

# Annual Financial Statements

for

## **LUKHANJI MUNICIPALITY**

for the year ended 30 June: **2009**

Province:

Eastern Cape

AFS rounding:

**R (i.e. only cents)**

### **Contact Information:**

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**LUKHANJI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**General information**

**Members of the Council**

Councillor M E Dapula	<b>Mayor</b>
Councillor M B Snyders	<b>Speaker</b>
Councillor N G Xoseni	Member of the Executive Committee
Councillor M Nontsele	Member of the Executive Committee
Councillor T T Madubedube	Councillor T T Madubedube
Councillor A E Hulushe	Councillor A E Hulushe
Councillor M M Gongqa (Member-Not Full Time)	Councillor M M Gongqa (Member-Not Full Time)

MEMBERS OF THE PART TIME COUNCIL

Councillor B M Adoons  
Councillor Z A Beje  
Councillor J N Birch  
Councillor A V Bokuva  
Councillor T Booie  
Councillor N H Breakfast  
Councillor C Z Delive  
Councillor V Dondolo  
Councillor F N Duda  
Councillor Z A Dywili  
Councillor T Fikizolo  
Councillor S L Gaju  
Councillor M Z Gwantshu  
Councillor T M Gxaba  
Councillor J M Irlam  
Councillor L E James  
Councillor E K Jikele  
Councillor K H Kedema  
Councillor N B Keva  
Councillor N A Kopolo  
Councillor J J Makasi  
Councillor N M Malmani  
Councillor M Mangqangwana  
Councillor N L Maqungo  
Councillor G S Mateta  
Councillor P X Mbasana  
Councillor N O Mfenyana  
Councillor N Mfundisi  
Councillor N P Mnyengeza  
Councillor S D Mpemba  
Councillor T V Mpolo  
Councillor G N Mrwebi  
Councillor S E Mvana  
Councillor S S Ndamane  
Councillor D X Nndidi  
Councillor S N Ndlebe  
Councillor Z Pambani  
Councillor P M X Sibefu  
Councillor L L Sikweyiyi  
Councillor N E Simayile  
Councillor N Sixabayi  
Councillor E F Smuts  
Councillor F S Sopapaza  
Councillor E N Tsotetsi  
Councillor L N Twaku  
Councillor N C Twalo

**Municipal Manager**

P BACELA

**Chief Financial Officer**

I.S. SCHOEMAN

**Grading of Local Authority**

GRADE 8 : CATEGORY B

**Auditors**

Auditor-General

**Bankers**

ABSA BANK

**LUKHANJI MUNICIPALITY**  
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**General information (continued)**

<b>Registered Office:</b>	Queenstown
<b>Physical address:</b>	70 Cathcart Road QUEENSTOWN 5320
<b>Postal address:</b>	Private Bag X7111 QUEENSTOWN 5320
<b>Telephone number:</b>	045-807 2773
<b>Fax number:</b>	045-807 2733
<b>E-mail address:</b>	<a href="mailto:mk@lukhanji.co.za">mk@lukhanji.co.za</a> <a href="mailto:budget&amp;treasury@awe.co.za">budget&amp;treasury@awe.co.za</a>

**LUKHANJI MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
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**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

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Municipal Manager: P BACELA  
31 August 2009

**LUKHANJI MUNICIPALITY**  
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**LUKHANJI MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2009

	Note	2009 R	2008 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	73 373 654	47 168 111
Trade and other receivables from exchange transactions	2	43 729 417	36 501 679
Other receivables from non-exchange transactions	3	42 208 525	26 246 977
Current portion of receivables	8	-	5 030
VAT receivable	18	69 048 461	41 290 611
<b>Non-current assets</b>			
Investments	10	706 820	663 821
Property, plant and equipment	11	219 212 622	140 941 584
Intangible assets	12	-	-
Investment property carried at cost	13	-	-
Investment property carried at fair value	13	-	-
<b>Total assets</b>		<b>448 279 499</b>	<b>292 817 813</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	20 245 276	15 562 226
Consumer deposits	17	7 383 406	7 086 805
VAT payable	18	66 888 976	39 515 575
Current portion of unspent conditional grants and receipts	21	23 979 180	20 483 171
Current portion of borrowings	22	895 223	796 725
Current portion of finance lease liability	23	3 559 300	3 287 542
Current portion of Post retirement medical aid	53	962 970	-
<b>Non-current liabilities</b>			
Non-current borrowings	22	3 532 626	4 451 685
Non-current finance lease liability	23	8 270 872	8 309 609
Defined benefit plan obligations	53	49 020 219	-
<b>Total liabilities</b>		<b>195 635 394</b>	<b>99 493 337</b>
<b>Net assets</b>		<b>252 644 105</b>	<b>193 324 475</b>
<b>NET ASSETS</b>			
Reserves		-	-
Accumulated surplus / (deficit)		252 644 105	193 324 474
<b>Total net assets</b>		<b>252 644 105</b>	<b>193 324 474</b>

**LUKHANJI MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2009

	Note	2009 R	2008 R
<b>Revenue</b>			
Property rates	26	27 579 197	25 651 381
Property rates - penalties imposed and collection charges	26	-	-
Service charges	27	88 546 201	64 032 685
Rental of facilities and equipment	28	1 550 478	1 358 820
Interest earned - external investments	29	4 720 833	2 316 518
Interest earned - outstanding receivables	30	19 091 271	14 894 313
Fines		230 611	158 975
Licences and permits		4 342 970	4 092 691
Government grants and subsidies	31	102 103 743	90 889 472
Public contributions and donations	32	-	-
Other income	32	27 139 381	16 561 176
<b>Total revenue</b>		<b>275 304 684</b>	<b>219 956 031</b>
<b>Expenses</b>			
Employee related costs	33	77 041 921	72 071 266
Remuneration of councillors	34	11 858 247	9 555 686
Bad debts		31 019 365	24 437 678
Collection costs		-	-
Depreciation and amortisation expense	35	-	9 441 267
Repairs and maintenance		4 677 983	7 051 878
Finance costs	36	2 113 644	1 258 149
Bulk purchases	37	51 183 843	36 261 933
Contracted services	38	1 805 859	1 974 167
Grant in aid		144 385	138 758
Conditional Grants operating expenses	39	40 677 444	39 153 689
General expenses	40	11 563 837	8 110 538
<b>Total expenses</b>		<b>232 086 528</b>	<b>209 455 009</b>
Gain / (loss) on sale of assets	41	1 721 368	3 181 891
(Impairment loss) / Reversal of impairment loss	42	-	-
Profit / (loss) on fair value adjustment	43	-	-
Amortisation Landfill Site		1 018 902	
Inventories: (Write-down) / reversal of write-down to net realisable value	5	-	-
<b>Surplus / (deficit) for the period</b>		<b>45 958 426</b>	<b>13 682 914</b>

