



EKURHULENI METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

General Information

MAYORAL COMMITTEE

Executive Mayor
Councillors

Clr N Mekgwe
Speaker: Clr P Kumalo
Chief Whip: Clr M Maseko
MMC Housing: Clr G Shongwe
MMC Finance: Cle L Mtshali
MMC Infrastructure services: Clr L Sibeko
MMC Economic development: Clr T Mahlangu
MMC Corporate services: Clr Q Duba
MMC Health: Clr I Bangilizwe
MMC SRAC: Clr V Mapekula
MMC Environmental development: Clr M Maluleke
MMC City development: Clr M Akoon
MMC Community safety: Clr A Nxumalo

GRADING OF LOCAL AUTHORITY

The municipality is a grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remunerations of Public Office Bearers Act, 1998.

ACCOUNTING OFFICER

K Ngema
011 999 0863

CHIEF FINANCE OFFICER (CFO)

Z G Myeza
011 999 6514

REGISTERED OFFICE

Corner Cross and Rose Street
Germiston
1400

BUSINESS ADDRESS

Corner Cross and Rose Street
Germiston
1400

POSTAL ADDRESS

Private Bag X69
Germiston
1400

BANKERS

ABSA Bank

AUDITORS

Auditor General
61 Central Street
Houghton

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EMM	Ekurhuleni Metropolitan Municipality
PPE	Property, plant and equipment

Ekurhuleni Metropolitan Municipality Group

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The group annual financial statements set out on pages 4 to 78, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 29 September 2009:

Accounting Officer
K NGEMA

Germiston

29 September 2009

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2009	2009	2009	2008
ASSETS					
Current Assets					
Inventories	12	164,315,565	151,695,285	129,726,804	
Other Investments	8	66,435,247	66,435,247	133,996,620	
Current tax receivable		12,374	-	-	
Other receivables from exchange transactions	13	280,712,038	253,817,383	182,576,717	
Other receivables from non-exchange transactions	14	30,380,376	30,380,376	4,698,881	
Consumer debtors	15	1,171,446,935	1,171,446,935	1,171,340,513	
Current portion of long term receivables		37,905,936	37,905,936	67,897,103	
Cash and cash equivalents	16	1,078,370,517	1,064,929,949	2,318,386,504	
		2,829,578,988	2,776,611,111	4,008,623,142	
Non-Current Assets					
Investment property	4	116,855,910	73,790,971	73,790,971	
Property, plant and equipment (PPE)	5	39,283,500,493	38,546,950,092	37,933,630,387	
Intangible assets	6	4,303,773	3,690,931	1,204,737	
Investments in controlled entities	7	-	306	306	
Other Investments	8	281,270,213	279,217,804	248,101,833	
Deferred tax	10	228,737	-	-	
Long-term receivables		90,344,067	90,344,067	94,086,090	
		39,776,503,193	38,993,994,171	38,350,814,324	
Total Assets		42,606,082,181	41,770,605,282	42,359,437,466	
LIABILITIES					
Current Liabilities					
Current tax payable		335,442	-	-	
Trade and other payables from exchange transactions	22	2,056,120,629	2,046,304,412	1,578,024,406	
Deposits	23	375,734,022	373,154,192	337,898,451	
Unspent conditional grants and receipts	20	170,026,714	159,233,181	167,384,946	
Provisions	21	190,922,784	178,737,641	172,762,466	
Current portion of long-term liabilities	19	145,013,490	131,313,741	73,629,483	
		2,938,153,081	2,888,743,167	2,329,699,752	
Non-Current Liabilities					
Long-term liabilities	19	2,131,247,700	1,945,600,828	1,054,195,546	
Retirement benefit obligation	11	1,727,721	-	-	
Provisions	21	237,126,509	237,126,509	208,373,356	
Other long term liabilities		21,726,026	14,726,026	14,527,148	
		2,391,827,956	2,197,453,363	1,277,096,050	
Total Liabilities		5,329,981,037	5,086,196,530	3,606,795,802	
Net Assets		37,276,101,144	36,684,408,752	38,752,641,664	
NET ASSETS					
Net Assets Attributable to Net Asset Holders of Controlling Entity					
Share premium	17&17	7,442,007	-	-	
Fair value adjustment assets-available-for-sale reserve		1,519,738	-	-	
Accumulated surplus		37,249,696,173	36,684,408,752	38,752,641,664	
Minority interest		17,443,226	-	-	
Total Net Assets		37,276,101,144	36,684,408,752	38,752,641,664	

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity
		2009	2009	2008
Revenue				
Property rates	25	1,777,573,282	1,778,466,900	1,703,876,638
Property rates - penalties and collection charges		108,131,850	108,131,850	38,036,624
Service charges	26	6,169,562,635	6,199,973,948	5,380,215,944
Rental of facilities and equipment	40	67,809,202	51,046,599	57,823,419
Interest earned - outstanding debtors		424,504,456	422,540,814	446,171,662
Fines		92,720,626	92,720,626	78,782,229
Licences and permits		25,457,297	25,457,297	29,420,007
Income from agency services		142,254,100	142,254,100	143,093,141
Government grants and subsidies	27	2,494,966,818	2,477,039,068	2,062,157,751
Other income		90,163,504	66,897,696	31,810,412
Interest received - external investment	34	204,834,406	198,701,652	351,156,808
Rendering of services		6,354,811	-	-
Recoveries		2,401,068	-	-
Dividends received	34	191,952	-	-
Total Revenue		11,606,926,007	11,563,230,550	10,322,544,635
Expenditure				
Employee related costs	31	(3,462,332,803)	(3,355,807,223)	(2,728,391,718)
Remuneration of councillors	32	(58,716,685)	(58,716,685)	(53,387,900)
Debt impairment	33	(1,455,388,042)	(1,453,564,993)	(1,328,566,591)
Depreciation and amortisation	35	(1,933,452,850)	(1,907,231,388)	(402,733,881)
Repairs and maintenance		(1,069,982,706)	(1,059,875,480)	(789,229,129)
Finance costs	37	(209,220,680)	(181,818,209)	(180,080,453)
Bulk purchases	43	(3,954,700,800)	(4,122,009,647)	(3,298,074,075)
Contracted services	41	(555,731,328)	(561,560,314)	(494,995,579)
Grants and subsidies paid	42	(53,740,403)	(53,830,991)	(51,566,324)
General Expenses	29	(923,816,322)	(873,963,612)	(952,609,092)
Impairment of assets	36	(1,828,880)	(1,559,532)	-
Total Expenditure		(13,678,911,499)	(13,629,938,074)	(10,279,634,742)
Gain on disposal of assets		5,275,393	5,275,393	6,497,487
Deficit on disposal of assets		(6,868,357)	(6,800,784)	(31,652,079)
Taxation	38	(1,026,929)	-	-
(Deficit) surplus for the year		(2,074,605,385)	(2,068,232,915)	17,755,301
Attributable to:				
Net Asset holders of the controlling entity		(2,074,427,968)	(2,068,232,915)	17,755,301
Minority interest		(177,417)	-	-

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Statement of Changes in Net Assets

	Share premium	Fair value adjustment assets-available-for-sale reserve	Accumulated surplus	Total attributable to net asset holders of the economic entity / controlling entity	Minority interest	Total net assets
Figures in Rand						
Economic entity						
Balance at 01 July 2008	-	-	-	-	-	-
Undefined Difference	7,442,007	1,519,738	-	8,961,745	17,443,226	26,404,971
Opening balances of controlled entities	7,442,007	2,090,729	571,482,478	581,015,214	17,638,303	598,653,517
Opening balance of controlling entity	-	-	38,752,641,664	38,752,641,664	-	38,752,641,664
Balance at 01 July 2008	7,442,007	2,090,729	39,324,124,141	39,333,656,877	17,638,303	39,351,295,180
Changes in net assets						
Other fair value gains (losses)	-	(570,991)	-	(570,991)	(17,660)	(588,651)
Net income (losses) recognised directly in net assets	-	(570,991)	-	(570,991)	(17,660)	(588,651)
Surplus for the year	-	-	(2,074,427,968)	(2,074,427,968)	(177,417)	(2,074,605,385)
Total recognised income and expenses for the year	-	(570,991)	(2,074,427,968)	(2,074,998,959)	(195,077)	(2,075,194,036)
Total changes	-	(570,991)	(2,074,427,968)	(2,074,998,959)	(195,077)	(2,075,194,036)
Balance at 30 June 2009	7,442,007	1,519,738	37,249,696,173	37,258,657,919	17,443,226	37,276,101,145
Note(s)	17					
Controlling entity						
Opening balance as previously reported	-	-	8,307,982,491	8,307,982,491	-	8,307,982,491
Adjustments						
Changes in accounting policy (Note 2)	-	-	30,522,042,052	30,522,042,052	-	30,522,042,052
Prior period errors (Note 49)	-	-	(77,382,879)	(77,382,879)	-	(77,382,879)
Balance at 01 July 2008 as restated	-	-	38,752,641,664	38,752,641,664	-	38,752,641,664
Balance at 01 July 2008	-	-	38,752,641,664	38,752,641,664	-	38,752,641,664
Changes in net assets						
Surplus for the year	-	-	(2,068,232,912)	(2,068,232,912)	-	(2,068,232,912)
Total changes	-	-	(2,068,232,912)	(2,068,232,912)	-	(2,068,232,912)
Balance at 30 June 2009	-	-	36,684,408,752	36,684,408,752	-	36,684,408,752
Note(s)	17					

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Group Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2009	2009	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		10,065,424,935	10,103,020,555	8,969,522,153	
Cash paid to suppliers and employees		(10,017,148,494)	(10,096,982,816)	(8,570,033,898)	
Cash generated from operations	44	48,276,441	6,037,739	399,488,255	
Interest income		629,338,862	621,242,466	797,328,470	
Dividends received		191,952	-	-	
Finance costs		(209,220,680)	(181,818,209)	(180,080,453)	
Taxes on surpluses		(1,153,657)	-	-	
Net cash from operating activities		467,432,918	445,461,996	1,016,736,272	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment (PPE)	5	(2,576,287,272)	(2,555,458,865)	(1,469,855,534)	
Proceeds from the sale of property, plant and equipment	5	6,369,538	6,072,855	6,497,487	
Purchase of other intangible assets	6	(2,755,431)	(2,755,431)	-	
Proceeds from financial assets		36,445,402	36,445,402	(7,710,643)	
Net movements in long term receivables - Current		-	29,991,167	1,526,285	
Net movements in long-term receivables - Non current		3,742,023	3,742,023	-	
Net movement in investments in municipal entities		-	-	4,000,000	
Net cash from investing activities		(2,532,485,740)	(2,481,962,849)	(1,465,542,405)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Movement in long term liabilities		790,545,465	782,845,420	(73,630,715)	
Movement in other long term liabilities		(18,107,602)	198,878	(5,681,530)	
Movement in deposits charged		214,445	-	-	
Movement in provision for company tax		(69,318)	-	-	
Repayment of other financial liabilities		(1,542,847)	-	-	
Net cash from financing activities		771,040,143	783,044,298	(79,312,245)	
Total cash movement for the year		(1,294,012,679)	(1,253,456,555)	(528,118,378)	
Cash at the beginning of the year		2,342,392,029	2,318,386,504	2,846,504,882	
Cash and cash equivalents at end of the year	16	1,048,379,350	1,064,929,949	2,318,386,504	

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Group Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Group Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These economic entity annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the group annual financial statements.

1.2 Property, plant and equipment (PPE)

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. 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. Similarly, land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Item	Average useful life
Land	
• Landfill sites	15 years
Motor vehicles	
• Specialised vehicles	5 - 15 years
• Other vehicles	4 - 20 years
Infrastructure	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	30 years
• Electricity	5 – 60 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	30 years
• Solid Waste	5 – 60 years
Community	
• Buildings	30 years
• Recreational facilities	20 – 30 years
• Security	5 – years

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.2 Property, plant and equipment (PPE) (continued)

Other property, plant and equipment

- | | |
|--------------------------------------|---------------|
| • Furniture and fittings | 3 - 33 years |
| • Water craft | 15 years |
| • Office equipment | 3 – 7 years |
| • Specialised plant and equipment | 10 – 15 years |
| • Other items of plant and equipment | 2 – 25 years |

The asset management policy contains the details of the components and their specific useful life estimates.

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

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

The economic entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised.

1.3 Investments in controlled entities

Economic entity annual financial statements

The group annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Controlling entity annual financial statements

Municipal controlled entities are those entities which the Municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

In the municipality's Separate Financial Statements, investments in controlled entities are accounted for at cost less any accumulated impairment.

1.4 Financial instruments

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment financial assets
- Loans and receivables financial assets
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition

Financial assets and financial liabilities are initially recognised on the statement of financial position when the economic entity becomes party to the contractual provisions of the instrument.

Measurement

When a financial asset or financial liability is recognised initially, the economic entity measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.4 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the economic entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the economic entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The economic entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the economic entity applies the following to determine the amount of any impairment loss:

Financial assets carried at amortised cost: If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognised in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the economic entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare

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Accounting Policies

1.4 Financial instruments (continued)

cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognised in accumulated surplus.

Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the economic entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

De-recognition

Financial assets

A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the economic entity has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when the economic entity transfers the contractual rights to receive the cash flows of the financial asset. Where the economic entity has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the economic entity's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Categorisation

The economic entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The economic entity has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Fixed deposits.
- Investments in municipal bonds
- Investments in RSA Government Stock
- Long term receivables
- Consumer debtors
- Other debtors
- Call investment deposits
- Bank balances and cash.

In accordance with IAS 39.09 the financial assets of the economic entity are classified as follows into one of the four categories allowed by this standard:

Type of financial asset

Classification in terms of IAS 39.09

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Accounting Policies

1.4 Financial instruments (continued)

Fixed deposit	Held to maturity
Investments in municipal bonds	Held to maturity
Investments in RSA Government Stock.	Held to maturity
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale
Unit Trusts	Available for sale

Investment in unit trusts

The economic entity has classified its Investment in Old Mutual Unit Trusts as Available for Sale. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The economic entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Creditors
- Consumer deposits
- Unspent conditional grants
- Current portion of long term liabilities

There are two main categories of financial liabilities, classified based on how they are measured.

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the economic entity are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability

Classification in terms of IAS 39.09

Financial liabilities

Long term liabilities (Current & non-current)
Consumer deposits
Creditors

Financial liability that is not measured at fair value through profit or loss
Financial liability that is not measured at fair value through profit or loss
Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows.

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Study Loans:

Amounts outstanding for Study Loans are in terms of the old policy on Study Loans for Staff in terms of which the council granted an advance to the member for the cost of the course enrolled for. Should the candidate fail, the cost was recovered from the staff member. If the candidate passed the course, the advance was expensed in the Statement of Financial Performance. It is a condition of the policy that the staff member receiving such a bursary has to stay in the service of the economic entity for the same period of the study course paid for by the economic entity. Should the employee leave the service of the economic entity such employee is required to repay the economic entity pro rata in respect of each month or part thereof from the date of termination of service to the date when the bursary period would have expired. Study Loans are therefore assessed at every Statement of Financial Position date and the portion of the loan that expired during the year is expensed. The balance of these loans up to the date of termination of the contract is considered to be fully recoverable.

Sundry Deposits:

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

Sundry Debtors:

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Accounting Policies

1.4 Financial instruments (continued)

Sundry Debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry Debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Capital Projects:

Capital Projects are conditional grant accounts with debit balances as at year-end, carrying a debit balance as at year-end. Capital Projects are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Insurance Claims:

Insurance Claims are respect of expenditure incurred for assets replaced by the economic entity and the settlement from the insurers is awaited. These happened before GRAP was implemented and are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims:

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Investment in Unit Trusts

The economic entity has classified its Investment in Old Mutual Unit Trusts as Available for Sale Investments. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period.

- a business combination.

1.6 Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity, the lease is classified as a finance lease.

Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the economic entity.

Finance leases - As lessor

The economic entity recognise lease payments receivable as assets in the statement of financial position. The economic entity present such assets as a receivable at an amount equal to the net investment in the lease.

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Accounting Policies

1.6 Leases (continued)

The recognition of finance revenue is based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases – As lessee

At the commencement of the lease term, the economic entity recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the economic entity's incremental borrowing rate is used. Any initial direct costs of the economic entity are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the economic entity will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - As lessor

The economic entity present assets subject to operating leases in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the economic entity in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the economic entity's normal depreciation policy for similar assets.

Operating leases – As lessee

Lease payments under an operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

1.7 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The weighted average method is the basis of allocating costs to inventories.

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Accounting Policies

1.7 Inventories (continued)

Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

1.8 Employee benefits

Benefits

Retirement Funds

The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

Defined Contribution Funds

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The economic entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The economic entity 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 economic entity is associated, a member (subject to the applicable 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 the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

These contributions are charged to the operating account when paid.

1.9 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A provision is recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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.

The economic entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as long term liabilities.

a. Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b. COID Provision

The provision for COID pensions and medical aid liability is based on eligible members, their current age and their future life expectancy. Cash flows are projected on the basis of current pension payments escalated at 7% per annum over member's expected lives. Resulting cash flows have been discounted to Net Present Value applying a discount rate of 12%.

c. Landfill Rehabilitation Provision

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Accounting Policies

1.9 Provisions and contingencies (continued)

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 12%.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

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

1.10 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the economic entity's right to receive payment is established.

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

- The economic entity has transferred to the buyer the significant risks and rewards of ownership.

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Accounting Policies

1.10 Revenue from exchange transactions (continued)

- The economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.11 Borrowing costs

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

1.12 Presentation of currency

These group annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.13 Internal reserve: Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also from housing 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.

The fund is derecognised in the year in which the fund liabilities exceeds the fund assets.

The fund liabilities exceeded fund assets in the current year and the fund was de-recognised.

1.14 Assets available for sale reserve

Available for sale financial assets are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in equity prices. Unrealised gains or losses arising from the changes in the fair value of AFS assets are recognised in equity. On disposal of AFS assets, the fair value of adjustments accumulated in equity are recognised in the statement of financial performance.

1.15 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is provided to write down the cost by equal installments over the useful life of the property, which is as follows:

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Accounting Policies

1.15 Investment property (continued)

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.16 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the economic entity from which the economic entity expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the economic entity, i.e. is capable of being separated or divided from the economic entity and sold, exchanged, licensed or, when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The economic entity recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and the economic entity can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost.

Where the economic entity acquires intangible assets, it recognises them as assets in the statement of financial position at cost.

Where the economic entity generates its own intangible assets through research and development or the acquisition of another entity, recognition is based on whether or not it is probable that the intangible assets will generate future economic benefits or service potential. Expenditure on research is not recognised as an asset.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the economic entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits or service potential. Among other things, the economic entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The economic entity does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

The economic entity assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

The economic entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the economic entity expects to use the asset.

The economic entity reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the

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Accounting Policies

1.16 Intangible assets (continued)

difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the economic entity. Where public contributions have been received but the economic entity has not met the related conditions, a deferred income (liability) is recognized.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the economic entity.

Revenue 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 virtually certain.

1.18 Comparative figures

Budget information has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.19 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.

1.20 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.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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.

1.22 Use of estimates

The preparation of group annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group annual financial statements are disclosed in the relevant sections of the group annual financial statements.

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.22 Use of estimates (continued)

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Internal Reserves

Asset Fair Value Adjustment Reserve

On the implementation of GRAP 17, certain assets were adjusted to reflect the fair values of the assets, where insufficient cost were previously capitalized. This fair value adjustment have been transferred to the Asset Fair Value Adjustment Reserve via the accumulated surplus account.

The Asset Fair Value Adjustment Reserve is transferred to accumulated surplus on a basis that is appropriateas to realise this reserve on a straight-line basis over a pre-determined period, which is in line with service delivery objectives of the municipality.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the economic entity 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.

1.25 Segmental information

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

1.26 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the economic entity can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

1.27 Going concern

These annual financial statements have been prepared on a going concern basis.

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2009	2009	2008	
2. CHANGES IN ACCOUNTING POLICY				
Changes due to GRAP implementation				
Adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.				
The aggregate effect of the changes in accounting policy on the group annual financial statements for the year ended 30 June 2009 is as follows:				
Statement of financial position				
Property, plant and equipment (PPE)				
Adjustment (Fair value adjustment)	-	30,965,761,430	-	-
Investments in controlled/municipal entities				
Previously stated	-	480,244,714	-	-
Adjustment due to measurement at cost and re-classification	-	(480,244,408)	-	-
	-	306	-	-
Sundry debtors - Fines				
Adjustment due to estimation of fines income	-	4,049,381	-	-
Investments - Investment in equity				
Adjustment due to adoption of GRAP6	-	4,000,000	-	-
Operating lease receipts asset				
Adjustment due to straight-lining	-	29,222,305	-	-
Operating lease payments liability				
Adjustment due to straight-lining	-	(746,656)	-	-
Investment Property				
Adjustment due to initial recognition - transfer from PPE	-	73,790,971	-	-
Property, plant and equipment (PPE)				
Adjustment due to initial recognition - transfer to Investment Property	-	(73,790,971)	-	-
Opening accumulated surplus				
Adjustment (Investments in controlled/municipal entities opening balance)	-	468,765,096	-	-
Adjustment (Sundry debtors - Fines)	-	(3,061,023)	-	-
Adjustment (PPE fair value adjustment)	-	(30,965,761,430)	-	-
Adjustment (Leases as lessor)	-	(15,978,769)	-	-
Adjustment (Leases as lessee)	-	896,600	-	-
	-	(30,515,139,526)	-	-
Statement of financial performance				
Share of surplus of entities accounted for under the equity method				
Previously stated	-	(3,181,412)	-	-
Adjustment	-	3,181,412	-	-
	-	-	-	-

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008
2. CHANGES IN ACCOUNTING POLICY (continued)				
Estimate of fines to be received				
Adjustment		-	(988,358)	-
Operating lease receipts				
Adjustment		-	(13,243,535)	-
Operating lease payments				
Adjustment		-	(149,943)	-
Accumulated surplus				
Adjustment (Equity accounting directly against reserves prior year)		-	4,297,900	-

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretation effective and adopted in the current year

In the current year, the economic entity has adopted the following standards that are effective for the current financial year and that are relevant to its operations:

GRAP 6 Consolidated and Separate Financial Statements
GRAP 9 Revenue from Exchange Transactions
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 102 Intangible Assets
IPSAS 20 Related Party Disclosures
IPSAS 21 Impairment of Non Cash-Generating Assets
IFRS 3 (AC 140) Business Combinations
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 36 (AC 128) Impairment of Assets

3.2 Standards and Interpretations early adopted

The economic entity has chosen to early adopt the following standards and interpretations:

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

3.3 Standards and interpretations not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the economic entity (No effective date has yet been set for the below GRAP standards and thus the effective date and the date on which the economic entity expects to apply these standards initially are not known):

GRAP 18 Segment Reporting - issued March 2005

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

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

GRAP 21 Impairment of Non-Cash-Generating Assets – issued March 2009

The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognized. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

Cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows from the asset (or from the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The impact of the initial application on the economic entity's annual financial statements is expected to be minimal due to compliance

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

with IPSAS21 (Impairment of Non-Cash-Generating Assets) in the current year, which is quite similar to the requirements of GRAP 21.

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

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

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The impact of the initial application on the economic entity's annual financial statements is expected to be minimal due to compliance with relevant paragraphs in GAMAP9 in the current year, which is quite similar to the requirements of GRAP 23.

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

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

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

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

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

GRAP 26 Impairment of Cash-Generating Assets – issued March 2009

The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognized. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

Cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit oriented entity. Holding an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows from the asset (or from the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The impact of the initial application on the economic entity's annual financial statements is expected to be minimal due to compliance with the applicable requirements of IAS36 (Impairment of Assets) in the current year, which is quite similar to the requirements of GRAP 26.

GRAP 103 Heritage Assets - issued July 2008

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

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

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the economic entity; and
- the cost of fair value of the asset can be measured reliably.

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

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

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

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

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

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

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

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

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

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

The carrying amount of a heritage asset should be derecognised:

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The impact of the initial application on the economic entity's annual financial statements is uncertain at this stage.

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008

4. INVESTMENT PROPERTY

Economic entity	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	126,091,314	(9,235,404)	116,855,910			

Controlling entity	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	73,790,971	-	73,790,971	73,790,971	-	73,790,971

Reconciliation of investment property - Economic entity - 2009

Investment property	Opening balance	Depreciation	Total
	117,828,295	(972,385)	116,855,910

Reconciliation of investment property - Controlling entity - 2009

Investment property	Opening balance	Total
	73,790,971	73,790,971

Reconciliation of investment property - Controlling entity - 2008

Investment property	Opening balance	Total
	73,790,971	73,790,971

Fair value of investment properties	334,119,360	218,954,860	197,256,631
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Pledged as security

Carrying value of assets pledged as security:

Property in West Germiston	17,250,310	-	-
Airport Park and Delville Flats	25,814,629	-	-

A loan from NHFC is secured first continuous covering mortgage over the consolidated property in West Germiston.

A loan from NHFC is secured by a first continuous covering mortgage over the consolidated property of Airport Park and Delville Flats.

Details of property

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

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

Economic entity	2009		
	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,540,866,855	(25,665,584)	1,515,201,271
Infrastructure	36,863,244,628	(1,843,742,937)	35,019,501,691
Community	2,827,120,393	(1,107,570,157)	1,719,550,236
Other property, plant and equipment	2,166,243,407	(1,139,679,478)	1,026,563,929
Heritage	2,683,366	-	2,683,366
Total	43,400,158,649	(4,116,658,156)	39,283,500,493

Controlling entity	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,232,907,820	-	1,232,907,820	1,228,170,930	-	1,228,170,930
Infrastructure	36,281,678,657	(1,694,500,076)	34,587,178,581	34,410,234,884	(5,698,051)	34,404,536,833
Community	2,827,120,393	(1,107,570,157)	1,719,550,236	2,488,474,579	(1,018,101,676)	1,470,372,903
Other property, plant and equipment	2,116,442,433	(1,111,812,344)	1,004,630,089	1,828,929,896	(1,001,063,541)	827,866,355
Heritage	2,683,366	-	2,683,366	2,683,366	-	2,683,366
Total	42,460,832,669	(3,913,882,577)	38,546,950,092	39,958,493,655	(2,024,863,268)	37,933,630,387

Reconciliation of property, plant and equipment (PPE) - Economic entity - 2009

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	1,512,608,807	6,347,004	-	-	(3,754,540)	-	1,515,201,271
Infrastructure	34,837,070,964	1,893,920,190	(6,886,348)	(4,447)	(1,703,039,136)	(1,559,532)	35,019,501,691
Community	1,470,372,903	364,665,043	-	(26,019,230)	(89,468,480)	-	1,719,550,236
Other property, plant and equipment	852,104,084	311,355,035	(1,085,010)	4,437	(135,814,617)	-	1,026,563,929
Heritage	2,683,366	-	-	-	-	-	2,683,366
	38,674,840,124	2,576,287,272	(7,971,358)	(26,019,240)	(1,932,076,773)	(1,559,532)	39,283,500,493

Reconciliation of property, plant and equipment (PPE) - 2009

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

	Opening balance	Additions and work in progress	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,228,170,930	4,736,890	-	-	-	-	1,232,907,820
Infrastructure	34,404,536,833	1,878,247,241	(6,801,852)	-	(1,687,244,109)	(1,559,532)	34,587,178,581
Community	1,470,372,903	364,665,043	-	(26,019,230)	(89,468,480)	-	1,719,550,236
Other property, plant and equipment	827,866,355	307,809,691	(796,395)	-	(130,249,562)	-	1,004,630,089
Heritage	2,683,366	-	-	-	-	-	2,683,366
	37,933,630,387	2,555,458,865	(7,598,247)	(26,019,230)	(1,906,962,151)	(1,559,532)	38,546,950,092

Reconciliation of property, plant and equipment (PPE) - 2008

	Opening balance	Additions and work in progress	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	1,228,170,930	8,341,169	-	(8,341,169)	-	-	1,228,170,930
Infrastructure	2,826,832,539	1,156,166,929	-	(330,848,284)	30,967,708,224	(215,322,575)	34,404,536,833
Community	1,439,279,702	124,179,646	-	(55,159,817)	(1,946,794)	(35,979,834)	1,470,372,903
Other property, plant and equipment	434,518,133	181,167,790	(31,652,079)	394,349,270	-	(150,516,759)	827,866,355
Heritage	2,683,366	-	-	-	-	-	2,683,366
	5,931,484,670	1,469,855,534	(31,652,079)	-	30,965,761,430	(401,819,168)	37,933,630,387

Details of properties

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

6. INTANGIBLE ASSETS

Economic entity	2009		
	Cost / Valuation	Accumulated amortisation	Carrying value
Intangible assets	7,640,660	(3,336,887)	4,303,773
Controlling entity	2009		2008

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008

6. INTANGIBLE ASSETS (continued)

	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intangible assets	6,080,940	(2,390,009)	3,690,931	3,325,509	(2,120,772)	1,204,737

Reconciliation of intangible assets - Economic entity - 2009

	Opening balance	Additions	Amortisation	Total
Computer software	1,951,974	2,755,431	(403,632)	4,303,773

Reconciliation of intangible assets - Controlling entity - 2009

	Opening balance	Additions	Amortisation	Total
Computer software	1,204,737	2,755,431	(269,237)	3,690,931

Reconciliation of intangible assets - Controlling entity - 2008

	Opening balance	Other changes, movements	Amortisation	Total
Computer software	1,749,450	370,000	(914,713)	1,204,737

7. INVESTMENTS IN CONTROLLED ENTITIES

Name of company	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008
Brakpan Bus Company	100.00 %	100.00 %	6	6
Ekurhuleni Development Company	100.00 %	100.00 %	100	100
East Rand Water Care Company	97.00 %	97.00 %	-	-
Pharoe Park Housing Company	93.46 %	93.46 %	100	100
Germiston Phase II Housing Company	92.59 %	92.59 %	100	100
Lethabong Housing Institute	100.00 %	100.00 %	-	-
			306	306

8. OTHER INVESTMENTS

Available-for-sale

Unlisted shares	4,000,000	4,000,000	4,000,000
Investment in Old Mutual	2,052,409	-	-
	6,052,409	4,000,000	4,000,000

Held to maturity

Investments	341,653,051	341,653,051	378,098,453
Total other financial assets	347,705,460	345,653,051	382,098,453

Non-current assets

Available-for-sale	6,052,409	4,000,000	4,000,000
Held to maturity	275,217,804	275,217,804	244,101,833
	281,270,213	279,217,804	248,101,833

Current assets

Held to maturity	66,435,247	66,435,247	133,996,620
	347,705,460	345,653,051	382,098,453

Available-for-sale equity investments not at fair value

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

Notes to the Group Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008

8. OTHER INVESTMENTS (continued)

Fair value information has not been provided for equity instruments that do not have a quoted market price and for which a fair value cannot be measured reliably.

The carrying amount of these financial instruments is as follows:

Rand Airport 20% interest in ordinary shares	4,000,000	4,000,000	4,000,000
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The economic entity has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

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

Investments with a carrying value of R 336,795,946 (2008 - R 343,019,478) is enumerated in respect of long term liabilities as disclosed in note 19.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

9. FINANCIAL ASSETS BY CATEGORY

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

Economic entity - 2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	341,653,018	-	341,653,018
Long term receivables	128,250,003	-	-	128,250,003
Consumer debtors	1,171,446,935	-	-	1,171,446,935
Other receivables	311,104,788	-	-	311,104,788
Cash and cash equivalents	-	-	1,078,370,517	1,078,370,517
Unlisted shares	-	-	4,000,000	4,000,000
Unit Trusts	-	-	2,052,409	2,052,409
	1,610,801,726	341,653,018	1,084,422,926	3,036,877,670

Controlling entity - 2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	341,653,051	-	341,653,051
Long term receivables	128,250,003	-	-	128,250,003
Consumer debtors	1,171,446,935	-	-	1,171,446,935
Other receivables	284,197,759	-	-	284,197,759
Cash and cash equivalents	-	-	1,064,929,949	1,064,929,949
Unlisted shares	-	-	4,000,000	4,000,000
	1,583,894,697	341,653,051	1,068,929,949	2,994,477,697

Controlling entity - 2008

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	378,098,453	-	378,098,453
Long term receivables	161,983,193	-	-	161,983,193
Consumer debtors	1,171,340,513	-	-	1,171,340,513

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Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008
9. FINANCIAL ASSETS BY CATEGORY (continued)				
Other receivables	187,275,598	-	-	187,275,598
Cash and cash equivalents	-	-	2,318,386,504	2,318,386,504
Unlisted shares	-	-	4,000,000	4,000,000
	1,520,599,304	378,098,453	2,322,386,504	4,221,084,261

10. DEFERRED TAX

Deferred tax asset and liability

Provision for bonuses (non-current assets)	207,515	-	-
Other deferred tax (non-current liabilities)	21,222	-	-
	228,737	-	-

Reconciliation of net deferred tax asset (liability)

At beginning of the year	72,052	-	-
Increase for the year	156,685	-	-
Undefined Difference	-	-	-
	228,737	-	-

11. EMPLOYEE BENEFITS

Retirement Funds

The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.

The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

Defined Contribution Funds

Where an employee has rendered services to the economic entity during the year, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.

Defined Benefit Plans

The economic entity does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to to apply "defined benefit accounting" was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of future contributions once these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the economic entity will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.

Medical Aid: Continued Members

The economic entity 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 economic entity is associated, a member (subject to the applicable 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 the portion as determined by Council and management from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

These contributions are charged to the operating account when paid.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

Post-Retirement Medical Aid Plan

The economic entity subsidise medical aid contributions in respect of certain pensioners and their surviving spouses. The present value of the defined benefit obligation is R1,727,721 at 30 June 2009.

