16 289)	(16 289)
TOTAL	0	0
TOTAL AVAILABLE FOR SALE	38 768	38 768
TOTAL INVESTMENTS	390 218	491 266

Determination of fair value

(i) The fair value of the listed investments was determined by reference to their quoted market price at the reporting date.

(ii) 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.

Collateral deposits for staff housing loans

Included in other fixed deposits (unlisted investments) above are fixed deposits with a carrying value of R0,69 million (2007: R0,68 million) which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The City has not issued fixed deposits as security since the year 2000. The City's exposure to risk is minimised by an assurance policy taken out by the employee and ceded to the City to cover the guaranteed deposit.

Reclassification of comparative information

The current portion of the held to maturity investments above has been split into two components:

* Short term investments

All investments maturing within 12 months of balance sheet date other than those included under cash and cash equivalent below.

* Cash and cash equivalent

Call deposits and short term bank deposits with a maturity of three months or less from inception.

The 2007 current portion of held to maturity investments R2 367,30 million has been reclassified as short term investments R2 093,66 million and Cash and cash equivalents R273,64 million. The reason for the reclassification is on the grounds of better presentation.

16. LONG-TERM RECEIVABLES

Loans to employees	3 719	8 899
Sporting bodies	1 928	2 124
	29 268	34 743
Public Organisations	33 100	34 743
Less: Provision for impairment	(3 832)	0
	179 988	253 127
Housing selling development loans	264 688	295 003
Less: Provision for impairment	(84 700)	(41 876)
Other : Road widening	14	65
	214 917	298 958
Less : Current portion transferred to current receivables	16 949	19 773
Loans to employees	2 122	4 455
Sporting bodies	188	188
Public Organisations	1 441	1 414
Housing selling development loans	13 192	13 703
Other: Road widening	6	13
TOTAL NON-CURRENT RECEIVABLES	197 968	279 185
Reconciliation of impairment provision		
Balance at beginning of the year	41 876	58 136
Transfers to/(from) provisions	46 656	(16 260)
Balance at 30 June	88 532	41 876

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.

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.

CITY of CAPE TOWN
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CITY of CAPE TOWN
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Public Organisations

Loans to Public Organisations are granted in terms of the National Housing policy. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

Housing Selling Development Loans

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

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.

	2008 R '000	2007 R '000
17. INVENTORY		
Consumable stores	175 683	114 780
Medical supplies	1 210	1 419
Spare parts	1 752	1 819
Meters	13 791	15 319
Water	5 802	4 945
Other goods held for resale (plants, compost, 240L refuse bins)	17 781	21 189
Green Electricity Rights	321	0
TOTAL INVENTORY	216 340	159 471

Inventory to the value of R1,62 million (2007: R7,11 million) was written-off during the year. (Refer to Note 36).

Green electricity rights are rights to sell green units at green tariffs to consumers upon their request for green electricity. (Refer Accounting Policy Note 10)

18. TRADE RECEIVABLES

Gross Receivables	4 694 982	4 083 012
Provision for Impairment	(2 570 525)	(2 330 459)
	2 124 457	1 752 553

	Gross Balance R'000	Provision for Impairment R'000	Net Balance R'000
As at 30 June 2008			
Service debtors	4 015 476	(1 981 392)	2 034 084
Rates and Other	1 228 578	(566 752)	661 826
Trade: Electricity	468 992	(102 159)	366 833
Water	1 481 856	(889 157)	592 699
Waste Management (solid waste)	258 363	(137 495)	120 868
Waste Water Management (sewerage and sanitation)	577 687	(285 829)	291 858
Housing Rental Developments	310 377	(270 181)	40 196
Public Organisations Housing Loans	2 967	(2 433)	534
Housing Selling Developments	366 162	(316 519)	49 643
TOTAL TRADE RECEIVABLES	4 694 982	(2 570 525)	2 124 457

	Gross Balance R'000	Provision for Impairment R'000	Net Balance R'000
As at 30 June 2007			
Service debtors	3 509 275	(1 874 940)	1 634 335
Rates and Other	955 501	(368 432)	587 069
Trade: Electricity	475 365	(141 861)	333 504
Water	1 321 872	(932 043)	389 829
Waste Management (solid waste)	276 410	(151 577)	124 833
Waste Water Management (sewerage and sanitation)	461 170	(277 981)	183 189
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 TRADE RECEIVABLES	4 083 012	(2 330 459)	1 752 553

CITY of CAPE TOWN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Analysis of Trade Receivables Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 365 R'000	+365 R'000
As at 30 June 2008						
Rates and Other	1 228 578	199 475	46 430	48 553	492 928	441 192
Provision for Impairment	(566 752)	(36 030)	(7 256)	(8 238)	(74 036)	(441 192)
	661 826	163 445	39 174	40 315	418 892	0
Electricity	468 992	244 223	22 265	22 122	78 258	102 124
Provision for Impairment	(102 159)	(24)	(2)	(2)	(7)	(102 124)
	366 833	244 199	22 263	22 120	78 251	0
Water	1 481 856	183 581	52 157	60 395	348 324	837 399
Provision for Impairment	(889 157)	(14 731)	(4 122)	(4 823)	(28 082)	(837 399)
	592 699	168 850	48 035	55 572	320 242	0
Waste Management	258 363	40 451	9 889	10 106	60 422	137 495
Provision for Impairment	(137 495)	0	0	0	0	(137 495)
	120 868	40 451	9 889	10 106	60 422	0
Waste Water Management	577 687	101 669	29 670	31 176	168 285	246 887
Provision for Impairment	(285 829)	(12 208)	(3 449)	(3 656)	(19 629)	(246 887)
	291 858	89 461	26 221	27 520	148 656	0
Housing Rental Developments	310 377	34 899	8 059	8 400	82 630	176 389
Provision for Impairment	(270 181)	(24 430)	(5 641)	(5 880)	(57 841)	(176 389)
	40 196	10 469	2 418	2 520	24 789	0
Public Organisations Housing Loans	2 967	458	66	3	225	2 215
Provision for Impairment	(2 433)	(133)	(19)	(1)	(65)	(2 215)
	534	325	47	2	160	0
Housing Selling Developments	366 162	26 832	3 236	3 120	39 817	293 157
Provision for Impairment	(316 519)	(8 586)	(1 036)	(998)	(12 742)	(293 157)
	49 643	18 246	2 200	2 122	27 075	0
Gross Debtors	4 694 982	831 588	171 772	183 875	1 270 889	2 236 858
Total Provision for Impairment	(2 570 525)	(96 142)	(21 525)	(23 598)	(192 402)	(2 236 858)
TOTAL	2 124 457	735 446	150 247	160 277	1 078 487	0
As at 30 June 2007						
Rates and Other	955 500	198 101	40 583	74 146	376 631	266 039
Provision for Impairment	(368 432)	(29 420)	(6 027)	(11 012)	(55 934)	(266 039)
	587 068	168 681	34 556	63 134	320 697	0
Electricity	475 365	253 763	16 698	28 360	62 945	113 599
Provision for Impairment	(141 861)	(19 825)	(1 304)	(2 216)	(4 917)	(113 599)
	333 504	233 938	15 394	26 144	58 028	0
Water	1 321 872	199 913	49 070	114 153	208 240	750 496
Provision for Impairment	(932 043)	(63 520)	(15 591)	(36 271)	(66 165)	(750 496)
	389 829	136 393	33 479	77 882	142 075	0
Waste Management	276 410	71 592	13 714	22 985	43 152	124 967
Provision for Impairment	(151 577)	(12 579)	(2 410)	(4 038)	(7 583)	(124 967)
	124 833	59 013	11 304	18 947	35 569	0
Waste Water Management	461 170	94 567	22 324	44 302	77 219	222 758
Provision for Impairment	(277 981)	(21 905)	(5 171)	(10 261)	(17 886)	(222 758)
	183 189	72 662	17 153	34 041	59 333	0
RSC Levies	18 957	0	0	0	15 911	3 046
Provision for Impairment	(3 046)	0	0	0	0	(3 046)
	15 911	0	0	0	15 911	0
Housing Rental Developments	225 659	46 517	8 308	8 292	77 259	85 283
Provision for Impairment	(188 146)	(34 086)	(6 088)	(6 076)	(56 613)	(85 283)
	37 513	12 431	2 220	2 216	20 646	0
Public Organisations Housing Loans	4 320	1 462	0	(978)	2 205	1 631
Provision for Impairment	(1 435)	(312)	0	978	(470)	(1 631)
	2 885	1 150	0	0	1 735	0
Housing Selling Developments	343 759	32 974	3 443	2 878	40 556	263 908
Provision for Impairment	(265 938)	(838)	(88)	(73)	(1 031)	(263 908)
	77 821	32 136	3 355	2 805	39 525	0
Gross Debtors	4 083 012	898 889	154 140	294 138	904 118	1 831 727
Total Provision for Impairment	(2 330 459)	(182 485)	(36 679)	(68 969)	(210 599)	(1 831 727)
TOTAL	1 752 553	716 404	117 461	225 169	693 519	0

CITY of CAPE TOWN
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RSC Levies prescribed at 30 June 2008 and all outstanding debt was written-off.

The average credit period on services rendered is 30 days from date of invoice. **Interest is raised at prime plus 1% on any accounts unpaid after due date.** The City has provided fully for all receivables outstanding over 365 days. Trade receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Historically the trend has been that receivables outstanding in excess of 365 days are not recovered except in the event of property being transferred and the amounts being outstanding for less than two years, recovery can be enforced at rates clearance.

The City is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of credit worthiness.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during year under review.

Included in the outstanding balances are Debtors to the value of R698,10 million who have made arrangements to repay their outstanding debt over a re-negotiated period.

The outstanding debt of the 10 largest debtors represent 1,3% of the the total outstanding debt.