**LUKHANJI MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2009

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
<b>Balance at 30 June 2007</b>	-		-	14 512 903	14 512 903
Changes in accounting policy				78 989 130	78 989 130
Correction of prior period error				6 207 734	6 207 734
<b>Restated balance</b>	-	-	-	<b>99 709 767</b>	<b>99 709 767</b>
Correction of prior period error				4 178 257	4 178 257
Surplus / (deficit) for the period				13 682 914	13 682 914
<b>Balance at 30 June 2008</b>	-	-	-	<b>117 570 937</b>	<b>117 570 937</b>
Changes in accounting policy				59 864 317	59 864 317
Correction of prior period error				15 889 220	15 889 220
<b>Restated balance</b>				<b>193 324 474</b>	<b>193 324 474</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Contribution to Post Retirement medical benefit				(49 983 189)	(49 983 189)
<i>Other items</i>				510 167	510 167
Net take on of PPE				62 834 226	62 834 226
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				45 958 426	45 958 426
<b>Balance at 30 June 2009</b>	-	-	-	<b>252 644 105</b>	<b>252 644 105</b>



**LUKHANJI MUNICIPALITY**

**CASH FLOW STATEMENT**

as at 30 June 2009

	Note	2009 R	2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		262 146 573	196 587 635
Taxation		27 579 197	25 651 381
Sales of goods and services		88 546 201	44 837 331
Grants		102 103 743	93 416 398
Interest received		23 812 103	16 381 927
Other receipts		20 105 329	16 300 598
Payments		(232 086 530)	(186 971 382)
Employee costs		(88 900 168)	(81 626 953)
Suppliers		(64 601 540)	(25 956 312)
Interest paid		(2 113 644)	(1 258 149)
Other payments		(76 471 177)	(78 129 968)
<b>Net cash flows from operating activities</b>		<b>30 060 044</b>	<b>9 616 254</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets			(5 433 514)
Proceeds from sale of fixed assets			3 181 891
Proceeds from sale of investments		(42 999)	(32 368)
Purchase of foreign currency securities			
<b>Net cash flows from investing activities</b>		<b>(42 999)</b>	<b>(2 283 991)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings			2 290 227
Repayment of borrowings		(820 561)	
Proceeds from finance lease liability			
Consumer deposits		296 600	336 288
Repayment of finance lease liability		(3 287 542)	
<b>Net cash flows from financing activities</b>		<b>(3 811 502)</b>	<b>2 626 515</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>	45	26 205 543	9 958 777
<b>Net cash and cash equivalents at beginning of period</b>		(26 205 542)	(9 958 777)
<b>Net cash and cash equivalents at end of period</b>		<b>0</b>	<b>0</b>

**LUKHANJI MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2009

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

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

These 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.

Lukhanji Municipality has, in terms of Directive, issued by the Accounting Standards Board in March 2009 on Transitional Provisions for Medium and Low Capacity Municipalities, taken advantage of the transitional provision for individual Standards of GRAP for medium and low capacity municipalities.

**1.2 PRESENTATION CURRENCY**

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

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. 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.

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET**

**1.5 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

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

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

GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

## **2 PROPERTY, PLANT AND EQUIPMENT**

### **2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### 2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Lukhanji Municipality has taken advantage of the three year transition period granted in Directive 4 of the Accounting Standards Board for the initial adoption of GRAP 12,16,17 and 102. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
		Office equipment	3-7
		Furniture and fittings	5-10
		Watercraft	15
<b>Community</b>		Bins and containers	5
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15
Halls	30	Quarries	
Libraries	30	Emergency equipment	5-7
Parks and gardens	20-30	Computer equipment	5
<b>Heritage assets</b>			
Buildings			
Paintings and artifacts			
<b>Finance lease assets</b>			
Office equipment	3-7		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests 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 property, plant and equipment 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.

### 2.5 DERECOGNITION

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.

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality 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 municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality 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.

#### 3.4 DERECOGNITION

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

## **4 INVESTMENT PROPERTY**

### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or 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 municipality 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.

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

### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is 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:

Investment property

### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## **5 NON-CURRENT ASSETS HELD FOR SALE**

### **5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **5.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **6 INVENTORIES**

### **7.1 INITIAL RECOGNITION**

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 municipality 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.

### **7.2 SUBSEQUENT MEASUREMENT**

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. 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.

In general, the basis of allocating cost to inventory items is the first-out method

## **7 FINANCIAL INSTRUMENTS**

### **8.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **8.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **8.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments 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. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **8.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. 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. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

### **8.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **8.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **8 UNAUTHORISED EXPENDITURE**

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



## 9 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 Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 10 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.

## 11 PROVISIONS

Provisions are recognised when the municipality has a present 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 provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 12 LEASES

### 14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### **14.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

### **13 REVENUE**

#### **15.1 REVENUE FROM EXCHANGE TRANSACTIONS**

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

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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 that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

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.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## **15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality 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 proportionate basis.

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

Revenue from public contributions and donations is recognised 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 municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

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 municipality.

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.

## **15.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **14 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **15 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The current Lukhanji Municipality post-retirement medical scheme arrangement is defined as a Defined Benefit plan under IAS 19 (AC 116), since Lukhanji Municipality provides a set benefit to former employees. Under such an arrangement the employer accepts all actuarial and investment risks. The relevant disclosures are contained in par 120A of IAS 19 (AC 116). The actuarial valuation method specified in the statement is the Projected Unit Credit Method. This method is based on the idea that the post-retirement benefit is notionally built up over the employee's working life, as specified in the statement.

### **Post Retirement Medical obligations**

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. An actuarial study was undertaken in 2009 to determine the municipality's obligations.

**16 IMPAIRMENT OF ASSETS**

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service 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.

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		26 992	24 392
Cash at bank		9 526 466	3 832 214
Call deposits		63 820 196	43 311 505
		73 373 654	47 168 111
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
ABSA Bank Limited - Queenstown Branch: Account Number 405-281-9154		15 188 096	10 406 833
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-854		4 033 282	26 632
ABSA Bank Limited - Queenstown Branch: Account Number 405-392-8308		664 546	605 693
Standard Bank - Queenstown Branch : Account Number 38-850-5362 - 0001		13 546	13 209
Standard Bank - Queenstown Branch : Account Number 08-264-6066		17 611	19 013
Cash book balance at beginning of year		3 832 214	7 181 457
Cash book balance at end of year		9 526 466	3 832 214
Bank statement balance at beginning of year		11 071 379	14 316 172
Bank statement balance at end of year		19 917 081	11 071 379
<b><u>Savings Account</u></b>			
ABSA Bank Limited - Queenstown Branch: Account Number 909-044-9293		63 639 149	43 146 435
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1802		37 315	34 832
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1577		41 951	39 332
ABSA Bank Limited - Queenstown Branch: Account Number 204-601-2562		8 204	7 487
ABSA Bank Limited - Queenstown Branch: Account Number 206-066-7315		5 034	4 524
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-862		112 671	100 008
RSA Internal Registered Bonds - No 23242		18 500	18 500
Cash book balance at beginning of year		43 311 505	30 001 486
Cash book balance at end of year		63 820 196	43 311 505
Bank statement balance at beginning of year		43 351 117	30 038 081
Bank statement balance at end of year		63 862 824	43 351 117
<b><u>Cash on hand</u></b>		26 992	24 392
Total cash and cash equivalents		73 373 654	47 168 111
Total bank overdraft		-	-