Key assumptions used

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	2009	2008	2009	2008
11. EMPLOYEE BENEFITS (continued)				
The principal actuarial assumptions used were as follows:				
Discount rates used			12.00 %	
Rate of increase in employer post-retirement medical contribution subsidy payments			10.00 %	
Average retirement age			60	
Proportion of retiring members who are married			66.00 %	
(No explicit assumption was made about additional mortality or health care costs due to AIDS).				
Opening balance	1,343,493		-	-
Contributions by members	63,012		-	-
Benefits paid	(190,945)		-	-
Net expense recognised	512,161		-	-
Balance at end of year	1,727,721		-	-
12. INVENTORIES				
Inventories Bedfordview Stanford Gardens	6,830,000		-	-
Inventories Bedfordview Tennis Court	5,790,280		-	-
Electrical Stock	121,897,266		121,897,266	102,592,449
Sewerage	87,305		87,305	95,742
Cleansing	43,413		43,413	41,429
Consumable stores	4,184,352		4,184,352	3,616,695
Maintenance materials	4,074,293		4,074,293	2,818,939
Water	14,287,332		14,287,332	13,393,218
Food and Beverage	1,501		1,501	18,720
Fleet and Transport	3,610,011		3,610,011	2,658,322
Fuel (Diesel, Petrol)	6,406,620		6,406,620	6,638,632
	167,212,373		154,592,093	131,874,146
Provision for obsolete Inventories	(2,896,808)		(2,896,808)	(2,147,342)
	164,315,565		151,695,285	129,726,804
Inventory includes land owned in Bedfordview that will be developed for the affordable market. Stanford Gardens Phase III will commence once the township application is approved by Council. The Bedford Tennis Court is also available for development.				
13. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Trade debtors	5,298,322		-	-
Other deposits	13,495,384		-	-
Other receivable	116,660,129		103,558,346	85,204,054
Provision for bad debts	(7,063,657)		-	-
Debtor for interest on investments	3,169,489		1,778,400	11,759,671
Staff debtors	182,135		182,135	1,923,442
VAT debtor	109,769,163		109,097,429	54,467,245
Lease rental receipts asset	39,201,073		39,201,073	29,222,305
	280,712,038		253,817,383	182,576,717
Credit quality of trade and other receivables				
The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.				
14. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Current		30,380,376	30,380,376	4,698,881
Consists of Grant debtors R27,667,578 (2008: R 649,500) and Traffic Fine debtors of R2,712,798 (2008: R4,049,381).				
15. CONSUMER DEBTORS				
Gross balances				
Rates		1,369,598,299	1,369,598,299	1,221,479,168

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	2009	2008	2009	2008
15. CONSUMER DEBTORS (continued)				
Electricity		923,408,765	923,408,765	856,520,886
Water		1,614,609,749	1,614,609,749	1,493,952,642
Waste water		467,776,253	467,776,253	464,451,916
Refuse		512,271,209	512,271,209	443,316,084
Regional services levies		-	-	29,445,789
Housing rental		24,687,044	24,687,044	20,173,628
Other		1,692,838,943	1,692,838,943	1,430,172,393
		6,605,190,262	6,605,190,262	5,959,512,506
Less: Provision for debt impairment				
Rates		(1,045,217,825)	(1,045,217,825)	(875,147,803)
Electricity		(748,162,861)	(748,162,861)	(642,390,665)
Water		(1,328,251,658)	(1,328,251,658)	(1,238,178,530)
Waste water		(415,051,609)	(415,051,609)	(336,342,815)
Refuse		(379,000,973)	(379,000,973)	(332,487,063)
Regional services levies		-	-	(29,445,789)
Housing rental		(24,687,044)	(24,687,044)	(20,173,628)
Other		(1,493,371,357)	(1,493,371,357)	(1,314,005,700)
		(5,433,743,327)	(5,433,743,327)	(4,788,171,993)
Net balance				
Rates		324,380,474	324,380,474	346,331,365
Electricity		175,245,904	175,245,904	214,130,221
Water		286,358,091	286,358,091	255,774,112
Waste water		52,724,644	52,724,644	128,109,101
Refuse		133,270,236	133,270,236	110,829,021
Other		199,467,586	199,467,586	116,166,693
		1,171,446,935	1,171,446,935	1,171,340,513
Rates				
Current (0 -30 days)		208,419,815	208,419,815	130,123,291
31 - 60 days		53,946,540	53,946,540	54,806,117
61 - 90 days		40,989,750	40,989,750	39,146,299
91 - 120+ days		1,066,242,194	1,066,242,194	997,403,461
		-	-	-
		1,369,598,299	1,369,598,299	1,221,479,168
Electricity				
Current (0 -30 days)		290,230,779	290,230,779	117,909,220
31 - 60 days		59,567,142	59,567,142	43,584,985
61 - 90 days		34,909,086	34,909,086	28,675,220
91 - 120+ days		538,701,758	538,701,758	666,351,461
		-	-	-
		923,408,765	923,408,765	856,520,886
Water				
Current (0 -30 days)		47,936,803	47,936,803	73,296,111
31 - 60 days		75,578,593	75,578,593	84,022,783
61 - 90 days		54,897,444	54,897,444	55,279,858
91 - 120+ days		1,436,196,909	1,436,196,909	1,281,353,890
		-	-	-
		1,614,609,749	1,614,609,749	1,493,952,642
Waste water				
Current (0 -30 days)		32,134,223	32,134,223	61,745,714
31 - 60 days		20,217,660	20,217,660	22,824,220
61 - 90 days		15,907,615	15,907,615	15,016,399
91 - 120+ days		399,516,755	399,516,755	364,865,583

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Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008
16. CASH AND CASH EQUIVALENTS (continued)				
Cash and cash equivalents consist of:				
Cash on hand		486,981	464,981	446,131
Bank balances		1,075,632,045	1,064,464,968	2,317,940,373
Short-term deposits		2,251,491	-	-
		1,078,370,517	1,064,929,949	2,318,386,504

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

ABSA

Alberton income account	1,621,885	1,621,885	1,603,535
Alberton Direct Banking Account	4,972	4,972	100,199
Benoni Income Account	7,269,973	7,269,973	3,342,443
Benoni Direct Banking	-	-	18,080
Boksburg Income Account	4,825,630	4,825,630	3,816,853
Boksburg Direct Banking Account Bt	(1,800)	(1,800)	-
Brakpan Income Account	1,137,042	1,137,042	1,725,181
Brakpan NER Account	1,239,490	1,239,490	409,390
Germiston Income Account	(4,733,719)	(4,733,719)	12,382,845
Kempton Park Income Account	1,728,306	1,728,306	3,013,807
Kempton Park Direct Banking Account	-	-	(4,423)
Lethabong Direct Banking Account	13,459	13,459	10,800
Lethabong Income Account	1,675,273	1,675,273	(488,494)
Nigel Income Account	1,908,207	1,908,207	2,381,288
Springs Income Account	6,065	6,065	40,229
Springs Direct Banking Account	2,316,785	2,316,785	723,208
Springs Market Account	49,454	49,454	(1,340,122)
RSC Levies Account	-	-	882,494
External Finance Fund Account	337,581,381	337,581,381	75,232
Capital Replacement Reserve Account	703	703	357,002,773
Primary Bank Account (Capital from revenue account)	91,655,748	91,655,748	144,037,199
Salary Account	10,834,395	10,834,395	44,872,646
Treasury Account	39,037,345	39,037,345	483,987,813
Expenditure Imprest Account	52,030,565	52,030,565	98,686,513
Chip Account (MIG)	88,578,883	88,578,883	56,071,991
Housing Account	81,831,809	81,831,809	116,855,633
Solid Waste Account	1,499,014	1,499,014	-
Petty Cash and Floats	464,980	464,980	446,131
Short Term Deposits at various institutions with dates within 3 months	342,354,104	342,354,104	987,733,260
Brakpan bus company	4,262,933	-	-
Cash on hand - entities	22,000	-	-
Ekurhuleni development company	104,027	-	-
Lethabong housing institute	132,140	-	-
Call deposits - entities	2,250,000	-	-
Germiston phase 2 housing company	236,769	-	-
East rand water care company	6,250,219	-	-
Pharoe park housing company	185,720	-	-
	1,078,373,757	1,064,929,949	2,318,386,504

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	2009	2008	2009	2008

16. CASH AND CASH EQUIVALENTS (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
ABSA BANK - Income Alberton- 111-841-0641	-	-	-	1,621,885	1,603,534	626,349
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	-	4,972	100,199	(753,351)
ABSA BANK - Income Benoni - 4055327394	-	-	-	7,269,973	3,342,443	1,273,021
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	-	18,080	861,416
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	-	-	(443,638)
ABSA BANK - Income Boksburg - 230000069	-	-	-	4,825,630	3,816,853	(3,611,480)
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	-	-	-	-	(440,085)
ABSA BANK - Direct Banking BT Boksburg - 230000255	-	-	-	(1,800)	-	(467,525)
ABSA BANK - Income Brakpan - 240000024	-	-	-	1,137,043	1,725,181	1,274,459
ABSA BANK - Prepaid Sales Account Brakpan-240159392	-	-	-	1,239,490	409,390	-
ABSA BANK - Income Germiston - 2500002277	(15,289,000)	-	-	(4,733,719)	12,382,845	3,954,824
ABSA BANK - Direct Banking Germiston - 250000804	-	-	-	-	-	(1,461,424)
ABSA BANK - Direct Banking Kempton Park - 260181599	-	-	-	-	(4,423)	194,275
ABSA BANK - Income Kempton Park - 260000004	-	-	-	1,728,306	3,013,807	805,114
ABSA BANK - Income Lethabong - 4055442546	-	-	-	1,675,273	(488,494)	766,698
ABSA BANK - Direct Banking Lethabong - 4055442596	-	-	-	13,459	10,800	(786,857)
ABSA BANK - Income Nigel - 270000010	-	-	-	1,908,206	2,381,288	455,608
ABSA BANK - Income Springs - 280000051	-	-	-	6,065	40,229	563,547
ABSA BANK - Income Springs - 280000094	-	-	-	2,316,785	723,208	1,245,573
ABSA BANK - Fresh Produce Market - 1135470160	49,454	2,574,846	2,132,061	49,454	(1,340,122)	(1,315,217)
ABSA BANK - RSC Levies - 1018470132	-	875,352	-	-	882,494	159,903
ABSA BANK - EFF Account (EX CLF) - 4053834321	337,581,381	75,232	68,733	337,581,381	75,232	68,733
ABSA BANK - C R R Account (EX CDF) - 4053834779	703	357,002,773	205,719,356	703	357,002,773	205,719,356
ABSA BANK - Primary Bank Acc - 4053835084	91,655,748	144,037,200	161,772,365	91,655,748	144,037,200	161,772,365
ABSA BANK - Salary Account - 4055571973	13,091,058	46,610,088	23,557,253	10,834,395	44,872,646	19,894,785
ABSA BANK - Treasury Account - 4055571931	39,037,346	483,987,813	715,919,770	39,037,345	483,987,813	715,919,770
ABSA BANK - Expenditure Imprest Acc - 4055571915	78,810,003	126,567,003	125,475,529	52,030,565	98,686,513	100,545,529
ABSA BANK - CMIP Account - 4055571884	88,578,883	56,071,991	9,690,173	88,578,883	56,071,991	9,690,173
ABSA BANK - Housing Account - 4055571842	81,831,809	116,855,633	92,896,298	81,831,809	116,855,633	92,896,298
ABSA BANK - Solid Waste - 1026820134	-	-	-	1,499,014	-	(900,831)

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	2009	2008	2009	2008
16. CASH AND CASH EQUIVALENTS (continued)				
ABSA BANK - EMM Eastern Gauteng Services Council - 1088990133	-	-	2,904,913	-
Petty Cash and Floats	-	-	464,980	446,131
Short Term Deposits at various institutions with dates within 3 months	342,354,104	987,733,260	1,537,165,184	342,354,104
Total	1,057,701,489	2,322,391,191	1,064,929,949	2,318,386,504

17. SHARE PREMIUM

Issued

Share premium		7,442,007	-	-
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18. HOUSING DEVELOPMENT FUND

Unappropriate surplus		-	-	50,827,768
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The housing development fund is represented by the following assets and liabilities

Property, plant and equipment		208,749,619	208,749,619	216,217,895
Housing selling scheme loans		24,687,044	24,687,044	20,173,628
Provision for bad debts		(24,687,044)	(24,687,044)	(20,173,628)
Assets		208,749,619	208,749,619	216,217,895

Bank overdraft		208,749,619	208,749,619	165,390,127
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Total Housing Development Fund Assets and Liabilities		-	-	50,827,768
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19. LONG-TERM LIABILITIES

Held at amortised cost

Bank Loans		1,708,682,605	1,548,074,663	554,485,672
Development Bank of South Africa		301,794,552	263,055,874	302,471,524
Stock Loans		265,784,033	265,784,033	270,867,833
		2,276,261,190	2,076,914,570	1,127,825,029

Held at amortised cost - current

Bank loans		(100,279,410)	(86,579,662)	(29,111,442)
Development Bank of South Africa		(44,696,080)	(44,696,080)	(39,414,241)
Stock Loans		(38,000)	(38,000)	(5,103,800)
		(145,013,490)	(131,313,742)	(73,629,483)
		2,131,247,700	1,945,600,828	1,054,195,546

Non-current liabilities

At amortised cost		2,276,261,190	2,076,914,570	1,127,825,029
At amortised cost - current portion		(145,013,490)	(131,313,742)	(73,629,483)
		2,131,247,700	1,945,600,828	1,054,195,546

Investments (Note 8) with a carrying value of R 336,795,946 (2008 - R 343,019,478) are held as security for bank loans.

20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants comprises

Conditional grants and receipts

Ekurhuleni Metropolitan Municipality Group

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	2009	2008	2009	2008
20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (continued)				
Finance Management Grant	-	-	-	1,826,523
Restructuring	1,825,274	1,825,274	1,825,274	3,392,025
HIV / Aids Grant	2,424,177	2,424,177	2,424,177	1,244
Bontle Ke Botho	770,947	770,947	770,947	665,994
Environment & Tourism	460,215	460,215	460,215	921,004
Demilitarisation Project	25,095	25,095	25,095	61,035
WSDP	1,740,660	1,740,660	1,740,660	109,125
Township Initiatives	8,563,402	8,563,402	8,563,402	614,721
20 Prioritised Township Programme	9,488	9,488	9,488	370,483
UEM Danida	833,001	833,001	833,001	494,767
Principal Job Evaluation Committee - PJEC	173	173	173	3,929
Tembisa Train Disaster	-	-	-	4,308
Lethabong Housing Institute	2,000,000	2,000,000	2,000,000	2,000,000
Zonki Trust	725,181	725,181	725,181	725,181
Local Economic Development (LED) Grant	14,193	14,193	14,193	1,514,193
Consolidated Metropolitan Transport Fund (CMTF)	2,007,925	2,007,925	2,007,925	2,007,925
International Council For Local Environment Initiatives (ICLEI)	78,070	78,070	78,070	173,070
Public Transport Infrastructure Fund	26,238,065	26,238,065	26,238,065	29,507,684
Rondebult Water - Public Contribution	961,041	961,041	961,041	961,041
Department of Water Affairs & Forestry (DWAf)	582,545	582,545	582,545	582,545
Integrated National Electrification Programme (INEP)	3,090,225	3,090,225	3,090,225	3,412,538
Local Economic Development (LED) - Industrial Hives	838,348	838,348	838,348	838,348
Local Economic Development (LED) - Street Trading Facilities	300,000	300,000	300,000	3,300,000
Gautrans	1,184,381	1,184,381	1,184,381	1,184,381
Municipal Infrastructure Grant (MIG)	5,724,482	5,724,482	5,724,482	17,344,795
Provincial Housing Board (PHB)	54,959,963	54,959,963	54,959,963	60,284,859
Mayoral Golf Day Proceeds	604,728	604,728	604,728	1,159,632
Community Nurse	161,916	161,916	161,916	200,000
Community Care Centres	-	-	-	2,795,000
Accreditation Capacity Enhancement	3,523,000	3,523,000	3,523,000	3,523,000
HRSC - Health	200,000	200,000	200,000	-
Roodekop Ext - Public Contribution	1,844,676	1,844,676	1,844,676	-
Health - Public Contribution	98,421	98,421	98,421	-
Other	48,237,122	37,443,589	37,443,589	27,405,596
	-	-	-	-
	170,026,714	159,233,181	159,233,181	167,384,946
Movement during the year				
Balance at the beginning of the year	178,178,479	167,384,946	167,384,946	53,902,955
Additions during the year	2,482,149,727	2,464,221,977	2,464,221,977	2,175,639,743
Income recognition during the year	(2,490,301,492)	(2,472,373,742)	(2,472,373,742)	(2,062,157,752)
	-	-	-	-
	170,026,714	159,233,181	159,233,181	167,384,946

The nature and extent of government grants recognised in the group annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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21. PROVISIONS

Reconciliation of provisions - Economic entity - 2009

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
COID provision	15,509,939	5,581,335	(1,049,759)	(383,985)	19,657,530
Defects - Stanford Gardens	284,075	-	(284,075)	-	-
Leave and bonus provision	167,059,620	81,453,859	(57,590,695)	-	190,922,784
Landfill rehabilitation provision	192,863,417	54,380,642	(29,775,080)	-	217,468,979
WCA provision	16,604,621	6,002,427	(28,395,064)	5,788,016	-
	392,321,672	147,418,263	(117,094,673)	5,404,031	428,049,293

Reconciliation of provisions - Controlling entity - 2009

	Opening Balance	Additions	Utilised/adjusted during the year	Under/(over) provision prior year	Total
COID provision	15,509,939	5,581,335	(1,049,759)	(383,985)	19,657,530
Leave and bonus provision	156,157,845	70,957,732	(48,377,936)	-	178,737,641
Landfill Rehabilitation Provision	192,863,417	54,380,642	(29,775,080)	-	217,468,979
WCA provision	16,604,621	6,002,427	(28,395,064)	5,788,016	-
	381,135,822	136,922,136	(107,597,839)	5,404,031	415,864,150

Reconciliation of provisions - Controlling entity - 2008

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
COID provision	16,362,831	-	(852,892)	-	15,509,939
Leave bonus provision	160,828,306	-	-	(4,670,461)	156,157,845
Landfill rehabilitation provision	154,852,964	38,010,453	-	-	192,863,417
WCA provision	32,770,597	11,270,750	(27,436,726)	-	16,604,621
	364,814,698	49,281,203	(28,289,618)	(4,670,461)	381,135,822

Non-current liabilities	237,126,509	237,126,509	208,373,356
Current liabilities	190,922,784	178,737,641	172,762,466
	428,049,293	415,864,150	381,135,822

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. Due to changes in the estimation of the sizes of the cells, the remaining useful lives of the landfill sites and the reduction in the discounting rate from 14% to 12% the net result of the re-estimation had the following effect on the current year amounts:

Reduction in the provision for Landfill site rehabilitation	29,775,080
Reduction in the cost of property, plant and equipment	(26,019,337)
Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset	(3,755,743)

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1,484,179,192	1,462,872,753	1,139,528,295
Payments in advance	251,851,841	251,422,774	260,740,957
Lease rental payments liability	436,040	366,584	746,656
Other payables	108,988,070	120,976,815	75,214,683
Retentions	210,665,486	210,665,486	101,793,815
	2,056,120,629	2,046,304,412	1,578,024,406

23. DEPOSITS

Electricity and water	373,154,192	373,154,192	337,898,451
Rental deposits held	2,579,830	-	-

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	2009	2008	2009	2008

23. DEPOSITS (continued)

	375,734,022	373,154,192	337,898,451
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24. FINANCIAL LIABILITIES BY CATEGORY

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

Economic entity - 2009

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,276,261,190	2,276,261,190
Consumer deposits	375,734,022	375,734,022
Trade and other payables	2,056,456,071	2,056,456,071
Unspent conditional grants	170,026,714	170,026,714
	4,878,477,997	4,878,477,997

Controlling entity - 2009

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,091,640,595	2,091,640,595
Consumer deposits	373,154,192	373,154,192
Trade and other payables	2,046,304,412	2,046,304,412
Unspent conditional grants	159,233,181	159,233,181
	4,670,332,380	4,670,332,380

Controlling entity - 2008

	Financial liabilities at amortised cost	Total
Long term liabilities	1,142,352,177	1,142,352,177
Consumer deposits	337,898,451	337,898,451
Trade and other payables	1,586,754,958	1,586,754,958
Unspent conditional grants	167,384,946	167,384,946
	3,234,390,532	3,234,390,532

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	2009	2008	2009	2008
25. PROPERTY RATES				
Rates received				
Residential	1,567,379,699	1,567,379,699	1,439,542,741	
Commercial	716,282,181	716,282,181	714,261,068	
State	41,782,036	41,782,036	44,675,106	
Small holdings and farms	63,866,828	63,866,828	72,455,620	
Related entity	(893,618)	-	-	
Less: Income forgone	(610,843,844)	(610,843,844)	(567,057,897)	
	1,777,573,282	1,778,466,900	1,703,876,638	
Valuations				
Residential	15,229,873,481	15,229,873,481	14,925,324,109	
Commercial	7,516,949,907	7,516,949,907	7,492,122,552	
Provincial and National Government	398,571,850	398,571,850	424,084,950	
Municipal	699,449,757	699,449,757	733,320,608	
Small holdings and farms	1,231,309,953	1,231,309,953	1,303,867,059	
	25,076,154,948	25,076,154,948	24,878,719,278	

Valuations on land and buildings are performed every 3 to 5 years. The last general valuation came into effect on 1 July 2004. 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 monthly basis. Interest linked to prime interest rates is levied on rates outstanding immediately after due date.

The new general valuation will be implemented on 01 July 2009.

26. SERVICE CHARGES

Sale of electricity	4,022,070,137	4,048,670,122	3,291,695,147
Sale of water	1,178,809,867	1,180,942,160	1,140,613,081
Solid waste	461,870,724	463,107,826	404,660,429
Sewerage and sanitation charges	458,157,264	458,599,197	505,761,109
Fresh produce market	16,216,531	16,216,531	16,163,547
Other service charges	32,438,112	32,438,112	21,322,631
	6,169,562,635	6,199,973,948	5,380,215,944

Included in the sale of electricity figure is an amount of R306,676,755 for the current year relating to sales of pre-paid electricity. This amount differs with R29,667,275 with information relating to the actual sales obtained from the systems generating the details of these revenues. The sale of pre-paid electricity, according to these systems, should be R336,344,030. The municipality is in the process of investigating this difference.

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	2009	2008	2009	2008
27. GOVERNMENT GRANTS AND SUBSIDIES				
Ambulance Subsidy	92,236,000		92,236,000	83,202,000
Equitable share	1,719,819,868		1,719,819,868	1,396,748,353
Provincial	80,524,211		80,524,211	211,959,165
Health Subsidies	89,227,750		89,227,750	77,228,715
National Government grant	476,085,299		476,085,299	272,743,231
Public contributions	6,835,421		6,835,421	7,745,704
SETA	12,310,519		12,310,519	12,530,583
Department of Transport	10,269,321		-	-
MIG Grant entity	7,658,429		-	-
	2,494,966,818		2,477,039,068	2,062,157,751

National Government grants

Balance unspent at beginning of year	61,706,160	61,706,160	(12,625,959)
Current-year receipts	458,031,965	458,031,965	347,075,350
Conditions met - transferred to revenue	(476,085,299)	(476,085,299)	(272,743,231)
Debtor	1,079,349	1,079,349	-
	44,732,175	44,732,175	61,706,160

Provincial Government grants

Balance unspent at beginning of year	73,415,410	73,415,410	53,645,050
Current-year receipts	73,935,035	73,935,035	231,729,525
Conditions met - transferred to revenue	(80,524,211)	(80,524,211)	(211,959,165)
Debtor	3,585,977	3,585,977	-
	70,412,211	70,412,211	73,415,410

Equitable share

Current-year receipts	1,719,819,868	1,719,819,868	1,396,748,353
Conditions met - transferred to revenue	(1,719,819,868)	(1,719,819,868)	(1,396,748,353)
	-	-	-

Public contributions

Balance unspent at beginning of year	4,208,281	4,208,281	7,434,304
Current-year receipts	9,272,346	9,272,346	4,519,681
Conditions met - transferred to revenue	(6,835,421)	(6,835,421)	(7,745,704)
	6,645,206	6,645,206	4,208,281

Included in the total unspent of R6,645,206 is an amount of R833,001.53 in respect of Danida UEM grant which was paid back to National Treasury.

Ambulance Subsidy

Current-year receipts	92,236,000	92,236,000	83,202,000
Conditions met - transferred to revenue	(92,236,000)	(92,236,000)	(83,202,000)
	-	-	-

Provincial Health Subsidies

Current-year receipts	89,227,750	89,227,750	77,228,715
Conditions met - transferred to revenue	(89,227,750)	(89,227,750)	(77,228,715)
	-	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2009	2008	2009	2008
27. GOVERNMENT GRANTS AND SUBSIDIES (continued)				
SETA				
Balance unspent at beginning of year	-	-	-	5,020,376
Current-year receipts	12,310,519		12,310,519	7,510,207
Conditions met - transferred to revenue	(12,310,519)		(12,310,519)	(12,530,583)
	-		-	-
28. OTHER INCOME				
Recoveries	2,401,068		-	-
Other income	90,163,504		66,897,696	31,810,412
	92,564,572		66,897,696	31,810,412
29. GENERAL EXPENSES				
Advertising	11,076,238		10,304,514	10,127,398
Assessment rates & municipal charges	162,206		-	-
Auditors remuneration	13,081,733		10,871,795	8,131,500
Bank charges	6,780,680		6,286,697	3,275,893
Consulting and professional fees	100,851,072		96,957,008	64,274,353
Consumables	34,537,084		33,906,923	18,458,700
Debt collection	65,132,462		63,841,260	58,374,834
Stock adjustments	4,804,796		4,800,158	5,354,081
Entertainment	2,324,736		1,779,648	1,602,097
Animal Costs	1,327,733		1,327,733	1,026,375
Gifts	605,470		605,470	284,402
Hire of busses	82,830		-	-
Insurance	36,359,038		33,937,242	30,051,296
IT expenses	26,165,557		25,491,494	35,387,599
Rentals	3,904,807		2,711,737	-
Fleet	118,953,427		112,064,255	90,783,458
Marketing	9,474,329		8,143,659	11,947,398
Magazines, books and periodicals	630,858		630,195	675,007
Motor vehicle expenses - busses	7,477,281		-	-
Fuel and oil	2,160,008		2,160,008	4,191,910
Productions	356,169		356,169	226,109
Postage and courier	16,429,952		16,421,103	14,250,254
Printing and stationery	28,896,253		28,296,022	21,797,920
Research and development costs	399,755		-	-
Security (Guarding of municipal property)	7,970,734		-	-
Software expenses	16,165,246		16,081,729	8,965,866
Staff welfare	4,696,589		4,665,919	4,574,128
Subscriptions and membership fees	9,274,931		9,104,112	6,535,253
Telephone and fax	73,359,058		71,229,596	60,535,129
Training	21,678,692		20,588,342	20,384,115
Travel - local	7,599,749		6,993,611	5,439,483
Travel - overseas	4,453,723		4,453,723	2,992,994
Refuse	17,279,935		17,279,935	4,341,564
Title deed search fees	258,200		258,200	312,032
Uniforms	17,860,888		17,745,014	17,675,967
Laboratory expenses	1,999,817		-	-
Venue expenses	6,752,467		6,752,467	6,350,374
Other expenses	242,491,819		237,917,874	434,281,603
	923,816,322		873,963,612	952,609,092
30. OPERATING DEFICIT				
Operating deficit for the year is stated after accounting for the following:				
Operating lease charges				

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	2009	2008	2009	2008
30. OPERATING DEFICIT (continued)				
Premises				
• Contractual amounts		-	-	-
Motor vehicles				
• Contractual amounts		-	-	-
Equipment				
• Contractual amounts		-	-	-
Lease rentals on operating lease - Other				
• Contractual amounts	11,685,411		11,132,334	10,162,784
• Contingent amounts	631,181		-	-
	12,316,592		11,132,334	10,162,784
Surplus on sale of property, plant and equipment (PPE)	5,275,393		5,275,393	6,497,487
Impairment on property, plant and equipment	1,828,880		1,559,532	-
Deficit on sale of non-current assets held for sale and net assets of disposal groups	6,868,357		6,800,784	31,652,079
Amortisation on intangible assets	404,123		269,728	914,712
Depreciation on PPE and investment property	1,933,048,727		1,906,961,660	401,819,169
Employee costs	3,521,049,488		3,414,523,908	2,781,779,618
Research and development	399,755		-	-
31. EMPLOYEE RELATED COSTS				
Basic	2,302,016,515		2,234,013,986	1,842,008,774
Medical aid - entity contributions	180,626,576		180,531,265	157,676,943
UIF	18,257,803		18,236,571	15,948,616
WCA	12,175,443		11,790,443	11,270,750
SDL	25,608,564		24,952,247	20,409,352
Other payroll levies	912,132		636,941	582,882
Leave pay provision charge	97,250,914		93,819,275	69,424,611
Standby Allowances	13,875,574		13,875,574	11,376,982
Post-employment benefits - Pension - Defined contribution plan	420,501,832		419,790,293	350,293,387
Overtime payments	359,757,220		352,345,393	248,032,008
Long-service awards	663,103		200,210	184,079
Ad Hoc Travelling Allowances	1,301,594		1,301,594	1,183,334
Other contributions	10,082,148		4,313,431	-
Other related costs	18,542,829		-	-
	760,556		-	-
	3,462,332,803		3,355,807,223	2,728,391,718
Remuneration of municipal manager				
Annual Remuneration	1,275,000		1,275,000	1,331,000
Salary of the City Manager was only for a period of 9 months				
Deputy City Managers				
Annual Remuneration - average	1,226,590		1,226,590	998,000
Remuneration of executive directors				
Annual Remuneration - average	951,627		951,627	873,600
32. REMUNERATION OF COUNCILLORS				
Executive Mayor	935,179		935,179	802,043
Mayoral Committee Members	7,343,350		7,343,350	5,943,050
Speaker	728,535		728,534	632,965
Councillors	44,726,804		44,726,804	41,287,884

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32. REMUNERATION OF COUNCILLORS (continued)				
Councillors' pension contribution		4,982,817	4,982,817	4,721,958
		58,716,685	58,716,684	53,387,900
In-kind benefits				
The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.				
The Executive Mayor has use of a Council owned vehicle for official duties.				
The Mayor has full-time bodyguards .				
33. DEBT IMPAIRMENT				
Contributions to bad-debt provision		1,454,038,267	1,452,215,218	1,328,566,591
Debt impairment written off		1,349,775	1,349,775	-
		1,455,388,042	1,453,564,993	1,328,566,591
34. INVESTMENT REVENUE				
Dividend revenue				
Unit trusts - Local		191,952	-	-
Interest revenue				
Bank		107,694,581	105,412,442	136,862,348
External investments		96,338,961	92,488,346	205,252,292
Other interest		800,834	800,834	9,040,407
Staff loans		30	30	1,761
		204,834,406	198,701,652	351,156,808
		205,026,358	198,701,652	351,156,808
35. DEPRECIATION AND AMORTISATION				
Property, plant and equipment (PPE)		1,932,076,833	1,906,962,151	401,819,169
Investment property		972,385	-	-
Intangible assets		403,632	269,237	914,712
		1,933,452,850	1,907,231,388	402,733,881

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	2009	2008	2009	2008

36. IMPAIRMENT OF ASSETS

Impairments

Property, plant and equipment (PPE)	1,828,880	1,559,532	-
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Impairment

There were a few impairments in 2009 on MV- and HV Substations. The date the impairments were recorded was 30 June 2009 because there was no clarity on when the impairment actually started; therefore the depreciation charge was not affected. According to Directive 5 of the Accounting Standards Board 30 June 2009 is the first financial year in which Local Government needs to review assets for impairment and show the financial implications in the financial statements; therefore it is difficult to state the exact date the impairments occurred.

The impairments were on Non-cash generating assets which is defined as assets held where the primary objective is not to generate a commercial return. (ED 45.9)

The impairment amount was calculated as follows:

The recoverable amount is the highest of:

1. Fair value less cost to sell: Depreciable Replacement Cost less cost to sell
2. Value in use amount: Depreciable Replacement Cost

In order to establish an uniform basis of assessment and valuation, the valuation must be based on a specific date. It has been decided that 30 June 2008 will serve as the effective date. The current replacement cost (CRC) of infrastructure assets as at the effective date have been used to determine the replacement cost.

Once the CRC has been determined, the depreciated replacement cost (DRC) has been calculated. DRC is a powerful technique to determine the fair value of assets, particularly where historical costs are not known and/or where uncertainty exists on the age of assets.

To determine DRC, one requires knowledge of the following:

- The estimated useful live (EUL) of the asset or component under review;
- The estimated current replacement cost (CRC) - CRC is an estimate of the cost of replacing the asset with a modern equivalent of similar capacity.

DRC is calculated as follows:

$$DRC = RUL/EUL \times CRC$$

Where RUL = Remaining Useful Life, established as follows:

- Above ground assets – by visual assessment of condition and knowledge of routine maintenance regime (condition grading table gives guidelines).
- Below ground assets – Expected Useful Life minus age (since construction or last renewal).

A key assumption in determining whether impairments had taken place started with condition grading.

The selling cost on these electrical assets will make up about 10% of the fair value; therefore the selling costs will amount to R510,825. The fair value less selling costs will be R4,597,425. The Value in use amount will be the Depreciated Replacement Cost which is R5,108,250. According to the figures above the recoverable amount will be R5,108,825. The total carrying value of these assets at 30 June 2009 after impairment is R5,108,825. The carrying value of the assets before the impairments was R6,667,782; therefore the impairment is R1,559,532.