Debtor balances at year-end represents the fair value of the debtors.

The carrying amount of financial assets represents the maximum credit exposure.

	2008	2007
	R '000	R '000
Reconciliation of impairment provision		
Balance at beginning of the year	2 330 459	3 265 134
Contributions to provisions	651 395	384 263
Transfers to/from provisions	31 328	6 232
Bad debts written-off	(442 657)	(1 325 170)
Balance at 30 June	2 570 525	2 330 459

In determining the recoverability of a trade receivable the City considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

19. OTHER RECEIVABLES

Gross Receivables	359 731	167 878
Provision for Impairment	(30 500)	(22 293)
	329 231	145 585

	Gross Balance	Provision for Impairment	Net Balance
	R '000	R '000	R '000
As at 30 June 2008			
Payments made in advance	9 848	0	9 848
Rate and general	113 328	0	113 328
Property rentals	37 159	(18 207)	18 952
Sporting bodies	598	0	598
Miscellaneous accounts	166 934	(12 293)	154 641
Government subsidies	31 864	0	31 864
TOTAL OTHER RECEIVABLES	359 731	(30 500)	329 231

	Gross Balance	Provision for Impairment	Net Balance
	R '000	R '000	R '000
As at 30 June 2007			
Payments made in advance	6 128	0	6 128
Rate and general	66 579	0	66 579
Property rentals	28 450	(10 000)	18 450
Sporting bodies	418	0	418
Miscellaneous accounts	49 720	(12 293)	37 427
Government subsidies	16 583	0	16 583
TOTAL OTHER RECEIVABLES	167 878	(22 293)	145 585

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Analysis of Other Receivables Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 365 R'000	+365 R'000
As at 30 June 2008						
Payments made in advance	9 848	9 848	0	0	0	0
Provision for Impairment	0	0	0	0	0	0
	9 848	9 848	0	0	0	0
Rate and general	113 328	106 640	0	0	0	6 688
Provision for Impairment	0	0	0	0	0	0
	113 328	106 640	0	0	0	6 688
Property rentals	37 159	5 132	230	1 139	1 742	28 916
Provision for Impairment	(18 207)	0	0	0	0	(18 207)
	18 952	5 132	230	1 139	1 742	10 709
Sporting bodies	598	164	0	12	10	412
Provision for Impairment	0	0	0	0	0	0
	598	164	0	12	10	412
Miscellaneous accounts	166 934	154 047	107	99	41	12 640
Provision for Impairment	(12 293)	0	0	0	0	(12 293)
	154 641	154 047	107	99	41	347
Government subsidies	31 864	25 358	2 785	3 721	0	0
Provision for Impairment	0	0	0	0	0	0
	31 864	25 358	2 785	3 721	0	0
Gross Debtors	359 731	301 189	3 122	4 971	1 793	48 656
Total Provision for Impairment	(30 500)	0	0	0	0	(30 500)
TOTAL	329 231	301 189	3 122	4 971	1 793	18 156

	Analysis of Other Receivables Age in Days					
	Total R'000	Current R'000	31 - 60 R'000	61 - 90 R'000	91 - 365 R'000	+365 R'000
As at 30 June 2007						
Payments made in advance	6 128	6 128	0	0	0	0
Provision for Impairment	0	0	0	0	0	0
	6 128	6 128	0	0	0	0
Rate and general	66 579	59 624	(494)	0	0	7 449
Provision for Impairment	0	0	0	0	0	0
	66 579	59 624	(494)	0	0	7 449
Property rentals	28 450	3 458	1 573	(864)	(435)	24 718
Provision for Impairment	(10 000)	0	0	0	0	(10 000)
	18 450	3 458	1 573	(864)	(435)	14 718
Sporting bodies	418	114	0	8	8	288
Provision for Impairment	0	0	0	0	0	0
	418	114	0	8	8	288
Miscellaneous accounts	49 720	29 304	0	0	0	20 416
Provision for Impairment	(12 293)	0	0	0	0	(12 293)
	37 427	29 304	0	0	0	8 123
Government subsidies	16 583	5 020	3 208	8 307	0	48
Provision for Impairment	0	0	0	0	0	0
	16 583	5 020	3 208	8 307	0	48
Gross Debtors	167 878	103 648	4 287	7 451	(427)	52 919
Total Provision for Impairment	(22 293)	0	0	0	0	(22 293)
TOTAL	145 585	103 648	4 287	7 451	(427)	30 626

The average credit period on services rendered is 30 days from date of invoice. The City has provided fully for all receivables outstanding over 365 days. Trade receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R '000	2007 R '000
Reconciliation of impairment provision		
Balance at beginning of the year	22 293	31 839
Transfers to/from provisions	10 591	22 293
Bad debts written-off	(2 384)	(31 839)
Balance at 30 June	30 500	22 293

In determining the recoverability of a trade receivable the City considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date.

20. CASH AND CASH EQUIVALENTS (BANK AND CASH)

The Municipality has the following bank accounts: -

Main Bank account	40-5658-4470	158 849	128 788
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
Traffic Fines Bank account	62073198816	17	35
		<u>158 866</u>	<u>128 823</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.

Bank statement balance at beginning of year	128 823	121 419
Bank statement balance at end of year	158 866	128 823
Cash book balance at beginning of year	163 712	139 950
Petty Cash / Float	166	255
Cash	158 866	128 823
Cash in transit	29 660	34 634
Call and short term bank deposits - refer Note 15	970 135	273 644
Cash book balance at end of year	1 158 827	437 356
TOTAL CASH AND CASH EQUIVALENTS	1 158 827	437 356

21. PROPERTY RATES

Actual

Residential	}	3 531 969	2 435 452
Commercial			
State			
Penalties			
		<u>75 850</u>	<u>68 622</u>
Less: Income forgone *		3 607 819	2 504 074
		(349 078)	(28 594)
TOTAL PROPERTY RATES		3 258 741	2 475 480

Valuations

Rateable Properties	610 128 945	202 631 892
Non-Rateable Properties	21 281 967	8 455 071
TOTAL PROPERTY VALUATIONS	631 410 912	211 086 963

* 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	443 830 433	139 473 863
Commercial	142 541 407	54 928 744
Agriculture	9 256 380	1 093 898
State	31 518 881	14 108 047
Municipal	4 263 811	1 482 411
TOTAL PROPERTY VALUATIONS	631 410 912	211 086 963

A general valuation on land and buildings is performed every four years. The last general valuation came into effect on 1 July 2007 and is based on market related values. 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.

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R '000	2007 R '000
22. SERVICE CHARGES		
Sale of Electricity	3 148 946	2 862 686
Sale of Water	1 242 986	1 018 297
Waste Management	423 145	475 515
Waste Water Management	751 548	637 906
Other	218 475	197 917
	<u>5 785 100</u>	<u>5 192 321</u>
Less: Income forgone	(35 327)	(37 703)
TOTAL SERVICE CHARGES	<u>5 749 773</u>	<u>5 154 618</u>
23. 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 until 30 June 2008.		
Regional Service Levies - turnover	19 101	112 975
Regional Services Levies - remuneration	1 374	24 535
TOTAL REGIONAL SERVICE LEVIES	<u>20 475</u>	<u>137 510</u>
24. RENTAL OF LETTING STOCK AND FACILITIES		
Rental agreements	227 904	198 596
Hire / Rentals	21 793	21 873
TOTAL RENTALS	<u>249 697</u>	<u>220 469</u>
25. FINANCE INCOME		
Total Interest receivable - external investments (held to maturity)	431 696	333 146
Interest receivable - outstanding debtors	167 747	187 365
	<u>599 443</u>	<u>520 511</u>
Less: Interest transferred to external funds (trust funds, grants & donations)	(67 424)	(26 565)
Net finance income	532 019	493 946
Add: Gains on foreign exchange transactions	31	0
Gains on valuation of derivatives (held for trading)	3 653	2 798
TOTAL FINANCE INCOME	<u>535 703</u>	<u>496 744</u>
26. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	327 577	295 542
RSC levy replacement grant	1 107 242	968 837
MIG projects	157 312	181 135
Provincial Health subsidies	109 187	106 368
Metropolitan Transport Advisory Board	60 052	41 506
National projects	976 834	146 605
Provincial projects other	256 827	214 716
Other	(1 387)	17 367
	<u>2 993 644</u>	<u>1 972 076</u>
Less: Deferred income	(1 225 981)	(459 580)
TOTAL GOVERNMENT GRANTS AND SUBSIDIES	<u>1 767 663</u>	<u>1 512 496</u>
Equitable Share		
These grants are used to subsidise the provision of basic services to indigent communities.		
RSC Levy Grant		
A Grant has been received which replaces the RSC levies.		
MIG projects		
Balance unspent at beginning of year	0	0
Regrouping adjustment	0	25 461
Current year receipts	(218 055)	(193 340)
Adjustments	0	(147)
Conditions met - transferred to revenue	157 311	181 135
Amounts still to be claimed	(169)	(13 109)
Conditions still to be met - transferred to liabilities (refer Note 9)	<u>(60 913)</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 2008

	2008	2007
	R '000	R '000
Provincial Health Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote (see Appendix D)	(109 187)	(106 368)
Conditions met - transferred to revenue	109 187	106 368
Conditions still to be met - transferred to liabilities	0	0

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	(254 694)	(197 722)
Regrouping adjustment	830	25 141
Current year receipts	(334 275)	(371 451)
Interest earned	(9 853)	(6 361)
Adjustments	(36 915)	49 142
Conditions met - transferred to revenue	316 879	256 223
Amounts still to be claimed	(8 471)	(9 666)
Conditions still to be met - transferred to liabilities (refer Note 9)	(326 499)	(254 694)

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	(299 761)	(147 300)
Regrouping adjustment	1 265	119
Current year receipts	(1 709 428)	(297 312)
Interest earned	(39 866)	(3 260)
Adjustments	339	1 387
Conditions met - transferred to revenue	976 834	146 605
Amounts still to be claimed	(8 417)	0
Conditions still to be met - transferred to liabilities (refer Note 9)	(1 079 034)	(299 761)

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.