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009	2008
		R	R
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b>Trade receivables</b>			
<b>as at 30 June 2009</b>			
Service debtors			
Rates		8 116 500	2 019 695
Electricity		10 373 037	6 167 297
Refuse		35 096 234	4 465 298
Combined receivables and arrears interest		94 924 259	31 077 128
<b>Total</b>		<b>148 510 029</b>	<b>43 729 417</b>
<b>as at 30 June 2008</b>			
Service debtors			
Rates		7 206 315	1 764 773
Electricity		7 034 349	3 138 718
Refuse		28 933 105	3 970 313
Combined receivables and arrears interest		81 956 110	27 627 875
<b>Total</b>		<b>125 129 879</b>	<b>36 501 679</b>

**Other receivables**

**Rates: Ageing**

Current (0 – 30 days)	1 026 168	1 154 952
31 - 60 Days	476 342	376 551
61 - 90 Days	231 859	233 270
91 - 120 Days	6 382 131	5 441 542
121 - 365 Days		
+ 365 Days		
<b>Total</b>	<b>8 116 500</b>	<b>7 206 315</b>

**Electricity, Water and Sewerage: Ageing**

Current (0 – 30 days)	3 903 395	2 831 433
31 - 60 Days	1 772 292	1 024 871
61 - 90 Days	538 961	248 261
91 - 120 Days	4 158 389	2 929 784
121 - 365 Days		
+ 365 Days		
<b>Total</b>	<b>10 373 037</b>	<b>7 034 349</b>

**Summary of Debtors by Customer Classification**

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>as at 30 June 2009</b>			
Current (0 – 30 days)	10 190 675		
31 - 60 Days	4 825 604		
61 - 90 Days	2 944 004		
91 - 120 Days	130 549 746		
121 - 365 Days			

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
+ 365 Days			
Sub-total		148 510 029	-
Less: Provision for doubtful debts		(104 780 612)	-
<b>Total debtors by customer classification</b>		<b>43 729 417</b>	<b>-</b>

**as at 30 June 2008**

Current (0 – 30 days)	27 306 565		
31 - 60 Days	6 692 281		
61 - 90 Days	4 014 797		
91 - 120 Days	2 618 860		
121 - 365 Days	84 497 377		
+ 365 Days			
Sub-total		125 129 879	-
Less: Provision for doubtful debts		(88 628 200)	-
<b>Total debtors by customer classification</b>		<b>36 501 679</b>	<b>-</b>

**2 Reconciliation of the doubtful debt provision**

Balance at beginning of the year	88 628 200	69 240 935
Contributions to provision	16 152 411	19 387 265
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>104 780 611</b>	<b>88 628 200</b>

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 20x1, R - (20x0: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	
2 months past due	
3 months past due	

**Trade and other receivables impaired**

As of 30 June 20x1, trade and other receivables of R - (20x0: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 20x1 (20x0: R -).

The ageing of these receivables is as follows:

3 to 6 months	
Over 6 months	

The fair value of trade and other receivables approximates their carrying amounts.

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Insurance claims

- -

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
Subsidies		-	-
Deposits		61 168	61 168
Unauthorized expenditure (see Note 50.1)	<a href="#">Notes1-10!A686</a>	-	-
Other debtors		42 147 357	26 185 809
Prepayments (if not material)		-	-
<b>Total Other Debtors</b>		<b>42 208 525</b>	<b>26 246 977</b>
<b>4 OTHER NON-CURRENT FINANCIAL ASSETS</b>			
Other non-current financial assets		-	-
<b>4 OTHER CURRENT FINANCIAL ASSETS</b>			
Other current financial assets		-	-
<b>5 INVENTORIES</b>			
<b>Opening balance of inventories:</b>			
Consumable stores - at cost		-	-
Maintenance materials - at cost		-	-
Spare parts – at net realisable value		-	-
Other goods held for resale – at cost		-	-
Water		-	-
<b>Additions:</b>			
Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-
<b>Issued (expensed):</b>			
Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net</b>			
<b>5 Replacement Cost (NRC):</b>			
Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-
<b>Closing balance of inventories:</b>			
Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-



**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
Included in inventory is an amount of Rxxx pledged as security for xxx.			
Circumstances or events that led to the reversal of a write-down of inventories:			
<b>6 PREPAYMENTS</b>			
Prepaid expenses		-	-
Insurance for x months relating to following financial year, were paid in the current year.			
<b>7 INVESTMENTS</b>			
Deposits		-	-
Call investments		-	-
Fixed deposits amounting to Rxxx (20X0: Rxxx) have been ring-fenced for the purposes of repaying long-term liabilities as sent out in Note 36.			
<b>8 NON-CURRENT RECEIVABLES</b>			
Car loans		-	5 030
Staff loans		-	-
Housing selling scheme loans		-	-
Other non-current receivables		-	-
		-	5 030
Less : Current portion transferred to current receivables		-	(5 030)
Car loans		-	-
Staff loans		-	-
Housing selling scheme loans		-	-
Other non-current receivables		-	-
<b>Total</b>		-	-
<b>CAR LOANS</b>			
terms and conditions			
<b>STAFF LOANS</b>			
terms and conditions			
<b>HOUSING SELLING SCHEME LOANS</b>			
terms and conditions			
<b>OTHER LONG TERM LOANS</b>			

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
terms and condiitons			
<b>9 CONSTRUCTION CONTRACT RECEIVABLES</b>			
Contracts in progress at reporting date:			
Construction contract receivables		-	-
Advances received in excess of work completed are included in trade and other payables. At 30 June 20x1, contract debtors of R - (20x0: R -) are due for settlement after more than 12 months. Contract debtors were pledged as security for overdraft facilities of R - (20x0: R -) of the municipality. At year end the overdraft amounted to R - (20x0: R -).			

**10 INVESTMENTS**

**Financial Instruments**

Fixed Deposits

Listed Investments

Other Investments

Pledged Investments

706 820	663 821
-	-
-	-
<b>706 820</b>	<b>663 821</b>

A fixed deposit amounting to Rxxx has been invested with xxx Bank as security for the lease of a sewerage purification plant.