37. FINANCE COSTS

Non-current borrowings	158,637,281	156,401,682	158,401,038
Interest on convertible instruments	22,988,580	-	-
Current borrowings	1,124,975	-	-
Other interest paid	26,469,844	25,416,527	21,679,415
	209,220,680	181,818,209	180,080,453

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	2009	2008	2009	2008
38. TAXATION				
Major components of the tax expense				
Current				
Local income tax - current period		1,183,615	-	-
Deferred				
Originating and reversing temporary differences		(156,686)	-	-
		1,026,929	-	-
39. AUDITORS' REMUNERATION				
Fees		13,081,733	10,871,795	8,131,500
40. RENTAL OF FACILITIES AND EQUIPMENT				
Facilities and equipment				
Rental of facilities		65,464,335	48,701,732	55,541,765
Rental of equipment		2,344,867	2,344,867	2,281,654
		67,809,202	51,046,599	57,823,419
		67,809,202	51,046,599	57,823,419
Included in the above rentals are operating lease rentals at straight-lined amounts of R20,173,033 (2008: R21,857,424).				
41. CONTRACTED SERVICES				
Information Technology Services		7,743,007	7,743,007	8,213,173
Traffic Management Services		13,670,303	13,670,303	11,352,198
Other Contractors		534,318,018	540,147,004	475,430,208
		555,731,328	561,560,314	494,995,579
42. GRANTS AND SUBSIDIES PAID				
Other subsidies				
Discretionary grant: Sport and Social support		3,520,769	3,520,769	3,353,795
Subsidy: SPCA		2,205,000	2,205,000	2,100,000
Discretionary grant: General		4,758,873	4,849,461	8,802,723
Free basic electricity		34,118,884	34,118,884	29,695,392
Discretionary grant: Educational		6,217,649	6,217,649	5,556,051
Grants: Education (External)		2,919,228	2,919,228	2,058,363
		53,740,403	53,830,991	51,566,324
43. BULK PURCHASES				
Electricity		2,850,723,811	2,842,924,008	2,134,835,048
Water		1,069,808,797	1,069,703,312	976,311,989
Sewer purification		34,168,192	209,382,327	186,927,038
		3,954,700,800	4,122,009,647	3,298,074,075
44. CASH GENERATED FROM (USED IN) OPERATIONS				
(Deficit) surplus before taxation		(2,073,578,456)	(2,068,232,915)	17,755,301
Adjustments for:				
Depreciation and amortisation		1,933,452,850	1,907,231,388	402,733,881
Surplus on sale of assets		(5,275,393)	(5,275,393)	(6,497,487)
Deficit on sale of non-current assets and disposal groups		6,877,212	6,800,784	31,652,079

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44. CASH GENERATED FROM (USED IN) OPERATIONS (continued)				
Dividends received	(191,952)	-	-	-
Interest received	(629,338,862)	(621,242,466)	(797,328,470)	
Finance costs	209,220,680	181,818,209	180,080,453	
Impairment deficit	1,559,532	1,559,532	-	
Movements in retirement benefit assets and liabilities	384,228	-	-	
Movements in provisions	61,746,850	60,747,557	16,321,124	
Write down of inventory	(1,515,628)	-	-	
Contributions to non-current bad debts	910,666	-	-	
VAT write-offs	303,231	-	-	
Changes in working capital:				
Inventories	(20,394,006)	(21,968,481)	(47,386,502)	
Other receivables from exchange transactions	(48,937,339)	(71,240,666)	(140,290,480)	
Consumer debtors	(468,230)	(106,422)	446,074,486	
Other receivables from non-exchange transactions	(25,681,495)	(25,681,495)	(988,358)	
Deposits	36,342,153	35,255,741	43,521,594	
Trade and other payables from exchange transactions	441,011,007	468,280,010	222,187,699	
Impairments - investment in subsidy	-	-	-	
Unspent conditional grants and receipts	2,641,768	(8,151,765)	31,652,935	
Current portion of long-term liabilities	167,741,239	166,244,121	-	
Other working capital changes in opening balance	(8,533,614)	-	-	
	48,276,441	6,037,739	399,488,255	

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45. COMMITMENTS

Authorised capital expenditure

Already contracted and provided for

• Community	167,325,700	167,325,700	168,775,000
• Infrastructure	858,952,877	849,753,533	413,377,850
• Other assets	105,733,600	105,733,600	57,736,500

Not yet contracted for and authorised	1,260,872,861	1,260,872,861	1,590,346,852
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This committed expenditure relates to property and will be financed by available bank facilities etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	6,652,694	5,975,259	11,512,406
- in second to fifth year inclusive	1,804,832	884,864	6,860,123
	8,457,526	6,860,123	18,372,529

Operating lease payments represent rentals payable by the economic entity for certain of its office buildings and photocopier machines. Leases are negotiated for periods ranging from two years to five years, for office building, and the expired photocopier machine leases are incurred on a month to month basis. The rentals escalate on average at 8.45% for office buildings and 0% for photocopier machines.

The actual lease contract amounts range between R4,000 and R260,000 per month on the office buildings and between R62 and R2,200 per month on the photocopier machines.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	12,836,127	12,836,127	10,194,265
- in second to fifth year inclusive	45,389,447	45,389,447	50,031,646
- later than five years	907,086,549	907,086,549	916,072,463
	965,312,123	965,312,123	976,298,374

Certain of the municipality's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to a 100 years. Monthly lease payments range from R0 (social benefit) up to R461,988.

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46. CONTINGENCIES

Definitions of claims categories

Category A: Claims exceeding R 500 000.

Category B: Claims less than R 500 000.

Category C: Other legal matters.

CONTINGENT LIABILITIES

Category A Claims:

	CCC	2009	2008
Germiston Retirement Fund - Claim that EMM failed to meet its obligation to contribute to the Fund due to a drop in the interest rate	Germiston	61,000,000.00	61,000,000.00
Engen Petroleum Ltd/Atlas road - Claim as a result of rerouting of a provincial road	Kempton Park	14,061,088.00	14,061,088.00
WLT Advertising CC - Claim for damages as a result of conduct	Metro	31,706,247.00	
Dehal Inc - Advocates claim for work done	Metro	2,600,000.00	
Mofokeng & Maqubela - Loss incurred by Council as a result of bad conduct	Metro		4,000,000.00
Van Deventer- Claim for damages arising from cancelled landtransaction	Kempton Park	30,000,000.00	
South African Rail Commuter Corporation Ltd - Claim for damages due to derailment of passenger train	Kempton Park	2,200,362.00	2,200,362.00
Spano Investments - Claim for breach of contract for refuse removal services	Kempton Park		38,000,000.00
SALA Pension fund	Metro	2,073,632.58	2,073,632.58
Pambili Wasteman	Metro	40,000,000.00	
Snyman & Robbertse - Claim for legal costs and damages following not guilty verdict of disciplinary hearing	Metro	5,000,000.00	5,000,000.00
Sungu Sungu Kutu joint venture -Claim for breach of tender contract terms	Metro		3,900,000.00
Miya-Mdluli Investments CC	Kempton Park	4,628,000.00	
Neiljud - Claim for arrear rates	Metro	20,000,000.00	20,000,000.00
Summer Symphony 264 CC - Claim for compensation resulting from expropriation of a portion of the Strydom Land for Housing purposes	Metro	39,000,000.00	39,000,000.00
Other	Metro	4,063,008.00	1,819,000.00
Sub-Total		256,332,337.58	191,054,082.58

Category B Claims:

Other Claims	Category	Region	2009	2008
	Category B	South	360,800.00	360,800.00
	Category B	Corporate	1,652,974.11	1,181,986.00
	Category B	East	20,000.00	-
	Category B	North	50,524.27	
Other Matters	Category C	South	980,000.00	398,000.00
	Category C	Corporate	240,000.00	240,000.00
	Category C	East	150,000.00	163,400.00
	Category C	North	83,874.16	
Sub-Total			3,538,172.54	2,344,186.00

CONTINGENT ASSETS

Category A Claims:

	CCC	2009	2008
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	Metro	4,000,000.00	4,000,000.00
Ramahope- misappropriation of funds	East	850,000.00	850,000.00
Claim against Senior Business Brokers who failed to deposit moneys collected on behalf of EMM	East	1,734,775.88	1,734,776.00
Claim against Wallace Pienaar Properties who failed to procure the proclamation of a township	North	860,000.00	860,000.00
Summer Symphony - Compensation claim instituted by Plaintiff as a result of a non-settled Expropriation proceedings by EMM	North	49,652,700.00	

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	2009	2008	2009	2008
46. CONTINGENCIES (continued)				
Sub-Total			57,097,475.88	7,444,776.00
Other Claims	Category	Region	2009	2008
	Category B	South		187,000.00
	Category B	East	65,000.00	
	Category B	North	754,532.87	
Other Matters	Category C	South	1,245,000.00	
Sub-Total			2,064,352.87	187,000.00

At 30 June 2009 East Rand Water Care Company (ERWAT) had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the company has given guarantees amounting to 2009: R2,999,270 (2008: R3,007,260) to third parties. ERWAT might have an obligation to pay ARE Exhibition, depending on the outcome of the court ruling.

Brakpan Bus Company is a defendant in a legal action amounting to R41,908 involving motor vehicle collision between a bus driver and a third party. The other R30,000 is estimated legal costs for defending the matter and two (2) other criminal cases. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including for costs) will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

47. RELATED PARTIES

Relationships
Controlled entities
Close family member of key management

Refer to note 7
Declarations are retained in a register at tender office.

Related party balances

Amounts included in Trade receivable regarding related parties

ERWAT	1,342,785	1,883,000
Pharoe Park housing company	922,998	775,007
Brakpan Bus company	301,341	97,972
Lethabong housing institute	240,196	293,501
Pharoe Park phase 2	1,217,399	371,821
Ekurhuleni Development company	1,027	5,550

Amounts included in Trade payables regarding related parties

ERWAT	13,939,876	13,042,000
Brakpan Bus company	306,156	6,025,351
Ertec	-	275,000

Related party transactions

Sales to related parties - municipal entities

ERWAT	27,992,151	15,700,000
Pharoe Park housing company	1,628,073	1,099,417
Pharoe Park phase 2	1,486,835	1,134,237
Ekurhuleni Development company	26,388	24,623
Brakpan Bus company	122,905	5,560,131
Lethabong housing institute	48,579	488,354

Purchases from (sales to) related parties

ERWAT	242,805,316	220,623,000
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Grants to related parties - municipal entities

Pharoe Park	-	388,344
Ekurhuleni development company	90,589	183,394
ERWAT	-	8,462,070

48. CHANGE IN DISCOUNT RATE

Discount rate

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48. CHANGE IN DISCOUNT RATE (continued)

Management revised the discount rate used for calculating provisions in the current period. The discount rate was adjusted from 14% to 12% due to the weighted average cost of capital changing from 14% to 12% in the current year (2008: 12% to 14%).

49. PRIOR PERIOD ERRORS

Land

Land parcels have been incorrectly recognised by the municipality due to general plans being registered in the deeds office, which have subsequently been cancelled and replaced by new township layouts.

Revenue and debtors

Revenue was incorrectly charged in prior years and was corrected.

Expenditure and Property, Plant and Equipment (PPE)

Property, Plant and Equipment are brought in-line when physical verification exercises are complete. The adjustments due to these verifications were effected.

Intangible assets and Property, Plant and Equipment (PPE)

The municipality has previously incorrectly accounted for intangible assets (software) under PPE instead of Intangible assets. The adjustments due to this mistake were effected.

The correction of the errors results in adjustments as follows:

Statement of financial position

Property, plant and equipment (PPE)	-	(404,496)	-
Land	-	74,078,102	-
Debtors	-	(160,991,775)	-
Intangible assets	-	1,204,737	-
Opening retained earnings	-	(76,625,456)	-
Trade and other payables from exchange transactions	-	8,730,552	-

Statement of financial performance

Revenue	-	154,008,336	-
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50. COMPARATIVE FIGURES

No comparative figures have been presented for the economic entity as these are the first group annual financial statements of the economic entity. This is in line with the transitional provision in Directive 3.

Certain comparative figures have been re-classified and certain descriptions have changed:

Statement of Financial Position

- The description 'Other debtors' changed to, and split between, 'Other receivables from exchange transactions' and 'Other receivables from non-exchange' transactions due to the adoption of GRAP.
- The description 'Investments in municipal entities' changed to 'Investments in controlled entities' due to the adoption of GRAP.
- The description 'Creditors' changed to 'Trade and other payables from exchange transactions' due to the adoption of GRAP.
- Both 'Current provisions' and 'Non-current provisions' have changed to 'Provisions'.
- All reserves have been re-classified to Accumulated surplus due to the adoption of GRAP.
- VAT has been re-classified to 'Other receivables from exchange transactions' where it was classified, on its own, in the Statement of Financial performance under 'VAT' in 2008.
- 'Consumer deposits' have changed to 'Deposits' to accommodate other types of deposits in the group.

Statement of Financial Performance

- The description 'Bad debts' changed to 'Debt impairment' due to the adoption of GRAP.
- The description 'Depreciation' changed to 'Depreciation and amortisation' due to the adoption of GRAP.

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50. COMPARATIVE FIGURES (continued)

- The description 'Profit on disposal of property, plant and equipment' changed to 'Gain on disposal of assets'. The amount was disclosed in the prior year financial statements (on the face of the Statement of Financial Performance) under Revenue, but was disclosed after Expenses in the current financial statements.
- The description 'Loss on disposal of property, plant and equipment' changed to 'Deficit on disposal of assets'. The amount was disclosed in the prior year financial statements (on the face of the Statement of Financial Performance) under Expenditure, but was disclosed after Expenses in the current financial statements.

The effects of the reclassification are as follows:

Statement of financial position

VAT	-	-	(54,467,254)
Other receivables from exchange transactions	-	-	54,467,254
Capitalisation reserve	-	-	637,517,037
Government grant reserve	-	-	1,663,487,688
Donations and public contributions reserve	-	-	4,406,358
Housing Development Fund	-	-	50,827,768
Accumulated surplus	-	-	(2,356,238,851)
Consumer deposits	-	-	337,898,451
Deposits	-	-	(337,898,451)

Statement of financial performance

Bad debts	-	-	(1,328,566,591)
Debt impairment	-	-	1,328,566,591
Depreciation	-	-	(402,733,881)
Depreciation and amortisation	-	-	402,733,881
Profit on disposal of property, plant and equipment	-	-	6,497,487
Gain on disposal of assets	-	-	(6,497,487)
Loss on disposal of property, plant and equipment	-	-	(31,652,079)
Deficit on disposal of assets	-	-	31,652,079

51. RISK MANAGEMENT

Capital risk management

The economic entity's objectives when managing capital are to safeguard the economic entity's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the economic entity consists of debt, which includes the borrowings disclosed in note 19 and cash and cash equivalents disclosed in note 16.

Consistent with others in the industry, the economic entity monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

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

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

Total borrowings

Other financial liabilities	19	(145,013,490)	(131,313,742)	(73,785,849)
Less: Cash and cash equivalents	16	1,078,370,517	1,064,929,949	2,318,386,504
Net debt		(1,223,384,007)	(1,196,243,691)	(2,392,172,353)
Total equity		37,276,101,144	36,684,408,752	8,307,982,395
Total capital		36,052,717,137	35,488,165,061	5,915,810,042

Financial risk management

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

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51. RISK MANAGEMENT (continued)

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance.

Risk management is carried out by the risk management department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Controlling entity

At 30 June 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term and other liabilities	38,000	252,279,191	719,140,446	1,120,182,958
Trade and other payables	2,046,304,412	-	-	-

Interest rate risk

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Economic Entity policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

The economic entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the economic entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Financial instruments exposed to interest rate risk is as follows:

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due after 5 years
Trade and other receivables - normal credit terms	13.00 %	1,171,446,935	-	-	-
Long-term receivables	13.00 %	42,750,001	42,750,001	42,750,001	-

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due after 5 years
Long-term and other liabilities	12.00 %	38,000	252,279,191	719,140,446	1,105,456,933

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors. The economic entity only deposits cash with major banks and makes investments in entities with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk

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51. RISK MANAGEMENT (continued)

limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2009	Controlling entity - 2009	Controlling entity - 2008
Other investments	341,653,018	341,653,051	378,098,453
Long-term receivables	128,250,003	128,250,003	161,983,193
Consumer debtors	1,171,250,003	1,171,446,935	1,171,340,513
Other receivables	311,104,788	284,197,759	187,275,598
Cash and cash equivalents	1,078,370,517	1,064,929,949	2,318,386,504

Price risk

The economic entity is exposed to equity price risk because of investments held by the economic entity and classified on the statement of financial position as available-for-sale. The economic entity is not exposed to commodity price risk.

The municipality has a R4,000,000 investment in unlisted shares, which is the exposure to price risk. The price risk on this investment cannot be determined due to the fact that the shares are not listed and therefore unknown.

52. GOING CONCERN

Ekurhuleni Metropolitan Municipality

The Metro's cash and cash equivalents held at Balance sheet date were as follows over the last three years:

	2006/07	2007/08	2008/09
Cash and cash equivalents at the end of the year	2,846,504,882	2,318,386,504	1,040,497,322

It is projected that the cash balance will further reduce during the 2009/10 financial year.

Factors that impacted on the cash balance were the following:

Outstanding Debtors

- The EMM has budgeted for 95% collection over for the last few years, yet collection levels remained around 89%.
- The effect of not achieving collection targets in previous years was countered by underspending in previous years, but in 0809 both the capital and operating budget spent record amounts.

Capital funded from Surplus Cash

- All surplus cash have now been used in the capital budgets of 2007/08 and 2008/09 – R1.9b of the EMM's cash resources was spent in these two years.

The Liquidity ratio's still shows an acceptable ratio with the current ratio at 0.91 and the acid test ratio at 0.86. Cash for 48 days were held as at 30 June 2009, but when deducting encumbered cash, only 2 day's cash was available at balance sheet date.

The above indicators as well as the power to levy taxes suggest that the Going Concern Assumption is appropriate.

Controlled Entities

Ekurhuleni Development Company

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy was prepared for the company. The company is dependant on continued support from the shareholders to remain a going concern.

Lethabong Housing Institute

At 30 June 2009, the company had an accumulated surplus of R 18,630,189 and that the company's total assets exceeds the total liabilities by R 18,630,189. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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52. GOING CONCERN (continued)

Pharoe Park Housing Company

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy was prepared for the company. The company is dependant on continued support from the shareholders in order to remain a going concern.

Germiston Phase II Housing Company

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the sustainability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company, therefore a long term sustainability strategy is being prepared for the company. The company is however dependant on continued support from the shareholders in order to remain a going concern.

Brakpan Bus Company

The company has an interim contract with the Department of Transport for the provision of passenger transport services. The contract was concluded on 1 April 1997 for a period of three years and has been extended a number of times. Currently the interim contract is being extended on a month to month basis until such time that the Department of Transport would have completed the restructuring of the bus industry whereby contracts will be awarded on either a negotiated basis or tender basis.

During August 2008 the parent municipality passed a resolution to conduct a due diligence in respect of the company. This matter has not yet been considered and finalized by the parent municipality.

These conditions point to the existence of a material uncertainty that may cast doubt on the company's ability to continue as a going concern.

East Rand Water Care Company

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

The existence of Erwat is dependent on the continued support of EKURHULENI METROPOLITAN MUNICIPALITY (Parent Municipality) by way of service charges for treatment of waste water and the provision of related engineering services paid each year in terms of a service delivery agreement entered into between ERWAT and EKURHULENI METROPOLITAN MUNICIPALITY.

53. EVENTS AFTER THE REPORTING DATE

Non-Adjusting Events

During March 2009, The EMM's Executive Mayor has requested assistance from the Gauteng Department of Local Government to manage a number of challenges. The Provincial Team were initially contracted by the Gauteng Provincial Government up to the 30th June 2009. The appointment was extended up to the end of July 2009 and the final report of the Provincial Team was submitted to Council by the end of July 2009.

The following changes were made to the Mayoral Committee during July 2009:

Mayoral Committee as at 30 June 2009:

Speaker	Clr. Patricia Kumalo
Chief Whip	Clr. Moses Maseko
MMC Housing	Clr. Gladys Shongwe
MMC Finance	Clr. Lungile Mtshali
MMC Infrastructure Services	Clr. Louis Sibeko
MMC Economic Development	Clr. Thumbu Mahlangu
MMC Corporate Services	Clr. Queen Duba
MMC Health	Clr. Isaac Bangilizwe
MMC SRAC	Clr. Vulindlela Mapekula
MMC Environmental Development	Clr. Makhosazana (Khosi) Maluleke
MMC City Development	Clr. Mahomed Akoon
MMC Community Safety	Clr. Aubrey Nxumalo

Mayoral Committee as from July 2009:

Speaker	Clr. Patricia Kumalo
Chief Whip	Clr. Mahlomola Mabote
MMC Sport, Recreation, Arts and Culture	Clr. Ndosi Shongwe

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	2009	2008	2009	2008

53. EVENTS AFTER THE REPORTING DATE (continued)

MMC Water and Energy	Clr. Aubrey Nxumalo
MMC Finance	Clr. Lungile Mtshali
MMC Housing	Clr. Vivian Chauke
MMC Community Safety	Clr. Mthuthuzeli Siboza
MMC Environmental Development	Clr. Louis Sibeko
MMC Health	Clr. Makhosazana Maluleke
MMC Corporate Services and City Planning	Clr. Queen Duba
MMC Roads, Public Transport and Civil Works	Clr. Themba Thebe
MMC Economic Development	Clr. Abdul Mogale

The following senior staff were appointed during July 2009:

City Manager	Mr. Khaya Ngema
Chief Financial Officer	Mr. Zakes Myeza
Chief of Police	Mr. Hlula Msimang

The Municipal Public Accounts Committee submitted their oversight report for the 2007/08 financial year during July 2009.

Adjusting Events

Council has approved amendments to the 2008/09 budget of Council on the 30th July 2009. These amendments are included in the budgeted amounts reported in the financial statements.

Council resolved on the 13th August 2009 to write-off an amount of R31 732 753 in respect of water consumption and R15 994 830 in respect of sewer consumption. These adjustments were made as a result of a verification process conducted on all meters within the Metro. This resulted in un-billed meters being identified and retrospective billing was applied in the financial statements to correctly reflect revenue during the 2007/08 financial year. As a result of the fact that these amounts are deemed to be uncollectable, the full amount was provided for as bad debt during 2007/08. This write-off has already accounted for in the debtors balances shown in the financial statements.

The Municipal Property Rates Act, Act 6 of 2004, were implemented by the municipality on the 1st of July 2009.

Brakpan Bus Company has commenced negotiations with the Department of Transport for the continuation of the subsidy previously received. These negotiations were incomplete at the date of the signing of these financial statements. These busses are made available to Brakpan Bus Company by means of an operating lease until 30 June 2010. Operating leases at a nominal cost of R100 per annum for the busses and the administrative building were entered into and signed on 6 August 2008.

54. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

Irregular Expenditure

Controlling entity

The municipality has incurred irregular expenditure as a result of non compliance to Supply Chain Management regulations and policies amounting to R286.7 million. The municipality is/has investigated persons responsible for such irregular expenditure. Disciplinary and/or criminal actions will be taken against a person in breach of the Act relating to irregular expenditure. The municipality is in a process to recover or rectify such expenditure and to prevent a recurrence of such expenditure.

Controlled Entities

Ekurhuleni Development Company

Irregular expenditure incurred as well as condoned for the year amounted to R43,496.

Lethabong Housing Institute

None

Pharoe Park Housing Company

Irregular expenditure incurred as well as condoned for the year amounted to R553,518 - AMMM Attorneys.

Germiston Phase II Housing Company

Irregular expenditure incurred as well as condoned for the year amounted to R743,796 - AMMM Attorneys. The attorneys were used based on prior year appointment. SCM policy was not followed. The CEO condoned the expenditure and reported it to the board as a deviation from the SCM policy.

Brakpan Bus Company

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54. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE (continued)

None

East Rand Water Care company

Irregular expenditure incurred as well as condoned for the year amounted to R677,433. The expenditure relates to tender procedures which were not followed. The CEO condoned the expenditure will reported it to the board as a deviation from the SCM policy.

55. IN-KIND DONATIONS AND ASSISTANCE

The economic entity received the following in-kind donations and assistance

Description:

1. Two chartered accountants have been seconded to the municipality as part of the partnership between DLG and SAICA.

2. The Gauteng Provincial Government deployed a specialised and skilled team to assist Ekurhuleni Metropolitan Municipality to accelerate the provision of services, infrastructure development and to deal with outstanding disputes.

56. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Opening balance	-	-	18,669,548
Current year subscription / fee	8,125,000	8,125,000	6,000,000
Amount paid - current year	(14,500,000)	(14,500,000)	(24,669,548)
	(6,375,000)	(6,375,000)	-

Audit fees

Current year fees	13,081,733	11,665,025	8,131,500
Amount paid - current year	(13,081,733)	(11,665,025)	(7,338,270)
	-	-	793,230

PAYE and UIF

Current year payroll deductions	443,826,196	443,826,196	344,699,120
Amount paid - current year	(443,826,196)	(443,826,196)	(344,699,120)
	-	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	777,497,777	777,497,777	678,795,118
Amount paid - current year	(777,497,777)	(777,497,777)	(678,795,118)
	-	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 60 days during the year ending 30 June 2009:

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mabena VM	2,322	3,740	6,062
Mafanga ZL	377	-	377
Mahano F	120	-	120
Mashinini JS	669	49,679	50,348
Mofokeng JG	155	-	155
Ndita M	262	18,936	19,198
Nxumalo MJ	255	201	456
Sauls AEK	1,000	-	1,000

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56. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)				
Siboza MH		-	567	567
Thaba LJ		290	-	290
Thibedi MA		45	6,959	7,004
Akoon MGH		195	731	926
Maluleke MM		194	-	194
Mapekula V		986	-	986
Nxumalo A		151	-	151
		7,021	80,813	87,834

30 June 2008	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Padi MJ	957	271	1,228
Maseko M	3,141	2,082	5,223
Mohano FL	418	1,314	1,732
Dladla R	277	2,911	3,188
Sibiya MJ	165	2,532	2,697
Mofokeng GJ	3,447	7,827	11,274
Mokone ED	587	679	1,266
Nxumalo FL	290	375	665
	9,282	17,991	27,273

Supply chain management regulations

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

57. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Outstanding long-term liabilities	2,131,247,701	1,945,600,829	1,054,195,546
Used to finance property, plant and equipment	(2,022,756,637)	(1,837,040,966)	(1,054,195,546)
	108,491,064	108,559,863	-
Cash set aside for the repayment of long-term liabilities	327,925,149	336,795,946	336,268,723
	436,416,213	445,355,809	336,268,723

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

58. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

59. ACTUAL CAPITAL EXPENDITURE VERSUS BUDGETED CAPITAL EXPENDITURE

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

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	2009	2008	2009	2008

60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the group annual financial statements.

Controlling entity

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations

COUNCIL ITEM NR	C-SR 11-2009(T)
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."
AWARDED TO	Trish Nxumalo
AMOUNT	R 8,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 213-2008(T)
DESCRIPTION	"DISPENSING: Processing of official purchase orders and payment for contractors appointed for emergency work performed at 132/11kV Benburg Substation in Benoni Paragraph 36(1)(a)(i) & (v) of SCM"
AWARDED TO	"Mult-Force #1 Ukubona Holdings (Pty) Ltd Baymont Holdings (Pty) Ltd Brenique Electrical & Maintenance"
AMOUNT	R 452,100.00
SECTION	36(1)(a)(i) & (v)
COUNCIL ITEM NR	C-CM 05-2008(T)
DESCRIPTION	"CONDONEMENT: Vodacom challenge advertising rights and rights to participate Paragraph 36(1)(a)(v) and 36(1)(b) of SCM"
AWARDED TO	Sail Sprots & Entertainment (Pty) Ltd
AMOUNT	R 2,594,202.00
SECTION	36(1)(b)
COUNCIL ITEM NR	C-ED 13-2009(T)
DESCRIPTION	"Condonement: Digging and trimming of graves by supplying mechanical equipment, including operator for Mooifontein, Zuurfontein and Lala Ngoxolo Cemeteries Paragraph 36 of SCM POLICY"
AWARDED TO	Thekiso Plant Hire CC
AMOUNT	R 765,992.00
SECTION	35(1)(b)
COUNCIL ITEM NR	C-ICT 16-2008(T)
DESCRIPTION	"CONDONATION: Provision of internet services Paragraph 36(1)(b) & 36(1)(a)(v)"
AWARDED TO	BSC-NET (Pty) Ltd
AMOUNT	R 122,364.00
SECTION	"36(1)(a)(v) & 36(1)(b)"
COUNCIL ITEM NR	C-HD 20-2008(T)
DESCRIPTION	"DEVIATION: Appointment of the University of the Witwatersrand to present the certificate programme in housing policy and development Paragraph (1)(a)(v) of SCM"
AWARDED TO	University of the Witwatersrand
AMOUNT	R 900,000.00
SECTION	36(1)(a)(b)
COUNCIL ITEM NR	C-IS 207-2008(T)
DESCRIPTION	"Emergency work carried out at the main supply input substation in Plane Road, Spartan, Kempton Park TO BE NOTED Paragraph 36(1)(a)(i) of SCM"
AWARDED TO	Ukubona 2000 Electrical (Pty) Ltd
AMOUNT	R 7,100,839.00

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
SECTION	36(1)(a)(i)			
COUNCIL ITEM NR	C-IS 38-2009(T)			
DESCRIPTION	"DEVIATION: Emergency work on a 5MVA transformer located at the Hard Metals Station in Debex Road Nuffield Springs Paragraph 36(1)(a)(i) of the SCM"			
AWARDED TO	L.H. Matinusen Electrical & Mechanical Engineers			
AMOUNT	R 450,700.00			
SECTION	36(1)(a)(i)			
COUNCIL ITEM NR	C-IS 39-2009(T)			
DESCRIPTION	"DISPENSING: Emergency work to be carried out on a 10MVA transformer located at the Debex Station in Debex road Nuffield Springs Paragraph 36(1)(A)(i) of the SCM"			
AWARDED TO	ArmCoil Afrika (Pty) Ltd			
AMOUNT	R 495,000.00			
SECTION	36(1)(a)(i)			
COUNCIL ITEM NR	C-IS 62-2009(T)			
DESCRIPTION	"DEVIATION: Emergency work carried out at Germiston North 33kV substation in Stanley Road Driefontein 87 IR Paragraph 36(1)(a)(i) of SCM"			
AWARDED TO	Baymont Holdings (Pty) Ltd			
AMOUNT	R 517,332.00			
SECTION	36(1)(a)(i)			
COUNCIL ITEM NR	C-IS 73-2009(T)			
DESCRIPTION	"DEVIATION: Emergency work carried out at the Wychwood 33kV substation in Main Reef Rd Wychwood, Germiston Paragraph 36(10)(a)(i) of SCM"			
AWARDED TO	Baymont Holdings (Pty) Ltd t/a/ Baymont Power Projects			
AMOUNT	R 627,000.00			
SECTION	36(1)(a)(i)			
COUNCIL ITEM NR	C-IS 113-2008(T)			
DESCRIPTION	"DISPENSING: Collection- off-load, repair, delivery and erect on site a that faulted at Hard Metals Substation Spring/Nigel Paragraph 36(1)(a)(i) of SCM"			
AWARDED TO	"Hi Tech Transformer Maintenance (Pty) Ltd"			
AMOUNT	R 700,787.32			
SECTION	36(1)(a)(i)			
COUNCIL ITEM NR	C-HR 01-2009(T)			
DESCRIPTION	"CONDONEMENT: Payment of external legal representative who are not on Council's panel. PARAGRAPH 36(1)(a)(V) AND 36(1)(b) OF THE SCMP."			
AWARDED TO	Mphoke P.K. Magane Attorneys			
AMOUNT	R 177,660.00			
SECTION	36(1)(a)(i) & (1)(a)(b)			
COUNCIL ITEM NR	C-HR 01-2009(T)			
DESCRIPTION	"CONDONEMENT: Payment of external legal representative who are not on Council's panel. PARAGRAPH 36(1)(a)(V) AND 36(1)(b) OF THE SCMP."			
AWARDED TO	Wright Rose-Innes Inc			
AMOUNT	R 34,650.00			
SECTION	36(1)(a)(i) & (1)(a)(b)			
COUNCIL ITEM NR	C-HR 01-2009(T)			
DESCRIPTION	"CONDONEMENT: Payment of external legal representative who are not on Council's panel. PARAGRAPH 36(1)(a)(V) AND 36(1)(b) OF THE SCMP."			
AWARDED TO	Kerry Driscoll & Associates			
AMOUNT	R 3,648.00			
SECTION	36(1)(a)(i) & (1)(a)(b)			
COUNCIL ITEM NR	C-IS 224-2008(T)			
DESCRIPTION	"DEVIATION: ""Money in the pocket by Christmas"" Paragraph 36(1)(a)(i) & (ii)"			
AWARDED TO	TO BE NOTED			
AMOUNT	R 1,000,000.00			
SECTION	36(1)(a)(i) & (ii)			
COUNCIL ITEM NR				

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
DESCRIPTION	"DEVIATION: Consultant to do a preliminary design report on the structural at the grand stand of Herman Immelaman Stadium TO BE NOTED"			
AWARDED TP	BKS (Pty) Ltd Ltd			
AMOUNT	R 14,728.80			
SECTION	36(1)(a)(i) & (v)			
COUNCIL ITEM NR	C-IS 11-2009(T)			
DESCRIPTION	"DEVIATION: Appointment of a contractor to do the design, supervision, to the roof at the Greenfileds Community Centre Hall Paragraph 36(1)(a)(i) & (v)"			
AWARDED TO	NJ Flemming Boukontrakteurs BK			
AMOUNT	R 230,143.20			
SECTION	36(1)(a)(i) & (v)			
COUNCIL ITEM NR	C-IS 52-2009(T)			
DESCRIPTION	"DISPENSING: Appointment of a single service provider for percussion drilling of on Erf Nr 1430 Tembisa Ext 1 Paragraph 36(1)(a)(i) & (ii) of SCM"			
AWARDED TO	Hennie Erwee Boorkontrakteurs BK			
AMOUNT	R 104,939.00			
SECTION	36(1)(a)(i) & (ii)			
COUNCIL ITEM NR	C-ED 54-2008(T)			
DESCRIPTION	"DISPENSING: Appointment of a contractor to operate and maintain the Platkop Waste site on monthly basis from Oct 08 - Jan 09 Paragraph 36(1)(a)(1) & (v)"			
AWARDED TO	Phambili Wasteman CC			
AMOUNT	R 1,800,000.00			
SECTION	36(1)(a)(i) & (v)			
COUNCIL ITEM NR	C-IS 90-2008(T)			
DESCRIPTION	"DISPENSING: Appointment of L.H. Marthinusen to rewind and deliver to site 4 42/11kV 5 MVA transformers which failed internally at the industrial substation: Benoni Area Paragraph 36(1)(a)(i) and (v) of SCM"			
AWARDED TO	"L.H. Marthinusen Electrical and Mechanical Engineers"			
AMOUNT	R 2,390,755.00			
SECTION	36(1)(a)(i) and (v)			
COUNCIL ITEM NR	C-IS 83-2008(T)			
DESCRIPTION	"Dispensing: Munsys Software and licenses 1 July 2007 - 30 June 2010 and Condonation for the renewal of annual licenses for the period 1 July 2007 - 30 June 2008 . Paragraph 36(1)(a)(ii)"			
AWARDED TO	Open Spatial Solutions			
AMOUNT	R 185,535.09			
SECTION	36(1)(a)(ii)			
COUNCIL ITEM NR	C-PS 29-2008(T)			
DESCRIPTION	"DISPENSING: Purchase rank markings, shields and belt with badge for the EMS Paragraph 36(1)(a)(ii) of SCM"			
AWARDED TO	The Badge Company (Pty) Ltd			
AMOUNT	R 790,000.00			
SECTION	36(1)(a)(ii)			
COUNCIL ITEM NR	C-ICT 22-2008(T)			
DESCRIPTION	"DISPENSING: Renewal of Allycad Software Licenses for 3 years Paragraph 36(1)(a)(ii) of SCM"			
AWARDED TO	Knowledge Base (Pty) Ltd			
AMOUNT	R 581,883.58			
SECTION	36(1)(a)(ii)			
COUNCIL ITEM NR	C-HD 32-2008(T)			
DESCRIPTION	"DISPENSING: Appointment of SABS Commercial (Pty) Ltd to undertake the auditing and the certification of the EMMHD ISO 9001 quality management scheme. Paragraph 36(1)(a)(ii) of SCM"			
AWARDED TO	SABS Commercial (Pty) Ltd			
AMOUNT	R 64,272.00			
SECTION	36(1)(a)(ii)			
COUNCIL ITEM NR	C-ED 56-2008(T)			
DESCRIPTION	"DISPENSING: Installation of energy management and control system Paragraph 36(1)(a)(ii) of SCM"			
AWARDED TO	Danish Energy Managements A/S			
AMOUNT	R 7,850,816.00			
SECTION	36(1)(a)(ii)			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