27. OTHER INCOME

Insurance recoveries	475	528
Bulk infrastructure levies	88 951	91 106
City Improvement District (CIDS)	57 801	40 850
Skills Development levy	11 699	14 311
Other income	114 150	70 296
TOTAL OTHER INCOME	273 076	217 091

28. PUBLIC CONTRIBUTIONS

Public contributions: Consumer connections	41 568	40 121
Other	14 324	36 861
	55 892	76 982
Less: Deferred income	(49 675)	(43 025)
	6 217	33 957

Public contributions and other third party funds

Balance unspent at beginning of year	(95 271)	(93 741)
Regrouping adjustment	377	972
Current year receipts	(53 470)	(88 449)
Interest earned	(2 863)	(1 330)
Adjustments	(1 056)	10 295
Conditions met - transferred to revenue	55 892	76 982
Amounts still to be claimed	(47)	0
Conditions still to be met - transferred to liabilities (refer Note 9)	(96 438)	(95 271)

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 2008

	2008	2007
	R '000	R '000
29. EMPLOYEE RELATED COSTS		
Salaries and Wages	2 534 086	2 176 578
Social contributions - UIF, pensions and medical aid	654 964	563 244
Travel, motor car, accommodation, subsistence and other allowances	233 785	213 780
Housing benefits and allowances	50 581	43 025
Overtime payments	193 460	146 108
Staff parity provision	108 116	0
Long service leave benefits	24 236	180 322
	<u>3 799 228</u>	<u>3 323 057</u>
Expenditure Recharged	(369 035)	(312 405)
Recharged to repairs and maintenance	(350 153)	(296 131)
Recharged to capital projects	(18 882)	(16 274)
TOTAL EMPLOYEE RELATED COSTS	<u>3 430 193</u>	<u>3 010 652</u>

Remuneration of Executives	Analysis of Remuneration Benefits				
	Total	Annual Salary	Performance Bonus	Car Allowance	Social Contribution
	R'000	R'000	R'000	R'000	R'000
2008					
City Manager	1 280	966	99	51	164
Finance	1 019	707	55	117	140
Health (Dr Toms to 25.03.2008)	771	486	110	92	83
Health (Dr Bromfield from 26.03.2008)	185	120	0	35	30
Integrated Human Settlement Services	993	783	52	30	128
Service Delivery Integration	1 153	839	88	85	141
Economic and Social Dev.	922	688	42	72	120
Safety and Security (Mr Tsangela to 31.05.2008)	790	703	0	0	87
Safety and Security (Mr Thomas from 01.06.2008)	224	141	0	51	32
Community Development	1 037	753	80	84	120
Corporate Services	1 005	710	110	60	125
Strategy & Planning	917	866	0	49	2
Transport, Roads & Stormwater	937	791	50	1	95
Utility Services	1 079	824	84	48	123
Chief Audit Executive	919	814	31	72	2
	<u>13 231</u>	<u>10 191</u>	<u>801</u>	<u>847</u>	<u>1 392</u>

Remuneration of Executives	Analysis of Remuneration Benefits				
	Total	Annual Salary	Performance Bonus	Car Allowance	Social 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
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>

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R '000	2007 R '000
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	717	778
Deputy Executive Mayor	615	583
Speaker	571	596
Mayoral Committee Members	5 425	5 204
Sub Council Chairpersons	11 162	11 924
Chief Whip	532	558
Councillors	45 202	39 358
Councillors' medical aid contributions	0	245
Councillors' pension contributions	6 711	6 692
TOTAL COUNCILLORS' REMUNERATION	70 935	65 938
In-kind Benefits		
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.		
Sub-Council Chairpersons and full time Councillors are provided with an office, administrative and secretarial support at the cost of Council.		
The Executive Mayor has two full-time bodyguards and all Councillors have access to security in terms of the Councillors' security policy.		
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.		
A number of Councillors were inadvertently provided with official vehicles while in receipt of a transport allowance. The incorrect payment is currently being recovered.		
31. IMPAIRMENT COSTS		
Contribution from Bad Debt Provision	0	0
Impairment of consumer and other debtors	708 643	392 448
Impairment of investment in subsidiary and joint venture	0	1 121
Impairment of property, plant and equipment	35 009	7 781
TOTAL IMPAIRMENT COSTS	743 652	401 350
Provision for impairment was made due to the decommissioning of land.		
32. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of property, plant and equipment	717 141	653 353
Depreciation of investment property	4 414	4 389
Amortisation of intangible assets	53 154	52 302
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	774 709	710 044
33. FINANCE COSTS		
Interest expense	274 798	283 630
Long-term borrowings (amortised cost)	247 516	254 797
Finance leases (amortised cost)	27 282	28 833
Interest cost relating to movement in non-current provision	189 711	178 579
Loss on valuation of derivatives (held for trading)	17 959	16 983
Amortisation of bond issue expenses	3	0
Loss on foreign exchange transactions	5	229
TOTAL FINANCE COST	482 476	479 421

Cash flow sensitivity analysis for variable interest rate instruments attached to external borrowings

The following table shows the sensitivity of the net results for the year to a reasonably possible change in interest rates of +2% and -2% (2007: +/- 2%) while other variable are held constant:

	2008		2007	
	R '000 +2%	R '000 -2%	R '000 +2%	R '000 -2%
Profit (or loss)	(160)	162	(198)	200

The City does not account for fixed rate financial instruments at fair value through profit or loss and therefore a change in interest rates at balance sheet date would not affect profit or loss.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R '000	R '000
34. BULK PURCHASES		
Electricity	1 913 979	1 768 416
Water	227 535	229 696
TOTAL BULK PURCHASES	2 141 514	1 998 112
35. GRANTS AND SUBSIDIES PAID		
Ad Hoc	4 789	825
Community Upliftment	2 920	4 494
Destination Marketing Organisation and Tourism	36 069	32 000
Economic Promotion and Job Creation	7 809	2 467
Educational Institutions and Health Forums	3 487	1 784
Khayelitsha Community Trust	0	10 023
Health and HIV/Aids/TB	128	793
Programmes, Conferences & Events	2 361	8 056
S A National Parks	0	3 270
Senior Citizens and Disabled	142	303
Social Arts & Culture and other	11 845	5 655
Sporting Bodies	4 569	2 971
Wesgro	7 800	7 230
TOTAL GRANTS AND SUBSIDIES	81 919	79 871
36. GENERAL EXPENSES		
Chemicals	59 657	59 106
Communication and publication	17 755	18 714
Computer services and software	25 193	16 074
Consultants	42 119	21 555
Contributions - Medical aid provision	231 074	226 468
Electricity - Eskom payments	31 632	28 126
Fuel	123 889	105 398
Furniture and Fittings	17 403	34 360
Hire charges	169 141	91 359
Legal fees	23 895	22 181
Levy: Skills development	28 269	24 105
Licences and permits	65 391	47 606
Materials and consumables	57 432	41 603
MIDS/CIDS	56 212	38 789
Minor Tools and Equipment	31 163	6 856
Pharmaceutical supplies	22 526	22 865
Postage and courier	20 407	17 864
Printing and stationary	49 479	47 194
Rental	35 906	26 830
Scrapping of Inventory	1 616	7 109
Security services	171 831	128 575
Sewerage services - disposals external	22 084	24 988
Telecommunications	104 783	99 330
Training	28 675	27 465
Insurance : claims	33 389	21 805
Insurance : underwriting	19 842	22 460
Indigent relief	242 451	202 691
Projects	231 261	161 990
Contributions transfer and other	493 280	136 991
	2 457 755	1 730 457
Expenditure Recharged	(53 061)	(46 622)
Recharged to repairs and maintenance	(50 453)	(44 977)
Recharged to capital projects	(2 608)	(1 645)
TOTAL GENERAL EXPENSES	2 404 694	1 683 835

The following 2007 figures have been adjusted: Hire charges from R79,044 to R 91,359; Telecommunications from R84,831 to R99,330 and Contribution transfers and other from R214,704 to R136,991.