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

**11 PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>11.1 Reconciliation of Carrying Value</b>								
as at 1 July 2008	92 996 226	-	28 239 284	198 948	-	19 507 125	-	140 941 584
Cost/Revaluation	109 703 289	-	123 856 372	279 152	-	28 092 623	-	261 931 437
Correction of error (note 16)	-	-	-	-	-	-	-	-
Change in accounting policy (note 17)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(16 707 064)	-	(95 617 088)	(80 204)	-	(8 585 498)	-	(120 989 854)
Acquisitions	11 916 250	-	-	-	-	-	3 520 562	15 436 812
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	95 617 088	80 204	-	8 585 498	-	104 282 790
Other movements*	(92 996 226)	-	60 804 697	(279 152)	-	(8 977 883)	-	(41 448 564)
as at 30 June 2009	11 916 250	-	184 661 070	-	-	19 114 740	3 520 562	219 212 622
Cost/Revaluation	28 623 314	-	184 661 070	-	-	19 114 740	3 520 562	235 919 686
Accumulated depreciation and impairment losses	(16 707 064)	-	-	-	-	-	-	(16 707 064)

\*Other movements consist of .....

Refer to Appendix B for more detail on property, plant and equipment

App B/A1

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
<b>11.1 Reconciliation of Carrying Value</b>								
as at 1 July 2007	22 621 116	-	32 214 993	114 645	-	10 415 248	-	65 366 002
Cost/Revaluation	37 577 661	-	124 657 206	1 181 993	-	15 830 897	-	179 247 758
Correction of error (note 16)	-	-	-	-	-	-	-	-
Change in accounting policy (note 17)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(14 956 545)	-	(92 442 214)	(1 067 348)	-	(5 415 649)	-	(113 881 755)
Acquisitions	-	-	-	138 662	-	5 294 852	-	5 433 514
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(1 910 263)	-	(3 955 264)	(18 859)	-	(3 556 881)	-	(9 441 267)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	159 744	-	20 793	1 006 003	-	387 032	-	1 573 571
*Other movements	72 125 629	-	(800 834)	(1 041 503)	-	6 966 874	-	77 250 165
as at 30 June 2008	92 996 226	-	27 479 687	198 948	-	19 507 125	-	140 181 966
Cost/Revaluation	109 703 289	-	123 856 372	279 152	-	28 092 623	-	261 931 437
Accumulated depreciation and impairment losses	(16 707 064)	-	(96 376 685)	(80 204)	-	(8 585 498)	-	(121 749 451)

\*Other movements consist of .....

Refer to Appendix B for more detail on property, plant and equipment

App B/A1

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>11.2 Property, plant and equipment pledged as security</b>			
<b>Asset 1</b>			
Terms and conditions			
<b>Asset 2</b>			
Terms and conditions			
<b>11.3 Capitalised expenditure</b>			
<b>Asset 1</b>			
<b>Asset 2</b>			
<b>Asset 3</b>			
<b>11.4 Compensation received for losses on property, plant and equipment – included in operating surplus</b>			
<b>Asset 1</b>			
<b>Asset 2</b>			
<b>Asset 3</b>			
<b>11.5 Details of valuation</b>			
The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity. Land and buildings are re-valued independently every x years.			
The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used: Discount rate Other Other These assumptions are based on current market conditions.			
The carrying value of the revalued assets under the cost model would have been:			
<b>Asset 1</b>			
<b>Asset 2</b>			
<b>Asset 3</b>			
<b>11.6 Other information</b>			
Carrying value of idle property, plant and equipment Fully depreciated property, plant and equipment still in use Property, plant and equipment retired from active use, but not classified as held for sale Fair value of property, plant and equipment carried at cost			
<b>11.7 Details of property</b>			
<b>Property X</b>			
Terms and conditions Purchase price: date Additions since purchase Capitalised expenditure			
<b>Property Y</b>			
Terms and conditions Purchase price: date Additions since purchase Capitalised expenditure			

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>15 NON-CURRENT ASSETS HELD FOR SALE</b>			
Property, plant and equipment		-	-
Investment property		-	-
Other assets		-	-
		<u>-</u>	<u>-</u>
<i>State details on non-current assets held for sale including description of the assets and the facts and circumstances that resulted in it being classified as such.</i>			
<b>16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		2 620 505	4 371 603
Payments received in advance		4 304 454	3 451 494
Retentions		-	-
Staff leave accrual		11 045 805	5 933 583
Accrued interest		-	-
Other creditors		2 274 513	1 805 546
<b>Total creditors</b>		<u><b>20 245 276</b></u>	<u><b>15 562 226</b></u>
<i>The fair value of trade and other payables approximates their carrying amounts.</i>			
<b>17 CONSUMER DEPOSITS</b>			
Electricity		7 383 406	7 086 805
<b>Total consumer deposits</b>		<u><b>7 383 406</b></u>	<u><b>7 086 805</b></u>
<i>Included in deposits is an accrual of interest at an effective interest rate of x% per annum (20X0 x%) which is paid to consumers when deposits are refunded.</i>			
<b>Guarantees held in lieu of Electricity and Water Deposits</b>			
<hr/>			
<b>18 VAT PAYABLE</b>			
VAT payable		<u>66 888 976</u>	<u>39 515 575</u>
<i>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</i>			
<b>18 VAT RECEIVABLE</b>			
VAT receivable		<u>69 048 461</u>	<u>41 290 611</u>
<i>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</i>			
<b>19 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)</b>			
Taxes and transfers payable		<u>-</u>	<u>-</u>

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>20 PROVISIONS</b>			
Performance bonus		-	-
Current portion of long-service provision (see note 25)		-	-
Provision for leave		-	-
Other provisions		-	-
<b>Total Provisions</b>		<b>-</b>	<b>-</b>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 54. [Notes15-61!A1](#)

*Other disclosure*  
(Provide details of the techniques and assumptions used in estimating the provisions)

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Provision for leave
<b>as at 1 July 2008</b>	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>as at 30 June 2009</b>	<b>-</b>	<b>-</b>

<b>as at 1 July 2007</b>	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>as at 30 June 2008</b>	<b>-</b>	<b>-</b>

	Current portion Long-service	Rehabilitation of Landfill Sites
<b>as at 1 July 2008</b>	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>as at 30 June 2009</b>	<b>-</b>	<b>-</b>

<b>as at 1 July 2007</b>	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>as at 30 June 2008</b>	<b>-</b>	<b>-</b>

**21 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**21.1 Unspent Conditional Grants from other spheres of Government**

MIG Grants	6 430 375	3 285 410
Other	16 312 118	15 960 906
Provincial	723 184	650 303

**21.2 Other Unspent Conditional Grants and Receipts**

Public contributions	586 553
Other	-

**Total Unspent Conditional Grants and Receipts** **23 465 678**      **20 483 171**

**Non-current unspent conditional grants and receipts** -  
**Current portion of unspent conditional grants and receipts** **23 979 180**      **20 483 171**

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised. [Notes15-61!A291](#)