COUNCIL ITEM NR	C-IS 233-2008(T)
DESCRIPTION	"DISPENSING: Replacement of faulty differential protections relays for the 44kV between Consol Glass and Union Substation Paragraph 36(1)(a)(ii) of SCM"
AWARDED TO	"Alstom Transmission and Distribution (Protection and Control)"
AMOUNT	R 178,554.52
SECTION	36(1)(a)(ii)
COUNCIL ITEM NR	C-HD 38-2008(T)
DESCRIPTION	"DISPENSING: Purchase of the ""Project Control System (PCS) of IMQS and to software (Pty) Ltd as service provider to determine the user requirements, code and develop the existing PCS to suit the needs of EMM install the amended version of PCS on the network and maintain the system on a yearly basis Paragraph 36(1)(a)(ii) of SCM"
AWARDED TO	IMQS Software (Pty) Ltd
AMOUNT	R 900,000.00
SECTION	36(1)(a)(ii)
COUNCIL ITEM NR	C-IS 51-2009(T)
DESCRIPTION	"DISPENSING: Appointment of a single service provider for the compilation of a dolomite risk management database Paragraphs 36(1)(a)(ii) of SCM"
AWARDED TO	Council for Geoscience
AMOUNT	R 570,740.00
SECTION	36(1)(a)(ii)
COUNCIL ITEM NR	C-ED 31-2009(T)
DESCRIPTION	"DEVIATION: Purchase water master classic III machine from Aquamec LTD of Finland - Sole supplier Paragraph 36(1)(a)(ii) of SCM"
AWARDED TO	Aquamec Ltd
AMOUNT	R 7,656,737.00
SECTION	36(1)(a)(ii)
COUNCIL ITEM NR	C-LA 06-2009(T)
DESCRIPTION	"DISPENSING: Renewal of Juta Law intranet Legal information Paragraph 36(1)(a)(ii) of SCM"
AWARDED TO	Juta Law
AMOUNT	R 363,137.00
SECTION	36(1)(a)(ii)
COUNCIL ITEM NR	C-ICT 25-2008(T)
DESCRIPTION	"DISPENSING: Procurement of Oracle software to consodiate Paragraph 36(1)(a)(ii) OF SCM"
AWARDED TO	Oracle Corporation South Africa (Pty) Ltd
AMOUNT	R 4,008,581.64
SECTION	36(1)(a)(ii)
COUNCIL ITEM NR	C-SP 01-2008(T)
DESCRIPTION	"DISPENSING: Associate sponsorship and partnership between EMM Bounce Back Media on the channel O Music Awards in preparation for the2010 FIFA World Cup Cultural Activities Paragraph 36(1)(a)(ii) of SCM "
AWARDED TO	Bounce Back Media
AMOUNT	R 2,500,000.00
SECTION	36(1)(a)(ii) & (v)
COUNCIL ITEM NR	C-ICT 21-2008(T)
DESCRIPTION	"DISPENISNG: Renewal of the library management software solution 3 years Paragraph 36(1)(a)(ii) &(v) of SCM"
AWARDED TO	Universal Knowlegde Software (Pty) Ltd
AMOUNT	R 4,211,460.00
SECTION	36(1)(a)(ii) & (v)
COUNCIL ITEM NR	C-ICT 23-2008(T)
DESCRIPTION	"DISPENSING: Renewal of the Res-Q-Soft software maintenance for 3 years UNTIL June e2011 Paragraph 36(1)(a)(ii) & (v)"
AWARDED TO	Ressco Business Trust
AMOUNT	R 914,000.00
SECTION	36(1)(a)(ii) & (v)
COUNCIL ITEM NR	

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
DESCRIPTION	"CONDOMENT and renewal of Payday Software systems Licence agreements Paragraph 36(1)(a)(ii) & (v) os SCM Policy"			
AWARDED TO	PayDay Software Systems (Pty)Ltd			
AMOUNT	R 1,550,112.00			
SECTION	36(1)(a)(ii) & (v)			
COUNCIL ITEM NR	C-SR 20-2008(T)			
DESCRIPTION	"DISPENSING: Strategic parnership betwee EMM and TS Records on the overall marketing and communications - as and when over 2 years for the preparations of the 2010 FIFA world cup Paragraph 36(1)(a)(ii) and (v) of SCM"			
AWARDED TO	TS Records			
AMOUNT	R 5,000,000.00			
SECTION	36(1)(a)(ii) &(v)			
COUNCIL ITEM NR	C-SR 21-2008(T)			
DESCRIPTION	"DISPENSING: Appointment of TSE /Matchworld JV to render strategic management consulting and project management functions for EMM - as and when for 2 years in preparation of the 2010 FIFA World cup Paragraph 36(1)(a)(ii) and (v) of SCM"			
AWARDED TO	TSE/Matchworld Joint Venture			
AMOUNT	R 7,071,120.00			
SECTION	36(1)(a)(ii) &(v)			
COUNCIL ITEM NR	C-SR 19-2008(T)			
DESCRIPTION	"DISPENSING: Design and construction of the Oliver Tambo tombstone Paragraph 36(1)(a)(ii) & (v)"			
AWARDED TO	West Granite Monumental Works			
AMOUNT	R 402,939.84			
SECTION	36(1)(a)(iii) & (v)			
COUNCIL ITEM NR	C-SR 19-2008(T)			
DESCRIPTION	"DISPENSING: Design and construction of the Oliver Tambo tombstone Paragraph 36(1)(a)(ii) & (v)"			
AWARDED TO	"Motsepe Architects"			
AMOUNT	R 35,495.33			
SECTION	36(1)(a)(iii) & (v)			
COUNCIL ITEM NR	C-IS 71-2008(T)			
DESCRIPTION	"DISPENSING: Installation and repair of small water meters (domestic 15mm up to and including 25 mm) - as and when until 30 June 2009 Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Galaxy Pipelines CC			
AMOUNT	R 7,800,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 85-2008(T)			
DESCRIPTION	"Dispensing: Appointment of a contractor to do the drilling of exploratory rotary percussion boreholes at different sinkhole rehabilitation sites and building projects Paragraph36(1)(a)(v) of SCM"			
AWARDED TO	Hennie Erwee Boorkontrakteur BK			
AMOUNT	R 2,000,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 86-2008(T)			
DESCRIPTION	"Condonation of appointment of Angelic Production for the flighting of departmental DVD's on TV's installed in the municipality's Rates Halls Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Angelic Productions			
AMOUNT	R 60,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-F 17-2008(T)			
DESCRIPTION	"Dispensing: Proposed solution for the implementation of Adamynd Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Business Connexion (Pty) Ltd			
AMOUNT	R 495,125.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-F 12-2008(T)			
DESCRIPTION	"Reporting on negotiations: Compilation of the provisional Supplementary Valuation Rolls until June 2009 Paragraph 36(1)(a)(v) of SCM "			
AWARDED TO	"Niel de Klerk (Pty) Ltd Cosamu Valuers CC			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

AMOUNT	Massel Property Services (Pty)_ Ltd"
SECTION	Not indicated 36(1)(a)(v)
COUNCIL ITEM NR	C-HSD 14-2008(T)
DESCRIPTION	"DISPENSING: Appointment of consultants to supervision of construction of the Itereleng / Phomolong Clinic Tembisa Paragraph 36(1)(a)(i) and (v) of SCM"
AWARDED TO	Ekuthuleni Architects and Engineers CC
AMOUNT	R 938,335.48
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-PS 32-2008(T)
DESCRIPTION	"DISPENSING: ESRI Software and Licenses 1 July 2007 - 30 June 2009 Paragraph 36(1)(a)(v) and 36(1)(b) CONDEMENT: Payments done to GIMS for ESRI Software and license"
AWARDED TO	Total Client Services (Pty)Ltd
AMOUNT	R 962,500.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 99-2008(T)
DESCRIPTION	"DEVIATION Consultants to manage water and electricity meter reading for all the regions for 1 month = Sept 08 Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	Africon Engineering Internations (Pty) Ltd
AMOUNT	R 1,000,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 99-2008(T)
DESCRIPTION	"DEVIATION Consultants to manage water and electricity meter reading for all the regions for 1 month = Sept 08 Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	Tsekema Consulting Engineers (Pty) Ltd
AMOUNT	R 1,000,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 99-2008(T)
DESCRIPTION	"DEVIATION Consultants to manage water and electricity meter reading for all the regions for 1 month = Sept 08 Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	NETGroup Solutions (Pty) Ltd
AMOUNT	R 1,000,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 100-2008(T)
DESCRIPTION	"DISPENSING: Appointment of separate regional consultants to manage water and electricity meter readings, meter reading audit and meter repairs for North and East 1 Oct 08 - 31 March 2009 Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	Africon Engineering Internations (Pty) Ltd
AMOUNT	R 6,000,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 100-2008(T)
DESCRIPTION	"DISPENSING: Appointment of separate regional consultants to manage water and electricity meter readings, meter reading audit and meter repairs for North and East 1 Oct 08 - 31 March 2009 Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	NETGroup Solutions (Pty) Ltd
AMOUNT	6,000,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 109-2008(T)
DESCRIPTION	"DEVIATION Appointment of separate regional consultants to manage water and electricity meter reading audit and meter repairs 1 Sept 08 - 30 June 2009 Paragrapsh 36 of SCM"
AWARDED TO	Afircon Engineering International (Pty) Ltd
AMOUNT	R 114,000,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 109-2008(T)
DESCRIPTION	"DEVIATION Appointment of separate regional consultants to manage water and electricity meter reading audit and meter repairs 1 Sept 08 - 30 June 2009 Paragrapsh 36 of SCM"
AWARDED TO	"Tsekema Consulting Engineers (Pty) Ltd

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
AMOUNT	R 114,000,000.00			
SECTION	36(1)(a)(v)36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 109-2008(T)			
DESCRIPTION	"DEVIATION Appointment of separate regional consultants to manage water and electricity meter reading audit and meter repairs 1 Sept 08 - 30 June 2009 Paragraph 36 of SCM"			
AWARDED TO	"NETGroup Solutions (Pty) Ltd"			
AMOUNT	R 114,000,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 110-2008(T)			
DESCRIPTION	"CONDONATION: Appointment of Angelic Production for the flighting of departmental DVD's on TV's installed in rates halls Paragraph 36(1)(a)(v)"			
AWARDED TO	Angelic Productions			
AMOUNT	R 50,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-HD 30-2008(T)			
DESCRIPTION	"Deviation: Construction of water and sewer network systems and toilet structures for 671 stands in Moleleki Ext 1 & 2 and rectification of town planning matters in addition and relating to HO 10/2007 Paragraph 36(1)(a)(v)"			
AWARDED TO	Lucmer Consturction CC			
AMOUNT	R 8,785,330.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 115-2008(T)			
DESCRIPTION	"DISPENSING: Supply, delivery and installation of transformers, switchgear and related works for Witkoppie Substation Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	"Ukubona Electrical Cable Construction CC"			
AMOUNT	R 34,247,756.22			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-F 24-2008(T)			
DESCRIPTION	"EXTENSION: Claims management services for 1 month (Sept 08) Paragraph 53 read with 36 of SCM"			
AWARDED TO	Faranani Risk Solutions (Pty) Ltd			
AMOUNT	R 128,669.40			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-PS 34-2008(T)			
DESCRIPTION	"DISPENSING: Supply, delivery and off-loading of Morphorapid Process devices for fingerprint identification "			
AWARDED TO	"Sagem Defence Security South Africa (Pty) Ltd"			
AMOUNT	R 515,872.80			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 22-2008(T)			
DESCRIPTION	"Appointment for consultants for the completion of the development of Tsakane Stadium complex Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	"Letsopa Project Managers and Consulting Engineers"			
AMOUNT	R 7,894,325.72			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-HD 33-2008(T)			
DESCRIPTION	"Installation of water and sewer connections to 905 stands and to decommission the old water and sewer reticulation in the northern and southern regions of Etwatwa Ext 9 Paragraph 36(1)(a)(v) of scm"			
AWARDED TO	VIP Consulting Engineers (Pty) Ltd			
AMOUNT	R 296,080.35			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-HD 33-2008(T)			
DESCRIPTION	"Installation of water and sewer connections to 905 stands and to decommission the old water and sewer reticulation in the northern and southern regions of Etwatwa Ext 9 Paragraph 36(1)(a)(v) of scm"			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
AWARDED TO	Mkwanazi Construction (Pty) Ltd			
AMOUNT	R 1,944,512.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-HD 33-2008(T)			
DESCRIPTION	"Installation of water and sewer connections to 905 stands and to decommission the old water and sewer reticulation in the northern and southern regions of Etwatwa Ext 9 Paragraph 36(1)(a)(v) of scm"			
AWARDED TO	JTI Civils			
AMOUNT	R 1,006,129.16			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-ED 66-2008(T)			
DESCRIPTION	"DISPENSING: Appointment of a transaction advisory consultant for the sale of verified emission reductions for the landfill gas recovery CDM Project Germiston, Brakpan & Springs Paragraph 36(1)(a)(V) of SCM"			
AWARDED TO	Palmer Development Group (Pty) Ltd			
AMOUNT	R 240,000.00			
SECTION	36(1)(a)(
COUNCIL ITEM NR	C-IS 217-2008(T)			
DESCRIPTION	"DISPENSING: Adjustment of professional fees Paragraph 36(1)(a)(V) of SCM"			
AWARDED TO	"ITS Traffic Transportation and Civil Engineering (pty) Ltd"			
AMOUNT	R 218,887.08			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-CD 05-2008			
DESCRIPTION	"DISPENSING: Establishing and fixing of permanent Levelled survey Ground Control Monuments/Beacons Paragraph 36 of SCM "			
AWARDED TO	Omnistar (Pty) Ltd			
AMOUNT	R 162,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-F 34-2008(T)			
DESCRIPTION	"DEVIATION: Supply and delivery of petrol and automotive diesel for the period 1 Feb 2009 - 30 June 2009 Paragraph 36 of SCM"			
AWARDED TO	Econ Oil and Energy (Pty) Ltd			
AMOUNT	R 24,000,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-PS 37-2008(T)			
DESCRIPTION	"DISPENSING: Purchase of 15 eye testing machines for the licensing division Paragraph 36(1)(a)(V) of SCM"			
AWARDED TO	GENOP Holdings (Pty) Ltd			
AMOUNT	R 397,500.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 230-2008			
DESCRIPTION	"DISPENSING: Electrical reticulation - Winnie Mandela Park Paragraph 36 of SCM"			
AWARDED TO	Mandlakazi Electrical Technologies (Pty) Ltd			
AMOUNT	R 29,270,427.69			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR				
DESCRIPTION	"Appointment of professional consortium of consultants Pricewaterhousecoopers INC Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Pricewaterhousecoopers INC			
AMOUNT	R 1,900,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR				
DESCRIPTION	"DISPENSING: Local and remote serving of summonses in terms of the criminal procedure act 1977 (Act 51 of 1077) and execution of warrants of arrest for EMM - on a month to month basis for a period not exceeding 6 months Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Moving Violations Systems Phumelelo (Pty) Ltd			
AMOUNT	R 2,520,000.00			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-PS 01-2009(T)			
DESCRIPTION	"DISPENSING: Procurement of fleet mapping and programming of radio equipment for the two way radios installed in the EMPD vehicles to share with the SAPS Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Altech Alcom Matoma (Pty) Ltd			
AMOUNT	R 76,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-F 01-2009(T)			
DESCRIPTION	"DISPENSING: Appointment of a suitably qualified service provider for various activities linked to the process of implementation of the Municipal Property Rates Act No 6 of 2004 Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	eValuations Enhanced Property Appraisals (Pty) Ltd			
AMOUNT	R 3,402,500.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-COM 02-2009(T)			
DESCRIPTION	"DISPENSING: Appointment of various media companies for the annual Business Week 17-20 Feb 2009 Germiston Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Various			
AMOUNT	R 637,123.71			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-COM 01-2009(T)			
DESCRIPTION	"DISPENSING: Placements of advertisements, editorials and advertorials in the print and electronic media Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Various			
AMOUNT	R 1,500,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-ED 05-2009(T)			
DESCRIPTION	"DISPENSING: Appointment of a contractor to operate and maintain the Platkop Waste Site Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Phambili Wasteman CC			
AMOUNT	R 2,400,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-ED 06-2009(T)			
DESCRIPTION	"DISPENSING: Appointment of a contractor to operate and maintain the Rietfontein Waste Site Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Sungu Sungu Projects CC			
AMOUNT	R 2,600,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-ED 11-2009(T)			
DESCRIPTION	"DISPENSING: Appointment of consultants to render further professional services for the development of the Leeupan Regional Park, including the environmental education and cultural narrative centre and the OR Thabo Memorial Precinct at the Tamboville cemetery Paragraph 36(1)(a)(v)"			
AWARDED TO	SFC/NLA Joint Venture			
AMOUNT	R 7,288,990.25			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 32-2009(T)			
DESCRIPTION	"DISPENSING: Adjustment of contract prices: upgrading of sewerage system Sethokga Hostel: Appointment of consulting engineers Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Africon (Pty) Ltd			
AMOUNT	R 334,726.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-ED 16-2009(T)			
DESCRIPTION	"DISPENSING: Manage and maintain the mini garden sites and waste transfer facilities from 1 April 2009 - 30 June 2009 Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Various			
AMOUNT	R 7,633,120.00			
SECTION	36(1)(a)(v)			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

COUNCIL ITEM NR	
DESCRIPTION	"DISPENSING: Purchase of the outstanding modules of infrastructure management query system software (IMQS); OUTSTANDING MODULES"
AWARDED TO	"IMQS TO BE NOTED APPROVED ALREADY"
AMOUNT	R 11,544,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	
DESCRIPTION	"DISPENSING: Purchase of the outstanding modules of infrastructure management query system software (IMQS) GRAP requirements
AWARDED TO	"IMQS TO BE NOTED APPROVED ALREADY"
AMOUNT	R 8,340,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	
DESCRIPTION	"DISPENSING: Purchase of the outstanding modules of infrastructure management query system software (IMQS) MAINTENANCE"
AWARDED TO	"IMQS TO BE NOTED APPROVED ALREADY"
AMOUNT	R 4,287,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-PS 03-2009(T)
DESCRIPTION	"DISPENSING: Repairs and maintenance of emergency radio telecommunications system for disaster management communications until 30 June 2011"
AWARDED TO	Coltron (Pty) Ltd
AMOUNT	R 757,666.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-ICT 01-2008(T)
DESCRIPTION	"CONDONEMENT: Least cost routing services rendered and to obtain approval for payment of sucj services Paragraph 36(1)(a)(v) and 36(1)(b) of the SCM
AWARDED TO	Dial Electronics (Pty) Ltd
AMOUNT	R 9,240,182.66
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-COM 04-2009(T)
DESCRIPTION	"DISPENSING: Manufacturing, printing, fitting and maintenance of the welcome signage. Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	Letsema Marketing Strategies (Pty) Ltd
AMOUNT	R 716,000.00
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 44-2009(T)
DESCRIPTION	"Condonement of additional supervision and disbursements Construction of the Dan Nkabinde Bridge in Tembisa Paragraph 36(1)(a)(v) of SCM"
AWARDED TO	Africon Engineering International
AMOUNT	R 468,659.65
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 24-2009(T)
DESCRIPTION	DEVIATION: Renovations at the office of the Executive Mayor Phase 1-2
AWARDED TO	Bay Tower Properties 247 CC
AMOUNT	R 271,929.82
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 49-2009(T)
DESCRIPTION	"DISPENSING: Appointment of a consulting engineer for the investigation of and repair work , supervision to the Nigel Municpal Offices Paragraph 36(1)(a)(i)(v) of SCM"
AWARDED TO	"Anderson Bogt Consulting a division of Engineering Design and Training Corp CC (EDT/AT)"
AMOUNT	R 125,533.13
SECTION	36(1)(a)(v)
COUNCIL ITEM NR	C-IS 50-2009(T)
DESCRIPTION	"DISPENSING: Rehabilitation of a sinkhole at Stand 1063 and 1064 Njakata Crescent Vosloorus Ext 2

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
	Paragraph 36(10(a)(i)&(v) of the SCM"			
AWARDED TO	KBO Projekte			
AMOUNT	R 384,860.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-COM 05-2009(T)			
DESCRIPTION	"DEVIATION: Placement of advertisements, editorials and advertorials in the print and electronic media"			
AWARDED TO	Not in item			
AMOUNT	R Not in item			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Birchwood Hotel			
AMOUNT	R 262,045.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 77-2009 (T)			
DESCRIPTION	"Replacement of a 20 MVA transformer with a 40 MVA transformer at Albertsdal Intake Sub station and acceptance of ESKOM'S budget quotation Paragraph 36(1)(a)(v) of the SCM"			
AWARDED TO	ESKOM HOLDINGS LIMITED			
AMOUNT	R 13,160,628.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-HD 02-2009(T)			
DESCRIPTION	"DEVIATION: Condonement of the appointment of the present contractor for the construction of water and sewer network systems and toilet structures for additional 268 stands in Mogoba Village(Etswatwa Ext 37) Paragraph 36(1)(a)(v) & (b) of SCM"			
AWARDED TO	Mkwanazi Construction (Pty) Ltd			
AMOUNT	R 4,123,488.59			
SECTION	36(1)(a)(v) & (b)			
COUNCIL ITEM NR	C-IS 78-2008(T)			
DESCRIPTION	"CONDONATION: Maintenance of the onboard computers/fuel management system Paragraph 36(1)(a)(v) of SCM"			
AWARDED TO	Akofang Fleet Management			
AMOUNT	R 982,740.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-IS 128-2008(T)			
DESCRIPTION	"DEVIATION: MINOR BREACH: Request ratification of payment of contractors for work done Paragraph 36(1)(b) of SCM"			
AWARDED TO	Various			
AMOUNT	R 1,422,891.48			
SECTION	36(1)(b)			
COUNCIL ITEM NR	C-ED 55-2008(T)			
DESCRIPTION	"Condonation of excess expenditure for the provision of casual labour to ensure sustainable waste removal services in the northern region Paragraph 36(1)"			
AWARDED TO	Data Force Ya Bantu Trading CC			
AMOUNT	R 208,415.18			
SECTION	36(1)(b)			
COUNCIL ITEM NR	C-ED 55-2008(T)			
DESCRIPTION	"Condonation of excess expenditure for the provision of casual labour to ensure sustainable waste removal services in the northern region Paragraph 36(1)"			
AWARDED TO	Data Force Ya Bantu Trading CC			
AMOUNT	R 208,415.18			
SECTION	36(1)(b)			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

COUNCIL ITEM NR	C-IS 232-2008(T)
DESCRIPTION	"DEVIATION: Breaches of procurement process Paragraph 36(1)(b) of SCM"
AWARDED TO	Various
AMOUNT	R 806,081.03
SECTION	36(1)(b)
COUNCIL ITEM NR	C-F 04-2009(T)
DESCRIPTION	"DISPENSING: Lease amounts of the lease vichles leased by Kempton Park Paragraph 36(1)(b) of SCM"
AWARDED TO	ABSA Vechicle Management Solutions
AMOUNT	R 1,200,000.00
SECTION	36(1)(b)
COUNCIL ITEM NR	C-SR 03-2009(T)
DESCRIPTION	"CONDONATION: Appointment of Rennies Travel - Isando for travel and accomodation services for international artists participating in the OR Thambo Festival of Diversity and approval of grant payment of R200,000 for Sound Corporation Paragraph 36(1)(b) of SCM"
AWARDED TO	Rennies Travel (Pty) Ltd
AMOUNT	R 591,398.48
SECTION	36(1)(b)
COUNCIL ITEM NR	C-SP 01-2009(T)
DESCRIPTION	"DEVIATION: Condonement of the appointment of TSE Matchworld and TS Records for sourcing of goods for Soccerex: 500 days countdown and advertising Paragraph 36(1)(b) of SCM"
AWARDED TO	TS Records
AMOUNT	R 623,036.00
SECTION	36(1)(b)
COUNCIL ITEM NR	C-SP 01-2009(T)
DESCRIPTION	"DEVIATION: Condonement of the appointment of TSE Matchworld and TS Records for sourcing of goods for Soccerex: 500 days countdown and advertising Paragraph 36(1)(b) of SCM"
AWARDED T	TSE/Matchworld JV
AMOUNT	R 216,279.00
SECTION	36(1)(b)
COUNCIL ITEM NR	C-IS 57-2009(T)
DESCRIPTION	"CONCONEMENT: Purchase of vehicles additional extras and to obtain approval for the payent of such ectras Paragrap 36(1)(b) of SCM"
AWARDED TO	
AMOUNT	R 19,667,294.92
SECTION	36(1)(b)
COUNCIL ITEM NR	C-IS 65-2009 (T)
DESCRIPTION	"CONDONEMENT: Payment of consultants for work done PARAGRAPH 36(1)(B) OF SCM"
AWARDED TO	CivEc Civil Engineering Consutlatns CC
AMOUNT	R 656,640.00
SECTION	36(1)(b)
COUNCIL ITEM NR	C-ED 38-2009(T)
DESCRIPTION	"CONDONATION: Appointmnet of a service provider to host a conference on environmental health Paragraph 36(1)(b) of SCM"
AWARDED TO	Emperors Palace
AMOUNT	R 512,380.00
SECTION	36(1)(b)
COUNCIL ITEM NR	C-ICT 18-2008(T)
DESCRIPTION	"DISPENSING: Renewal of Oracle Software Paragraph 36()(a)(v)"
AWARDED TO	Oracle Coproration South Africa (Pty) Ltd
AMOUNT	R 2,213,324.61
SECTION	36(a)(a)(ii) & (v)
COUNCIL ITEM NR	C-IS 200-2008(T)
DESCRIPTION	"EXTENSION: Development of an electronic emission inventory Paragraph 53 & 53 of SCM"
AWARDED TO	Gondwana Environmental Solutions (Pty) Ltd
AMOUNT	R 114,435.00
SECTION	53 & 36

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

COUNCIL ITEM NR	C-ED 50-2008(T)
DESCRIPTION	"EXTENSION: Operation and maintenance of the Rietfontein Waste Site on a month to month basis for max period of 5 months: Sept 08 - Jan 09 Paragraph 53 and 36 of SCM"
AWARDED TO	Sungu-Sungu Projects CC
AMOUNT	R 2,391,568.00
SECTION	53 & 36
COUNCIL ITEM NR	C-ED 24-2009(T)C-ED 24-2009(T)
DESCRIPTION	"EXTENSION: Removal and clenaing and/or rehabilitation of illegally dumped non-toxic, non-objectionalbe solid waste and rubble until 30 June 2009 Paragraph 53(1) read with 36 of SCM"
AWARDED TO	U4ME Construction and Transport Services
AMOUNT	R 3,504,590.00
SECTION	53 & 36
COUNCIL ITEM NR	C-ED 04-2009(T)
DESCRIPTION	"EXTENSION: Operations, maintenance and associated works at the Simmer & Jack waste disposal site Paragraph 53 read with 36 of SCM"
AWARDED TO	Kutu Waste Management Service (Pty) Ltd
AMOUNT	R 3,000,000.00
SECTION	53 read with 36
COUNCIL ITEM NR	C-IS 199-2008(T)
DESCRIPTION	"EXTENSION: Appointment of consulting engineers to compile a master plan for electrical networks Paragrapsh 53 of SCM"
AWARDED TO	NETGroup South Africa (Pty) Ltd
AMOUNT	R 602,840.00
SECTION	53(1) & 36
COUNCIL ITEM NR	C-HD 05-2009(T)
DESCRIPTION	"EXTENSION: Appointment of a service provider for the development and implementation of a software package for an electronic property management system for Rental housing stock Paragraph 53(1)(b)"
AWARDED TO	Xpedia Applications (Pty) Ltd
AMOUNT	R 169,200.00
SECTION	53(1)(b)
COUNCIL ITEM NR	C-CL 05-2008(T)
DESCRIPTION	Extension: Archive system
AWARDED TO	Stattafor Archives Services
AMOUNT	R 1,700,000.00
SECTION	53(1)(b) and 36(1)(a)(v)
COUNCIL ITEM NR	C-IS 106-2008(T)
DESCRIPTION	"EXTESION: Repair and maintenance of medium/high voltage power cables - month-month max of 3 months Paragraph 53(2) and 36"
AWARDED TO	"Ukubona Electrical Cable Construction CC"
AMOUNT	R 3,526,270.00
SECTION	53(2) & 36
COUNCIL ITEM NR	C-ED 72-2008(T)
DESCRIPTION	"EXTENSION: Rendering of comprehensive refuse removal services Paragprh 53 SCM "
AWARDED TO	Various
AMOUNT	R 8,376,471.30
SECTION	53(2)(b)
COUNCL ITEM NR	C-PS 18-2009(T)
DESCRIPTION	"EXTENSION: A-PS 02/2007: Supply and rendering of security services (armed/unarmed officers without dogs) FOR 6 MONTHS Paragraph 53(2)(b) of SCM"
AWARDED TO	Various
AMOUNT	R 31,902,222.00
SECTION	53(2)(b)
COUNCIL ITEM NR	C-HD 17-2009(T)
DESCRIPTION	"EXTENSION: HO 10/2007 Construction of water and sewer network systems and toilet structures for an

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	2009	2008	2009	2008
60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
	additional 112 stands in Moeleleki Ext 1 and 2 Germiston Paragraph 53(2)(b) of SCM"			
AWARDED TO	Lucmer Construction CC			
AMOUNT	R 2,760,239.00			
SECTION	53(2)(b)			
COUNCIL ITEM NR	C-IS 221-2008(T)			
DESCRIPTION	"EXTENSION: Professional engineering services for the maintenance and rehabilitation of roads for a maximum period of three months Paragraph 53(2)(b) of SCM"			
AWARDED TO	"Tsela Tswheu Consulting Engineers (Pty) Ltd Hlanganani Engineers & Porject Managers (Pty) Ltd Apahne/Inroads/Jeffares & Green JV"			
AMOUNT	R 6,000,000.00			
SECTION	53(2)(b) & 36			
COUNCIL ITEM NR	C-ED 69-2008(T)			
DESCRIPTION	"EXTENSION: Management ond maintenance of mini garden sites month-to-month maximum of 5 months Paragraph 53 and 36 of SCM"			
AWARDED TO	Various			
AMOUNT	R 4,242,120.00			
SECTION	53(2)(b) & 36			
COUNCIL ITEM NR	C-IS 25-2009(T)			
DESCRIPTION	"EXTENSION: ""Combined Private Investigations"" on a month-to-month basis until 31 March 2009 Paragpah 53(2)(b) and 36 of SCM"			
AWARDED TO	Combined Private Investigations CC			
AMOUNT	R 390,224.00			
SECTION	53(2)(B) AND 36			
COUNCIL ITEM NR	C-SR 10-2009(T)			
DESCRIPTION	"EXTENSION: Supply, delivery, installation and maintenance of mobile library bus bodies - as and when until 30 June 2011 Paragraph 53(2)(a)(c)& 36 of SCM"			
AWARDED TO	Nu-Psyc Marketing CC			
AMOUNT	R 802,000.00			
SECTION	53(2)(c)			
COUNCIL ITEM NR	C-HD 13-2009(T)			
DESCRIPTION	"EXTENSION: Transportation of school children from the Tsakane Emergency Housing area to nearby schools Paragraph 53(2)(c) of SCM"			
AWARDED TO	Brakpan Bus Company			
AMOUNT	R 503,936.00			
SECTION	53(2)(c)			
COUNCIL ITEM NR	C-HD 12/2009(T)			
DESCRIPTION	"EXTENSION: Appointment of an engineers and a contractor for the design and construction of water and sewer network systems for 318 stands in Mayfield Ext 11 - constuction of toilets Paragraph 53(2)(a)(c)& 36 of SCM"			
AWARDED TO	Magago Engineering CC / Primat Construction JV			
AMOUNT	R 1,230,660.00			
SECTION	53(2)(c)			
Additional tex				
COUNCIL ITEM NR	C-IS 102-2008(T)			
DESCRIPTION	"Extension: Resurfacing of existing and surfacing of new roads in 3 regions as and when for 3 months - only 1 month approved Paragraph 53 & 36 of SCM"			
AWARDED TO	Road Mac Surfacing (Pty) Ltd			
AMOUNT	R 21,000,000.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-ED 52-2008(T)			
DESCRIPTION	"EXTENSION: Management and maintenance of the mini garden sites: Benoni Paragraph 53(2)(c) and 36"			
AWARDED TO	T.C. Zabane Business Services			
AMONUT	R 1,851,984.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-ED 52-2008(T)			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
DESCRIPTION	"EXTENSION: Management and maintenance of the mini garden sites: Brakpan Paragraph 53(2)(c) and 36"			
AWARDED TO	Miya Mdluli Investments CC			
AMOUNT	R 2,051,280.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-ED 52-2008(T)			
DESCRIPTION	"EXTENSION: Management and maintenance of the mini garden sites: Germiston Paragraph 53(2)(c) and 36"			
AWARDED TO	T.C. Zabane Business Services			
AMOUNT	R 1,507,968.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-ED 52-2008(T)			
DESCRIPTION	"EXTENSION: Management and maintenance of the mini garden sites: Alberton Paragraph 53(2)(c) and 36"			
AWARDED TO	T.C. Zabane Business Services			
AMOUNT	R 1,510,776.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-ED 52-2008(T)			
DESCRIPTION	"EXTENSION: Management and maintenance of the mini garden sites: Nigel Paragraph 53(2)(c) and 36"			
AWARDED TO	T.C. Zabane Business Services			
AMOUNT	R 980,424.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-ED 27-2009(T)			
DESCRIPTION	"EXTENSION: Construction of waste cell 6 and associated works at the Weltevreden Landfill Site Paragraph 53(2)(a)(c) & 36 of SCM"			
AWARDED TO	Fountain Civil Engineering (Pty) Ltd			
AMOUNT	R 5,485,000.00			
SECTION	53(2)(c) & 36			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Sound Right Studion			
AMOUNT	R 64,980.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	C. Madumo Projects			
AMOUNT	R 67,374.00			
SECTION	36(1)(a)(v)36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Fortune Mncunu			
AMOUNT	R 5,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	N. Phooko			
AMOUNT	R 5,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Music Academy of Gauteng			
AMOUNT	R 176,500.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			