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2007 R '000		
37. CORRECTION OF ERROR-PRIOR YEAR ADJUSTMENTS			
Interest rate derivatives			
Loss on valuation of derivatives as at 30 June 2006		(18 256)	
Interest rate derivatives			
Gain on valuation of derivatives relating to 2007		5 595	
Deferred Revenue			
Revenue adjusted to account for unused pre-paid electricity as at 30 June 2007		<u>(34 621)</u>	
Deficit from operations		<u><u>(47 282)</u></u>	
38. CASH GENERATED BY OPERATIONS			
Surplus for the year	478 386	838 908	
Adjustment for :	2 661 962	320 038	
- Insurance reserve	2 460	(74 350)	
- Depreciation	774 709	710 044	
- Impairment	35 009	7 781	
- Impairment of investments	0	1 121	
- Gain and loss on disposal of property, plant and equipment	(46 257)	(45 847)	
- Net Loss on valuation of derivatives	14 306	14 185	
- Contribution to provisions – current	658 292	416 649	
- Contribution to impairment provision	248 273	(944 221)	
- Deferred income	1 028 397	251 999	
- Investment income	(535 703)	(496 744)	
- Interest paid	482 476	479 421	
Operating surplus before working capital changes:	3 140 348	1 158 946	
(Increase) / Decrease in inventories	(56 869)	(27 870)	
(Increase) / Decrease in trade receivables	(337 584)	1 252 860	
(Increase) / Decrease in other receivables	(191 853)	26 313	
Increase / (Decrease) in unspent conditional grants and receipts	913 158	210 963	
Increase / (Decrease) in payables	196 768	171 013	
Increase / (Decrease) in net VAT	28 281	(91 125)	
Cash generated by operations	<u>3 692 249</u>	<u>2 701 100</u>	
39. CASH AND CASH EQUIVALENTS			
Balance at the end of the year	1 158 827	437 356	
Balance at the beginning of the year	437 356	282 950	
Net increase in cash and cash equivalents (Refer Note 20)	<u>721 471</u>	<u>154 406</u>	
40. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term liabilities raised (refer Appendix A)	1 400 000	0	
Used to finance property, plant and equipment	2 743 736	1 734 538	
2006/2007 and prior years	1 501 266	840 584	
2007/2008	1 242 470	893 954	
Total EFF (overdrawn)	(1 343 736)	(1 734 538)	
Cash set aside for the repayment of long-term liabilities - refer Note 4 and 15	514 549	426 474	
Cash overdrawn	<u>(829 187)</u>	<u>(1 308 064)</u>	
41. IRREGULAR EXPENDITURE			
Reconciliation of irregular expenditure			
Opening balance	1 256	326 760	
Irregular expenditure current year	126 537	1 256	
Approved by Council	(527)	(326 760)	
Transfer to receivables for recovery	0	0	
Closing balance	<u>127 266</u>	<u>1 256</u>	
Incident	Disciplinary steps / criminal proceedings		
Time theft	Council referred the matter to SCOPA	263	263
Duplicate wage payment	The matter was resolved by Council	0	527
Arrear staff debtors	Council referred the matter to SCOPA	466	466
Labour brokers	Report to be submitted to Council	125 990	0
Splitting of orders	Report to be submitted to Council	238	0
Deviation from SCM Policy	Report to be submitted to Council	309	0

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Estimated irregular expenditure

<u>127 266</u>	<u>1 256</u>
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CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
 R '000

2007
 R '000

42. ADDITIONAL DISCLOSURES I. T. O.

42.1 SUPPLY CHAIN MANAGEMENT REGULATIONS

Deviations

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

Appointment of Consultants	7 614	63 790
Information Technology Upgrade	23 571	7 547
Upgrading of Electricity Services	48 386	14 448
Extension of contracts	405 290	22 639
Upgrading of Road Infrastructure	281 861	3 078
Supply and delivery of plant and equipment	339	754
Others	273 098	104 788
Total amount condoned by Council	1 040 159	217 044

Bids awarded to relatives of persons in service of the State

Name	Position held in State	Value: 01/07/2007 to 30/06/2008 R'000
Grant Rigby – Zebra Bituminous surfacing/Isidima	TR & S - Principal officer	15 805
Barbara Southworth – Barbara Southworth	Director: Spatial Planning & Urban Design	50
Bobbi Rasool/Bethlee West – CHM Vuwani computer solutions	IT procurement manager	3 177
Maritza Saligee – DEMMS Trading	Assistant buyer/buyer	43
Shana George – Baraka IT	IT procurement manager	26 856
		45 931

42.2 MUNICIPAL FINANCE MANAGEMENT ACT

Section 124

Disclosures concern councillors, directors and officials

The Councillors below had arrear accounts outstanding for more than 90 days as at 30 June 2008 and have made signed arrangements to pay amounts outstanding.

As at 30 June 2008	Total	Outstanding < 90 days	Outstanding > 90 days
	R	R	R
A V Bergh - Anavi Trust	8 043	4 888	3 155
W D Jaftha	14 690	611	14 079
M Muruduker	51 678	3 125	48 553
Total signed arrangements	74 411	8 624	65 787

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

As at 30 June 2007	Total	Outstanding < 90 days	Outstanding > 90 days
	R	R	R
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 Muruduker	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	328 865	0	328 865

CITY of CAPE TOWN
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Section 125

Other compulsory disclosures

	SALGA Contributions R '000	Audit Fees R '000	PAYE UIF R '000	Pension and Medical Aid R '000
As at 30 June 2008				
Opening balance	0	1 454	32 968	79 342
Council subscriptions	0	13 603	473 341	1 048 121
Amount paid - current year	0	(13 106)	(434 365)	(957 858)
Amount paid - previous years	0	(1 454)	(32 968)	(79 342)
Balance unpaid (included in creditors)	0	497	38 976	90 263
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

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.

	2008 R '000	2007 R '000
43. COMMITMENTS		
43.1 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	757 977	3 317 999
Infrastructure	665 742	386 984
Community	72 432	2 878 357
Heritage	710	0
Other	18 801	49 626
Housing Development Fund	292	3 032
- Approved but not yet contracted for	470 401	319 085
Infrastructure	343 679	294 733
Community	16 859	7 885
Other	109 863	16 467
TOTAL	1 228 378	3 637 084
This expenditure will be financed from:		
- External Loans	658 347	307 835
- Capital Replacement Reserve	117 647	710 625
- Government Grants	407 261	2 492 775
- Other sources	45 123	125 849
TOTAL	1 228 378	3 637 084
43.2 OPERATING LEASE COMMITMENTS		
The City as Lessee		
Future minimum lease payments under non-cancellable operating leases:		
Buildings	39 669	31 909
Payable within one year	25 330	18 117
Payable within two to five years	14 339	13 792
Vehicles and other equipment	61 663	94 890
Payable within one year	28 071	32 695
Payable within two to five years	33 419	61 979
Payable after five years	173	216
	101 332	126 799
Future minimum sub-lease recoveries under non-cancellable operating leases	(132)	(357)
	101 200	126 442

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 R259,886 (2007: R615,904).

Minimum lease payments recognised as an expense during the period amount to R65,98 million (2007: R61,13 million). Leased premises are contracted for remaining periods of between 1 and 4 years with renewal options available in certain instances.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Rental relating to full maintenance lease agreements for 65 refuse compactors is subject to adjustment and linked to prime rates of interest. Contingent rentals do not need to be included in lease payments to be recognised on a straight-line basis over the lease term. The decision has been taken to purchase new compactors on completion of the 5 year term of the lease.

The City has significant current lease arrangements for photocopy and fax machines over a period of 3 years without being subject to escalation. In terms of a recent council policy decision such leased equipment shall be purchased on termination of the relevant contract. In keeping with this policy it has been decided to terminate lease agreements in respect of older equipment where the initial period has expired and the lease is continuing on a month to month basis.

	2008	2007
	R '000	R '000
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	10 674	7 521
Payable within two to five years	33 640	27 468
Payable after five years	65 563	71 819
	109 877	106 808

The City lets its investment properties under operating leases. Property rental income earned during the year was R10,40 million (2007: R7,55 million). The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date.

The 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 R320 056.

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, except for one loan of R10,0 million, are fixed interest rate loans. **Interest rate swap agreements have been entered into in order to maximise economic benefits while limiting exposure to fluctuating interest rates on its long term liabilities.** 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. **Standby credit facilities, in the form of a R50 million overdraft facility, are available with its main banker to cater for any unexpected temporary shortfall in operating funds. No use has been made of this facility at the reporting date.**

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 18 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 15.

Currency Risk

The City undertakes certain transactions denominated in foreign currencies, either directly, through the import of goods and services, or indirectly, through the award of contracts to local importers which are priced in foreign currencies. The City manages any material direct exposure to foreign currency risk by entering into forward exchange contracts. It manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement in order to pre-determine the Rand value of the contracted goods or services.

The City was not a direct party to any outstanding forward exchange contracts at the reporting date.

45. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements, based on notional amounts totaling 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. Fair value was determined by discounting the remaining net cash flows under the swap agreements at **ABSA Bank swap curve** rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

46. CHANGES IN ACCOUNTING POLICY

During the 2007/08 financial year the City changed its accounting policy with respect to revenue recognition. In the previous period the City disclosed its income net of revenue where it was not probable that the economic benefits or service potential associated with such revenue would flow to the City.

As a result of a notice issued by National Treasury municipalities are now to disclose revenue on a gross basis in the Statement of Performance.

The effect of the change in the Accounting Policy is as follows:

	2007
	R '000
Increase in revenue	336 652
Service charges (see Note 22)	261 440
Rental of Letting Stock (see Note 24)	75 212
Increase in expenditure (see Note 31)	(336 652)
	0

47. 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 R375,90 million (2007: R319,20 million) 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.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund (multi-employer fund)

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 2007 by the Actuary. The valuation disclosed an actuarial surplus of R200,00 million and was funded 107,2%.

SALA Pension Fund (multi-employer fund)

The fund is a defined benefit plan, and is financially sound and was 110% funded as at 30 June 2007. The City is contributing an additional 2,71% to the Fund as from July 2005, effective from July 2003.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund (multi-employer fund)

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 was certified as being in a sound financial condition as at 30 June 2007 by the Actuary. The valuation disclosed funding of 105,3%.

Cape Joint Retirement Fund (multi-employer 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 2007.

Municipal Councillors' Pension Fund (multi-employer 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 was as a whole in a sound financial position.

National Fund for Municipal Workers (multi-employer fund)

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 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 (multi-employer 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.

DEFINED BENEFIT AND CONTRIBUTION SCHEME

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 2007 and certified the fund as being in a financially sound position. The next statutory valuation is due by 30 June 2008.

	Total	DB section	DC section
In-service members	8 097	443	7 654
Pensioners	5 643	4 927	716
Membership 30 June 2007	<u>13 740</u>	<u>5 370</u>	<u>8 370</u>

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R Million	R Million
Past service position - Defined benefit section	4 719	3 735
Past service position - Defined contribution section	3 528	2 977
Total liabilities	<u>8 247</u>	<u>6 712</u>
Assets valued at market value	8 403	6 787
Actuarial surplus	<u>156</u>	<u>75</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
Net Discount Rate	2.00%	3.00%

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 2008 were 13 445 (2007: 14 560) in-service members and 6 450 (2007: 6 443) continued members.