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>22 BORROWINGS</b>			
Annuity Loans		3 532 626	4 451 685
		<u>3 532 626</u>	<u>4 451 685</u>
Less : Current portion transferred to current liabilities		895 223	796 725
Annuity Loans		<u>895 223</u>	<u>796 725</u>
<b>Total borrowings</b>		<u><u>4 427 849</u></u>	<u><u>5 248 410</u></u>

Refer to Appendix A for more detail on borrowings. [App A\A1](#)

**23 FINANCE LEASE LIABILITY**

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>2009</b>			
<b>Amounts payable under finance leases</b>			
Within one year			
Within two to five years			
	-	-	8 270 872
Less: Amount due for settlement within 12 months (current portion)			<u>3 559 300</u>
			<u><u>11 830 171</u></u>

The average lease term is 5 years and the average effective borrowing rate is 12.84%. Some interest rates are fixed at the contract date and other are linked to the primary bank rate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>2008</b>			
<b>Amounts payable under finance leases</b>			
Within one year			
Within two to five years			
	-	-	8 309 609
Less: Amount due for settlement within 12 months (current portion)			<u>3 287 542</u>
			<u><u>11 597 150</u></u>

The average lease term is 5 years and the average effective borrowing rate is 12.84%. Some interest rates are fixed at the contract date and other are linked to the primary bank rate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**24 OTHER FINANCIAL LIABILITIES**

**24.1 OTHER NON-CURRENT FINANCIAL LIABILITIES**

Other non-current financial liabilities	-	-
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**24.2 OTHER CURRENT FINANCIAL LIABILITIES**

Other current financial liabilities	-	-
-------------------------------------	---	---

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>25 NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	10 897 348	-
Provision for long-service awards	-	-
<b>Total Non-Current Provisions</b>	<b>10 897 348</b>	<b>-</b>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at X%, over an average period of X years. *Insert any assumptions made concerning future events.*

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover. *Insert any assumptions made concerning future events.*

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

<b>Balance at the beginning of year</b>	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<b>-</b>	<b>-</b>

Provision for long-service awards:

<b>Balance at the beginning of year</b>	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<b>-</b>	<b>-</b>

**26 PROPERTY RATES**

**Actual**

Residential	17 535 327	16 785 425
Commercial	4 025 296	3 218 945
Light Industries	2 337 878	2 201 382
Heavy Industries	-	-
State	1 860 009	1 742 880
Agricultural	4 559	4 292
Educational	1 777 583	1 662 164
Parastatals	-	-
Municipality	38 544	36 294
<b>Total property rates</b>	<b>27 579 197</b>	<b>25 651 381</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<b>27 579 197</b>	<b>25 651 381</b>

**Valuations**

Residential	485 551 040	486 130 670
Commercial	303 543 908	298 153 227
State	95 159 631	99 134 012
Education	91 182 672	91 182 672
Agricultural	246 940	246 940
Municipal	1 774 740	1 774 740
<b>Total Property Valuations</b>	<b>977 458 931</b>	<b>976 622 261</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1998. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

A general rate of R2.178 cents in the Rand (2.045 cents in the Rand 2008) is applied to property valuations to determine assessment rates. Rebates as approved by the council are granted to residential and state property owners.

Rates are levied on an annual basis with the final date of payment being 30 September for annual payers. The rates levied for monthly payers are payable over a period of twelve equal instalments. Interest at 1% above prime per annum is levied on outstanding rates as soon as accounts are paid after due date.

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>27 SERVICE CHARGES</b>			
Sale of electricity		74 246 086	51 361 088
Refuse removal		14 300 116	12 671 597
<b>Total Service Charges</b>		<b>88 546 201</b>	<b>64 032 685</b>
<b>28 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities		1 542 878	1 351 453
Rental of equipment		7 600	7 368
Other rentals		-	-
<b>Total rentals</b>		<b>1 550 478</b>	<b>1 358 820</b>
<b>29 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Bank		1 458 142	986 846
Financial assets		-	-
Other		3 260 751	1 329 672
<b>Total interest</b>		<b>4 720 833</b>	<b>2 316 518</b>
<b>30 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Debtor 1		-	-
Debtor 2		-	-
Debtor 3		-	-
<b>Total interest</b>		<b>19 091 271</b>	<b>14 894 313</b>
<b>31 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share		61 244 050	49 234 411
MIG Grant		182 249	2 501 373
Other Government Grants and Subsidies		40 677 444	39 153 689
<b>Total Government Grant and Subsidies</b>		<b>102 103 743</b>	<b>90 889 472</b>
<b>31.1 Equitable Share</b>			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R147.51(2009) (2008; 102.08), which is funded from the grant.			
<b>31.2 MIG Grant</b>			
<b>Balance unspent at beginning of year</b>		(3 285 410)	(3 605 513)
Current year receipts		(21 437 309)	(13 833 873)
Conditions met - transferred to revenue		18 292 343	14 153 977
<b>Conditions still to be met - remain liabilities (see note21)</b>	<a href="#">Notes15-61\A124</a>	<b>(6 430 375)</b>	<b>(3 285 410)</b>
<i>Provide explanations of conditions still to be met and other relevant information</i>			
<b>31.3 Other Government Grants and Subsidies</b>			
<b>Balance unspent at beginning of year</b>		(17 159 048)	(19 142 931)
Current year receipts		(22 963 437)	(35 273 428)
Conditions met - transferred to revenue		22 573 680	37 218 597
<b>Conditions still to be met - remain liabilities (see note21)</b>	<a href="#">Notes15-61\A124</a>	<b>(17 548 805)</b>	<b>(17 197 762)</b>
<i>Provide explanations of conditions still to be met and other relevant information</i>			
<b>31.4 Changes in levels of government grants</b>			
Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			



**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>32 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>			
<b>32.1 Other income</b>		27 139 381	16 561 176
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	<a href="#">Notes15-61\A684</a>	-	-
<b>Total Other Income</b>		<b>27 139 381</b>	<b>16 561 176</b>
<b>32.1 Public contributions and donations</b>		27 139 381	16 561 176
Public contributions - Conditional		-	-
Public contributions - Unconditional		-	-
Donations		-	-
<b>Total public contributions and donations</b>		<b>27 139 381</b>	<b>16 561 176</b>
<b>Reconciliation of conditional contributions</b>			
<b>Balance unspent at beginning of year</b>		20 444 457	22 748 445
Current year receipts		44 400 746	49 107 300
Conditions met - transferred to revenue		(40 866 023)	(51 372 574)
<b>Conditions still to be met - remain liabilities (see note21)</b>	<a href="#">Notes15-61\A124</a>	<b>23 979 180</b>	<b>20 483 171</b>

*Provide explanations of conditions still to be met and other relevant information*

**33 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	48 896 469	45 066 715
Employee related costs - Contributions for UIF, pensions and medical aids	17 775 501	17 548 767
Travel, motor car, accommodation, subsistence and other allowances	2 686 471	2 632 229
Housing benefits and allowances	354 445	335 189
Overtime payments	3 814 187	3 203 687
Performance and other bonuses	3 514 849	3 284 680
Long-service awards	-	-
Other employee related costs	-	-
<b>Total Employee Related Costs</b>	<b>77 041 921</b>	<b>72 071 266</b>

There were no advances to employees / Loans to employees are set out in note 3.