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60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	African Music Bombers			
AMOUNT	R 15,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Brenda N. Khanyezi			
AMOUNT	R 8,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	V. Kheswa			
AMOUNT	R 3,500.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Professor Pitika Ntuli			
AMOUNT	R 15,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 11-2009(T)			
DESCRIPTION	"DEVIATION: AFRIKA DAY CELEBRATIONS GALA DINNER: 26th JUNE 2009: BIRCHWOOD HOTEL PARAGRAPH 36(1)(a)(v) OF THE SCM."			
AWARDED TO	Nkwenkwe Nkomo			
AMOUNT	R 12,000.00			
SECTION	36(1)(a)(v)			
COUNCIL ITEM NR	C-SR 15-2008(T)			
DESCRIPTION	"Supply, delivery and off-loading of periodicals at all the library servicedelivery points - as and when Until 30 June 2009"			
AWARDED TO	Argo Publications CC			
AMOUNT	R 221,845.30			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-F 16-2008(T)			
DESCRIPTION	"Appointment of an consultant to determine the value of the shares of Rand Airport Holdings (Pty) Ltd and Rand Airport Management Co (Pty) Ltd held by Ekurhuleni"			
AWARDED TO	Sizwe Ntsaluba VSP (Pty) Ltd			
AMOUNT	R 250,000.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-HSD 11-2008(T)			
DESCRIPTION	"Collection, washing, ironing and folding of soiled linen for and delivery thereofback to primary health care facilities - as and when until 30 June 2010"			
AWARDED TO	"Barongwa Textile Care Cleaning & Hygiene Service t/a The Laundry Spot (Pty) Ltd"			
AMOUNT	R 465,856.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-HD 15-2008(T)			
DESCRIPTION	"Provision of cleaning and garden services at Tokoza Mews Flats, Eden MewsFlats and Tokoza Hostel Nr 2 from 1 Oct 08 - 30 Sept 2010"			
AWARDED TO	Lebala La Basadi Property Services CC			
AMOUNT	R 599,760.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-HD 16-2008(T)			
DESCRIPTION	Provision of cleaning and garden services at Andries Scribante Flats, Rome Place Flats and Down Town Flats from 1 Oct 08 - 30 Sept 2010			
AWARDED TO	Umodizi Business Enterprise CC			

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	2009	2008	2009	2008
60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)				
AMOUNT	R 226,800.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-HD 17-2008(T)			
DESCRIPTION	"Provision of cleaning and garden services at Clover, Park President Pieter Faber, Police Barracks, Selcast, Masisulu, Nguni and Sotho Hostels 1 Oct 2008- 30 Sept 2010"			
AWARDED TO	Maburwane Business Enterprise CC			
AMOUNT	R 756,000.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-F 22-2008(T)			
DESCRIPTION	"Cleaning services for the finance building at 68 Woburn Av Benoni until 31 Jan 2010"			
AWARDED TO	LMM Trading and Development CC			
AMOUNT	R 309,000.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-IS 98-2008(T)			
DESCRIPTION	"Appointment of consultants or consortium to assist with the formulation of a comprehensive plan to outline the operational - and financial impact of proposed extension/expansion of the municipal bus service"			
AWARDED TO	"Transprot & Economic Support Services (Pty) Ltd"			
AMOUNT	R 350,800.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-ED 60-2008(T)			
DESCRIPTION	"The appointment of consulting teams for the rendering of full professional services to upgrade and beautify existing cemeteries in the East"			
AWARDED TO	Makgaleng Projects Infrastructure Consultants CC			
AMOUNT	R 266,440.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-ED 63-2008(T)			
DESCRIPTION	"The appointment of consulting teams for the rendering of full professional services to upgrade muslim sections in various cemeteries in the East and South"			
AWARDED TO	"Amro Design Studios (Pty) Ltd J&V Red landscape Architects (Pty) Ltd"			
AMOUNT TO SECTION	R 181,210.98			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-ED 58-2008(T)			
DESCRIPTION	"Appointment of consulting teams for the rendering of full professional services to audit and upgrade existing southern cemeteries"			
AWARDED TO	Makgaleng Projects Infrastructure Consultants CC			
AMOUNT	R 541,180.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-ED 59-2008(T)			
DESCRIPTION	"Appointment of landscape architects and consulting teams for the rendering of full professional services for the upgrading and further development of the Kormans Bird Sanctuary - including the Aubrey Ritz Park"			
AWARDED TO	Amro Designs Studios (Pty) Ltd			
AMOUNT	R 288,739.50			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-ED 64-2008(T)			
DESCRIPTION	"Appointment of landscape architects and consulting teams for the rendering of full professional services for the upgrading, development and construction of the Blesbokspruit Conservation Area"			
AWARDED TO	Amro Design Studios (Pty) Ltd			
AMOUNT	R 405,873.00			
SECTION	DELEGATED POWERS			
COUNCIL ITEM NR	C-ED 65-2008(T)			
DESCRIPTION	"Appointment of landscape architects and consulting teams for the rendering of full professional services for the upgrading of Jackson Dam"			
AWARDED TO	Amro Design Studios (Pty) Ltd			
AMOUNT	R 223,575.00			
SECTION	DELEGATED POWERS			

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	2009	2008	2009	2008

60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

COUNCIL ITEM NR	C-PS 39-2008(T)
DESCRIPTION	"Supply and rendering of hygiene services for licensing services premises until 30 June 2011"
AWARDED TO	Rentokil Initial (Pty) Ltd
AMOUNT	R 717,363.87
SECTION	DELEGATED POWERS
COUNCIL ITEM NR	C-ED 09-2009(T)
DESCRIPTION	"Appointment of a consultant for the monitoring of landfill gas and installation of gas monitoring probes at all waste disposal sites - as and when 1 April 09 - 30 June 11"
AWARDED TO	Envitech Solutions (Pty) Ltd
AMOUNT	R 472,340.00
SECTION	DELEGATED POWERS
COUNCIL ITEM NR	C-SR 05-2009(T)
DESCRIPTION	"The waterproofing and painting of concrete terraces and roof slabs of Edenvale Library"
AWARDED TO	Zabalaza General Business Enterprises CC
AMOUNT	R 295,695.00
SECTION	DELEGATED POWERS
COUNCIL ITEM NR	C-IS 26-2009(T)
DESCRIPTION	"Appointment of a consultant or research organization to execute a study on light emitting diode (LED) street lighting technology 1 April No dept representation"
AWARDED TO	Motla Engineering (Pty) Ltd
AMOUNT	R 489,390.35
SECTION	DELEGATED POWERS
COUNCIL ITEM NR	C-HD 30-2007(T)
DESCRIPTION	"Additional contingencies to and condonation of the Tswelopele Ext 8 essential services project taken over from Gauteng Department of Housing for unforeseen events/circumstances"
AWARDED TO	Vince Homes CC
AMOUNT	R 637,600.00
SECTION	EXPEDITED
COUNCIL ITEM NR	C-IS 124-2008(T)
DESCRIPTION	Maintenance and rehabilitation of roads in 3 separate regions for 1 year
AWARDED TO	Road Mac Surfacing (Pty) Ltd
AMOUNT	R 60,000,000.00
SECTION	EXPEDITED
COUNCIL ITEM NR	C-IS 112-2008(T)
DESCRIPTION	"Construction of stormwater channel and related drainage structures south of Eastgate Shopping Centre: Bedfordview Re-instate full scope of work"
AWARDED TO	Monene Construction CC
AMOUNT	R 1,424,500.00
SECTION	"EXPEDITED PROCESS"

Controlled Entities

Ekurhuleni Development Company

A Laptop, some stationary and a telephone savings contract were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Lethabong Housing Institute

None

Pharoe Park Housing Company

Lawyers were instructed on a case by case basis to improve credit control were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Germiston Phase II Housing Company

AMMM attorneys was appointed on a case by case basis during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were

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	2009	2008	2009	2008

60. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Brakpan Bus Company

None

East Rand Water Care Company

Maintenance of mechanical equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and will be reported to the board of directors.

61. UNACCOUNTED ELECTRICITY AND WATER

The unaccounted electricity and water are as follows:

Electricity

	2008/2009		2007/2008	
	Units	Value	Units	Value
Units purchased	10,826,701,444.10	2,842,924,008.00	11,132,977,337	2,131,425,604.19
Units sold	<u>10,706,131,100.10</u>	<u>2,811,264,104.25</u>	<u>10,697,252,769</u>	<u>2,048,005,466.66</u>
Units lost	120,570,344.00	31,659,903.75	435,724,568	83,420,137.53
Units lost %	1.13%	1.13%	3.91%	3.91%

Water

	2008/2009		2007/2008	
	Units	Value	Units	Value
Units on hand 1 July	2,635,000.00	8,088,939.39	2,554,000	7,502,786.19
Units purchased	<u>329,424,656.00</u>	<u>1,071,193,464.97</u>	<u>317,987,206</u>	<u>976,311,988.92</u>
	332,059,656.00	1,079,282,404.36	320,541,206	983,814,775.11
Units on hand 30 June	<u>2,720,000.00</u>	<u>8,834,016.00</u>	<u>2,635,000</u>	<u>8,088,939.39</u>
Units for sale	329,339,656.00	1,070,448,388.36	317,906,206	975,725,835.72
Units sold	<u>226,261,533.80</u>	<u>735,736,903.62</u>	<u>269,535,594</u>	<u>827,551,633.83</u>
Units lost	103,078,122.20	334,711,484.74	48,370,612	148,174,201.89
Units lost %	31.29%	31.25%	15.21%	15.18%

62. ADDITIONAL NOTE

Ekurhuleni Metropolitan Municipality Group

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Appendix A: Schedule of external loans

APPENDIX A

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

Loan Number	Redeemable	Balance at 30 June 2008	Received during the period	Redeemed written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
LONG-TERM LOANS							
Stock Loan @ 14.4%	88	2008/12/31	5,000,000	-	5,000,000	-	-
Stock Loan @ 10%	53	2008/12/31	8,000	-	8,000	-	-
Stock Loan @ 10%	56	2008/12/31	25,000	-	25,000	-	-
Stock Loan @ 10%	57	2008/12/31	6,000	-	6,000	-	-
Stock Loan @ 10%	59	2008/12/31	15,000	-	15,000	-	-
Stock Loan @ 10%	60	2009/06/30	15,000	-	15,000	-	-
Stock Loan @ 10%	61	2009/06/30	7,300	-	7,300	-	-
Stock Loan @ 10%	62	2009/06/30	6,500	-	6,500	-	-
Stock Loan @ 10%	63	2009/06/30	1,000	-	1,000	-	-
Stock Loan @ 10%	64	2009/06/30	20,000	-	-	20,000	-
Stock Loan @ 10%	66	2009/09/30	18,000	-	-	18,000	-
Stock Loan @ 10%	67	2010/09/30	10,000	-	-	10,000	-
Stock Loan @ 10%	68	2011/12/31	5,000	-	-	5,000	-
Stock Loan @ 10%	69	2011/03/31	45,000	-	-	45,000	-
Stock Loan @ 10%	70	2011/03/31	10,000	-	-	10,000	-
Stock Loan @ 15.8%	405	2011/06/30	29,000,000	-	-	29,000,000	-
Stock Loan @ 16.3	75	2011/06/30	25,000,000	-	-	25,000,000	-
Stock Loan @ 16.5%	76	2011/06/30	2,400,000	-	-	2,400,000	-
Stock Loan @ 16.5%	77	2011/06/30	73,319,100	-	-	73,319,100	-
Stock Loan @ 10%	73	2011/06/30	32,000	-	-	32,000	-
Stock Loan @ 15.8%	96	2011/06/30	31,000,000	-	-	31,000,000	-
Stock Loan @ 15.65%	2	2011/06/30	50,000,000	-	-	50,000,000	-
Stock Loan @ 16.7%	97	2011/06/30	22,004,587	-	-	22,004,587	-
Stock Loan @ 10%	74	2011/09/30	14,333	-	-	14,333	-
Stock Loan @ 10%	75	2011/12/31	60,000	-	-	60,000	-
Stock Loan @ 10%	77	2012/06/30	5,257	-	-	5,257	-
Stock Loan @ 10%	78	2012/06/30	9,000	-	-	9,000	-
Stock Loan @ 10%	81	2013/03/31	10,000	-	-	10,000	-
Stock Loan @ 10%	80	2013/06/30	1,190	-	-	1,190	-
Stock Loan @ 10%	82	2013/06/30	18,733	-	-	18,733	-
Stock Loan @ 10%	83	2013/06/30	20,000	-	-	20,000	-
Stock Loan @ 10%	84	2013/06/30	5,000	-	-	5,000	-
Stock Loan @ 10%	87	2013/09/30	13,333	-	-	13,333	-
Stock Loan @ 10%	89	2013/12/31	7,000	-	-	7,000	-
Stock Loan @ 14.2%	26	2014/11/30	32,620,000	-	-	32,620,000	-
Stock Loan @ 10%	91	2014/09/30	69,000	-	-	69,000	-
Stock Loan @ 10%	92	2014/12/31	26,667	-	-	26,667	-
Stock Loan @ 10%	93	2014/12/31	16,667	-	-	16,667	-
Stock Loan @ 10%	94	2015/06/30	4,166	-	-	4,166	-
Stock Loan @ 10%	95	2015/06/30	20,000	-	-	20,000	-

APPENDIX A

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

Loan Number	Redeemable	Balance at 30 June 2008	Received during the period	Redeemed written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
		270,867,833	-	5,083,800	265,784,033	-	-
STRUCTURED LOANS							
INCA @16.95%	14	2009/02/23	11,000,000	-	11,000,000	-	-
ABSA @ 15.9%	1	2012/12/31	50,000,000	-	-	50,000,000	-
INCA @ 16.5%	13	2011/06/30	19,453,504	-	-	19,453,504	-
INCA @ 12.25%	11	2011/12/31	74,032,167	-	18,111,441	55,920,726	-
DBSA NO 2 @ 12.2%	25	2013/03/31	102,258,979	-	15,920,572	86,338,407	-
DBSA NO 1 @ 13.5%	5	2014/06/30	200,212,544	-	23,495,077	176,717,467	-
ABSA @ 11.99%	2	2014/06/30	400,000,000	-	-	400,000,000	-
NEDBANK @ 10.78%	3	2018/12/24	-	1,100,000,000	77,299,567	1,022,700,433	918,453,346
ABSA @ 11.42% - 12.42%			47,463,453	-	4,119,795	43,343,658	-
INCA @ 10.75%			88,414,780	-	1,829,788	86,584,992	-
DBSA @ 10% - 15%			41,837,503	-	3,098,825	38,738,678	-
Woon Concept @ 5%			100,000	-	50,000	50,000	-
Unsecured loan NHFC @ 7.88%			5,420,745	-	910,628	4,510,117	-
Secured loan NHFC @ 9.5%			6,862,975	-	546,685	6,316,290	-
Secured loan NHFC @ prime less 1%			21,346,445	-	1,499,362	19,847,083	-
		1,068,403,095	1,100,000,000	157,881,740	2,010,521,355	918,453,346	-
FUNDING FACILITY							
		-	-	-	-	-	-

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

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Appendix B: Analysis of property, plant and equipment

Ekurhuleni Metropolitan Municipality Group

APPENDIX B for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009
Historical Cost Accumulated Depreciation and Impairment

	Opening Balance	Additions	Work In Progress	Disposals	Closing Balance	Opening Balance	Additions and Impairments	Disposals	Closing Balance	Carrying Value	Budget Additions
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage											
Monuments	7,944	-	-	-	7,944	-	-	-	-	7,944	
Historical Buildings And Structures	2,496,097	-	-	-	2,496,097	-	-	-	-	2,496,097	
Works of Art	179,325	-	-	-	179,325	-	-	-	-	179,325	
	2,683,366	-	-	-	2,683,366	-	-	-	-	2,683,366	
Land											
Land	1,537,100,586	4,736,889	-	-	1,541,837,475	25,665,584	-	-	25,665,584	1,516,171,891	
	1,537,100,586	4,736,889	-	-	1,541,837,475	25,665,584	-	-	25,665,584	1,516,171,891	
Infrastructure											
Electricity Network	13,224,404,033	90,227,478	287,244,092	-	13,601,875,603	-	615,096,742	-	615,096,742	12,986,778,861	
Water Network	2,632,104,366	191,384,658	103,537,060	31,988,219	2,895,037,865	10,604,194	114,785,554	-	125,389,748	2,769,648,117	
Sanitation Network	2,631,025,637	20,008,919	4,778,216	531,208	2,655,281,564	-	91,411,438	-	91,411,438	2,563,870,126	
Roads and Stormwater Network	15,715,138,762	596,803,200	406,773,822	-	16,718,715,784	-	755,207,469	-	755,207,469	15,963,508,315	
ICT Network	509,772,878	106,726,325	71,572,420	2,683	688,068,940	5,698,051	109,551,424	1,616	115,247,859	572,821,081	
	34,712,445,676	1,005,150,580	873,905,610	32,522,110	36,558,979,756	16,302,245	1,686,052,627	1,616	1,702,353,256	34,856,626,500	

Ekurhuleni Metropolitan Municipality Group

APPENDIX B for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Historical Cost

Accumulated Depreciation and Impairment

	Opening Balance	Additions	Work In Progress	Disposals	Closing Balance	Opening Balance	Additions and Impairments	Disposals	Closing Balance	Carrying Value	Budget Additor
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Community											
Abattoir	213,777	-	-	-	213,777	213,777	-	-	213,777	-	
Airports	11,536,808	-	-	-	11,536,808	6,264,765	439,336	-	6,704,101	4,832,707	
Cemetries/Crematoria	106,384,929	5,161,327	1,325,902	-	112,872,158	45,130,705	5,104,518	-	50,235,223	62,636,935	
Clinics	158,029,223	12,730,620	61,603,576	-	232,363,419	63,932,804	7,854,859	-	71,787,663	160,575,756	
Flats and Hostels	387,000,070	11,863,355	-	-	398,863,425	121,040,009	13,321,578	-	134,361,587	264,501,838	
Halls/Centres	382,335,917	16,333,645	41,500	-	398,711,062	240,884,533	11,789,911	-	252,674,444	146,036,618	
Libraries	93,455,017	1,550,265	5,401,429	-	100,406,711	75,927,401	1,460,634	-	77,388,035	23,018,676	
Market and Stalls	66,407,475	6,469,550	-	-	72,877,025	20,989,438	3,784,837	-	24,774,275	48,102,750	
Museums/Galleries/Theatres	17,020,367	11,721,486	-	-	28,741,853	4,625,410	1,032,913	-	5,658,323	23,083,530	
Parks	109,375,620	21,073,293	7,220,487	-	137,669,400	50,139,323	4,936,357	-	55,075,680	82,593,720	
Public Ablution Facilities	48,665,756	-	-	-	48,665,756	27,287,964	1,781,483	-	29,069,447	19,596,309	
Quarries	903,420	-	-	-	903,420	64,219	69,933	-	134,152	769,268	
Taxi/Bus Terminals	112,700,409	-	-	-	112,700,409	51,358,495	5,112,076	-	56,470,571	56,229,838	
Waste Sites	368,136,032	126,894,314	2,227,078	29,932,469	467,324,955	-	28,154,535	-	28,154,535	439,170,420	
Sport and Recreation Facilities	489,999,799	71,058,909	-	-	561,058,708	311,234,755	14,897,497	-	326,132,252	234,926,456	
	2,352,164,619	284,856,764	77,819,972	29,932,469	2,684,908,886	1,019,093,598	99,740,467	-	1,118,834,065	1,566,074,821	
Other property, plant and equipment											
Animals	73,000	86,316	-	-	159,316	-	-	-	-	159,316	
Computer Equipment	120,475,476	14,278,355	-	3,544,671	131,209,160	67,243,678	5,464,279	3,226,672	69,481,285	61,727,875	
Fire/Ambulance Stations	90,753,156	16,295,003	-	-	107,048,159	57,242,867	2,792,524	-	60,035,391	47,012,768	
Furniture and Fittings	117,896,563	19,385,871	-	743,502	136,538,932	74,059,238	4,013,258	639,967	77,432,529	59,106,403	
Municipal Offices	654,730,228	40,617,238	19,770,253	11,873	715,105,846	315,838,332	28,344,389	9,804	344,172,917	370,932,929	
Office Equipment	39,518,345	9,638,070	-	653,180	48,503,235	30,814,020	1,673,324	651,735	31,835,609	16,667,626	
Plant And Equipment	270,314,945	16,659,560	-	112,976	286,861,529	141,463,437	5,138,696	93,419	146,508,714	140,352,815	
Testing Stations	643,559	-	-	-	643,559	438,236	17,111	-	455,347	188,212	
Vehicles	486,541,546	164,603,975	-	15,223,084	635,922,437	244,074,522	26,542,830	14,874,819	255,742,533	380,179,904	
Workshops/Depots/Stores	237,180,352	2,689,475	3,283,246	7,866	243,145,207	159,910,609	6,440,210	4,344	166,346,475	76,798,732	
	2,018,127,170	284,253,863	23,053,499	20,297,152	2,305,137,380	1,091,084,939	80,426,621	19,500,760	1,152,010,800	1,153,126,580	
Total											
Heritage	2,683,366	-	-	-	2,683,366	-	-	-	-	2,683,366	
Land	1,537,100,586	4,736,889	-	-	1,541,837,475	25,665,584	-	-	25,665,584	1,516,171,891	
Infrastructure	34,712,445,676	1,005,150,580	873,905,610	32,522,110	36,558,979,756	16,302,245	1,686,052,627	1,616	1,702,353,256	34,856,626,500	
Community	2,352,164,619	284,856,764	77,819,972	29,932,469	2,684,908,886	1,019,093,598	99,740,467	-	1,118,834,065	1,566,074,821	
Other property, plant and equipment	2,018,127,170	284,253,863	23,053,499	20,297,152	2,305,137,380	1,091,084,939	80,426,621	19,500,760	1,152,010,800	1,153,126,580	
	40,622,521,417	1,578,998,096	974,779,081	82,751,731	43,093,546,863	2,152,146,366	1,866,219,715	19,502,376	3,998,863,705	39,094,683,158	

Ekurhuleni Metropolitan Municipality Group

APPENDIX B for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Historical Cost					Accumulated Depreciation and Impairment					
Opening Balance	Additions	Work In Progress	Disposals	Closing Balance	Opening Balance	Additions and Impairments	Disposals	Closing Balance	Carrying Value	Budget Additions
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

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Appendix C: Segmental analysis of property, plant and equipment

Ekurhuleni Metropolitan Municipality Group

APPENDIX C for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009
Cost **Accumulated Depreciation**

	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
2010 Office	-	109,225,322	-	-	109,225,322	-	-	-	-	109,225,322
City Development	31,985,733	528,265	-	495,339	32,018,659	7,326,957	2,103,328	474,403	8,955,882	23,062,777
City Manager's Office	6,546,985	942,105	-	870	7,488,220	713,639	534,133	754	1,247,018	6,241,202
Communications and Marketing	2,207,735	207,013	-	610	2,414,138	1,337,153	85,798	610	1,422,341	991,797
Community Safety	64,131,413	101,943,592	1,433,082	1,242,083	166,266,004	25,277,809	8,002,407	1,065,383	32,214,833	134,051,171
Council General	-	3,520,736	-	-	3,520,736	-	-	-	-	3,520,736
Customer Care Centres	11,910,654	18,304,239	18,278,593	11,591	48,481,895	1,087,674	995,232	9,385	2,073,521	46,408,374
Deputy City Manager	-	57,423	-	-	57,423	-	10,431	-	10,431	46,992
Economic development	698,100	10,988,714	-	-	11,686,814	427,005	53,213	-	480,218	11,206,596
Electricity and energy	13,264,164,183	93,676,586	279,612,917	216,516	13,637,237,170	30,477,849	615,981,574	208,395	646,251,028	12,990,986,142
Environmental development	4,399,606	95,195,984	9,227,940	10,936	108,812,594	2,589,339	3,694,610	10,595	6,273,354	102,539,240
Finance	67,637,567	3,452,350	41,500	930,508	70,200,909	31,511,315	3,179,866	874,479	33,816,702	36,384,207
Fleet management	158,529,197	58,975,675	-	-	217,504,872	41,004,380	10,822,780	-	51,827,160	165,677,712
Health	47,987,496	18,801,362	61,662,153	379,877	128,071,134	20,464,291	2,647,739	330,525	22,781,505	105,289,629
Housing	232,351,935	187,266,654	81,244,140	188,640	500,674,089	33,796,069	7,731,630	148,083	41,379,616	459,294,473
Human resources management	9,823,797	1,186,374	-	6,903	11,003,268	6,092,105	390,544	6,885	6,475,764	4,527,504
Information communication technology	511,359,991	108,285,142	71,572,420	273,939	690,943,614	10,961,413	109,379,647	266,574	120,074,486	570,869,128
Integrated development plan	1,212,206	92,182	-	4,387	1,300,001	674,656	54,653	4,387	724,922	575,079
Internal audit	1,542,739	319,032	-	9,066	1,852,705	713,135	111,292	5,544	818,883	1,033,822
Land	1,229,141,551	-	-	-	1,229,141,551	-	-	-	-	1,229,141,551
Legal and administrative services	25,524,546	1,399,203	-	102,046	26,821,703	15,515,174	875,882	96,627	16,294,429	10,527,274
Market	495,515	239,612	-	-	735,127	241,962	21,138	-	263,100	472,027
Political office	2,322,992,022	5,345,173	-	6,550	2,328,330,645	1,486,840,550	69,557,372	5,964	1,556,391,958	771,938,687
Research and development	681,102	125,676	-	45,094	761,684	346,663	36,987	35,965	347,685	413,999
Roads, transport and civil works	16,227,151,072	515,710,441	406,773,822	15,300,115	17,134,335,220	253,135,106	777,103,482	14,929,306	1,015,309,282	16,119,025,938
Solid waste	375,571,358	127,946,850	2,305,065	29,935,846	475,887,427	1,756,684	28,636,860	3,342	30,390,202	445,497,225
Sport, recreation, arts and culture	250,045,395	71,321,169	5,401,429	973,245	325,794,748	48,148,141	17,192,317	942,668	64,397,790	261,396,958
Water and waste water	5,774,429,517	43,941,223	37,226,020	32,617,573	5,822,979,187	131,707,296	207,016,797	82,500	338,641,593	5,484,337,594
	40,622,521,415	1,578,998,097	974,779,081	82,751,734	43,093,546,859	2,152,146,365	1,866,219,712	19,502,374	3,998,863,703	39,094,683,156

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

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Appendix D: Segmental Statement of Financial Performance

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

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

Ekurhuleni Metropolitan Municipality Group

APPENDIX E(1) for the ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

Current year 2008 Bud. Amt	Current year 2008 Act. Bal.	Variance	Explanation of Significant Variances greater than 10% versus Budget
R'000	R'000	R'000	

Revenue
Other income
Expenses

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

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Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

Ekurhuleni Metropolitan Municipality

APPENDIX E(2) for the period ended 30 June 2009
June 2009

**GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2009**

	Additions	Under Construction	Closing Balance	Budget	Variance	Explanation of Significant Variances greater than 5% versus Budget
	Rand	Rand	Rand	Rand	Rand	
Infrastructure						
2010 office	109,225,322	-	109,225,322	110,617,304	(1,391,982)	
City developemnt	528,265	-	528,265	2,627,375	(2,099,110)	
City manager	942,105	-	942,105	3,591,678	(2,649,573)	
Communications and merketing	207,013	-	207,013	644,540	(437,527)	
Community safety	101,943,592	1,433,082	103,376,674	167,738,236	(64,361,562)	
Council general	3,520,736	-	3,520,736	-	3,520,736	
Customer care centres	18,304,239	18,278,593	36,582,832	50,711,309	(14,128,477)	
Deputy city managers	57,423	-	57,423	96,256	(38,833)	
Economic development	10,988,714	-	10,988,714	28,358,348	(17,369,634)	
Electricity and energy	93,676,586	279,612,917	373,289,503	446,547,634	(73,258,131)	
Environmental development	95,195,984	9,227,940	104,423,924	78,662,930	25,760,994	
Finance	3,452,350	41,500	3,493,850	10,933,991	(7,440,141)	
Fleet management	58,975,675	-	58,975,675	16,100,000	42,875,675	
Health	18,801,362	61,662,153	80,463,515	81,473,853	(1,010,338)	
Housing	187,266,654	81,244,140	268,510,794	286,689,285	(18,178,491)	
Human resources	1,186,374	-	1,186,374	3,716,330	(2,529,956)	
Information communication technology	108,285,142	71,572,420	179,857,562	206,915,516	(27,057,954)	
Integrated development planning	92,182	-	92,182	-	92,182	
Internal audit	319,032	-	319,032	1,480,616	(1,161,584)	
Legal and administration services	1,399,203	-	1,399,203	2,412,840	(1,013,637)	
Springs market	239,612	-	239,612	-	239,612	
Political office	5,345,173	-	5,345,173	10,260,368	(4,915,195)	
Organisational performance	125,676	-	125,676	281,111	(155,435)	
IS - Roads and civil works	515,710,441	406,773,822	922,484,263	964,224,119	(41,739,856)	
Solid waste	127,946,850	2,305,065	130,251,915	163,809,991	(33,558,076)	
Sport recreations arts & culture	71,321,169	5,401,429	76,722,598	94,000,261	(17,277,663)	
IS - Water services	43,941,223	37,226,020	81,167,243	81,920,133	(752,890)	
	1,578,998,097	974,779,081	2,553,777,178	2,813,814,024	(260,036,846)	-

Ekurhuleni Metropolitan Municipality

APPENDIX E(2) for the period ended 30 June 2009
June 2009

Additions	Under	Closing	Budget	Variance	Explanation of Significant Variances greater than 5% versus Budget
Rand	Construction	Balance	Rand	Rand	
	Rand	Rand			

Ekurhuleni Metropolitan Municipality Group

Group Annual Financial Statements for the year ended 30 June 2009

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

Ekurhuleni Metropolitan Municipality Group

APPENDIX F for the ended 30 June 2009

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

June 2009

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant condition in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Finance Management Grant	NT	750,000	-	-	-	699,842	1,019,341	502,622	354,719	Yes
Transforamtion Grant	NT	-	-	-	-	-	-	-	-	Yes
Restructuring Grant	NT	-	-	-	-	114,820	1,232,384	34,922	184,624	Yes
LED Grant	DFEA	-	-	-	-	-	-	-	1,500,000	Yes
HIV/AidsGrant	DLG	1,500,000	-	-	3,000,000	788,148	570,572	74,009	644,336	Yes
Indigent Burials	DLG	-	-	-	-	-	-	-	-	Yes
Bontle Ke Botle	GDACE	-	-	-	200,000	20,800	41,648	25,100	7,500	Yes
Environmental & Tourism	GDACE	-	-	-	-	209,645	118,015	133,130	-	Yes
Skills & Development Grant - SETA	LGSETA	2,560,205	-	9,750,314	-	2,560,205	-	9,750,314	-	Yes
Vuna Awards	DPLG	-	-	-	-	-	-	-	-	Yes
Municipal Revenue Enhancement Programme	NT	-	-	-	-	-	-	-	-	Yes
WSDP	DWAF	-	200,000	7,500,000	-	-	1,723,127	2,572,933	1,772,405	Yes
Township Initiatives - SRAC	GPDSRAC	4,659,000	1,500,000	-	5,500,000	386,713	448,990	1,124,196	1,750,421	Yes
CMTF	DOT	-	-	-	-	-	-	-	-	Yes
Zonki Trust	GDRTPW	-	-	-	-	-	-	-	-	Yes
ICLEI- Foreign	ICLEI	-	-	-	-	95,000	-	-	-	Yes
UEM Danida - Foreign	Govt of Denmark	2,110,000	-	4,000,000	-	648,763	1,672,405	466,143	2,984,456	Yes
CLGF - Foreign	LondonBorough of Lewinsahm	-	-	-	-	-	-	-	-	Yes
Xenophobic Assistance	Public Contribution	1,170	-	-	-	1,170	-	-	-	Yes
Demilitarisation Project	DPLG - from Vuna & Public Contribution	-	-	-	-	18,000	17,940	-	-	Yes
Commnity Nursery	Public Contribution	200,000	-	-	-	-	-	-	38,084	Yes
Health (Abedare)	Public Contribution	250,000	-	-	-	-	-	-	151,579	Yes
OR Tambo Festival - ACSA	Public Contribution	-	200,000	-	-	-	-	-	200,000	Yes
20 OTP	Gauteng Development Housing	-	-	-	-	337,762	-	23,232	-	Yes
Lethabong Housing Institute	Public Contribution	-	-	-	-	-	-	-	-	Yes
Tembisa Disaster	Public Contribution	-	-	-	-	-	-	-	4,308	Yes

PJEC	Various Municipalities	2,000	-	-	-	3,633	1,855	268	-	Yes
	Publi Contr									
Mayoral Golf Day	Public Contribution	15,000	-	-	-	14,778	118,980	193,463	242,682	Yes
Women's Dialogues	Public Contribution	-	-	-	-	-	-	-	-	Yes
Health Subsidies	Gauteng Department of Health	-	25,676,000	21,355,000	19,194,500	-	25,676,000	21,355,000	19,194,500	Yes
Emergency Subsidies	DLPG	46,118,000	23,059,000	-	23,059,000	46,118,000	23,059,000	-	23,059,000	Yes
SRAC	GPDSRAC	-	-	-	-	-	-	-	-	Yes
Roads Transport & Civil Works	GDRTPW	-	-	-	-	-	-	-	-	Yes
Water & Sanitation	DWAT (NT)	-	-	-	-	-	-	-	-	Yes
INEP	DME (NT)	-	-	8,962,000	-	213,999	3,182,538	213,999	5,673,778	Yes
PTIS	DoT	-	-	-	7,637,000	2,301,204	(377,365)	1,659,994	7,322,784	Yes
LED	DFEA	-	-	-	-	-	-	-	-	Yes
Rondebult Water	Public Contribution	-	-	-	-	-	-	-	-	Yes
Everleigh Ext 22	Public Contribution	-	-	-	-	-	-	-	-	Yes
Substations Electricity	Public Contributions	-	-	-	-	-	-	-	-	Yes
PHB	Gauteng Department of Housing	3,534,833	4,755,006	-	21,644,298	14,832,424	9,146,880	5,652,882	5,626,848	Yes
MIG	DPLG (NT0	54,000,000	136,000,000	98,597,000	140,000,000	35,475,054	179,682,579	106,348,383	118,711,298	Yes
PHB Interest	Gauteng Department of Housing	3,109,916	2,470,613	2,402,700	2,054,765	-	-	-	-	Yes
Community Care Centre	Gauteng Provincial Gov	19,141,897	-	-	8,500,000	5,594,898	5,404,776	10,941,884	12,081,317	Yes
Str Trading Facilities	Gauteng Provincial Gov	-	-	-	-	-	-	-	3,000,000	Yes
NDPG	NT	-	-	4,385,965	-	-	-	-	5,465,314	Yes
HSRC - Health	HSRC	-	-	-	200,000	-	-	-	-	Yes
Roodekop	-	-	-	-	1,844,676	-	-	-	-	Yes
Equitable Shares	NT	557,503,333	418,127,500	744,189,035	-	557,503,333	418,127,500	744,189,035	-	Yes
		-	-	-	-	-	-	-	-	Yes
		695,455,354	611,988,119	901,142,014	232,834,239	667,938,191	670,867,165	905,261,509	209,969,953	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

EKURHULENI DEVELOPMENT COMPANY
(REGISTRATION NUMBER 2000/007936/07)
TRADING AS EKURHULENI DEVELOPMENT COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DIRECTORS' RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 29, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the Entity.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The disclosure requirements as per GRAP 1,2 and 3 have also been incorporated in the financial statements.