Post Employment Health Care Benefits

Present value of unfunded liability	2 125	1 774
Unrecognised transitional liability	0	(184)
Unrecognised actuarial gain/(losses)	(233)	6
Net liability in balance sheet	<u>1 892</u>	<u>1 596</u>

Amounts included in the statement of financial performance

Service cost	47	42
Transitional liability recognised	184	184
Interest costs	142	128
Total included in profit and loss	<u>373</u>	<u>354</u>

Movement in the liability recognised in the statement of financial position

Balance at the beginning of the year	1 596	1 307
Net expense recognised in statement of financial performance	373	354
Contributions paid	(77)	(65)
	<u>1 892</u>	<u>1 596</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	10.9%	8.0%
Health care cost inflation rate	9.7%	6.5%
Net effective discount rate	1.1%	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 set aside off-balance sheet in respect of the Employer's post-employment health care liability.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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 2008 was 52 (2007: 58) employees and 191 (2007: 220) pensioners.

	2008	2007
	R '000	R '000
Post Employment Retirement Pension Benefits.		
Present value of unfunded liability	16 821	15 448
Interest costs	1 413	1 163
Current service cost	391	307
Actuarial Gain/losses	(363)	2 068
Benefits paid	(2 019)	(2 165)
Net liability in balance sheet	<u>16 243</u>	<u>16 821</u>
Amounts included in the statement of financial performance		
Service cost	391	307
Interest costs	1 413	1 163
	<u>1 804</u>	<u>1 470</u>
Movement in the liability recognised in the statement of financial position		
Balance at the beginning of the year	14 753	15 448
Net expense recognised in statement of financial performance	1 804	1 470
Increase / Decrease in redundancy benefit	0	0
Contributions paid	(2 019)	(2 165)
	<u>14 538</u>	<u>14 753</u>
Key financial assumptions		
Discount rate	10.8%	8.4%
General salary inflation rate - employees	8.9%	6.2%
Net effective discount rate - employees	1.7%	2.1%
Pension increase rate - pensioners	3.9%	2.6%
Net effective discount rate - pensioners	6.6%	5.7%

Plan Assets

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

48. CONTINGENT LIABILITY

Guarantees issued

The Development Bank of South Africa (DBSA) has made a loan to the Gugulethu Central Market Place (the Company) for 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 2008, the Company was in arrears with its repayment of capital and interest to the DBSA by the sum of R371,706 **(2007: 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 **R72,87 million (2007: R16,80 million)**.

Outstanding Insurance Claims

The estimated liability for insurance claims amounts to R56,79 million **(2007: R72,77 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.

Regional Electricity Distributor (RED 1)

The City issued a bank guarantee of R346 727 as security for the lease of property.

Philippi East Trading Company (PTY) LTD

The City issued a bank guarantee of R79 028 as security to the master of the High Court for any outstanding debts.

Performance Bonuses

The estimated liability for performance bonuses amounts to R23,00 million (2007: R19,00 million) and is only payable after the annual report has been tabled and finally approved by Council.

CITY of CAPE TOWN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R '000	R '000
49. RELATED PARTY DISCLOSURES		
During the year, in the ordinary course of business, transactions between the City and the below entities have occurred under terms and conditions that are no more favorable than those entered into with third parties in arm's length transactions.		
Cape Town International Convention Centre Company (Pty) Ltd		
The Convention Centre was established for Cape Town to become host to international conferences with the objectives of promoting Cape Town as a tourism city. At year-end the amount owing by Convenco to the City amounted to R3,91 million (2007: R1,72 million).		
Percentage Owned	50.18%	50.18%
Arms length transactions for the year:		
Receivables	3 909	1 715
Service charges	11 545	16 101
Khayelitsha Community Trust		
The Trust was established to promote economic activities for the upliftment of the local community. At year-end the amount owing by the Trust to the city amounted to R1,42 million (2007: R1,42 million).		
Percentage Owned	100.00%	100.00%
Arms length transactions for the year:		
Receivables	1 420	1 420
Service charges	0	10 023
Regional Electricity Distributor One (RED 1) - in process of liquidation		
This entity was originally established as an electricity distributor in the precinct of Cape Town. The entity is now in a process of liquidation. At year-end the amount owing by RED1 to the city amounted to R383,000 (2007: R362,000).		
Percentage Owned	100.00%	100.00%
Arms length transactions for the year:		
Receivables	383	362
Service charges	0	9 058
Cape Town Community Housing Company (Pty) Ltd (Joint Venture)		
This is a joint venture established to facilitate the provision of low art housing with in the greater Cape Town. At year-end the amount owing by the Housing Company to the City amounted to R4,55 million (2007: R4,35 million).		
Percentage Owned	50%	50%
Arms length transactions for the year:		
Receivables	4 548	4 351
Service charges	0	35
City Improvement Districts		
These entities were established to enable projects at the initiative of local communities to provide services over and above the services provided by the City. At year-end the amount owing by the CIDS's to the City amounted to R0 (2007: R1,000).		
Percentage Owned		
Arms length transactions for the year:		
Receivables	0	1
Service charges	53 408	44 031
Cape Metropolitan Transport Fund (Administrator of the fund)		
The fund was established to pool funds for road networks and maintenance in the metropolitan area. At year-end the amount owing by the City to Cape Metropolitan Transport fund amounted to R149,50 million (2007: R205,74 million).		
Percentage Owned		
Funds held on behalf of Inter Administrator Fund	149 499	143 424
Grants and transfers received	122 369	41 506

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
Anderson-Jardine L	Managing Director	Sheen Industrial	
Cavanagh G	Divisional Sales Director	Lithotech Sales Cape	
Christians D	CFO	Advance South Africa Fair	
Jelele L	Director	Masibambane Recruitment	Staff recruitment
Joko B	Member	Sizisa Ukhanyo Trading cc	Small business enterprise
Justus C	Non Executive Director	Communicare	Housing developers
Lukas A	Member	Seasons Find t/a Faras	Catering
Purchase F	Member	Regal Cycles cc	Small business enterprise
Serritslev A	Director	Eisleben Business Park (Pty) Ltd	City Project
Serritslev A	Member	Cape Town Partnership	city Improvement
Serritslev A	Member	Phillippi Development Initiative	City Project
Yiba L	Director	Dumani Travel & Services	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 are disclosed in Note 29.

50. EVENTS AFTER BALANCE SHEET DATE**CAPE TOWN COMMUNITY HOUSING COMPANY**

The City, at its Council meeting on 27 August 2008, and following a tender process, resolved to dispose of its holding of 2,0 million ordinary shares and 21,8 million sub-ordinated convertible non-voting debentures in the Cape Town Community Housing Company for an amount of R5,00 million.

The City's investment in the Housing Company was fully impaired at 30 June 2008 and is carried at a nil value.

IMPLEMENTATION OF AN INTEGRATED RAPID TRANSIT SYSTEM

Council approved the implementation of phase 1A of the integrated rapid transit system for the City of Cape Town.

The total funding for phase 1 is estimated at R1 321,96 million. The expected contribution from National Government PTIS Grants is R900,82 million. The contribution of the City is R421,14 million.

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

Index	EXTERNAL LOANS	Effective Interest Rate (nacs)	Loan Number	Redeemable Date	Balance at 30 June 2007 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 2008 R'000	Carrying Value of PPE R'000
	LOCAL REGISTERED STOCK									
	ABSA Investor Services	16.500%	830004515	2010	4 600				4 600	2 319
	Standard Bank Nominees	14.650%	830011508	2014	6 800				6 800	5 377
	CCT01	12.570%	830014004	2023		1 000 000			1 000 000	954 571
	CCT01 Transaction costs	-	-	-			(2 139)	(3)	(2 136)	
	Total Local Registered Stock				11 400	1 000 000	(2 139)	(3)	1 009 264	962 267
	ANNUITY LOANS									
	ABSA Bank	11.150%	830000000	2010	21 688			6 457	15 231	27 042
	ABSA Bank	11.150%	830000450	2010	16 750			4 987	11 763	21 543
	Inca	15.250%	830000510	2007	20			20	0	0
	Total Annuity Loans				38 458	0	0	11 464	26 994	48 585
	OTHER LOANS									
	DBSA	10.590%	83001050	2018	390 035			50 874	339 161	362 088
	DBSA	12.250%	83001051	2015	220 811			38 967	181 844	220 586
(i)	ABSA Bank	14.084%	830000440	2010	188 358		34 790		223 148	87 266
(ii)	Future Syndications	13.226%	830000910	2008	200 000				200 000	116 632
	Nedcor Bank	1.000%	830000920	2019	50				50	29
(iii)	First Rand Bank	13.325%	830001690	2008	17 321			9 030	8 291	30 051
(iv)	First Rand Bank	13.962%	830001700	2008	8 582			4 428	4 154	11 690
(v)	First Rand Bank	11.685%	830001710	2011	69 029			17 711	51 318	58 079
(vi)	First Rand Bank	11.976%	830003504	2017	204 223			3 923	200 300	153 616
(x)	First Rand Bank	12.901%	830000880	2013	97 279			10 430	86 849	74 932
	ABSA Bank	10.900%	830007011	2018	220 000			20 000	200 000	218 202
(vii)	First Rand Bank	10.204%	830009531	2018	230 000			20 000	210 000	220 533
	DBSA	5.000%	830012028	2020	52 000			4 000	48 000	51 463
	DBSA	9.420%	830012035	2020	121 333			9 333	112 000	123 838
	DBSA	9.639%	830013000	2022		200 000		6 667	193 333	193 493
	DBSA	10.565%	830013507	2022		200 000		6 667	193 333	196 533
	Total Other Loans				2 019 021	400 000	34 790	202 030	2 251 781	2 119 030
	FINANCE LEASES									
(viii)	Nedbank	14.551%	830000860	2012	64 707			1 963	62 744	36 845
(ix)	Investec	14.343%	830000870	2011	29 696			5 092	24 604	25 967
(xi)	SCMB	15.209%	830000890	2011	84 252			2 588	81 664	35 606
	Bankfin	10.500%	63001	2007	1 404			1 404	0	0
	Total Finance Leases				180 059	0	0	11 047	169 012	98 418
	TOTAL EXTERNAL LOANS				2 248 938	1 400 000	32 651	224 538	3 457 051	3 228 301

* 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 2008

(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 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.