**Remuneration of the Municipal Manager**

Annual Remuneration	403 580	365 432
Performance- and other bonuses	48 462	44 778
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	177 968	198 217
<b>Total</b>	<b>630 010</b>	<b>608 427</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	414 980	379 287
Performance- and other bonuses	45 695	42 193
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	133 361	130 505
<b>Total</b>	<b>594 036</b>	<b>551 986</b>

**Remuneration of Individual Executive Directors**

	Technical Services R	Corporate Services R	Community Services R
<b>2009</b>			
Annual Remuneration	300 889	367 549	369 898
Performance- and other bonuses	45 381	45 381	45 381
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	243 684	177 024	174 675
<b>Total</b>	<b>589 954</b>	<b>589 954</b>	<b>589 954</b>

	Technical Services R	Corporate Services R	Community Services R
<b>2008</b>			
Annual Remuneration	249 376	334 399	333 646
Performance- and other bonuses	41 082	41 903	41 928
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	243 659	168 070	175 910
<b>Total</b>	<b>534 116</b>	<b>544 372</b>	<b>551 484</b>

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>Remuneration of Individual Executive Directors</b>		<b>Estates Services</b>
		<b>R</b>
<b>2009</b>		
Annual Remuneration		-
Performance- and other bonuses		357 143
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)		45 381
		187 430
<b>Total</b>		<b>589 954</b>
		<b>Estates Services</b>
		<b>R</b>
<b>2008</b>		
Annual Remuneration		324 241
Performance- and other bonuses		41 065
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)		190 394
		-
<b>Total</b>		<b>555 700</b>
<b>34 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	538 246	486 075
Deputy Executive Mayor	-	-
Speaker	431 951	388 736
Executive Committee Members	1 843 963	1 661 235
Councillors	-	-
Councillors' pension and medical aid contributions	879 621	757 792
Councillors' allowances	8 164 467	6 261 848
<b>Total Councillors' Remuneration</b>	<b>11 858 247</b>	<b>9 555 686</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The municipality does not own a property for the purpose of a mayoral residence. The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has no full-time bodyguards.		
<b>35 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	-	9 441 267
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
<b>Total Depreciation and Amortisation</b>	<b>-</b>	<b>9 441 267</b>
<b>36 FINANCE COSTS</b>		
Borrowings	2 112 748	1 257 857
Bank overdrafts	896	292
<b>Total Finance Costs</b>	<b>2 113 644</b>	<b>1 258 149</b>
<b>37 BULK PURCHASES</b>		
Electricity	51 183 843	36 261 933
<b>Total Bulk Purchases</b>	<b>51 183 843</b>	<b>36 261 933</b>
<b>38 CONTRACTED SERVICES</b>		
Contracted services for: (provide details) (provide details)		
	<b>1 805 859</b>	<b>1 974 167</b>
<b>39 GRANTS AND SUBSIDIES PAID</b>		
Grant/subsidy to xxx	40 677 444	39 153 689
	<b>40 677 444</b>	<b>39 153 689</b>
(Provide details)		

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>40 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	180 871	130 122
Admin fees	(9 974 087)	(9 113 617)
Audit fees	1 697 732	1 013 606
Bank charges	660 980	569 309
Bursaries	-	-
Cleaning	-	-
Conferences and delegations	567 913	235 218
Connection charges	-	-
Consulting fees	-	174 793
Consumables	-	-
Debt collection commission	-	-
Departmental consumption	1 425 783	1 050 982
Entertainment	76 620	292 849
Financial management grant	-	-
Fuel and oil	4 061 404	3 435 036
Insurance	873 830	636 552
Legal expenses	495 992	283 480
Levies paid	-	-
Licence fees - vehicles	539 109	510 552
Licence fees - computers	-	-
Membership fees	1 014 430	861 810
Parking	-	-
Postage	726 836	803 927
Printing and stationery	738 071	792 153
Professional fees	-	-
Rental of buildings	1 406 002	895 585
Rental of office equipment	-	-
Rental of computer equipment	-	-
Other rentals	-	-
Security costs	-	-
Sewerage treatment costs	-	-
Skills development levies	-	-
Stocks and material	573 716	511 209
Subscription & publication	66 497	48 713
Telephone cost	1 695 392	1 528 869
Training	323 097	252 867
Transport claims	-	-
Travel and subsistence	255 429	286 073
Uniforms & overalls	-	-
Valuation costs	1 475 705	-
Other	2 682 514	2 910 451
	<b>11 563 837</b>	<b>8 110 538</b>
<b>41 GAIN / (LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	1 721 368	3 181 891
Intangible assets	-	-
Investment property	-	-
Biological assets	-	-
Other financial assets	-	-
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>1 721 368</b>	<b>3 181 891</b>

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>42 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)</b>		
Property, plant and equipment	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Intangible assets	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Investment property	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Biological assets	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
Other financial assets	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>Total Impairment loss / (Reversal of Impairment Loss)</b>	<b>-</b>	<b>-</b>

**Value in use**

Provide: A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount (or recoverable service amount) is most sensitive.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.

The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.

The discount rate(s) applied to the cash flow projections was x% (20x0:x%).

**Fair value less cost to sell**

Provide: A description of the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

A description of each key assumption on which management has based its determination of fair value less costs to sell.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

**Sensitivity of key assumptions**

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>43 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	-	-
Biological assets carried at fair value	-	-
Other financial assets	-	-
Other financial liabilities	-	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>-</b>	<b>-</b>

**44 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	45 958 426	13 682 914
Adjustment for:-		
Depreciation and amortisation	-	9 441 267
(Gain) / loss on sale of assets	(1 721 368)	(3 181 891)
Contribution to provisions - non-current	-	3 184 936
Contribution to provisions - current	-	-
Finance costs	2 113 644	1 258 149
Fair value adjustments	-	-
Impairment loss / (reversal of impairment loss)	-	-
Interest earned	(23 812 103)	(17 210 830)
Other non-cash item	(1 018 902)	-
<b>Operating surplus before working capital changes:</b>	<b>21 519 697</b>	<b>7 174 544</b>
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	(7 227 738)	-19 195 354
(Increase)/decrease in other receivables	(15 956 518)	-
(Increase)/decrease in VAT receivable	(27 757 851)	-
Increase/(decrease) in conditional grants and receipts	3 496 008	2 431 330
Increase/(decrease) in trade payables	4 683 051	20 390 326
Increase/(decrease) in consumer deposits	-	336 288
Increase/(decrease) in VAT payable	27 373 401	-
Other asset	-	-
Other liability	-	-
<b>Cash generated by/(utilised in) operations</b>	<b>6 130 050</b>	<b>11 137 134</b>

**45 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash beginning of the year	47 168 111	37 209 334
Bank balances and cash end of the year	73 373 654	47 168 111
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>26 205 542</b>	<b>9 958 777</b>

**46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities (see Note 22)

Used to finance property, plant and equipment – at cost

Sub- total

Cash set aside for the repayment of long-term liabilities

**Cash invested for repayment of long-term liabilities**

[Notes15-61'A135](#)

Long-term liabilities have been utilised 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.