Chief Executive Officer

Monday, 24 August, 2009

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Certificate by Company Secretary for the year ended June 30, 2009

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

ME von Ronge
Of: Ekurhuleni Development Company
Company Secretary
Monday, 24 August, 2009

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Trading in various commodities
DIRECTORS	Daphney Ngoasheng Michael Mokela Mokgohloa Simon Pieter Gerber Clive Peter Ucko Kara Nazir Ahmed FT Sethaelo MB Mposula
BUSINESS ADDRESS	Shop no 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
PARENT	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA
AUDITORS	Xabiso Chartered Accountants on behalf of the Auditor General Registered Auditors
SECRETARY	ME von Ronge
COMPANY REGISTRATION NUMBER	2000/007936/07

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

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EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DIRECTORS' REPORT

1. INCORPORATION

The company was incorporated on 13 March 2000 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

The Ekurhuleni Development Company on the yearend of June 30, 2009, showed a surplus of R37 357 and the company's total assets exceeded the liabilities by R167,934.

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its sole shareholder, Ekurhuleni Metropolitan Municipality. Furthermore the company is dependant on the continued agreement between Pharoe Park Housing Company, Gemiston Phase II Housing Company and Lethabong Housing Institute which pay a management fee to the EDC, accordingly it is required that these companies are profitable and sustainable.

3. INTERNAL CONTROLS

3.1. Grant income

Grant income, aside from grant monies received from Ekurhuleni Metropolitan Municipality, is obtained via applications for subsidies made to Gauteng Partnership Fund. As a social housing institution, EDC is able to access housing subsidies from the Gauteng Partnership Fund.

3.2. VAT

Ekurhuleni Development Company is registered with the South African Revenue Services (SARS) for VAT.

4. POST STATEMENT OF FINANCIAL POSITION EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that materially affect the financial position.

5. ACCOUNTING POLICIES

The International Financial Reporting Standards were not applied. Generally Accepted Accounting Practice, together with the South African Generally Recognised Accounting Practice 1, 2 and 3 were applied, in consistency with prior year.

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Directors' Report

6. AUTHORISED AND ISSUED SHARE CAPITAL

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 100 shares had been issued at par value.

Ekurhuleni Metropolitan Municipality held 100% of the ordinary share capital of the company as at 30 June 2009.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

7. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality	Changes
Daphney Ngoasheng	SA Citizen	
Sipho Mlungisi Twala	SA Citizen	Resigned Friday, 20 March, 2009
Michael Mokela Mokgohloa	SA Citizen	
Simon Pieter Gerber	SA Citizen	
Clive Peter Ucko	SA Citizen	
Kara Nazir Ahmed	SA Citizen	
FT Sethaelo	SA Citizen	Appointed Tuesday, 01 July, 2008
MB Mposula	SA Citizen	Appointed Tuesday, 01 July, 2008

8. SECRETARY

The secretary of the company is ME von Ronge of:

Business address

No 9 Jack Street
Pharoe Park
Germiston
1400

Postal address

PO Box 1245
Germiston
1400

9. PARENT

The company's parent is Ekurhuleni Metropolitan Municipality

10. BANKERS

Amalgamated Bank of South Africa Limited

11. AUDITORS

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, Xabiso Chartered Accountants on behalf of the Auditor General will continue as the Company's external auditors

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2009

	Note(s)	2009 R	2008 R
EQUITY AND LIABILITIES			
NET ASSETS			
Share capital	2	100	100
Accumulated Surplus (Deficit)		167,834	35,633
		167,934	35,733
LIABILITIES			
CURRENT LIABILITIES			
Amount owing to related companies	3	2,415,547	2,620,816
Current tax payable		-	56,944
Trade and other payables	4	533,193	541,072
Other liability 2		46,954	-
		2,995,694	3,218,832
Non-Current Liabilities		-	-
Current Liabilities		2,995,694	3,218,832
Liabilities of disposal groups		-	-
Equities		167,934	35,733
Liabilities		2,995,694	3,218,832
Total Equity and Liabilities		3,163,628	3,254,565
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	264,240	163,631
CURRENT ASSETS			
Amounts owing by related companies	3	2,766,975	1,777,997
Current tax receivable		8,491	-
Trade and other receivables	7	18,895	53,505
Cash and cash equivalents	5	105,027	1,259,431
		2,899,388	3,090,933
Non-Current Assets		264,240	163,631
Current Assets		2,899,388	3,090,933
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		3,163,628	3,254,564

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note(s)	2009 R	2008 R
Revenue	8	6,713,630	5,544,001
Revenue		6,713,630	5,544,001
Cost of sales		-	-
Income	11	145,638	175,527
Operating expenses	15	(6,814,370)	(5,764,154)
		6,713,630	5,544,001
		(6,668,732)	(5,588,627)
Operating surplus (deficit)	12	44,898	(44,626)
Investment revenue	9	5,595	40,217
Finance costs		-	(23,099)
Operating surplus		44,898	(44,626)
Non-operating expense (NET)		5,595	17,118
Surplus (deficit) before taxation		50,493	(27,508)
Taxation	16	(13,136)	-
Surplus (deficit) for the period from continuing operations		37,357	(27,508)
Surplus (deficit) from discontinued operations		-	-
Surplus (deficit) for the year		37,357	(27,508)

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DETAILED INCOME STATEMENT

	Note(s)	2009 R	2008 R
REVENUE			
Management services rendered		6,713,630	5,544,001
		6,713,630	5,544,001
		-	-
OTHER INCOME			
Recoveries		6,468	877
Income		48,581	13,778
Interest received - investment	9	5,595	40,217
Government grants		90,589	160,872
		151,233	215,744
		(6,814,370)	(5,764,154)
Expenses (Refer to page 9)		(6,814,370)	(5,764,154)
		6,713,630	5,544,001
		151,233	215,744
		(6,814,370)	(5,764,154)
Operating surplus (deficit)	12	50,493	(4,409)
Finance costs		-	(23,099)
		50,493	(4,409)
		-	(23,099)
Surplus (deficit) before taxation		50,493	(27,508)
Taxation	16	13,136	-
Surplus (deficit) before taxation		50,493	(27,508)
Taxation		13,136	-
Surplus (deficit) for the year		37,357	(27,508)

Refer to Appendix E(1) for comparison with the approved budget

OPERATING EXPENSES

Advertising		80,573	27,999
Auditors remuneration	13	299,394	307,842
Bank charges		17,051	25,012
Cleaning		44	-
Commission paid		-	374
Computer expenses		51,610	45,356
Conferences and seminars		40,727	6,062
Consulting and professional fees		394,974	576,832
Legal fees		118,079	122,841
Deficit on disposal of assets		4,115	-
Depreciation		99,316	138,933
Employee costs	14	4,389,405	3,519,075
Expense 4		90,394	-
Motor vehicle expenses		11,902	19,311
Horticulture		4,568	-
Insurance		35,851	61,397
Lease rentals on operating lease		328,154	260,022
Magazines, books and periodicals		663	25,811
Pest control		27,199	7,590
Printing and stationery		129,629	62,587
Repairs and maintenance		28,772	26,921
Security		4,758	3,852

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Detailed Income statement

	Note(s)	2009 R	2008 R
Licencing of software		83,517	59,864
Staff welfare		30,670	33,706
Telecommunication costs (Telephone and fax)		277,156	253,476
Training & recruitment cost		137,245	110,467
Travel - local		102,216	44,202
Utilities		26,388	24,622
		6,814,370	5,764,154

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Detailed Income statement

	Note(s)	2009 R	2008 R
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STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Share capital R	Accumulate d Surplus (Deficit) R	Net Assets R
Opening balance as previously reported		100	48,320	48,420
Adjustments				
Prior year adjustments	19		14,821	14,821
Balance at July 1, 2007 as restated		100	63,141	63,241
Changes in net assets				
Deficit for the year			(27,508)	(27,508)
Total changes		-	(27,508)	(27,508)
Balance at July 1, 2008		100	35,633	35,733
Changes in net assets				
Prior year adjustments			94,844	94,844
Net income (expenses) recognised directly in equity		-	94,844	94,844
Surplus for the year			37,357	37,357
Total recognised income and expenses for the year		-	132,201	132,201
Total changes		-	132,201	132,201
Balance at June 30, 2009		100	167,834	167,934

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOW STATEMENT

	Note(s)	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		6,808,611	5,764,155
Cash paid to suppliers and employees		(6,679,436)	(5,771,738)
Cash generated from (used in) operations	17	129,175	(7,583)
Interest income		5,595	40,217
Finance costs		-	(23,099)
Tax (paid) received		(71,890)	15,944
Net cash from operating activities		62,880	25,479
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(98,371)	(67,866)
Proceeds from sale of property, plant and equipment	6	28,380	-
Loans to group companies repaid		(1,194,247)	-
Increase in loans from related companies		-	1,722,491
Net cash utilised in investing activities		(1,264,238)	1,654,625
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred tax liability		46,954	-
Repayment of shareholders loan		-	(10,793,533)
Net cash from financing activities		46,954	(10,793,533)
Total cash movement for the year		(1,154,404)	(9,113,429)
Cash at the beginning of the year		1,259,431	10,372,861
Total cash at end of the year	5	105,027	1,259,432

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1. Basis of preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations such as Statements issued by the Accounting Practice Board, with the prescribed Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP & GAAP statements do not differ or resulted in material difference in items presented and disclosed in the financial statements. The implementation of Grap 1,2 and 3 has resulted in the following changes in the presentation of the financial statements:

1.1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of Financial Position	Balance Sheet
Statement of Financial Performance	Income Statement
Statement of Changes in Net Assets	Statements of Changes in Equity
Net Assets	Equity
Surplus / Deficit	Profit / Loss
Accumulated Surplus / Deficit	Retained Earnings
Contributions from Owners	Share Capital
Distributions to Owners	Dividends

1.2. The cash flow statement can only be prepared in accordance with the direct method.

1.3. Specific information has been presented separately on the Statement of Financial Position, such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers
- (b) Taxes and transfers payable
- (c) Trade and other payables from non-exchange transactions.

1.4. The amount and nature of any restrictions on cash balances is required to be disclosed.

These accounting policies are consistent with the previous year.

1.1 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.3 OWNERS CONTRIBUTIONS AND NET ASSETS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Cost model

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. 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 period that the impairment is identified.

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

Details	Years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	6 years
Computer software	5 years

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

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.5 FINANCIAL INSTRUMENTS

Initial recognition

Recognition.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.5 FINANCIAL INSTRUMENTS (continued)

Measurement .

Financial Instruments are initially measured at cost, which includes transaction costs.

Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the annual financial statements establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.5 FINANCIAL INSTRUMENTS (continued)

Amounts owing by (to) related companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Loans to (from) group companies are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against company in the income statement.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. 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. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade and other payables

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

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.5 FINANCIAL INSTRUMENTS (continued)

Cash and cash equivalents

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

1.6 PROVISIONS

Provisions are recognised when:

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

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the company.

1.7 EMPLOYEE BENEFITS

1.7.1 Defined contribution plans

The company contributes to a provident fund on the basis of a fixed contribution. The provident fund is a defined contribution fund.

A defined contribution plan is a retirement plan under which the company pays fixed contributions into a separate entity.

The company's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The company has no further payment obligations once the contributions have been paid.

1.8 REVENUE

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.8.1 REVENUE FROM EXCHANGE TRANSACTIONS

Interest are recognised on a time proportion basis.

1.9 LEASES

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.10 TAX

Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax against current tax liabilities and when they relate to income taxes levied by the same tax authority and the company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax liability is recognised for all taxable temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- a) is not a business combination; and
- b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- a) the initial recognition of goodwill; or
- b) goodwill for which amortisation is not deductible for tax purposes; or
- c) the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.10 TAX (continued)

Taxation

Income Tax expense represents the sum of current and deferred tax.

Current and deferred taxes are recognised as income of an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a) a transaction or event which is recognised, in the same or different period, directly in net assets, or
- b) a business combination.

Current tax and deferred taxes are charged or credited directly to net assets if the tax relates to items that are credited or charged, in the same or a different period, directly to net assets.

1.11 UNAUTHORISED EXPENDITURE

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

1.12 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Company's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.13 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. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.14 COMPARATIVES INFORMATION

1.14.1 CURRENT YEAR COMPARATIVES

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.14.2 PRIOR YEAR COMPARATIVES

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2009
R

2008
R

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

2. SHARE CAPITAL

Authorised

1000 Ordinary shares of R1 each	1,000	1,000
---------------------------------	-------	-------

Issued

Ordinary	100	100
----------	-----	-----

100 share at R1 each had been issued and are held by Ekurhuleni Metropolitan Municipality.

3. AMOUNTS OWING BY(TO) RELATED COMPANIES

Associates

Pharoe Park Housing Company	2,766,975	1,598,213
Inter company loan		
Germiston Phase II Housing Company	(1,993,625)	179,784
Inter company loan		
Lethabong Housing Institute	(421,922)	(2,620,816)
Terms and conditions		
	351,428	(842,819)

Current assets	2,766,975	1,777,997
Current liabilities	(2,415,547)	(2,620,816)
	351,428	(842,819)

4. TRADE AND OTHER PAYABLES

Trade payables	49,064	15,568
VAT	63,283	91,397
Salaries & Wages Control	223,213	109,291
Other accrued expenses	12,083	-
Leave Accrual	167,309	131,185
Bonus Accrual	-	67,498
Other Creditors	17,214	120,583
Related party creditor	18	1,027
		5,550
Total Creditors	533,193	541,072

The accruals for leave pay was not discounted as the accruals is already reflected at its present value on the reporting date. When the accruals for leave pay is calculated it is based on the employees' salary scales as at the reporting date, when the accruals realises, it will realise at the employees' new salary scales, i.e. after their annual salary increase.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	1,000	750
Bank balances	104,027	1,258,681

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
--	-----------	-----------

6. PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	175,788	(47,556)	128,232	158,095	(72,584)	85,511
Motor vehicles	137,462	(105,755)	31,707	117,957	(78,588)	39,369
Office equipment	4,647	(1,568)	3,079	16,333	(12,023)	4,310
Computer equipment	164,893	(108,081)	56,812	162,691	(128,250)	34,441
Computer software	133,284	(88,874)	44,410	133,284	(133,284)	-
Total	616,074	(351,834)	264,240	588,360	(424,729)	163,631

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Computer software	66,629	-	-	(22,219)	44,410
Furniture and fixtures	120,621	33,670	(9,511)	(16,548)	128,232
Computer equipment	43,136	45,196	(11,298)	(20,222)	56,812
Motor vehicles	39,369	19,505	-	(27,167)	31,707
Office equipment	15,269	-	(11,686)	(504)	3,079
	285,024	98,371	(32,495)	(86,660)	264,240

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	82,187	49,530	-	(11,096)	120,621
Motor Vehicles	62,959	-	-	(23,591)	39,368
Office equipment	20,905	-	(2,417)	(3,219)	15,269
Computer equipment	28,109	31,922	-	(16,895)	43,136
Computer software	88,848	-	-	(22,219)	66,629
	283,008	81,452	(2,417)	(77,020)	285,023

7. TRADE AND OTHER RECEIVABLES

Sundry debtor	10,205	44,815
Electricity deposit - Municipality	8,690	8,690
	18,895	53,505

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
--	-----------	-----------

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

8. REVENUE

Management services rendered	6,713,630	5,544,001
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9. INVESTMENT REVENUE

Interest revenue

Interest earned - external investments	5,595	40,217
	-	-
	5,595	40,217

10. GOVERNMENT GRANTS AND SUBSIDIES

11. OTHER INCOME

Recoveries	6,468	877
Sundry revenue	19,605	13,778
Tender fees	28,976	-
Government grants	90,589	160,872
	145,638	175,527

12. OPERATING SURPLUS (DEFICIT)

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

Operating lease charges

Premises		
• Contractual amounts	201,600	180,000
Equipment		
• Contractual amounts	126,554	80,022
	328,154	260,022

Deficit on sale of property, plant and equipment		(4,115)	-
Depreciation on property, plant and equipment		99,316	138,933
Employee costs	14	4,389,405	3,519,075
Consulting and professional fees		394,974	576,832
Insurance		35,851	61,397
Repairs and maintenance		28,772	26,921
Security		4,758	3,852

13. AUDITORS' REMUNERATION

Fees	299,394	307,842
------	---------	---------

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
14. EMPLOYEE COSTS		
Basic	3,591,668	3,014,860
Medical aid - company contributions	44,018	42,122
UIF	21,232	18,635
SDL	36,073	27,755
Leave pay provision charge	153,704	50,406
Company contribution to Provident Fund	199,378	173,296
Directors Fees	343,332	192,001
	4,389,405	3,519,075
Average number of employees employed during the year		
- permanent	18	18
- casual	1	-
	19	18
Remuneration of the Chief Executive Officer		
Annual Remuneration	425,316	385,431
Car Allowance	108,000	99,000
Performance Bonuses	53,332	39,384
Contributions to UIF, Medical and Pension Funds	37,332	32,383
	623,980	556,198
Remuneration of the Chief Finance Officer		
Annual Remuneration	297,313	273,073
Car Allowance	84,000	77,000
Bonuses	38,131	28,158
Contributions to UIF, Medical and Pension Funds	47,188	42,861
	466,632	421,092
Remuneration of the Business Development Manager		
Annual Remuneration	199,166	223,152
Performance Bonuses	28,417	29,124
Contributions to UIF, Medical and Pension Funds	28,872	26,475
Car Allowance	85,000	20,565
	341,455	299,316
Remuneration of Non Executive Directors		
Directors fees	343,332	192,001
Remuneration per Director		
S Twala - Non executive director	22,000	48,000
D Ngoasheng - Non executive director	168,000	69,333
C Ucko - Non executive director	66,000	32,000
P Gerber - Non executive director	7,333	40,000
N Kara - Non executive director	2,000	2,667
T Sethaelo - Non executive director	40,666	-
M Mposula - Non executive director	37,333	-
	343,332	192,000

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

		2009 R	2008 R
15. GENERAL EXPENSES			
Advertising		80,573	27,999
Auditors remuneration	13	299,394	307,842
Bank charges		17,051	25,012
Cleaning		44	-
Commission paid		-	374
Computer expenses		51,610	45,356
Conferences and seminars		40,727	6,062
Consulting and professional fees		394,974	576,832
Debt collection		118,079	122,841
Expense 4		90,394	-
Fleet		11,902	19,311
Horticulture		4,568	-
Insurance		35,851	61,397
Lease rentals on operating lease		328,154	260,022
Magazines, books and periodicals		663	25,811
Pest control		27,199	7,590
Printing and stationery		129,629	62,587
Repairs and maintenance		28,772	26,921
Security (Guarding of municipal property)		4,758	3,852
Software expenses		83,517	59,864
Staff welfare		30,670	33,706
Telecommunication costs (Telephone and fax)		277,156	253,476
Training		137,245	110,467
Travel - local		102,216	44,202
Utilities		26,388	24,622
		2,321,534	2,106,146
16. TAXATION			
Major components of the tax expense			
Current			
South African Income tax - current period		6,455	-
Deferred			
Originating and reversing temporary differences		6,681	-
Current		6,455	-
Deferred		6,681	-
		13,136	-
17. CASH GENERATED FROM (USED IN) OPERATIONS			
Surplus (deficit) before taxation		50,493	(27,508)
Adjustments for:			
Depreciation and amortisation		99,316	138,933
Deficit on sale of assets		4,115	-
Interest received		(5,595)	(40,217)
Finance costs		-	23,099
Prior year adjustment		(45,885)	14,389
Changes in working capital:			
Trade and other receivables		34,610	(24,625)
Trade and other payables		(7,879)	(91,654)
		129,175	(7,583)

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
18. RELATED PARTIES		
Relationships		
Parent		Ekurhuleni Metropolitan Municipality
Other members of the group		Pharoe Park Housing Company Phase II Housing Company Lethabong Housing Institute
Related party balances		
Loan accounts - Owing by related parties		
Pharoe Park Housing Company	2,766,975	1,598,213
Germiston Phase II Housing Company	-	179,784
	2,766,975	1,777,997
Loan accounts - Owing to related parties		
Lethabong Housing Company	421,922	2,620,816
Germiston Phase II Housing Company	1,993,625	-
	2,415,547	2,620,816
Amounts included in Trade Payable regarding related parties		
Ekurhuleni Metropolitan Municipality	1,027	5,550
Related party transactions		
Management Services rendered to related parties		
Pharoe Park Housing Company	2,556,943	2,216,668
Phase II Housing Company	2,616,908	2,211,668
Lethabong Housing Institute	1,539,779	1,115,667
	-	-
	6,713,630	5,544,003
Municipal Services from related party		
Ekurhuleni Metropolitan Municipality	26,388	24,623
	-	-
	26,388	24,623
Financial Management Grant		
Ekurhuleni Metropolitan Municipality	90,589	183,394

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
19. PRIOR YEAR ERRORS		
Provision for company tax was amended The useful lives of assets were reviewed.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Property, plant and equipment	143,833	-
Capitalisation of Asset	3,000	-
Trade and other payables	(40,273)	(14,821)
Provision for Company tax	(11,717)	29,210
Statement of financial performance		
Contribution to Provision for Company Tax	11,717	(29,210)
Prior year adjustment on Creditors	40,273	14,821
Depreciation	(143,833)	-
Donations- Assets	(3,000)	-
Net effect on surplus/ deficit) for the year	(94,843)	(14,389)

20. RISK MANAGEMENT

Liquidity risk

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

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

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The company is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

21. GOING CONCERN

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy was prepared for the company. The company is dependant on continued support from the shareholders to remain a going concern.

22. TAX COMPUTATION

Tax Reconciliation

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009	2008
	R	R
22. TAX COMPUTATION (continued)		
Tax loss at the start of the period	(3,578)	-
Tax profit (loss) for the period	26,632	(3,578)
	23,054	(3,578)

The company has a taxable profit of R23 054.00

Tax payable to the receiver R6 455.22

Ekurhuleni Development Company

APPENDIX E(1) for the ended Tuesday, 30 June, 2009
June 2009

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	Current year 2008 Act. Bal.	Current year 2008 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Trading and general (Filtered)	6,713,630	6,950,000	(236,370)	-	
	6,713,630	6,950,000	(236,370)	-	
Other income					
Income	145,638	173,500	(27,862)	-	
Interest received - investment	5,595	15,000	(9,405)	-	Investment income over budgeted
	151,233	188,500	(37,267)	-	
Total Revenue	6,864,863	7,138,500	(273,637)	-	
Expenses					
Employee related costs	(4,389,404)	(4,497,696)	108,292	-	
Collection costs	(90,394)	-	(90,394)	-	
Depreciation - N/A	(99,316)	(163,885)	64,569	-	
Repairs and maintenance	(28,772)	(23,920)	(4,852)	-	
General expenses	(2,202,366)	(2,236,800)	34,434	-	
Gains on disposal of property, plant and equipment	(4,115)	-	(4,115)	-	
	(6,814,367)	(6,922,301)	107,934	-	
Operating profit	50,496	216,199	(165,703)	-	
Other revenue and costs					
Net surplus/ (deficit) for the year	50,496	216,199	(165,703)	-	

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	Note(s)	2009 R	2008 R
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**EAST RAND WATER CARE COMPANY (ERWAT)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2009

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of East Rand Water Care Company (ERWAT). The financial statements presented on pages 5 to 9 have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice, and include amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the financial statements.

The financial statements have been audited by the independent auditors, Auditor-General, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of the Auditor General is presented on pages ?? to ??

The financial statements were approved by the board of directors on _____ and signed on its behalf.

Managing Director

Tuesday, July 21, 2009

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

General Information

INTERIM BOARD OF DIRECTORS

Mr T Phasha(Chairperson)	Appointment date 29 June2009
Mr D Modise	Appointment date 29 June2009
Dr M Mochatsi	Appointment date 29 June 2009
Dr S Nene	Appointment date 29 June 2009
Ms S Themba	Appointment date 29 June 2009
Ms N Sidondi	Appointment date 29 June 2009

BOARD OF DIRECTORS

Ms SC Marx	Resignation date 28 February 2009
Ms S Pila	Resignation date 28 February 2009
Mr G Ratswana	Resignation date 28 February 2009
Dr M Mochatsi	Resignation date 28 February 2009
Mr D Modise	Resignation date 28 February 2009
Ms T Magerman(Chairperson)	Resignation date 28 February 2009

MANAGING DIRECTOR

P Twala

REGISTERED OFFICE

Bapsfontein Road
1619

POSTAL ADDRESS

P O Box 13106
Norkem Park
1631

BANKERS

ABSA BANK
KEMPTON PARK

AUDITORS

AUDITOR-GENERAL

SECRETARY

W I LOUW

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Index

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

INDEX	PAGE
Director's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9 - 12
APPENDIX A: Schedule of External Loans	22

ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GAAP	Generally Accepted Accounting Practices
MFMA	Municipal Finance Management Act
HDF	Housing Development Fund
CRR	Capital Replacement Reserve
COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Taxation
PPE	Property Plant and Equipment
SALA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DBSA	Development Bank of South Africa
IMFO	Institute of Municipal Finance Officers
MIG	Municipal Infrastructure Grant (previously CMIP)
MEs	Municipal Entities

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Director's Report

The directors present their report which forms part of the audited annual financial statements of the company for the year ended 30 June 2009.

1. REVIEW OF ACTIVITIES

Main business and operations

The Company is a Municipal Entity. The principal activity of the company is the conveyance and treatment of waste water, and the provision of related engineering services and products.

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not in our opinion require any further comment. The Directors resigned 28 February 2009 and the interim board of directors were employed from the 29 June 2009.

The net loss of the company for the year was R3,126,359 (2008:loss R2,479,65). Full details of the financial results are set out on pages 5 to 9 of the annual financial statements.

2. SHARE CAPITAL

The company does not have share capital since it is a section 21 company.

3. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The directors are not aware of any matter or circumstances arising since the end of the financial year that would significantly affect the operations of the company or the group or the results of those operations.

4. MANAGING DIRECTOR

The Managing Director of the company during the year and to the date of this report is as follows:

Mr P Twala

Name
TN Magerm

5. SECRETARY

The secretary of the company is W I LOUW of:

Business address

32 TSESSEBE STREET
MONUMENT PARK
PRETORIA
181

6. AUDITORS

The AUDITOR-GENERAL is the auditor of the company in terms of the requirements of the Municipal Finance Management Act No 56 of 2003.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Statement of Financial Position as at June 30, 2009

Figures in Rand	Note(s)	Company	
		2009	2008
NET ASSETS AND LIABILITIES			
NET ASSETS			
Available for sale revaluation reserve		1,566,740	2,155,391
Accumulated Surplus		211,657,419	214,783,778
		213,224,159	216,939,169
LIABILITIES			
Non-Current Liabilities			
Long-term borrowings	12	158,010,089	168,605,736
Deferred income	15	284,708,012	281,437,360
		442,718,101	450,043,096
Current Liabilities			
Current portion of long-term liabilities	12	10,657,239	9,110,000
Operating lease liability		70,605	-
Trade and other payables	13	24,623,502	21,448,980
VAT	14	736,949	-
Deferred income	15	5,764,888	5,573,000
Provisions	16	11,885,181	10,504,196
		53,738,364	46,636,176
Total Liabilities		496,456,465	496,679,272
Total Net Assets and Liabilities		709,680,624	713,618,441
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	673,476,359	669,009,223
Intangible assets	10	612,842	747,237
Non current asset held for sale	11	-	2,424,077
Investments in Old Mutual	19	2,052,409	2,487,728
		676,141,610	674,668,265
Current Assets			
Trade and other receivables	20	27,273,795	28,097,268
VAT	14	-	659,735
Cash and cash equivalent	18	6,265,219	10,193,173
		33,539,014	38,950,176
Total Assets		709,680,624	713,618,441

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Statement of Financial Performance

Figures in Rand	Note(s)	Budget		Company	
		2009	2008	2009	2008
Revenue					
Service charges	21	216,271,738	193,077,314	216,271,738	193,077,314
Interest earned - external investments		1,500,000	2,000,000	2,515,667	2,905,198
Fair value adjustments		-	-	415,957	(705,028)
Other income	22	46,478,850	41,622,274	54,714,621	58,239,713
Dividends received	6	70,000	45,000	191,952	103,478
Total Revenue		264,320,588	236,744,588	274,109,935	253,620,675
Expenditure					
Employee related costs	5	(94,044,027)	(85,160,024)	(96,733,291)	(83,092,639)
Bad debts	23	(6,000)	(6,000)	(910,666)	(4,684,000)
Depreciation		(18,543,562)	(15,349,199)	(12,093,227)	(16,990,310)
Repairs and maintenance		(30,988,507)	(28,162,715)	(36,876,197)	(38,224,877)
Interest paid	7	(22,500,000)	(20,689,222)	(22,988,580)	(22,860,234)
Bulk purchases	24	(61,208,899)	(52,843,323)	(70,168,714)	(52,471,844)
General expenses	25	(37,029,593)	(34,534,105)	(37,192,036)	(37,484,148)
Surplus or deficit on disposal of property, plant and equipment		-	-	(63,458)	(292,282)
Impairment of property plant and equipment		-	-	(210,125)	-
Total Expenditure		(264,320,588)	(236,744,588)	(277,236,294)	(256,100,334)
Deficit for the year		-	-	(3,126,359)	(2,479,659)

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Pre- GAMAP reserves and funds	Investment Fair Value Adjustment Reserve	Accumulat ed Surplus	Total equity
Actual					
Balance at July 1, 2007	-	2,184,606	217,263,437	219,448,043	
Changes in net assets					
Available for sale revaluation reseve		(29,215)		(29,215)	
Net income /(expenses) recognised directly in equity	-	(29,215)	-	(29,215)	
Deficit for the year			(2,479,659)	(2,479,659)	
Total recognised income and expenses for the year	-	(29,215)	(2,479,659)	(2,508,874)	
Total changes	-	(29,215)	(2,479,659)	(2,508,874)	
Balance at July 1, 2008	-	2,155,391	214,783,778	216,939,169	
Changes in net assets					
Other fair value gains (losses)		(588,651)		(588,651)	
Net income/ (expenses) recognised directly in equity	-	(588,651)	-	(588,651)	
Deficit for the year			(3,126,359)	(3,126,359)	
Total recognised income and expenses for the year	-	(588,651)	(3,126,359)	(3,715,010)	
Total changes	-	(588,651)	(3,126,359)	(3,715,010)	
Balance at June 30, 2009	-	1,566,740	211,657,419	213,224,159	
Note(s)					

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Cash Flow Statement

Figures in Rand	Note(s)	Company	
		2009	2008
Cash flows from operating activities			
Cash receipts from customers		196,670,326	255,277,000
Cash paid to suppliers and employees		(158,683,362)	(216,604,304)
Cash generated from operations	26	37,986,964	38,672,696
Interest income		2,515,667	2,905,198
Dividends received		191,952	103,478
Interest Paid		(22,988,580)	(22,860,234)
Grant received from MIG		7,658,429	8,462,070
Net cash from operating activities		25,364,432	27,283,208
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(20,481,438)	(55,937,718)
Proceeds from sale of property, plant and equipment	9	237,460	(292,282)
Proceeds from financial assets		-	17,952,000
Net cash from investing activities		(20,243,978)	(38,278,000)
Cash flows from financing activities			
Repayment of long-term borrowings		(9,048,408)	(9,094,468)
Net cash from financing activities		(9,048,408)	(9,094,468)
Total cash movement for the year		(3,927,954)	(20,089,260)
Cash at the beginning of the year		10,193,173	30,282,433
Total cash at end of the year	18	6,265,219	10,193,173

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

1. Basis of preparation

The principal accounting policies of the company adopted in the preparation of these financial statements are set out below and are consistent with those applied in the previous year and comply with South African Municipal Annual Financial Statements of Generally Recognised Accounting Practice.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally accepted accounting Practises (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

STANDARD OF GRAP

GRAP 1: Presentation of financial statements

GRAP 2: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors

REPLACED STATEMENT OF GAAP

AC101: Presentation of financial statements

AC 118: Cash flow statements

AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1,2, &3 has resulted in the following significant changes in the presentation of the financial statements:

- 1 Terminology differences

STANDARD OF GRAP

Statement of financial performance

Statement of financial position

Statement of changes in net assets

Net assets

Surplus / deficit for the year

Accumulated surplus / deficit

Contributions from owners

Distribution to owners

Reporting date

REPLACED STATEMENT OF GAAP

Income statement

Balance sheet

Statement of changes in equity

Equity

Profit / loss for the year

Retained earnings

Share capital

Dividends

Balance sheet date

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

INVESTMENTS IN FINANCIAL INSTRUMENTS

The company has classified its Investment in Old Mutual Unit Trusts as Available for Sale Investments. The investments are marked to market on an annual basis, with changes in fair value being recognised directly in equity.

BORROWING COSTS

Interest costs are charged against income in the period in which they are incurred. GOVERNMENT GRANTS
Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate. The deferred income relating to government grants are recognised on the following basis:

- Capital contributions on plant and equipment over the estimated useful life of of plant and equipment.
- Income-related grants subsidising expenses: credited the related expense items as recovery of costs

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset (less its residual value) over its estimated useful life as follows:

Implements and machinery	4-33%
Water care works	3-20%
Motor vehicles	5%- 25%
Furniture and equipment	3%-33%

Land is not depreciated. Buildings and civils structure estimated useful life of 80 years The remaining useful life of these assets are re-valued in conjunction with an external consulting engineer every three years and depreciation adjusted accordingly. the latest estimates were done in 2007/2008 financial year.

Replacement costs of machinery and equipment that form an integral part of water care works are written off as an expense in the year of purchase and are shown as renewal expenditure.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

LEASED ASSETS: RIGHT OF USE

The company has exclusive rights to use certain leased water care works for specified periods in return for a series of payments. These rights are capitalised and are depreciated over the repayment period of the loan. Lease charges are amortised over the duration of the loan agreement by the effective interest rate method, which takes into account the effective interest charge on the lease.

INTANGIBLES

Intangible assets are capitalised and depreciated using the straight-line method over its useful life. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

CONTRACTS IN PROGRESS

Profits or losses in respect of long term contracts are recognised on the stage of completion method. The stage of completion is determined on the basis of the proportion of costs incurred for work performed on the contract at the balance sheet date to the estimated total costs of the contract. Anticipated losses on incomplete contracts are fully provided for as soon as the loss is foreseen and includes any loss related to future work on the contract. Contracts in progress are stated at cost plus profit taken to date less any provision for losses.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash includes cash on hand and deposits held on call with banks.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Such balances are translated at year-end exchange rates.

REVENUE

Revenue comprises the invoiced value of services rendered in respect of water purification, laboratory services by products sold, and maintenance of purification installations, as well as rent received and the value of certified work on long term contracts as at balance sheet date. It excludes investment and other non-operating income and value added taxation. Consolidated revenue excludes sales to companies. Revenue arising from rent received is recognised on an accrual basis.