(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. An additional floating rate liability of R7,444 million (2007 : R9,407 million) arising from a restructuring of the loan is repayable in semi-annual instalments over the remaining life of the loan.

(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 (83000880)

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 (83000890)

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 2008											
	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	158 809	10 656	41 585	0	211 050	(1 040)	0	(34 992)		(36 032)	175 018
Buildings	2 278 583	37 138	31 724	(140)	2 347 305	(1 015 918)	2 447	(89 217)	102	(1 102 586)	1 244 719
	2 437 392	47 794	73 309	(140)	2 558 355	(1 016 958)	2 447	(124 209)	102	(1 138 618)	1 419 737
Infrastructure											
Assets Under Construction	1 153 750	(588 930)	1 077 882		1 642 702	0	0	0		0	1 642 702
Drains	369 246	33 617	11 687		414 550	(160 058)	0	(14 637)		(174 695)	239 855
Roads	2 582 235	196 859	82 170		2 861 264	(1 274 176)	0	(156 624)		(1 430 800)	1 430 464
Beach Improvements	25 232	299	1 038		26 569	(17 204)	0	(308)		(17 512)	9 057
Sewerage Mains & Purif	836 648	189 050	8 561		1 034 259	(282 779)	0	(51 673)		(334 452)	699 807
Electricity Mains	437 947	78	2 868		440 893	(129 475)	0	(22 039)		(151 514)	289 379
Electricity Peak Load Equip	1 969 408	62 157	44 951		2 076 516	(980 772)	0	(67 549)		(1 048 321)	1 028 195
Water Mains & Purification	1 665 625	83 342	32 646		1 781 613	(749 768)	0	(58 511)		(808 279)	973 334
Reservoirs - Water	393 163	31	386		393 580	(212 978)	0	(16 170)		(229 148)	164 432
Water Meters and Mains	53 847	470	615		54 932	(3 738)		(3 178)		(6 916)	48 016
	9 487 101	(23 027)	1 262 804	0	10 726 878	(3 810 948)	0	(390 689)	0	(4 201 637)	6 525 241
Community Assets											
Assets Under Construction	559 305	(47 491)	1 182 810		1 694 624	0				0	1 694 624
Parks & Gardens	10 594	7 396	2 206		20 196	(2 635)		(383)		(3 018)	17 178
Libraries	122 579	717	873		124 169	(42 685)	0	(3 330)		(46 015)	78 154
Recreation Facilities	63 241	831	5 178		69 250	(21 754)	0	(1 977)		(23 731)	45 519
Civic Buildings	204 169	15 884	7 557	(263)	227 347	(97 937)	(2 318)	(7 979)	92	(108 142)	119 205
	959 888	(22 663)	1 198 624	(263)	2 135 586	(165 011)	(2 318)	(13 669)	92	(180 906)	1 954 680
Heritage Assets											
Painting & Art Galleries	6 646	60	2 452	(13)	9 145	0	0	0		0	9 145
	6 646	60	2 452	(13)	9 145	0	0	0	0	0	9 145
Leased Assets											
Infrastructure and Other	398 960	(3)	0	(1)	398 956	(210 453)	0	(27 051)	1	(237 503)	161 453
	398 960	(3)	0	(1)	398 956	(210 453)	0	(27 051)	1	(237 503)	161 453
Other Assets											
Assets Under Construction	219 492	(157 630)	163 693		225 555	0	0	0	0	0	225 555
Landfill Sites	346 403	23 607	12 532	(645)	381 897	(67 574)	0	(36 941)	229	(104 286)	277 611
Office Equipment	132 780	8 692	17 661	(8 213)	150 920	(82 683)	(159)	(5 684)	7 665	(80 861)	70 059
Furniture & Fittings	78 775	20 613	29 587	(5 593)	123 382	(52 549)	(252)	(8 902)	4 946	(56 757)	66 625
Bins and Containers	27 960	214	1 807	(5)	29 976	(21 604)	0	(3 895)	5	(25 494)	4 482
Emergency Equipment	18 255	808	7 172	(573)	25 662	(12 040)	0	(2 754)	547	(14 247)	11 415
Motor vehicles	913 195	(312 797)	173 298	(42 960)	730 736	(629 023)	231 162	(44 410)	41 227	(401 044)	329 692
Fire engines	57 334	10 925	6 528	(262)	74 525	(29 824)	29 756	(29 798)	262	(29 604)	44 921
Refuse trucks	49 062	323 137	55 165	(30 426)	396 938	(29 798)	(267 779)	17 784	30 106	(249 687)	147 251
Computer equipment	601 245	6 097	81 904	(31 042)	658 204	(381 999)	(92)	(68 678)	29 447	(421 322)	236 882
Watercraft	658	(7)	520	(23)	1 148	(207)	0	(50)	23	(234)	914
	2 445 159	(76 341)	549 867	(119 742)	2 798 943	(1 307 301)	(7 364)	(183 328)	114 457	(1 383 536)	1 415 407
Housing Rental Stock	1 039 516	73 960	31 373	(3 973)	1 140 876	(473 528)	0	(13 190)	3 176	(483 542)	657 334
Total	16 774 662	(220)	3 118 429	(124 132)	19 768 739	(6 984 199)	(7 235)	(752 136)	117 828	(7 625 742)	12 142 997
Investment Properties	128 629	22			128 651	(29 161)		(4 414)		(33 575)	95 076
Intangible Assets	263 726	0	1 317		265 043	(191 806)		(53 154)		(244 960)	20 083
Assets Held for Sale	980	(33)		(562)	385	0	(129)	(14)		(143)	242
Total	17 167 997	(231)	3 119 746	(124 694)	20 162 818	(7 205 166)	(7 364)	(809 718)	117 828	(7 904 420)	12 258 398

APPENDIX B(1)

RECONCILIATION OF CARRYING VALUE

Reconciliation of Carrying Value	PROPERTY, PLANT AND EQUIPMENT								Assets Held for Sale	INVESTMENT PROPERTY	INTANGIBLE ASSETS
	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	R'000	R'000	R'000
Carrying values at 1 July 2007	1 420 434	5 676 153	794 877	6 646	1 137 858	188 507	565 988	9 790 463	980	99 468	71 920
Cost	2 437 392	9 487 101	959 888	6 646	2 445 159	398 960	1 039 516	16 774 662	980	128 629	263 726
Accumulated depreciation	(1 016 958)	(3 810 948)	(165 011)	0	(1 307 301)	(210 453)	(473 528)	(6 984 199)	0	(29 161)	(191 806)
Acquisitions	73 309	1 262 804	1 198 624	2 452	549 867	0	31 373	3 118 429	0	0	1 317
Capital under Construction							0	0			
Depreciation based on cost	(90 483)	(390 689)	(13 669)	0	(183 328)	(27 051)	(11 907)	(717 127)	(14)	(4 414)	(53 154)
Carrying value of disposals	(38)	0	(171)	(13)	(5 285)	0	(797)	(6 304)	(562)		
Cost	(140)	0	(263)	(13)	(119 742)	(1)	(3 973)	(124 132)	(562)		
Accumulated depreciation	102	0	92	0	114 457	1	3 176	117 828			
Impairment losses	(33 726)	0					(1 283)	(35 009)			
Transfers	50 241	(23 027)	(24 981)	60	(83 705)	(3)	73 960	(7 455)	(162)	22	
Carrying Values at 30 June 2008	1 419 737	6 525 241	1 954 680	9 145	1 415 407	161 453	657 334	12 142 997	242	95 076	20 083
Cost	2 558 355	10 726 878	2 135 586	9 145	2 798 943	398 956	1 140 876	19 768 739	385	128 651	265 043
Accumulated depreciation	(1 138 618)	(4 201 637)	(180 906)	0	(1 383 536)	(237 503)	(483 542)	(7 625 742)	(143)	(33 575)	(244 960)
Carrying values at 1 July 2006	1 387 481	5 201 647	276 555	2 772	871 635	175 830	579 889	8 495 809	0	99 844	119 964
Cost	2 391 828	8 717 102	422 096	2 772	2 090 424	289 201	1 032 233	14 945 656		124 616	259 468
Accumulated depreciation	(1 004 347)	(3 515 455)	(145 541)		(1 218 789)	(113 371)	(452 344)	(6 449 847)		(24 772)	(139 504)
Acquisitions	50 295	909 187	515 994	4 390	478 668	149	6 466	1 965 149			4 258
Capital under Construction	0	0	0	0	0	0	0	0			0
Depreciation based on cost	(12 777)	(366 198)	(19 383)	0	(205 360)	(27 650)	(21 985)	(653 353)		(4 389)	(52 302)
Carrying value of disposals	(696)	0	(1 810)	(21)	(6 749)	(49 420)	(553)	(59 249)	0	0	0
Cost	(696)	0	(1 810)	(21)	(119 088)	(83 658)	(2 109)	(207 382)	0	0	0
Accumulated depreciation	0	0	0	0	112 339	34 238	1 556	148 133	0	0	0
Impairment losses	(373)	0		0		0	(7 408)	(7 781)			
Transfers	(3 496)	(68 483)	23 521	(495)	(336)	89 598	9 579	49 888	980	4 013	
Carrying Values at 30 June 2007	1 420 434	5 676 153	794 877	6 646	1 137 858	188 507	565 988	9 790 463	980	99 468	71 920
Cost	2 437 392	9 487 101	959 888	6 646	2 445 159	398 960	1 039 516	16 774 662	980	128 629	263 726
Accumulated depreciation	(1 016 958)	(3 810 948)	(165 011)	0	(1 307 301)	(210 453)	(473 528)	(6 984 199)	0	(29 161)	(191 806)