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>47 CHANGE IN ACCOUNTING POLICY</b>		<b>2008</b>	<b>2007</b>
The following 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:			
<b>47.1 Statutory Funds</b>			
<b>Balance previously reported: -</b>			
Consolidated Loans Fund		1 950 564	34 065 264
Land Trust Fund			
Parking Development Fund			
Loans redeemed and other capital receipts		57 546 321	154 869 137
<b>Total</b>		<b>59 496 885</b>	<b>188 934 402</b>
<b>Implementation of GRAP</b>			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		(59 496 885)	(188 934 402)
Transferred to Government Grant Reserve			
Transferred to Capitalisation Reserve			
<b>47.2 Provisions and Reserves</b>			
<b>Balance previously reported</b>			
Valuation Roll Reserve		314 201	1 497 266
Rental Reserve		33 230	2 367 900
Repairs & Renewals Reserve			32 072
Removal Expenses Reserve		20 000	39 245
Staff Leave Provision		2 870 734	3 062 849
<b>Total</b>		<b>3 238 165</b>	<b>6 999 332</b>
<b>Implementation of GRAP</b>			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)		(367 431)	(3 936 483)
Transferred to Staff leave accruals		(2 870 734)	(3 062 849)
<b>47.3 Inventory</b>			
<b>Balance previously reported</b>			
<b>Implementation of GRAP</b>			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Change from first-in-first-out to weighted average method			
<b>Total</b>		-	-
<b>47.4 Non-current provisions</b>			
<b>Balance previously reported -</b>			
<b>Implementation of GRAP</b>			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Long-service			
<b>Total</b>		-	-
<b>47.5 Property, plant and equipment</b>			
<b>Balance previously reported</b>			
<b>Implementation of GRAP</b>			
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)			
<b>Total</b>		-	-
<b>47.6 Accumulated Depreciation</b>			
<b>Balance previously reported -</b>			
<b>Implementation of GRAP</b>			
Backlog depreciation: Land and buildings			2 258 266
Backlog depreciation: Infrastructure			92 517 541
Backlog depreciation: Community			12 494 123
Backlog depreciation: Other			6 611 825
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)</b>		-	<b>113 881 755</b>
<b>47.7 Accumulated Surplus/(Deficit)</b>			
<b>Implementation of GRAP</b>			
Adjustments to inventory (see 47.3 above)			
Excessive provisions and reserves no longer permitted (see 47.2 above)		367 431	3 936 483
Non-current provisions previously not recognised (see 47.4 above)			
Transferred from statutory funds (see 47.1 above)		59 496 885	188 934 402
Fair value of Property, Plant and Equipment previously not recorded (see 47.5 above)			
Backlog depreciation (see 47.6 above)		-	(113 881 755)
<b>Total</b>		<b>59 864 317</b>	<b>78 989 130</b>

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>48 CORRECTION OF ERROR</b>		<b>2008</b>	<b>2007</b>
During the year ended 30 June 2007, no administration charges were transferred to the Chris Hani Agency accounts. The effect of this transfer was to increase the surplus and increase the debit balance on the agency account.			
At 30 June 2007 the Fixed Asset Register did not balance with the general ledger control accounts. An adjustment was made to correct this difference.			
At 30 June 2007 the short term portion of long term liabilities were not adjusted.			
During the year ended 30 June 2008, no administration charges were transferred to the Chris Hani Agency accounts. The effect of this transfer was to increase the surplus and increase the debit balance on the agency account.			
Adjustment of incorrect depreciation charges 2007/08			
The comparative amounts have been restated as follows:			
Chris Hani Agency account		9 156 920	7 216 027
Property, Plant and Equipment		3 111 426	(778 257)
Short term Portion of long term liability.			(230 036)
Other		3 620 875	
Net effect on surplus/(deficit) for the year		15 889 220	6 207 734
Assets			
Liabilities			
Net effect on Statement of Financial Position			
		-	-
Net effect on Accumulated surplus opening balance			
		-	-
<b>49 CHANGE IN ESTIMATE</b>			
The useful life of certain plant was estimated in 20x0 to be x years. In the current period management have revised their estimate to x years. The effect of this revision has increased the depreciation charges for the current and future periods by R -.			
Other			
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>			
<b>50 DISALLOWED</b>			
<b>50.1 Unauthorised expenditure</b>			
Reconciliation of unauthorised expenditure			
Opening balance			
Unauthorised expenditure current year			
Approved by Council or condoned			
Transfer to receivables for recovery			
Unauthorised expenditure awaiting authorisation			
		-	-
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>Unbudgeted expenditure</i>	<i>Disciplinary hearing held on xxx</i>		
<b>50.2 Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -			
Fruitless and wasteful expenditure current year			
Condoned or written off by Council			
To be recovered – contingent asset (see note 55)			
Fruitless and wasteful expenditure awaiting condonement			
		-	-
	<a href="#">Notes15-61\A883</a>		
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
VAT penalty	Disciplinary hearing on xxx		
<b>50.3 Irregular expenditure</b>			
Reconciliation of irregular expenditure			
Opening balance			
Fruitless and wasteful expenditure current year			
Condoned or written off by Council			
Transfer to receivables for recovery – not condoned			

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
Irregular expenditure awaiting condonement		-	-

Incident	Disciplinary steps/criminal proceedings
<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>



**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>51 MANAGEMENT ACT</b>		
<b>51.1 Contributions to organised local government</b>		
Opening balance		
Council subscriptions	399 437	865 422
Amount paid - current	(399 437)	(865 422)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**51.2 Audit fees**

Opening balance		
Current year audit fee	2 151 175	1 159 096
Amount paid - current year	(2 529 617)	(1 159 096)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>(378 443)</b>	<b>-</b>

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2009 and is payable by 31 July 2009.

**51.3 VAT**

VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

**51.4 PAYE and UIF**

Opening balance		
Current year payroll deductions	8 935 919	7 592 498
Amount paid - current year	(8 935 919)	(7 592 498)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

The balance represents PAYE and UIF deducted from the June 20X2 payroll. These amounts were paid during July 20X2.

**51.5 Pension and Medical Aid Deductions**

Opening balance		
Current year payroll deductions and Council Contributions	21 386 757	20 006 511
Amount paid - current year	(21 386 757)	(20 006 511)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

The balance represents pension and medical aid contributions deducted from employees in the June 20X2 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 20X2.