RESEARCH AND DEVELOPMENT

Research costs are written off as incurred. Development costs are written off as incurred unless the costs are considered recoverable from probable future cost savings or sales revenue. Where development costs are deferred, they are written off on the straight-line basis over the life of the process or product, subject to a maximum of five years. The amortisation begins from the commencement of the commercial production of the product or use of the process to which they relate.

RETIREMENT BENEFIT INFORMATION

The ERWAT operates two defined contribution plans, the assets of which are held in separate trustee-administered funds. The defined contribution plans are funded by payments from employees and the relevant group companies, taking account of the recommendations of independent qualified actuaries. The group's contributions to the defined contribution plans and medical aid plans are charged to the statement of financial performance in the year to which they relate.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another instrument. A financial asset or a financial liability is only recognised when the company becomes a party to the contractual provisions of the instrument.

All financial instruments are initially valued at fair value. Transaction costs are expensed. After initial recognition, the company measures financial instruments at fair value with gains or losses recorded in profit and loss.

Financial instruments carried on the balance sheet include cash and bank balances, available for sale investments, receivables, trade creditors and borrowings. These instruments are carried at their estimated fair value. Receivables are carried net of the estimated doubtful receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

AVAILABLE FOR SALE REVALUATION RESERVE

Available for sale financial assets are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in equity prices. Unrealised gains or losses arising from the changes in the fair value of AFS assets are recognised in equity. On disposal of AFS assets, the fair value of adjustments accumulated in equity are recognised in the statement of financial performance.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Accounting Policies

The principal accounting policies of the group adopted in the preparation of these consolidated financial statements are set out below and are consistent with those applied in the previous year and comply with South African Municipal Annual Financial Statements of Generally Recognised Accounting Practice.

1.1 Leases

Leases

Operating leases – ERWAT as lessee

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

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009 R	2008 R	2009 R	2008 R
2. OPERATING SURPLUS				
Operating profit for the year is stated after accounting for the following:				
Operating lease charges				
Lease rentals on operating lease - Other				
• Contingent amounts	695,685	832,250	632,331	1,163,740
Deficit on sale of property, plant and equipment	-	-	(63,458)	(292,282)
Depreciation on grant assets	-	-	(210,125)	-
Depreciation on property, plant and equipment	18,543,562	15,349,199	12,093,227	16,990,310
Employee costs	5 94,044,651	85,160,613	96,733,291	83,092,639
Research and development	1,560,374	1,486,255	399,755	2,238,521
Bad debts	23 6,000	6,000	910,666	4,684,000
Bulk purchases	24 61,208,899	52,843,323	70,168,714	52,471,844
Consulting and professional fees	2,589,009	1,963,824	2,311,373	1,784,410
Consumables	492,691	522,406	302,812	380,866
Legal expenses	45,800	60,775	163,077	28,520
Repairs and maintenance	30,988,507	28,162,715	36,876,197	38,224,877
Security	6,560,000	5,920,172	6,622,618	6,209,860
3. REVENUE				
Rendering of services	216,271,738	193,077,314	216,271,738	193,077,314
Interest received	1,500,000	2,000,000	2,515,667	2,905,198
Fair value adjustments	-	-	415,957	(705,028)
	217,771,738	195,077,314	219,203,362	195,277,484
4. AUDITORS' REMUNERATION				
Fees	674,499	623,112	901,827	428,467
5. EMPLOYEE RELATED COSTS				
Basic	54,207,018	50,838,471	53,006,409	44,864,042
Bonus	4,217,888	3,664,493	4,063,677	3,617,363
Medical aid - company contributions	58,985	51,915	51,293	55,048
WCA	420,000	449,440	385,000	449,440
SDL	147,677	139,318	620,244	401,097
Other payroll levies	311,196	169,600	275,191	254,649
Leave pay provision charge	1,660,404	1,364,506	3,314,730	3,165,875
Other short term costs	339,976	187,440	166,280	70,800
Overtime payments	5,416,474	4,510,266	7,411,827	5,581,188
Long-service awards	25,000	10,240	462,893	92,898
Car allowance	3,053,726	3,048,315	3,075,228	2,498,214
Housing benefits and allowances	1,043,254	1,020,539	745,966	663,218
Bursary schemes	383,895	362,165	230,246	413,698
Company contributions	17,779,475	14,607,600	19,023,808	16,258,626
Protective clothing	707,322	678,794	630,041	581,030
Recruitment	49,137	46,922	149,324	29,928
Learnerships	222,600	210,000	18,709	411,335
Long-term benefits - incentive scheme	4,000,000	3,800,000	3,102,425	3,684,190
	94,044,027	85,160,024	96,733,291	83,092,639

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008

Included in the employee related costs are the following:

Remuneration of the Senior Management

Annual Remuneration	-	-	3,734,823	3,097,948
Car Allowance	-	-	567,860	563,848
Performance Bonuses	-	-	788,599	604,180
Contributions to UIF, Medical and Pension Funds	-	-	854,413	621,024
Total	-	-	5,945,695	4,887,000

Remuneration of Executive Director

Annual Remuneration	-	-	779,625	674,910
Performance Bonuses	-	-	163,005	121,966
Contributions to UIF, Medical and Pension Funds	-	-	146,699	120,393
Car Allowance	-	-	120,000	120,000
Travel and other	-	-	38,360	82,981
Total	-	-	1,247,689	1,120,250

Remuneration of Non Executive Directors

Directors fees	320,000	330,000	203,798	303,007
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6. INVESTMENT REVENUE

Dividend revenue

Unit trusts - Local	70,000	45,000	191,952	103,478
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7. INTEREST PAID

Interest on convertible instruments	22,500,000	20,689,222	22,988,580	22,860,234
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8. TAXATION

No provision has been made for 2009 tax as Erwat is a Section 21 Company and not liable for taxation.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008

9. PROPERTY, PLANT AND EQUIPMENT

Company	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	307,959,035	(25,665,584)	282,293,451	306,343,730	(21,905,854)	284,437,876
Implements and machinery	24,823,901	(13,912,088)	10,911,813	25,436,431	(13,838,254)	11,598,177
Furniture and fixtures	7,325,822	(5,426,915)	1,898,907	7,629,558	(5,249,541)	2,380,017
Motor vehicles	9,869,169	(4,220,949)	5,648,220	9,686,876	(3,487,937)	6,198,939
Capital work in progress	291,606,598	-	291,606,598	275,996,682	-	275,996,682
Plant	147,109,713	(65,992,343)	81,117,370	147,384,175	(58,989,403)	88,394,772
Water care right of use	10,604,194	(10,604,194)	-	10,604,194	(10,601,434)	2,760
Total	799,298,432	(125,822,073)	673,476,359	783,081,646	(114,072,423)	669,009,223

Reconciliation of property, plant and equipment - Company - 2009

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Land	284,437,876	1,610,115	-	-	(3,754,540)	282,293,451
Implements and machinery	11,598,177	2,102,375	(48,397)	185,341	(2,925,683)	10,911,813
Furniture and fixtures	2,380,017	781,251	(121,668)	(185,341)	(955,352)	1,898,907
Motor vehicles	6,198,939	314,748	(48,610)	-	(816,857)	5,648,220
Capital work in progress	275,996,682	15,609,916	-	-	-	291,606,598
Plant	88,394,772	63,033	(82,243)	-	(7,258,192)	81,117,370
Water care works right of use	2,760	-	-	-	(2,760)	-
	669,009,223	20,481,438	(300,918)	-	(15,713,384)	673,476,359

10. INTANGIBLE ASSETS

Company	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	1,559,720	(946,878)	612,842	1,559,720	(812,483)	747,237

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008

11. NON CURRENT ASSET HELD FOR SALE

Name of company	Held by	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008	Fair value 2009	Fair value 2008
Ertec (Pty) Ltd		- %	100.00 %	-	2,424,077	-	2,424,077

Historically Erwat has held a 100% interest in Ertec (Pty) Ltd. This is a contravention of the Municipal Systems Act 32 of 2000 as amended. As at 30 June 2008 negotiations were underway, but not concluded, for disposal of the shares in Ertec (Pty) Ltd and for transfer of all assets and liabilities to Erwat. The net asset value is deemed to be fully recoverable. The date of the transaction was 1 July 2008.

12. LONG-TERM BORROWINGS

Liabilities

Absa Bank	43,343,658	47,463,453
INCA	86,584,992	88,414,780
Development Bank South Africa	38,738,678	41,837,503
Sub-total	168,667,328	177,715,736

Current portion of long term liabilities

Unsecured loans	10,657,239	9,110,000
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Non-current liabilities

Total unsecured loans	158,010,089	168,605,736
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Current liabilities

At amortised cost	10,657,239	9,110,000
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Total

168,667,328 **177,715,736**

13. TRADE AND OTHER PAYABLES

Trade payables	24,537,730	20,719,196
Deposits	12,180	12,430
Salary Creditors	4,796	521,109
Sundry Creditors	-	111,573
Other creditor	68,794	84,672
Total Creditors	24,623,500	21,448,980

14. VAT

Net VAT receivable	-	659,735
Net VAT payable	(736,949)	-
Total	(736,949)	659,735

15. DEFERRED INCOME

Deferred income consists of the following:

1) The R214,109m grant received was in respect of Water Care Works, Regional pipelines and Buildings transferred by Local Authorities after the formation of Erwat in 1993. The deferred income will be amortised to the Statement of financial performance over the remaining estimated useful life's of the applicable assets.

2) A new plant is currently under construction and is financed through Erwat funds, financial institutions and from a cash amount of R125,520m. This amount has been claimed from from a municipal infrastructure grant allocated for this purpose and are treated as deferred income.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008

15. Deferred income (continued)

Recognition of the amortised portion in the Statement of financial performance to commence when the plant in process is capitalised and ready for its intended use.

The fundamental error of R47,299m has been recognised last year. However, due to an calculation error only R44,962m should be written off to the Statement of Financial Performance The difference of R2,337m has been adjusted to the Retained Earnings of 2008.

Movement during the year:

Balance at the beginning of the year	287,010,360	280,308,328
Release of grant - Plant	(1,846,057)	(1,752,625)
Release of grant - buildings	(2,218,406)	(2,213,475)
Release of grant - Land	(131,426)	(131,426)
Receipts	7,658,429	8,462,070
Prior year error adjustment	-	2,337,488
Balance at the end of the year	290,472,900	287,010,360
Non-current liabilities	284,708,012	281,437,360
Current liabilities	5,764,888	5,573,000
	290,472,900	287,010,360

16. PROVISIONS

Reconciliation of provisions - Company - 2009

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus, leave pay, annual bonus	(10,504,196)	(10,326,680)	8,945,695	(11,885,181)

Reconciliation of provisions - Company - 2008

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus, leave pay, annual bonus	(8,762,000)	(10,580,548)	8,838,352	(10,504,196)

The provision for leave pay is expected to realise during the 2010 financial year. The provision for leave pay was not discounted as it the provision is already reflected at its present value on the reporting date.

When the provision for leave pay is calculated it is based on the employees' salary scales as at the reporting date, but when the provision realises, during the 2010 financial year, it will realise at the employees' new salary scales, i.e. after their annual salary increase.

17. DISCOUNTING ON REVENUE AND EXPENDITURE IN TERMS OF IAS 39

The impact of discounting on sales is R2,691,169 and the impact on expenditure is R1,386,736. The reclassification has no impact on the Income statement.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008
18. CASH AND CASH EQUIVALENT				
Cash on hand			15,000	15,000
Bank balances			6,250,219	10,178,173
			6,265,219	10,193,173

19. INVESTMENTS IN OLD MUTUAL

Name of company	Listed / Unlisted	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008	Fair value 2009	Fair value 2008
Investments in Old Mutual		100.00 %	100.00 %	2,052,409	2,487,728	2,052,409	2,487,728

The carrying amounts of Associates are shown net of impairment losses.

20. TRADE AND OTHER RECEIVABLES

Trade debtors			902,375	531,542
Employee costs in advance			-	11,494
Other deposits			511,918	511,918
Sundry debtor			30,535,344	30,574,363
Housing debtors			-	145,360
Prepaid expenses			38,957	40,756
Provision of Bad Debts - Other Debtors			(4,714,799)	(3,742,035)
Other debtors			-	23,870
			27,273,795	28,097,268

21. SERVICE CHARGES

Sewerage and sanitation charges	216,271,738	193,077,314	216,271,738	193,077,314
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22. OTHER INCOME

Release of grant -land	-	-	131,426	131,426
Release of grant-buildings	-	-	2,218,406	2,213,475
ESETA Learnership income	400,000	320,928	139,650	553,650
Sundry revenue	46,078,850	41,301,346	50,363,082	53,588,537
Tender fees	-	-	16,000	-
Release of grant -plant	-	-	1,846,057	1,752,625
	46,478,850	41,622,274	54,714,621	58,239,713

23. BAD DEBTS

Bad debts	6,000	6,000	910,666	4,684,000
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24. BULK PURCHASES

Electricity	26,428,287	23,262,880	34,756,734	22,131,811
Water	1,586,602	1,554,455	1,243,788	987,335
Sewer purification	33,194,010	28,025,988	34,168,192	29,352,698
Total Bulk Purchases	61,208,899	52,843,323	70,168,714	52,471,844

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008
25. GENERAL EXPENSES				
Advertising	767,837	621,995	659,552	520,963
Assessment rates & municipal charges	819,308	319,761	753,863	1,377,690
Auditors remuneration	4 674,499	623,112	901,827	428,467
Bank charges	150,000	140,000	154,551	151,432
Cleaning	719,051	748,171	629,706	618,819
Computer expenses	858,725	1,152,279	543,061	569,653
Conferences and seminars	307,872	353,733	160,337	247,064
Consulting and professional fees	2,589,009	1,963,824	2,311,373	1,784,410
Consumables	492,691	522,406	302,812	380,866
Discount allowed	-	-	4,638	-
Donations	415,000	301,500	227,541	419,883
Entertainment	942,497	948,818	530,143	955,218
Laboratory charges	1,462,853	1,322,574	1,999,817	1,895,255
Health and safety equipment	3,520,736	3,710,433	2,107,903	2,294,037
Contracts	5,671	205,350	17,151	12,600
Fleet	6,052,633	4,847,539	6,889,172	4,923,107
Flowers	55,389	50,142	47,652	44,102
Hire	-	-	204,279	-
Discount Received	(404,600)	(310,000)	(821,680)	(811,425)
Lease rentals on operating lease	695,685	832,250	632,331	1,163,740
Marketing	1,381,485	1,364,191	1,330,670	1,231,129
Medical expenses	19,922	30,803	13,113	-
Pest control	5,000	5,000	-	-
Postage and courier	15,734	17,336	8,849	6,525
Printing and stationery	612,713	587,143	433,181	334,446
Research and development costs	1,560,374	1,486,255	399,755	2,238,521
Security	6,560,000	5,920,172	6,622,618	6,209,860
Subscriptions and membership fees	131,473	121,506	140,587	95,954
Telecommunication costs (Telephone, faxes and cell phones)	2,030,601	1,833,996	1,825,723	1,728,762
Training	1,099,753	1,135,153	938,798	943,558
Transport and freight	2,369,343	2,562,320	3,027,873	2,546,118
Travel - local	1,117,715	1,115,754	440,300	1,346,881
Travel - overseas	-	-	-	93,513
Depreciation grant assets	-	-	2,218,406	2,214,000
Depreciation own assets	-	-	1,536,134	1,519,000
	37,028,969	34,533,516	37,192,036	37,484,148

26. CASH GENERATED FROM OPERATIONS

Deficit before taxation	(3,126,359)	(2,479,659)
Adjustments for:		
Depreciation and amortisation	15,847,767	19,361,776
Deficit on sale of assets	63,458	292,282
Contribution to bad debt provision	910,666	4,684,000
Dividends received	(191,952)	(103,478)
Interest received	(2,515,667)	(2,905,198)
Interest Paid	22,988,580	22,860,234
Movements in operating lease assets and accruals	70,605	-
Movements in provisions	1,380,985	5,311,425
Release of grant land	(131,426)	(131,426)
Release of grant buildings	(2,218,406)	(2,213,475)
Release of grant plant	(1,846,057)	(1,752,625)
Write back of loan from Ekurhuleni	-	(4,000,000)
Changes in working capital:		

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008
26. Cash generated from operations (continued)				
Trade and other receivables			823,473	3,698,422
Decrease/(increase) in consumer debtors			(910,666)	-
Prepayments			-	170,000
Trade and other payables			3,174,532	(3,527,847)
(Decrease)/Increase in VAT			1,396,684	(659,735)
Impairment - investment in subsidiary			2,424,077	68,000
Change in available for sale assets/ old mutual shares			(153,330)	-
			37,986,964	38,672,696

27. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities	168,667,328	177,715,736
Sub- total	168,667,328	177,715,736

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

28. COMMITMENTS

Commitments in respect of capital expenditure:

This committed expenditure relates to property and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

This capital expenditure is to be financed from internally generated funds and from shareholder loans and grants.

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	568,385	476,459
- in second to fifth year inclusive	590,600	1,158,985
	1,158,985	1,635,444

Operating lease payments represent rentals payable by Erwat for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases – as lessor (income)

29. CONTINGENCIES

At 30 June 2009 the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the company has given guarantees amounting to 2009: R2,999,270 (2008: R3,007,260) to third parties.

East Rand Water Care Company (ERWAT)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

Figures in Rand	Budget		Company	
	2009	2008	2009	2008

30. RELATED PARTIES

Relationships

Holding company

Other members of the group

EKURHULENI METROPOLITAN MUNICIPALITY
Brakpan Bus Company, Ekurhuleni Development
Compnay

Related party balances

Amounts included in Trade receivable regarding related parties

Ekurhuleni Metropolitan Municipality	13,939,876	13,042,000
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Amounts included in Trade Payable regarding related parties

Ekurhuleni Metropolitan Municipality	1,342,785	1,883,000
--------------------------------------	-----------	-----------

Related party transactions

Sales to related parties

Ekurhuleni Metropolitan Municipality	242,805,316	220,623,000
--------------------------------------	-------------	-------------

Purchases from related parties

Ekurhuleni Metropolitan Municipality	27,992,151	15,700,000
--------------------------------------	------------	------------

31. PRIOR YEAR ERRORS

An calculation error of R3 807 800 was made in 2007-2008 when depreciation on buildings and Deferred income of R2 337 488 was calculated with retrospective date of 1 July 1993 in stead of 1 July 1994.

The useful lives of assets were assessed as at 30 June 2009 and the prior years adjustment from 1 July 1993 to 30 June 2008 amounts to R40,203,709.

Leave pay was under provided due to the incorrect calculation on the payroll system. The under provision amounted to R1, 485,671.

Provision was made for the companies medical aid contribution to the medical aid fund for post retired employees based on life expectancy. The contribution for 2007-2008 amounts to R1,456,813.

Intangible assets were capitalised and the prior year adjustment from 1 July 1993 to 30 June 2009 amounted to R1,559,719 as intangible assets and accumulated depreciation on intangible assets of R812,482.

Statement of financial performance

Decrease in depreciation	-	-	-	3,807,800
Assessment of useful lives of assets	-	-	-	(40,203,709)
Deferred Income	-	-	-	(2,337,488)
Provision for leave pay	-	-	-	1,485,671
Provision for post retirement medical aid obligation	-	-	-	1,456,813
Increase in depreciation of intangible assets	-	-	-	812,482
Intangible Assets capitalised	-	-	-	(1,559,719)
Net effect on retained income	-	-	-	(36,538,150)

East Rand Water Care Company (ERWAT)

APPENDIX A for the period ended Tuesday, June 30, 2009

June 2009

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

Loan Number	Redeemable	Balance at	Received during	Redeemed written	Balance at	Carrying Value of	Other Costs in	
		Tuesday, June 30,	the period	off during the	Tuesday, June 30,	Property, Plant &	accordance with	
Number	Rand	2009	Rand	period	2009	Equip	the MFMA	
		Rand	Rand	Rand	Rand	Rand	Rand	
LONG-TERM LOANS								
ABSA LOAN @ 11,42%	3020478989	2015/05/31	14,461,017	-	-	14,461,017	14,461,017	-
ABSA LOAN @ 12,42%	3020478442	2015/05/31	7,893,581	-	-	7,893,581	7,893,581	-
ABSA LOAN @ 12%	3020478581	2015/05/31	20,989,060	-	-	20,989,060	20,989,060	-
INCA LOAN @ 10,75%	50610027704	2024/06/28	86,584,992	-	-	86,584,992	86,584,992	-
DBSA LOAN @ 15%	10780202	2020/09/30	4,640,702	-	-	4,640,702	4,640,702	-
DBSA LOAN @ 10%	107801	2020/09/30	34,097,976	-	-	34,097,976	34,097,976	-
			168,667,328	-	-	168,667,328	168,667,328	-
ANNUITY LOAN Sanlam			-	-	-	-	-	-
GOVERNMENT LOANS			-	-	-	-	-	-
LEASE LIABILITY			-	-	-	-	-	-

LETHABONG HOUSING INSTITUTE
(Registration number 2000/005573/08)
TRADING AS LETHABONG HOUSING INSTITUTE
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1st

PHAROE PARK HOUSING COMPANY
(REGISTRATION NUMBER 1997/016085/07)
TRADING AS PHAROE PARK HOUSING COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DIRECTORS' RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 32, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the Company.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The disclosure requirements as per GRAP 1, 2 and 3 have also been incorporated in the financial statements

Executive Director

Monday, 24 August, 2009

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Certificate by Company Secretary for the year ended June 30, 2009

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

ME von Ronge
Of: PHAROE PARK HOUSING COMPANY
Company Secretary
Monday, 24 August, 2009

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Social Housing Institution
DIRECTORS	Daphney Ngoasheng Kara Nazir Ahmed Peter Clive Ucko Simon Pieter Gerber Michael Mokela Mokgohloa FT Sethaelo Mbali B Mposula FT Sethaelo
REGISTERED OFFICE	Shop nr 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
BUSINESS ADDRESS	Shop nr 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
PARENT	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA
AUDITORS	Xabiso Chartered Accountants (on behalf of the Auditor General) Registered Auditors
SECRETARY	ME von Ronge

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

CONTENTS

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

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Directors' Report	5 - 6
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Statement of Financial Position	7
Statement of Financial Performance for the year ended 30 June 2008	8
Detailed Income statement	9 - 10
Statement of Changes in Net Assets	11
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PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DIRECTORS' REPORT

1. INCORPORATION

The company was incorporated on 2 September 1997 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

The Pharo Park Housing Company PTY (LTD) at the year end at June 30, 2009, showed a surplus of R 911898.17 and the company's total asset exceed its liabilities by R 756 471

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its shareholders and furthermore the company is dependant on achieving sustainable profitability through the rental of properties at a social rate.

3. INTERNAL CONTROLS

3.1. VAT

PHAROE PARK HOUSING COMPANY (PTY) LTD is exempt from VAT registration.

4. POST STATEMENT OF FINANCIAL POSITION EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. ACCOUNTING POLICIES

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DIRECTORS' REPORT

6. CONTRIBUTION FROM OWNERS

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 107 were issued at par value.

There were no changes in the authorised or issued share capital of the company during the year under review.

Ekurhuleni Metropolitan Municipality held 93,5 % of the ordinary share capital of the company as at 30 June 2008

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

7. DIRECTORS

The directors of the company during the year and to the date of this report are as follows

Michael Mokgohloa is the only executive director appointed as Chief Executive Officer

All other directors are independent non-executive directors appointed by the Mayor of Ekurhuleni Metropolitan Municipality according to the Municipal :

Name	Nationality	Changes
Daphney Ngoasheng	SA Citizen	
Sipho Mlungisi Twala	SA Citizen	Resigned Friday, 20 March, 2009
Kara Nazir Ahmed	SA Citizen	
Peter Clive Ucko	SA Citizen	
Simon Pieter Gerber	SA Citizen	
Michael Mokela Mokgohloa	SA Citizen	Appointed Tuesday, 01 July, 2008
Mbali B Mposula	SA Citizen	Appointed Wednesday, 01 July, 2009
FT Sethaelo	SA Citizen	

8. PARENT

The company's parent is Ekurhuleni Metropolitan Municipality

9. BANKERS

Amalgamated Bank of South Africa Limited

10. AUDITORS

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, the Xabiso Chartered Accountants (on behalf of the Auditor General) will continue as the Company's external auditors

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2009

	Note(s)	2009 R	2008 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Contribution from owner	2	4,000,100	4,000,100
Accumulated Surplus (Deficit)		(3,239,929)	(2,665,578)
		760,171	1,334,522
LIABILITIES			
NON-CURRENT LIABILITIES			
Shareholders loan	4	3,500,000	2,011,593
Long-term liabilities	5	9,270,776	10,938,328
Provincial Subsidies Grant	7	12,178,073	12,215,493
		24,948,849	25,165,414
CURRENT LIABILITIES			
Amount owing to related companies	3	3,745,192	2,517,423
Current portion of long-term liabilities	5	1,605,632	1,495,392
Trade and other payables	6	1,002,198	1,081,683
Rental Deposits Held		1,086,412	1,015,857
		7,439,434	6,110,355
Non-Current Liabilities		24,948,849	25,165,414
Current Liabilities		7,439,434	6,110,355
Liabilities of disposal groups		-	-
Total Liabilities		32,388,283	31,275,769
Equities		760,171	1,334,522
Liabilities		32,388,283	31,275,769
Total Net Assets and Liabilities		33,148,454	32,610,291
ASSETS			
NON-CURRENT ASSETS			
Investment property	9	17,250,310	17,641,283
Property, plant and equipment	10	75,248	8,809
Deposit paid on acquisition of Property		12,974,776	12,974,776
		30,300,334	30,624,868
CURRENT ASSETS			
Trade and other receivables	12	1,662,402	386,515
Cash and cash equivalents	8	1,185,720	1,598,909
		2,848,122	1,985,424
Non-Current Assets		30,300,334	30,624,868
Current Assets		2,848,122	1,985,424
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		33,148,456	32,610,292

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2009 R	2008 R
Revenue	13	7,383,977	6,583,700
Revenue		7,383,977	6,583,700
Cost of sales		-	-
Other income	14	1,034,385	838,181
Operating expenses	&16&17&	(7,755,546)	(6,866,256)
		7,383,977	6,583,700
		(6,721,161)	(6,028,075)
Operating surplus		662,816	555,625
Investment revenue		1,408,044	996,882
Finance costs	16	(1,155,264)	(1,498,527)
Surplus (deficit) for the period from continuing operations		915,596	53,980
Surplus (deficit) from discontinued operations		-	-
Surplus for the year		915,596	53,980

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DETAILED INCOME STATEMENT

	Note(s)	2009 R	2008 R
REVENUE			
Rental facilities and equipment		7,383,977	6,583,700
		7,383,977	6,583,700
		-	-
OTHER INCOME			
Recoveries		996,466	288,083
Sundry income		499	161,754
Interest received - investment		1,408,044	996,882
Government grants		37,420	388,344
		2,442,429	1,835,063
		(7,755,546)	(6,866,256)
Expenses (Refer to page 9)		(7,755,546)	(6,866,256)
		7,383,977	6,583,700
		2,442,429	1,835,063
		(7,755,546)	(6,866,256)
Operating surplus		2,070,860	1,552,507
Finance costs	16	(1,155,264)	(1,498,527)
Surplus (deficit) before taxation		915,596	53,980
Taxation		-	-
Surplus for the year		915,596	53,980
OPERATING EXPENSES			
Administration and management fees		2,914,915	2,521,300
Advertising		-	3,065
Assessment rates & municipal charges		152,617	-
Auditors remuneration	15	253,163	349,977
Bad debts	18	408,849	113,858
Bank charges		96,584	76,911
Cleaning		169,182	144,304
Conferences and seminars		-	3,465
Consulting and professional fees		27,978	13,260
Debt collection		541,848	2,683
Depreciation, amortisation and impairments		405,932	345,889
Horticulture		11,400	-
Insurance		206,205	357,436
Lease rentals on operating lease		-	-
Legal expenses		15,491	37,061
Pest control		22,800	34,392
Printing and stationery		-	8,436
Repairs and maintenance		449,768	1,004,446
Security (Guarding of municipal property)		807,223	749,905
Telecommunication costs (Telephone and fax)		-	450
Utilities		1,271,591	1,099,418
		7,755,546	6,866,256

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

DETAILED INCOME STATEMENT

	Note(s)	2009 R	2008 R
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PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus (Deficit)	Net Assets
		R	R	R	R	R
Balance at July 1, 2007		107	3,999,993	4,000,100	(2,719,498)	1,280,602
Changes in net assets						
Surplus for the year				-	53,980	53,980
Total changes		-	-	-	53,980	53,980
Balance at July 1, 2008		107	3,999,993	4,000,100	(2,665,518)	1,334,582
Changes in net assets						
Prior year adjustments				-	(1,490,007)	(1,490,007)
Net income (expenses) recognised directly in equity		-	-	-	(1,490,007)	(1,490,007)
Surplus for the year					915,596	915,596
Total recognised income and expenses for the year		-	-	-	(574,411)	(574,411)
Total changes		-	-	-	(574,411)	(574,411)
Balance at June 30, 2009		107	3,999,993	4,000,100	(3,239,929)	760,171

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOW STATEMENT

	Note(s)	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		9,822,707	17,218,532
Cash paid to suppliers and employees		2,826,425	(18,034,899)
Cash generated from (used in) operations	19	12,649,132	(816,367)
Interest income		1,408,044	996,882
Finance costs		(1,155,264)	(1,498,527)
Net cash from operating activities		12,901,912	(1,318,012)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(81,339)	-
Loans to group companies repaid		1,227,769	-
Proceeds from loans from group companies		-	1,459,054
Deposit paid - Presidents Place		(12,974,776)	-
Net cash utilised in investing activities		(11,828,346)	1,459,054
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term liabilities		(1,557,312)	(1,578,080)
Movement in rental deposits		70,555	113,339
Repayment of shareholders loan		-	215,528
Net cash from financing activities		(1,486,757)	(1,249,213)
Total cash movement for the year		(413,191)	(1,108,171)
Cash at the beginning of the year		1,598,909	2,707,080
Total cash at end of the year	8	1,185,718	1,598,909

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice(GAAP) including any interpretations such Statements issued by the Accounting Practice Board, the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1,2 and 3 has resulted in the following changes in the presentation of the financial statements:

1.1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of Financial Position	Balance Sheet
Statement of Financial Performance	Income Statement
Statement of Changes in Net Assets	Statements of Changes in Equity
Net Assets	Equity
Surplus / Deficit	Profit / Loss
Accumulated Surplus / Deficit	Retained Earnings
Contributions from Owners	Share Capital
Distributions to Owners	Dividends

1.2. The cash flow statement can only be prepared in accordance with the direct method.

1.3. Specific information has been presented separately on the Statement of Financial Position, such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers
- (b) Taxes and transfers payable
- (c) Trade and other payables from non-exchange transactions.

1.4. The amount and nature of any restrictions on cash balances is required to be disclosed.

These accounting policies are consistent with the previous year.

1.1 SIGNIFICANT JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

EFFECTIVE INTEREST RATE

The Company used the prime interest rate to discount future cash flows.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The company follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.1 SIGNIFICANT JUDGEMENTS (continued)

If all of the declines in fair value below cost were considered significant or prolonged, the company would suffer an additional loss of R - in its 2009 annual financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

IMPAIRMENT TESTING

Management used the fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note - Impairment of assets

PROVISIONS

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

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

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

1.2 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4 OWNERS CONTRIBUTIONS AND NET ASSETS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.5 INVESTMENT PROPERTY

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

COST MODEL

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

ITEM	USEFUL LIFE
Property - land	indefinite
Property - buildings	50 years

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation.

1.7 IMPAIRMENT OF ASSETS

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

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

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs to is determined

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

Investment property are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.8 FINANCIAL ASSETS AND LIABILITIES

INITIAL RECOGNITION

Recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Measurement

Financial instruments are initially measured at cost, which include transaction costs.

Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below

FAIR VALUE DETERMINATION

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the annual financial statements establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

AMOUNTS OWING BY (TO) RELATED COMPANIES

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Loans to (from) group companies are classified as loans and receivables.

TRADE AND OTHER RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against company in the income statement.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. 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. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.8 FINANCIAL ASSETS AND LIABILITIES (continued)

Amounts that are receivable within 12 months from the reporting date are classified as current.

TRADE AND OTHER PAYABLES

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

CASH AND CASH EQUIVALENTS

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

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.9 REVENUE

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within divisions of the company. Revenue is recognised as follow:

1.9.1 REVENUE FROM EXCHANGE TRANSACTIONS

Interest and rentals are recognised on a time proportion basis.

All other revenue is recognised as it accrues.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

1.10 CONDITIONAL GRANTS AND RECEIPTS

Government grants are recognised as deferred income when there is reasonable assurance that:

- the company will comply with the conditions attaching to the government grant; and
- the grants will be received.

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

In particular, the government grant pertaining to land received from the parent municipality is recognised as income at cost over a straight- line period of fifty years, being the estimated useful life of the residential accomodation of the land.

1.11 TAX

CURRENT TAX ASSETS AND LIABILITIES

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.11 TAX (continued)

DEFERRED INCOME TAX

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- a) is not a business combination; and
- b) at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- a) the initial recognition of goodwill; or
- b) goodwill for which amortisation is not deductible for tax purposes; or
- c) the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

TAXATION

Income tax expense represents the sum of current tax and deferred tax.

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a) a transaction or event which is recognised, in the same or a different period, directly in equity, or
- b) a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to net assets.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTING POLICIES

1.12 UNAUTHORISED EXPENDITURE

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

1.13 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Company's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.14 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. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.15 COMPARATIVES INFORMATION

1.15.1 CURRENT YEAR COMPARATIVES

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.15.2 PRIOR YEAR COMPARATIVES

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
2. CONTRIBUTION FROM OWNER		
AUTHORISED		
1000 Ordinary shares of R1 each	1,000	1,000
ISSUED		
Ordinary	107	107
Share premium	3,999,993	3,999,993
	4,000,100	4,000,100
107 Ordinary shares at R1 each		
3. AMOUNTS OWING BY (TO) RELATED COMPANIES		
ASSOCIATES		
Ekurhuleni Development Company	(2,766,975)	(1,598,213)
Inter company loan		
Germiston Phase II Housing Company	(908,217)	(819,210)
Inter company loan		

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

3. AMOUNTS OWING BY (TO) RELATED COMPANIES (continued)

Lethabong Housing Institute	(70,000)	(100,000)
Inter company loan		
	(3,745,192)	(2,517,423)

4. LOANS TO/FROM SHAREHOLDERS

Gauteng Partnership Fund (GPF)	(3,500,000)	(2,011,593)
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The loan from Gauteng Partnership fund is interest free and repayable by equal instalments of R700 000 annually from the 1st of February 2011. The loan was received in February 2005 when GPF acquired 6.5% shareholding of the company.