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost					Accumulated Depreciation					Carrying Value R '000	Budget / Additions 2008 R '000
	Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Closing Balance R '000	Opening Balance R '000	Additions R '000	Disposals R '000	Transfers R '000	Closing Balance R '000		
Executive and Council	16 022	7 848	(3 087)	7 864	28 646	(8 637)	(2 661)	2 744	(202)	(8 755)	19 891	13 360
Finance and Administration	2 113 204	1 152 935	(38 974)	(8 774)	3 218 391	(1 079 483)	(134 972)	37 481	4 042	(1 172 932)	2 045 459	1 345 738
Planning and Development	332 509	48 519	(858)	10 837	391 007	(97 272)	(13 147)	791	(120)	(109 748)	281 259	83 871
Health	144 963	25 335	(1 810)	1 961	170 448	(45 549)	(5 527)	1 725	(263)	(49 615)	120 833	29 708
Community & Social Services	460 725	39 435	(2 491)	5 041	502 711	(197 191)	(15 874)	2 210	(5 401)	(216 257)	286 455	91 217
Housing	1 356 490	116 484	(6 829)	(91 026)	1 375 119	(489 663)	(58 942)	5 094	(514)	(544 026)	831 092	267 931
Public Safety	504 058	74 985	(3 719)	(20 869)	554 454	(232 700)	(30 303)	3 588	(1 377)	(260 792)	293 662	84 444
Sport and Recreation	1 012 473	126 954	(3 653)	776	1 136 550	(337 755)	(31 387)	3 482	4 586	(361 075)	775 475	132 416
Environmental Protection	2 066	74	(12)	374	2 501	(419)	(433)	11	(32)	(873)	1 628	5 576
Waste Management	1 937 765	110 436	(20 872)	(1 107 493)	919 836	(683 268)	(55 191)	19 897	373 667	(344 895)	574 941	115 473
Waste Water Management	1 254 989	271 242	(790)	12 202	1 537 643	(0)	(53 504)	789	(375 954)	(428 668)	1 108 974	326 237
Road Transport	3 372 790	385 761	(3 778)	66 125	3 820 898	(1 501 453)	(172 100)	3 696	(388)	(1 670 246)	2 150 652	634 386
Water	1 416 611	215 953	(7 578)	1 132 469	2 757 455	(1 139 453)	(108 778)	7 290	(2 965)	(1 243 906)	1 513 550	270 056
Electricity	3 226 715	543 788	(30 243)	2 768	3 743 026	(1 391 930)	(126 692)	29 030	(2 426)	(1 492 019)	2 251 008	569 757
Other	16 617	0	0	(12 485)	4 132	(390)	(206)	0	(16)	(613)	3 519	2 030
TOTAL	17 167 997	3 119 746	(124 694)	(231)	20 162 818	(7 205 166)	(809 718)	117 828	(7 364)	(7 904 420)	12 258 398	3 972 200

Note 1: The balance as at 30 June 2008 for certain assets includes Electricity and Bulk Water assets held under finance leases with a carrying value of R161,453 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 2008

2007	2007	2007		2008	2008	2008
Actual Income R '000	Actual Expenditure R '000	Surplus/ (Deficit) R '000		Actual Income R '000	Actual Expenditure R '000	Surplus/ (Deficit) R '000
4 208 577	1 018 933	3 189 644	Rates	5 211 087	1 470 737	3 740 350
5 560	222 657	(217 097)	Executive & Council	8 614	256 980	(248 366)
1 149 438	1 249 900	(100 462)	Finance & Administration	1 178 670	1 507 279	(328 609)
147 476	314 744	(167 268)	Planning & Development	167 007	366 455	(199 448)
143 022	316 593	(173 571)	Health	173 717	343 652	(169 935)
(14 515)	513 449	(527 964)	Community & Social Services	50 344	650 328	(599 984)
318 595	461 686	(143 091)	Housing	355 566	663 271	(307 705)
237 000	881 399	(644 399)	Public Safety	221 838	1 047 789	(825 951)
62 965	297 370	(234 405)	Sport & Recreation	36 225	325 675	(289 450)
630	63 762	(63 132)	Environmental Protection	1 603	81 052	(79 449)
951 063	881 961	69 102	Waste Management	1 185 856	1 170 936	14 920
954 028	795 251	158 777	Waste Water Management	1 087 290	898 674	188 616
159 654	735 026	(575 372)	Road Transport	152 349	922 483	(770 134)
1 945 391	1 786 856	158 535	Water	2 167 595	1 890 981	276 614
3 175 589	3 025 552	150 037	Electricity	3 486 538	3 366 101	120 437
805	41 231	(40 426)	Other: Tourism	1 534	45 054	(43 520)
13 445 278	12 606 370	838 908	Sub Total	15 485 833	15 007 447	478 386
2 577 891	2 577 891	0	Less: Inter-Departmental Charges	2 949 441	2 949 441	0
10 867 387	10 028 479	838 908	Total	12 536 392	12 058 006	478 386

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	Actual R '000	Budget R '000	Variance R '000	Variance %	Explanation of Variances greater than 10%
REVENUE					
Property rates	3 258 741	3 136 000	(122 741)	-3.91%	
Service charges	5 749 773	5 702 689	(47 084)	-0.83%	
Regional Services Levies - turnover	20 475	12 700	(7 775)	-61.22%	Due to large payment received from Government Department.
Rental of letting stock and facilities	249 697	239 405	(10 292)	-4.30%	
Finance costs	535 703	407 946	(127 757)	-31.32%	Actual interest earned on cash investments mainly due to increase in interest rates and higher than budgeted cash holdings during the year.
Fines	159 225	161 018	1 793	1.11%	
Licences and permits	31 037	32 042	1 005	3.14%	
Agency services	112 654	110 828	(1 826)	-1.65%	
Government grants and subsidies	1 767 663	1 859 501	91 838	4.94%	
Deferred income	324 261	356 037	31 776	8.92%	
Other income	273 076	217 255	(55 821)	-25.69%	Due to xenophobia claim recorded as income.
Public contributions, donated/contributed PPE	6 217	0	(6 217)	0.00%	
Gains on disposal of property, plant and equipment	47 870	43 853	32 646	74.44%	Gains on the disposal of property, plant and equipment due to higher proceeds from assets sold.
Total Revenue	12 536 392	12 279 274	(220 455)	-1.80%	
EXPENDITURE					
Employee related costs	3 430 193	3 485 980	(55 787)	-1.60%	
Remuneration of councillors	70 935	70 648	287	0.41%	
Impairment costs	743 652	566 571	177 081	31.25%	Due to additional contribution to rates and general.
Collection costs	143 935	148 875	(4 940)	-3.32%	
Depreciation and amortisation expense	774 709	870 807	(96 098)	-11.04%	Due to capital expenditure not materializing in the past.
Repairs and maintenance	1 185 860	1 210 242	(24 382)	-2.01%	
Finance costs	482 476	311 703	170 773	54.79%	Interest cost relating to movement in non-current provision.
Bulk purchases	2 141 514	2 164 272	(22 758)	-1.05%	
Contracted services	596 506	599 439	(2 933)	-0.49%	
Grants and subsidies paid	81 919	84 273	(2 354)	-2.79%	
General expenses - other (including abnormal expenses)	2 404 694	2 338 939	65 755	2.81%	Due to increase in contributions to non-current provisions.
Loss on disposal of property, plant and equipment	1 613	24	1 589	6620.83%	Losses on housing land sold.
Total Expenditure	12 058 006	11 851 773	206 233	1.74%	
NET SURPLUS FOR THE YEAR	478 386	427 501	(50 885)	-11.90%	

APPENDIX E(2)

ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2008

	Actual	Total Additions	Budget	Variance	Variance	Explanation of Significant Variances greater than 5% versus Budget
	R '000	R '000	R '000	R '000	%	
Executive and Council	7 848	7 848	13 360	5 512	41.26%	Orders have been placed for equipment and furniture. Sub council accommodation project is in its final stage.
Finance and Administration (Service Delivery Integration included)	1 152 935	1 152 935	1 345 738	192 803	14.33%	The advance payment of the roof for the Greenpoint Stadium was delayed due to unforeseen circumstances beyond our control. Reconfiguration of the Greenpoint Common will commence in the following financial year as it is dependant on the finalisation of the public participation process embarked by the Provincial Minister.
Planning and Development	48 519	48 519	83 871	35 352	42.15%	Delays experienced with the delivery of furniture and equipment and roll-overs expected where tenders were secured but was too late to implement projects.
Health	25 335	25 335	29 708	4 373	14.72%	The under-expenditure is mainly due to the fact that two major projects had delays caused by site conditions and local labour action on site.
Community & Social Services	39 435	39 435	91 217	51 782	56.77%	The underexpenditure can be attributed to programmes running behind plans and outstanding claims.
Housing	116 484	116 484	267 931	151 447	56.52%	Various projects comprise this figure. Certain projects proceeded faster than initially envisaged whilst other projects were slightly delayed. Note also the impact of delays in subsidy approvals and subsidy programme announcement by the National Housing Department. Also note that the City's internal funds, which form part of this figure, reflect a 94% spend and that the City accessed 99% of its State subsidy allocation for 2007/2008.
Public Safety	74 985	74 985	84 444	9 459	11.20%	Most projects completed, while funds are committed on others. Due to delivery delays projects will be rolled over to the 2008/2009 financial year. In some instances delays in the tender process resulted funds will only be spent in the new financial year, funds to be rolled over to 2008/2009 financial year.
Sport and Recreation	126 954	126 954	132 416	5 462	4.13%	
Environmental Protection	74	74	5 576	5 502	98.68%	Delays experienced with the delivery of furniture and equipment and roll-overs expected where tenders were secured but was too late to implement projects.
Waste Management	110 436	110 436	115 473	5 037	4.36%	
Road Transport	385 761	385 761	634 386	248 625	39.19%	Underexpenditure is largely due to the following: optimistic cash flows by project managers - especially evident in World Cup items where projects have been slow in getting underway and got yet further delayed due to the delay in finalizing the operations plan; poor contractor performance; late contract starts due to the delays in relocation of squatters from construction sites; cancellation of unacceptable tender offers and re-tendering; increased adjustment budgets; delays in approval of deviation requests delaying contract starts; significant and ongoing project management staff attrition.
Water	487 195	487 195	596 293	109 098	18.30%	Difficulties experienced with the moving of informal households and bad weather caused delays during the construction Phase. Land issues also caused delays in Helderberg as land acquisition took longer than expected. Delivery of equipment shipped from abroad took longer than expected. Certain Contracts progressed slow due to over commitments (Took up more work than they could handle)
Electricity	543 788	543 788	569 757	25 969	4.56%	
Other (Tourism)	0	0	2 030	2 030	100.00%	Unforeseen delays, projects will be completed in new fin year, funds to be rolled over
TOTAL	3 119 746	3 119 746	3 972 200	852 454	21.46%	

**APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA**

SERVICE	SOURCE	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE					TOTAL R'000
		1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL RECEIPTS	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL EXP	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
CS-Amenities & Recreation	PAWC CULTURAL	0	0	0	1 500	1 500	0	0	0	0	0	(1 500)
CS-Amenities & Recreation	PAWC SOCIAL SERVICES	0	1 000	0	0	1 000	1 905	654	0	15	2 574	1 574
CS-Amenities & Recreation	PAWC TRANSPORT & PUBLIC WORKS	0	30 000	0	0	30 000	2 161	7 059	1 457	4 582	15 259	(14 741)
CS-City Health	PAWC HEALTH	4 976	13 118	10 951	10 415	39 460	3 310	12 947	12 283	11 100	39 640	180
CS-Emergency Services	PAWC OTHER	0	0	1 500	0	1 500	0	0	0	1 500	1 500	0
CS-Open Space Nature Conservation	PAWC HUMAN SETTLEMENT REDEVELOPMENT PROGRAM	0	0	0	160	160	0	0	0	160	160	0
CS-Social Development	PAWC CULTURAL AFFAIR	2 346	2 347	4 694	0	9 387	2 231	2 484	1 551	3 097	9 363	(24)
DV-Economic Development & Tourism	PAWC HUMAN SETTLEMENT REDEVELOPMENT PROGRAM	442	0	0	195	637	0	388	122	0	510	(127)
DV-Planning & Environment	PAWC ENVIRONMENTAL AFFAIRS	229	0	0	0	229	0	0	0	0	0	(229)
DV-Planning & Environment	PAWC OTHER	0	0	0	927	927	46	509	208	29	792	(135)
DV-Planning & Environment	STATE DEPT OTHER	4 500	0	0	1 000	5 500	327	433	660	2 446	3 866	(1 634)
DV-Public Housing	PAWC: LOCAL GOVERNMENT AND HOUSING	15 461	9 651	70 977	182	96 271	10 488	9 672	8 587	17 142	45 889	(50 382)
DV-Public Housing	PAWC: LOCAL GOVERNMENT AND HOUSING	19 421	8 486	107 206	12 719	147 832	9 445	22 441	23 762	48 840	104 488	(43 344)
DV-Public Housing	STATE HOUSING	0	1 500	0	0	1 500	0	110	10	146	266	(1 234)
DV-Transport Roads SWater	MTAB - STATE	0	0	0	320 282	320 282	0	0	0	32 930	32 930	(287 352)
Electricity	DEPT. MINERAL ENERGY	0	10 764	1 980	460	13 204	5 032	10 431	(2 810)	2 724	15 377	2 173
Support Services	MUNICIPAL INFRASTRUCTURE GRANTS	34 981	62 840	92 324	27 910	218 055	27 600	52 255	38 990	38 466	157 311	(60 744)
Support Services	NATIONAL TREASURY	45 973	4 109	146 845	0	196 927	8 221	16 534	43 820	32 137	100 712	(96 215)
Support Services	PAWC: LOCAL GOVERNMENT AND HOUSING	281	0	0	48	329	187	0	103	52	342	13
Support Services	PAWC OTHER	0	0	48	0	48	0	0	0	0	0	(48)
Support Services	STATE: DEPT. SPORT AND RECREATION	0	361 099	397 948	411 600	1 170 647	0	96 835	286 523	430 606	813 964	(356 683)
TS- Water Services	STATE - DWAF	479	0	888	0	1 367	220	404	407	1 324	2 355	988
	SUB TOTAL	129 089	504 914	835 361	787 398	2 256 762	71 173	233 156	415 673	627 296	1 347 298	(909 464)
FUNDING DELAYED												
DV-Public Housing (refer footnote 1)	PAWC: LOCAL GOVERNMENT AND HOUSING	1 464	720	1 345	1 467	4 996	341	1 479	2 613	2 500	6 933	1 937
	SUB TOTAL	1 464	720	1 345	1 467	4 996	341	1 479	2 613	2 500	6 933	1 937
	GRAND TOTAL	130 553	505 634	836 706	788 865	2 261 758	71 514	234 635	418 286	629 796	1 354 231	(907 527)

Funding Delayed

1 City of Cape Town's and Provincial Government of the Western Cape building valuations differ.

Conditions met

All the conditions related to allocations made to the City have been met.

APPENDIX G

ANALYSIS OF PROVISIONS AS AT 30 JUNE 2008

	For period 30 June 2007					For period 30 June 2008				
	Opening Balance R' 000	Contribution R' 000	Transfers from Operating R' 000	Transfer from non-current R' 000	Closing Balance R' 000	Opening Balance R' 000	Contribution R' 000	Transfers from Operating R' 000	Transfer from non-current R' 000	Closing Balance R' 000
Ambulance Incentive	713	0	0		713	713	0	(713)		0
Staff Parity	0	0	0		0	0	108 116			108 116
Insurance claim	1 847	1 038	(1 847)		1 038	1 038	813	(1 038)		813
Medical Aid	71 000	0	(71 000)	76 000	76 000	76 000	0	(76 000)	89 000	89 000
SARS	57 535	0	(57 535)		0	0	0	0		0
Performance bonus	0	0	0		0	0	0	0		0
COVID Claims	2 379	2 460	(2 379)		2 460	2 460	3 221	(2 460)		3 221
Legal fees	600	4 028	(600)		4 028	4 028	2 146	(4 028)		2 146
Landfill sites	20 000	0	(20 000)	7 623	7 623	7 623	0	(7 623)	41 400	41 400
Revenue Pension	3 000	0	(3 000)	2 700	2 700	2 700	0	(2 700)	2 200	2 200
Staff Leave	180 814	38 893	0		219 707	219 707	74 569			294 276
Long service leave benefits	0	0	0	18 940	18 940	18 940	0	(18 940)	14 847	14 847
	337 888	46 419	(156 361)	105 263	333 209	333 209	188 865	(113 502)	147 447	556 019

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF CAPE TOWN FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the City of Cape Town (municipality) which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 64.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the City of Cape Town as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

Irregular expenditure

11. As disclosed in note 41 to the financial statements, irregular expenditure to the amount of R126,5 million was incurred, as a proper tender process had not been followed in that, amongst others, approval was not obtained from the appropriately delegated authority to deviate from the tender process.

Restatement of corresponding figures

12. As disclosed in notes 8 and 37 to the financial statements, the corresponding figures for 30 June 2007 have been restated as a result of errors discovered during 2008 in the financial statements of the City of Cape Town at, and for the year ended, 30 June 2007.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

13. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	✓	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✓	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.		✓
• SCOPA resolutions have been substantially implemented.	✓	

Unaudited supplementary schedules

14. The supplementary schedules set out on pages XX to XX do not form part of the annual financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on this information.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

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

Responsibility of the accounting officer for the performance information

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

Responsibility of the Auditor-General

17. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

Audit findings (performance information)

19. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

OTHER REPORTS

Investigations

20. The prior year audit of payroll indicated instances of irregular expenditure amounting to approximately R1,3 million. Disclosure of the individual items, together with council action in terms of section 32(2)(b) of the MFMA, was made in note 41 on page 45 of the financial statements. SCOPA established subcommittees to investigate the time theft and arrear staff debtors with a view to resolving these matters. These matters had not been resolved at the date of this report.
21. The municipality has commissioned forensic investigations into several possible fraudulent and/or irregular acts by officials and suppliers. The monetary amount of the 10 highest priority cases totals R70,2 million. Investigations requested by

SCOPA in the prior year resulting from audit findings amounting to R6,9 million were still under review at the date of this report.

Special audits

22. As requested by the municipality, an agreed-upon procedures audit was conducted during the year under review related to the municipality's domestic medium-term note programme (programme) and the issue of notes thereto. The procedures performed were in terms of the listing requirements as stipulated by the Bond Exchange of South Africa and included, amongst others, a review of the accuracy of the information presented in the programme memorandum supplied to prospective subscribers of the notes. The report covered information presented in the annual reports of the 2006-07 and the 2005-06 reporting periods, and was submitted to the municipality on 23 May 2008.

APPRECIATION

23. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Auditor-General

Pretoria

30 November 2008



A U D I T O R - G E N E R A L