CREDIT QUALITY OF LOANS TO SHAREHOLDERS

The credit quality of loans to shareholders that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

4.1. GAUTENG PARTNERSHIP FUND (GPF)

NOTIONAL LOANS MOVEMENT FOR THE YEAR

Loan at nominal amount	(2,011,593)	(1,796,065)
(Less) Gain on receipt of interest free loan	(1,488,407)	(215,528)
Balance at end of year	(3,500,000)	(2,011,593)

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
5. LONG-TERM LIABILITIES		
Loan - woon concept @ 5 % interest The initial loan of R500 000 from Sticing Woonconcept will be paid back in 10 equal instalments per annum commencing on 1 December 2001 and ending 1 December 2010. Interest is charged from the date of the instalment at 5 % per annum and will be debited on the last day of the month	50,000	100,000
Unsecured loan - NHFC @ 7.68% The NHFC unsecured (HIDF subordinated)loan of R6 398 745 is payable in 134 equal instalments commencing on the first business day of the 26th month, calculated from the date of the first advance, which was on the 17th June 1998. Interest was charged at 9% per annum, capitalised for 26 months where after it is payable with the loan repayment. The interest was negotiated from 01 March 2002, the new interest rate is 7.68%	2,904,485	3,925,353
Secured loan - NHFC @ prime less 1% The NHFC secured loan is secured with a First Continuous Covering Mortgage Bond for R12 300 000 over that consolidated property repayable in 199 equal monthly instalments commencing on the fifth business day of the month calculated from the date of the first advance, interest payable at fixed rate of 14 % per annum. The interst was negotiated and changed effect from 1 February 2005 to prime less 1%.	6,316,290	6,862,975
	9,270,775	10,888,328
	9,270,775	10,888,328
	-	-
CURRENT PORTION OF LONG TERM LIABILITIES		
Short term portion of NHFC loan	1,605,632	1,495,392
NON-CURRENT LIABILITIES		
National Housing Funding Corporation	9,270,776	10,938,328
CURRENT LIABILITIES		
National Housing Funding Corporation	1,605,632	1,495,392
	9,270,776	10,938,328
	1,605,632	1,495,392
	10,876,408	12,433,720
6. TRADE AND OTHER PAYABLES		
Trade payables	80,378	13,261
Payments received in advance	189,560	156,447
Sundry Creditors	-	129,994
Unallocated Receipts	13,127	6,974
Related party creditor	21 719,133	775,007
Total Creditors	1,002,198	1,081,683
7. PROVINCIAL SUBSIDIES GRANT		
DEFERRED INCOME COMPRISES:		
Non-monetary Government Grants	1,421,960	1,459,380
Institutional Subsidies	10,793,533	10,793,533
Income recognition during the year	(33,720)	(37,420)

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
7. PROVINCIAL SUBSIDIES GRANT (continued)		
Total Conditional Grants and Receipts	12,181,773	12,215,493

MOVEMENT DURING THE YEAR:

Balance at the beginning of the year	1,421,960	1,459,380
Additions during the year	10,793,533	10,793,533
Income recognition during the year	(37,420)	(37,420)
Balance at the end of the year	12,178,073	12,215,493

Deferred income resulted from land donated to Pharoeh Park by Ekurhuleni Metropolitan Municipality and is recognised as revenue over the useful life of the investment property.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	185,720	498,909
Call investment deposits	1,000,000	1,100,000
	1,185,720	1,598,909

9. INVESTMENT PROPERTY

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	21,543,704	(4,293,394)	17,250,310	21,543,704	(3,902,421)	17,641,283

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

9. INVESTMENT PROPERTY (continued)

RECONCILIATION OF INVESTMENT PROPERTY - 2009

	Opening Balance	Depreciation	Total
Investment property	17,641,283	(390,973)	17,250,310

RECONCILIATION OF INVESTMENT PROPERTY - 2008

	Opening Balance	Depreciation	Total
Investment property	17,908,193	(266,910)	17,641,283

PLEDGED AS SECURITY

The loan from NHFC is secured First Continuous Covering Mortgage over the consolidated property of the consolidated property.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2009	2008
R	R

9. INVESTMENT PROPERTY (continued)

DETAILS OF PROPERTY

The property comprises of:

- Erf 122 to 128, 130, 135 to 139, 263, 265, 267, 269 to 271, 287 and 305 to 308 in WEST GERMISTON

The properties were developed in 1998 for the purpose of earning rental income and meeting housing service delivery needs. the property has 440 rental units

Mortgage bond: B24620/1999 for R12,300,000 in favour of National Housing Finance Corp Ltd.

Fair value of investment property amounting to R49 869 500(R52 164 700 June 2008) was determined at year end 30 June 2007 by an independant sworn property appraiser based on most recent prices achieved in arms length transactions of similar properties in the area.

As at 30 June 2008 the fair value adjustment was determined by the House Price Index of ABSA at 4.4 % downward as per fair value policy of the company which states that a Independant valuation has to be done every 3 years there after an adjustment can be done in terms of a published house price index from one of the Financial Institutions eg. ABSA

Investment property at cost

Land	R 1 995 063
Buildings	R 19 548 641
Total	<u>R 21 543 704</u>

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009	2008
	R	R

10. PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Other property, plant and equipment	101,965	(26,717)	75,248	20,626	(11,817)	8,809

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2009

	Opening Balance	Additions	Depreciation	Total
Other property, plant and equipment	8,809	81,339	(14,900)	75,248

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2008

	Opening Balance	Transfers	Total
Buildings	-	-	-
Park facilities	115,704	(115,704)	-
Other property, plant and equipment # 3	8,809	-	8,809
	124,513	(115,704)	8,809

11. ASSET RECONCILIATION

Prior year changes

During 2007/08 an internal asset audit was done to capitalise assets. Changes to the assets was as followed:

1. Park facilities to the amount of R133 263 was found to be Land R 124 063 and R 9 200 Play ground equipment. It was subsequently reclassified to Land R124 063 and R9 200 Other Equipment
2. Building cost capitalised at R 413 629 was epensed as it did not represent an asset since it was repairs & maintenance.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2009 R	2008 R
12. TRADE AND OTHER RECEIVABLES			
Trade debtors	12.1	227,742	263,115
Sundry debtor		43,571	-
Interest receivable		1,391,089	123,400
		1,662,402	386,515
12.1. TRADE DEBTORS			
Gross trade receivables		1,172,382	877,980
Less: Provision for bad debts		(944,641)	(614,865)
Less: Discounting of Receivables as a result of carrying trade and other receivables at amortised cost.		-	-
		227,741	263,115
		2009 R	2008 R

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

13. REVENUE

Rental facilities and equipment	7,383,977	6,583,700
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14. OTHER INCOME

Recoveries	996,466	288,083
Sundry revenue	499	161,754
Government grants	37,420	388,344
	1,034,385	838,181

15. AUDITORS' REMUNERATION

Fees	253,163	349,977
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16. FINANCE COSTS

Current borrowings	1,143,632	1,274,043
Amortisation of held to maturity liabilities	-	215,528
Other interest paid	11,632	8,956
	1,155,264	1,498,527

17. GENERAL EXPENSES

Administration and management fees		2,914,915	2,521,300
Advertising		-	3,065
Assessment rates & municipal charges		152,617	-
Auditors remuneration	15	253,163	349,977
Bad debts	18	408,849	113,858
Bank charges		96,584	76,911
Cleaning		169,182	144,304
Conferences and seminars		-	3,465
Consulting and professional fees		43,469	50,321
Debt collection		541,848	2,683
Horticulture		11,400	-
Insurance		206,205	357,436
Lease rentals on operating lease		-	-
Pest control		22,800	34,392
Printing and stationery		-	8,436
Repairs and maintenance		449,768	1,004,446
Security (Guarding of municipal property)		807,223	749,905
Telecommunication costs (Telephone and fax)		-	450
Municipal Services and Rates & Taxes		1,271,591	1,099,418
		7,349,614	6,520,367

18. BAD DEBTS

Contributions to bad-debt provision	408,849	113,858
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PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
19. CASH GENERATED FROM (USED IN) OPERATIONS		
Surplus before taxation	915,596	53,980
ADJUSTMENTS FOR:		
Depreciation and amortisation	405,932	345,889
Gain on interest free loan	-	216,232
Interest received	(1,408,044)	(996,882)
Finance costs	1,155,264	1,498,527
Prior year adjustment	(1,600)	-
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	(1,275,887)	48,305
Deposit paid on Property to acquire	12,974,776	(12,974,776)
Trade and other payables	(79,485)	236,245
Provincial Subsidies Grant	(37,420)	10,756,113
	12,649,132	(816,367)

20. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR

- Investment property - 23,325,224

The project has been suspended pending funding. There are no contractual liabilities as at 30 June 2009.

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
21. RELATED PARTIES		
Relationships		
Parent		Ekurhuleni Metropolitan Municipality
Other members of the group		Ekurhuleni Development Company Phase II Housing Company Lethabong Housing Institute
RELATED PARTY BALANCES		
LOAN ACCOUNTS - OWING TO RELATED PARTIES		
Ekurhuleni Development Company	2,766,975	1,598,213
Germiston Phase II Housing Company	908,217	819,210
Lethabong Housing Institute	70,000	100,000
	3,745,192	2,517,423
AMOUNTS INCLUDED IN TRADE PAYABLE REGARDING RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	719,133	775,007
RELATED PARTY TRANSACTIONS		
PURCHASES FROM RELATED PARTIES		
Ekurhuleni development company	2,914,915	2,191,000
Ekurhuleni Metropolitan Municipality	1,424,207	1,099,417
	-	-
	4,339,122	3,290,417
22. PRIOR YEAR ERRORS		
The changes to the prior year figures relates to		
1. Changes in classification of assets		
2. Restatement of the woon concept loan account		
3. Unidentifiable receivables and payables		
4. Deprciation on reclassified assets.		
The changes to the balances was not restated in the prior year.		
The correction of the error(s) results in adjustments as follows:		
STATEMENT OF FINANCIAL POSITION		
Property, plant and equipment	-	220,186
Borrowings	(1,488,407)	14,877
Trade and other receivables	-	151,188
Trade and other payables	-	(32,827)
Accumulated Depreciation	-	(5,066)
Depreciation correction of prior year	-	(45,413)
Debtors unallocated reciepts	1,600	-
STATEMENT OF FINANCIAL PERFORMANCE		
Old balances cleared	-	(118,361)
Discounting correction	1,488,407	-
Asset disposal - Asset register	-	(220,186)
Unallocated	(1,600)	-
Correction of Balances	-	(19,945)
Correction of prior year depreciation	-	45,413
Net effect on surplus/ deficit) for the year	1,486,807	(313,079)

PHAROE PARK HOUSING COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
23. COMPARATIVE FIGURES		
Comparative figures have been presented of the company.		
24. RISK MANAGEMENT		
LIQUIDITY RISK		
The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
CREDIT RISK		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.		
25. GOING CONCERN		
Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund the shareholders of Pharoeh Park Housing Company commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy was prepared for the company. The company is dependant on continued support from the shareholders in order to remain a going concern.		
26. TAX COMPUTATION		
TAX RECONCILIATION		
Tax loss at the start of the period	(2,419,763)	(2,146,262)
Adjustments	(3,253,201)	(275,968)
Taxable income for the year	998,051	2,467
	(4,674,913)	(2,419,763)

The company has an assessable loss as at 30 June 2009.

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	Current year 2008 Act. Bal.	Current year 2008 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Rental facilities and equipment	7,383,977	7,381,600	2,377	-	Although the rental tariffs was increased during the year, Income on rental was over budgeted. Corrective measures for future budgets were taken
	7,383,977	7,381,600	2,377	-	
Other income					
Other income	1,034,385	590,240	444,145	-	Under budgeted recoveries. The company started to recover refuse during March 2008 which increased the recovery income
Interest received - investment	1,408,044	115,000	1,293,044	-	
	2,442,429	705,240	1,737,189	-	
Total Revenue	9,826,406	8,086,840	1,739,566	-	
Expenses					
Bad debts	(408,849)	(444,000)	35,151	-	
Depreciation - N/A	(405,932)	(380,000)	(25,932)	-	
Repairs and maintenance	(449,768)	(442,000)	(7,768)	-	Repairs budget moved to Operations
Finance costs	(1,155,264)	(1,178,628)	23,364	-	
General expenses	(6,490,996)	(5,964,604)	(526,392)	-	
	(8,910,809)	(8,409,232)	(501,577)	-	
Operating profit	915,597	(322,392)	1,237,989	-	
Other revenue and costs					
Net surplus/ (deficit) for the year	915,597	(322,392)	1,237,989	-	

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)
(REGISTRATION NUMBER 2000/007937/07)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

DIRECTORS' RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 25, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the company.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practices. The disclosure requirements as per GRAP 1, 2 and 3 have also been incorporated in the financial statements

Executive Director

Monday, 24 August, 2009

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

Certificate by Company Secretary for the year ended June 30, 2009

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

ME von Ronge
Of: GERMISTON PHASE II HOUSING COMPANY PTY (LTD)
Company Secretary
Monday, 24 August, 2009

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Social Housing Institution
DIRECTORS	Daphney Ngoasheng Clive Peter Ucko Kara Nazir Ahmed Simon Pieter Gerber Michael Mokela Mokgohloa FT Sethaelo MB Mposula
BUSINESS ADDRESS	No 9 Cnr Jack & Queen Street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
PARENT	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA
AUDITORS	Xabiso Chartered Accountants on behalf to the Auditor General
SECRETARY	ME von Ronge

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

DIRECTORS' REPORT

1. INCORPORATION

The company was incorporated on 26 April 2000 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

The Phase II Housing Company PTY(LTD) at the year end at June 30, 2009, showed a surplus of R248 460 and the company's total assets exceeded the liabilities by R2 751 955.

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its shareholders and furthermore the company is dependant on achieving sustainable profitability through the rental of properties at a social rate.

3. INTERNAL CONTROLS

3.1. VAT

GERMISTON PHASE II HOUSING COMPANY PTY (LTD) is exempt from VAT registration.

4. POST STATEMENT OF FINANCIAL POSITION EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. ACCOUNTING POLICIES

The International Financial Reporting Standards were not applied. Generally Accepted Accounting Practice, together with the South African Generally Recognised Accounting Practice 1, 2 and 3 were applied, in consistency with prior year.

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

6. CONTRIBUTION FROM OWNERS

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 108 were issued at par value.

There were no changes in the authorised or issued share capital of the company during the year under review.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

Ekurhuleni Metropolitan Municipality held 92.6% of the ordinary share capital of the company as at 30 June 2007.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

7. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Michael Mokgohloa is the only executive director appointed as the Chief Executive officer.

All other directors are independent non-executive directors appointed by the Ekurhuleni Metropolitan Municipality.

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

DIRECTORS' REPORT

Name	Nationality	Changes
Sipho Mlungisi Twala	SA Citizen	Resigned Friday, 20 March, 2009
Daphney Ngoasheng	SA Citizen	
Clive Peter Ucko	SA Citizen	
Kara Nazir Ahmed	SA Citizen	
Simon Pieter Gerber	SA Citizen	
Michael Mokela Mokgohloa	SA Citizen	
FT Sethaelo	SA Citizen	Appointed Tuesday, 01 July, 2008
MB Mposula	SA Citizen	Appointed Tuesday, 01 July, 2008

8. PARENT

The company's parent is Ekurhuleni Metropolitan Municipality

9. BANKERS

Amalgamated Bank of South Africa Limited

10. AUDITORS

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, Xabiso Chartered Accountants on behalf to the Auditor General will continue as the Company's external auditors

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

CONTENTS

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

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Statement of Changes in Net Assets	10
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The following supplementary information does not form part of the annual financial statements and is unaudited:	
APPENDIX E(1): Actual versus Budget (Revenue and Expenditure)	25

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2009

	Note(s)	2009 R	2008 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Contribution from owners	2	4,000,100	4,000,100
Accumulated Surplus (Deficit)		(1,248,149)	(8,200)
		2,751,951	3,991,900
LIABILITIES			
NON-CURRENT LIABILITIES			
Shareholders Loan	4	3,500,000	2,011,593
Long-term liabilities	5	18,434,805	19,849,327
		21,934,805	21,860,920
CURRENT LIABILITIES			
Loans from group companies	3	-	271,418
Current portion of long-term liabilities	5	1,412,278	1,497,118
Trade and other payables	6	1,447,379	760,132
Deferred income	7	1,348,800	1,382,520
Rental Deposits		1,493,418	1,349,528
		5,701,875	5,260,716
Non-Current Liabilities		21,934,805	21,860,920
Current Liabilities		5,701,875	5,260,716
Liabilities of disposal groups		-	-
Total Liabilities		27,636,680	27,121,636
Equities		2,751,951	3,991,900
Liabilities		27,636,680	27,121,636
Total Net Assets and Liabilities		30,388,631	31,113,536
ASSETS			
NON-CURRENT ASSETS			
Investment property	9	25,814,629	26,396,041
CURRENT ASSETS			
Loans to group companies	3	2,925,737	819,210
Trade and other receivables	10	411,499	322,105
Cash and cash equivalents	8	1,236,769	3,576,180
		4,574,005	4,717,495
Non-Current Assets		25,814,629	26,396,041
Current Assets		4,574,005	4,717,495
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		30,388,634	31,113,536

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2009 R	2008 R
Revenue	11	9,366,029	8,517,257
Revenue		9,366,029	8,517,257
Cost of sales		-	-
Other income	12	1,438,735	638,258
Operating expenses	15	(8,504,498)	(6,878,598)
		9,366,029	8,517,257
		(7,065,763)	(6,240,340)
Operating surplus		2,300,266	2,276,917
Investment revenue		230,751	399,152
Finance costs	14	(2,282,559)	(2,642,090)
Surplus (deficit) for the period from continuing operations		248,458	33,979
Surplus (deficit) from discontinued operations		-	-
Surplus for the year		248,458	33,979

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

DETAILED INCOME STATEMENT

	Note(s)	2009 R	2008 R
REVENUE			
Rental facilities and equipment		9,366,029	8,517,257
		9,366,029	8,517,257
		-	-
OTHER INCOME			
Recoveries		1,390,845	463,961
Sundry Income		14,170	140,577
Interest received - investment		230,751	399,152
Deferred income on asset-based Government grants recognised during the year		33,720	33,720
		1,669,486	1,037,410
OPERATING EXPENSES			
Administration and management fees		(2,983,275)	(2,527,000)
Assessment rates & municipal charges		(38,792)	-
Auditors remuneration	13	(249,084)	(239,103)
Bad debts	16	(470,021)	(265,338)
Bank charges		(113,359)	(93,704)
Cleaning		(182,212)	(223,353)
Consulting and professional fees		(830)	(36,518)
Debt collection		(749,354)	(88,620)
Depreciation, amortisation and impairments		(581,413)	(581,413)
Horticulture		(22,800)	-
Insurance		(211,852)	(371,731)
Pest control		(26,049)	(38,524)
Repairs and maintenance		(667,809)	(481,387)
Security (Guarding of municipal property)		(805,296)	(797,670)
Utilities		(1,402,352)	(1,134,237)
		(8,504,498)	(6,878,598)
		9,366,029	8,517,257
		1,669,486	1,037,410
		(8,504,498)	(6,878,598)
Operating surplus		2,531,017	2,676,069
Finance costs	14	(2,282,559)	(2,642,090)
Surplus (deficit) before taxation		248,458	33,979
Taxation		-	-
Surplus for the year		248,458	33,979

Refer to Appendix E(1) for comparison with the approved budget

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Share capital	Share premium	Total share capital	Accumulat ed Surplus (Deficit)	Net Assets
		R	R	R	R	R
Opening balance as previously reported		108	3,999,992	4,000,100	(75,899)	3,924,201
Adjustments						
Prior year adjustments	19			-	33,720	33,720
Balance at July 1, 2007 as restated		108	3,999,992	4,000,100	(42,179)	3,957,921
Changes in net assets						
Surplus for the year				-	33,979	33,979
Total changes		-	-	-	33,979	33,979
Balance at July 1, 2008		108	3,999,992	4,000,100	(8,200)	3,991,900
Prior Year adjustment					(1,488,407)	(1,488,407)
Net income (expenses) recognised directly in equity		-	-	-	(1,488,407)	(1,488,407)
Surplus for the year					248,458	248,458
Total recognised income and expenses for the year		-	-	-	(1,239,949)	(1,239,949)
Total changes		-	-	-	(1,239,949)	(1,239,949)
Balance at June 30, 2009		108	3,999,992	4,000,100	(1,248,149)	2,751,951

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

CASH FLOW STATEMENT

	Note(s)	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		10,804,764	9,554,667
Cash paid to suppliers and employees		(7,358,952)	(6,475,042)
Cash generated from operations	17	3,445,812	3,079,625
Interest income		230,751	399,152
Finance costs		(2,282,559)	(2,642,090)
Other non-cash item		-	33,720
Net cash from operating activities		1,394,004	870,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to group companies repaid		(2,179,897)	95,985
Undefined Difference		(198,048)	-
Net cash from investing activities		(2,377,945)	95,985
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term liabilities		(1,499,362)	(1,548,892)
Movement in rental deposits		143,890	100,791
Proceeds from shareholders loan		-	215,528
Net cash from financing activities		(1,355,472)	(1,232,573)
Total cash movement for the year		(2,339,413)	(266,181)
Cash at the beginning of the year		3,576,180	3,842,361
Total cash at end of the year	8	1,236,767	3,576,180

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, the prescribed standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP1, 2 and 3 has resulted in the following changes in presentation of the financial statements:

1.1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of Financial Position	Balance Sheet
Statement of Financial Performance	Income Statement
Statement of Changes in Net Assets	Statements of Changes in Equity
Net assets	Equity
Surplus / Deficit	Profit / Loss
Accumulated Surplus / Deficit	Retained earnings
Contributions from Owners	Share capital
Distributions to Owners	Dividends

1.2. The cash flow statement can only be prepared in accordance with the direct method.

1.3. Specific information has been presented separately on the statement of financial position, such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers
- (b) Taxes and transfers payable
- (c) Trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position.

1.4. The amount and nature of any restrictions on cash balances is required to be disclosed.

These accounting policies are consistent with the previous year.

1.1 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.3 OWNERS CONTRIBUTIONS AND NET ASSETS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

ACCOUNTING POLICIES

1.4 INVESTMENT PROPERTY

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

COST MODEL

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

ITEM	USEFUL LIFE
Property - land	indefinite
Property - buildings	50 years

1.5 IMPAIRMENT OF ASSETS

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

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

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined

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

Investment property are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

1.6 FINANCIAL ASSETS AND LIABILITIES

INITIAL RECOGNITION

Recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Measurement

Financial assets and financial liabilities are initially measured at cost, which include transaction costs.

Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below.

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

ACCOUNTING POLICIES

1.6 FINANCIAL ASSETS AND LIABILITIES (continued)

FAIR VALUE DETERMINATION

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the annual financial statements establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

LOANS TO (FROM) GROUP COMPANIES

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Loans to (from) group companies are classified as loans and receivables.

TRADE AND OTHER RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against company in the income statement.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. 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. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

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ACCOUNTING POLICIES

1.6 FINANCIAL ASSETS AND LIABILITIES (continued)

TRADE AND OTHER PAYABLES

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

CASH AND CASH EQUIVALENTS

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

1.7 REVENUE

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Company.

1.7.1 REVENUE FROM EXCHANGE TRANSACTIONS

Interest and rentals are recognised on a time proportion basis.

1.8 CONDITIONAL GRANTS AND RECEIPTS

Government grants are recognised as deferred income when there is reasonable assurance that:

- the company will comply with the conditions attached to the government grant, and
- the grants will be received.

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

In particular, the government grant pertaining to land received from the parent municipality is recognised as income at cost over a straight-line period of fifty years, being the estimated useful life of the residential accommodation on the land.

1.9 TAX

CURRENT TAX ASSETS AND LIABILITIES

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

ACCOUNTING POLICIES

1.9 TAX (continued)

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- a) is not a business combination; and
- b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- a) the initial recognition of goodwill; or
- b) goodwill for which amortisation is not deductible for tax purposes; or
- c) the initial recognition of an asset or liability in a transaction which:
 - i) is not a business combination; and
 - ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

TAXATION

Income Tax expense represents the sum of current tax and deferred tax.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a) a transaction or event which is recognised, in the same or a different period, directly in equity, or
- b) a business combination.

Current tax and deferred taxes are charged or credited directly to net assets if the tax relates to items that are credited or charged, in the same or a different period, directly to net assets.

1.10 UNAUTHORISED EXPENDITURE

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

1.11 IRREGULAR EXPENDITURE

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

ACCOUNTING POLICIES

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Company's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.12 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. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.13 COMPARATIVES INFORMATION

1.13.1 CURRENT YEAR COMPARATIVES

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.13.2 PRIOR YEAR COMPARATIVES

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

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
2. CONTRIBUTION FROM OWNERS		
AUTHORISED		
1000 Ordinary shares of R1 each	-	1,000
ISSUED		
Ordinary	108	108
Share premium	3,999,992	3,999,992
	4,000,100	4,000,100
108 Ordinary shares @ R1 each.		
3. LOANS TO/FROM GROUP COMPANIES		
ASSOCIATES		
Ekurhuleni Development Company Inter company loan	1,993,625	(179,784)
Pharoe Park Housing Company Inter company loan	908,217	819,210
Lethabong Housing Institute Inter company loan	23,895	(91,634)
	2,925,737	547,792
AMOUNTS OWING BY(TO) RELATED COMPANIES		
Inter company loans are interest free with no fixed repayment terms		
Current assets	2,925,737	819,210
Current liabilities	-	(271,418)
	2,925,737	547,792
4. LOANS FROM SHAREHOLDERS		
Gauteng Partnership Fund (GPF)	(3,500,000)	(2,011,593)
The loan from GPF is interest free and repayable by equal instalments of R700000 annually from the 1st of February 2011. The loan was received in February 2005 when GPF acquired 7.5% shareholding of the company.		
4.1. GAUTENG PARTNERSHIP FUND (GPF)		
NOTIONAL LOANS MOVEMENT FOR THE YEAR		
Loan at nominal amount	(2,011,593)	(1,796,065)
(Less) Gain on receipt of interest free loan	(1,488,407)	(215,528)
Balance at end of year	(3,500,000)	(2,011,593)
5. LONG-TERM LIABILITIES		
Secured Loan - NHFC @ prime less 1% interest	19,847,083	21,346,445
The loan from National Housing Finance Corporation is secured by a first continuous covering mortgage bond over the consolidated property and is repayable in 186 equal instalments. Interest on the loan was charged at 14% until January 2005 and then negotiated to prime less 1% from February 2005.		
	19,847,083	21,346,445

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009 R	2008 R
5. LONG-TERM LIABILITIES (continued)		
	-	-
CURRENT PORTION OF LONG TERM LIABILITIES		
Current portion of NHFC Loan Terms and conditions	1,412,278	1,497,118
NON-CURRENT LIABILITIES		
National Housing Funding Corporation	18,434,805	19,849,327
CURRENT LIABILITIES		
National Housing Funding Corporation	1,412,278	1,497,118
	18,434,805	19,849,327
	1,412,278	1,497,118
	19,847,083	21,346,445
6. TRADE AND OTHER PAYABLES		
Trade payables	13,120	139,463
Payments received in advance	239,507	204,931
Sundry Creditors	12,224	34,098
Unallocated Receipts	10,821	9,819
Related party creditor	18 1,171,707	371,821
Total Creditors	1,447,379	760,132
7. DEFERRED INCOME		
DEFERRED INCOME COMPRISES:		
Non-monetary Government Grants	1,348,800	1,382,520
MOVEMENT DURING THE YEAR:		
Balance at the beginning of the year	1,382,520	1,416,240
Income recognition during the year	(33,720)	(33,720)
Balance at the end of the year	1,348,800	1,382,520
Deferred income resulted from land donated to Phase II by Ekurhuleni Metropolitan Municipality and is recognised as revenue over the useful life of the investment property.		
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	236,769	576,180
Call investment deposits	1,000,000	3,000,000
	1,236,769	3,576,180

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009	2008
	R	R

9. INVESTMENT PROPERTY

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	30,756,639	(4,942,010)	25,814,629	30,756,639	(4,360,598)	26,396,041

RECONCILIATION OF INVESTMENT PROPERTY - 2009

	Opening Balance	Depreciation	Total
Investment property	26,396,041	(581,412)	25,814,629

RECONCILIATION OF INVESTMENT PROPERTY - 2008

	Opening Balance	Accumulated Depreciation	Total
Investment property	26,977,455	(581,414)	26,396,041

PLEGDED AS SECURITY

The loan from NHFC is secured by a first continuous covering mortgage over the consolidated property of Airport Park and Delville Flats

DETAILS OF PROPERTY

The property comprises of:

- ERF 59,61 and 62 Airport Park Extension 2 Township registration division I.R measuring 1.3394, 1,1486 and 1.5477 hectares respectively
- and ERF 905, 906, 907 and 908 Dellville Extension 3 Township measuring 4.708, 4.212, 4.400 and 2.007 hectares respectively.

The property was developed in 2002 for the purpose of earning rental income and meeting housing service delivery needs. The property has 548 rental units.

Fair value of investment property amounting to R65 295 000 (R68 300 000 June 07) was determined as at year end 30 June 2007 by an independent sworn property appraiser based on most recent prices achieved in arms length transactions of similar properties in the area.

As at 30 June 2009 the fair value adjustment was determined by the House Price Index of ABSA at 4.4 % downwards as per fair value policy of the company which states that a Independent valuation has to be done every 3 years there after an adjustment can be done in terms of a published house prices index from one of the Financial Institutions eg. ABSA

Investment property at cost

Land	R 1 686 000
Buildings	R 29 070 639
Total	<u>R 30 756 639</u>

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2009	2008
		R	R
10. TRADE AND OTHER RECEIVABLES			
Trade debtors	10.1	406,157	285,743
Sundry debtor		5,342	-
Interest receivable		-	36,362
		411,499	322,105

10.1. TRADE DEBTORS

Gross trade receivables		1,773,964	1,236,872
Less Provision for bad debts		(1,367,807)	(951,129)
		406,157	285,743

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2009	2008
	R	R

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

11. REVENUE

Rental facilities and equipment	9,366,029	8,517,257
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12. OTHER INCOME

Recoveries	1,390,845	463,961
Sundry revenue	14,170	140,577
Deferred income on asset-based Government grants recognised during the year	33,720	33,720
	1,438,735	638,258

13. AUDITORS' REMUNERATION

Fees	249,084	239,103
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14. FINANCE COSTS

Interest paid on long term loans	2,261,141	2,412,244
Amortisation of held to maturity liabilities	-	215,528
Interest paid on deposits held	21,418	14,318
	2,282,559	2,642,090

15. OPERATING EXPENSES

Administration and management fees		2,983,275	2,527,000
Assessment rates & municipal charges		38,792	-
Auditors remuneration	13	249,084	239,103
Bad debts	16	470,021	265,338
Bank charges		113,359	93,704
Cleaning		182,212	223,353
Consulting fees		830	36,518
Legal & Debt collection		749,354	88,620
Depreciation		581,413	581,413
Horticulture		22,800	-
Insurance		211,852	371,731
Pest control		26,049	38,524
Repairs and maintenance		667,809	481,387
Security (Guarding of municipal property)		805,296	797,670
Utilities		1,402,352	1,134,237
		8,504,498	6,878,598

16. BAD DEBTS

Contributions to bad-debt provision		470,021	265,338
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GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
17. CASH GENERATED FROM OPERATIONS		
Surplus before taxation	248,458	33,979
ADJUSTMENTS FOR:		
Depreciation and amortisation	581,413	581,413
Interest received	(230,751)	(399,152)
Finance costs	2,282,559	2,642,090
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	(89,394)	248,264
Trade and other payables	687,247	6,751
Deferred income	(33,720)	(33,720)
	3,445,812	3,079,625

18. RELATED PARTIES

Relationships	
Parent	Ekurhuleni Metropolitan Municipality
Other members of the group	Ekurhuleni Development Company Pharoe Park Housing Company Lethabong Housing Institute

RELATED PARTY BALANCES

LOAN ACCOUNTS - OWING (TO) BY RELATED PARTIES

Ekurhuleni Development Company	1,993,625	(179,784)
Pharoe park Housing Company	908,217	819,210
Lethabong Housing Institute	23,895	(91,634)

AMOUNTS INCLUDED IN TRADE RECEIVABLE (TRADE PAYABLE) REGARDING RELATED PARTIES

Ekurhuleni Metropolitan Municipality	1,171,707	371,821
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RELATED PARTY TRANSACTIONS

PURCHASES FROM RELATED PARTIES

Ekurhuleni Metropolitan Municipality	1,441,143	1,134,237
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ADMINISTRATION FEES PAID TO (RECEIVED FROM) RELATED PARTIES

Ekurhuleni Development Company	3,181,322	2,216,667
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GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

Annual Financial Statements for the year ended June 30, 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
19. PRIOR YEAR ERRORS		
During the year ended 30 June 2006, improvements to land were erroneously expensed as repairs and maintenance:		
The correction of the error(s) results in adjustments as follows:		
STATEMENT OF FINANCIAL POSITION		
Borrowings	(1,488,407)	-
STATEMENT OF FINANCIAL PERFORMANCE		
Discounting correction	1,488,407	-

20. RISK MANAGEMENT

LIQUIDITY RISK

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

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

CREDIT RISK

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

21. GOING CONCERN

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the sustainability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company, therefore a long term sustainability strategy is being prepared for the company. The company is however dependant on continued support from the shareholders in order to remain a going concern.

22. TAX COMPUTATION

TAX RECONCILIATION

Assessed tax loss / profit at the start of the period	(5,647,928)	(5,332,101)
Adjustments to the assessable loss	164,752	-
Taxable income	497,194	(315,827)
	(4,985,982)	(5,647,928)

The company has an assessable loss as at 30 June 2009

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	Current year 2008 Act. Bal.	Current year 2008 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Rental facilities and equipment	9,366,029	9,330,000	36,029	-	
	9,366,029	9,330,000	36,029	-	
Other income					
Other income	1,438,735	1,481,720	(42,985)	-	
Interest received - investment	230,751	100,000	130,751	-	
	1,669,486	1,581,720	87,766	-	
Total Revenue	11,035,515	10,911,720	123,795	-	
Expenses					
Bad debts	(470,021)	(472,000)	1,979	-	
Depreciation - N/A	(581,413)	(582,000)	587	-	
Repairs and maintenance	(667,809)	(705,187)	37,378	-	
Finance costs	(2,282,559)	(2,297,212)	14,653	-	
General expenses	(6,785,253)	(6,845,116)	59,863	-	
	(10,787,055)	(10,901,515)	114,460	-	
Operating profit	248,460	10,205	238,255	-	
Other revenue and costs					
Net surplus/ (deficit) for the year	248,460	10,205	238,255	-	