**51.6 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
<b>as at 30 June 2009</b>			
Councillor ZA Beje	25 999	670	25 329
Councillor LN Twaku	2 586	767	1 819
Councillor NG Xoseni	3 308	521	2 787
Councillor M Nontsele	735	670	65
Councillor MM Gongqa	1 942	197	1 745
<b>Total Councillor Arrear Consumer Accounts</b>	<b>34 570</b>	<b>2 824</b>	<b>31 746</b>
<b>as at 30 June 2008</b>			
Councillor ZA Beje	37 023		37 023
Councillor LN Twaku	3 033		3 033
Councillor NG Xoseni	1 729		1 729
<b>Total Councillor Arrear Consumer Accounts</b>	<b>41 785</b>	<b>-</b>	<b>41 785</b>

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

	Highest Amount Outstanding R
<b>as at 30 June 2009</b>	
Councillor ZA Beje	25 999
Councillor LN Twaku	2 586
Councillor NG Xoseni	3 308
Councillor M Nontsele	735
Councillor MM Gongqa	1 942
<b>as at 30 June 2008</b>	

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
Councillor ZA Beje		37 023	
Councillor LN Twaku		3 033	
Councillor NG Xoseni		1 729	

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note

2009	2008
R	R

**51.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality has deviated from its supply chain management policy by appointing a service provider to assist the municipality with Turn Around Plan implemented by Provincial Government. Provincial Government went out to tender for services to be rendered on behalf of government to assist municipalities in the turn around of their audit reports. Service providers were allocated to the municipality, but subsequently Provincial Government stopped all contracts as a result of the amount exceeding their budget. The municipality requested that the process continue and it was agreed to utilize the service providers appointed through the tender process followed by government.

**52 CAPITAL COMMITMENTS**

**52.1 Commitments in respect of capital expenditure**

**- Approved and contracted for**

Infrastructure  
Community  
Heritage  
Other

-	1 722 403
	1 722 403

**- Approved but not yet contracted for**

Infrastructure  
Community  
Heritage  
Other

-	-
---	---

**Total**

-	1 722 403
---	-----------

This expenditure will be financed from:

- External Loans  
- Government Grants  
- Own resources  
- District Council Grants

-	1 722 403
-	1 722 403

**52.2 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year  
In the second to fifth year inclusive  
After five years

**Total**

-	-
---	---

Total future minimum sublease payment expected to be received under non-cancellable sublease

-	-
---	---

Operating Leases consists of the following:  
Operating lease payments represent rentals payable by the municipality for copiers. Leases are entered into via tenders and is not exceeding five years as per the Council's Supply Chain Management Policy.

**Operating leases – as lessor**

**Minimum lease payments due**

Within one year  
In second to fifth year inclusive  
After five years

**Total**

-	-
---	---

Operating Leases consists of the following:  
Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable / Contingent rent is receivable based on x% of the municipality's sales which amounts to R -.

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
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**53 RETIREMENT BENEFIT INFORMATION**

**53.1 Defined contribution plan**

The following are defined contribution plans: Post retirement medical aid contributions.

**The movement in the post employment medical benefit is reconciled as follows:-**

Balance at beginning of year

**Expected benefit Payments**

**Reflected on the statement of financial performance:**

Current service cost - included in general expenses.

Transfer from Accumulated surplus

49 983 189

Interest Cost

Actuarial (Gain)/loss

Transferred to current liabilities

(962 970)

**Balance at end of year**

**49 020 219**

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year

962 970

-

Later than one year, not later than five years

Later than five years

**Balance at end of year**

**962 970**

-

There is no actuarial gain/loss as this is the first post-employment medical assistance liability valuation performed.

The amount of the liability shown in the balance sheet is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

**Sensitivity Analysis**

**Changes in medical inflation**

Changes in the difference between the medical inflation and discount rates have a significant impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the medical inflation rate by 1% throughout, whilst keeping all other assumptions constant:

<b>Sensitivity to medical inflation</b>		
-1%	Base	+1%
R 42,726,505	R 49,983,189	R 59,325,973
-14.52%		18.69%

**Assumptions used.**

**Descriptions**

Pre retirement mortality

Post retirement mortality

AIDS

Normal retirement age

Age difference

Take up rate

Discount rate

Medical inflation

Salary inflation

CPI

**Assumption**

SA(85/90) normal

PA(90)M, PA(90)F

Not allowed for

65 years

Actual information applicable to each Lukhanji Municipality employee

100% of active employees at retirement

Zero-coupon South African Bond yield curve

1.00% p.a. lower than the discount rate and 2.50% p.a. higher than CPI

2.00% p.a. higher than CPI

A curve assumed to be 3.5% lower than the discount rate

**54 CONTINGENT LIABILITY**

<b>54.1</b> Guarantees in respect of housing bonds to employees	202 125	202 125	
Meliziswe International Property Group	1 423 000	1 423 000	

**LUKHANJI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
MaxProf - VAT	250 000	250 000	
Mkhetsu - Damages			
Motile - Damages	100 000	100 000	
AS Burwana	200 000	200 000	
Civil & General	150 000	150 000	
Chithi	100 000	100 000	
D Osborne			200 000
AV Magqabi			
Sala Pension Fund	1 777 000		
		4 202 125	2 625 125

Figures for AV Magqabi.

**LUKHANJI MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2009

EXTERNAL LOANS	Interest Rate %	Loan number	Redeemable Date	Balance at 30	Received	Redeemed /	Balance at 30	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
				June 2008	during the period	written off during the period	June 2009		
				R	R	R	R	R	R
<b>CAPITAL LEASES</b>									
CGM00249J: ISUZU KB250	9.93		2010-11-01	84 037		(84 037)	-		
CGM00250A : ISUZU KB 250	9.93		2010-11-01	84 037		(33 618)	50 419		
CGM00246S : ISUZU KB250	9.77		2010-11-01	78 564		(31 428)	47 136		
CGM00248K : ISUZU KB 250	10.00		2010-11-01	75 529		(30 215)	45 315		
CGM00243X : ISUZU KB 250	9.71		2010-11-01	74 840		(29 938)	44 902		
CGM00245T : ISUZU KB 250	9.77		2010-11-01	74 840		(29 938)	44 902		
XPC31141S : LLERC/XKUBUTO WATER	10.39		2008-11-01	9 756	2 534	(12 291)	-		
CVF00224A : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	49 171		(19 670)	29 501		
CVF00227T : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	49 171		(19 670)	29 501		
CVF00228S : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	41 722		(16 690)	25 032		
CVF00230E : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	41 722		(16 690)	25 032		
CVF00233X : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	41 722		(16 690)	25 032		
CGM00244W : ISUZU KB 250	9.77		2010-11-01	74 840		(29 938)	44 902		
CGM00247L : ISUZU KB 250	10.00		2010-11-01	84 037		(33 618)	50 419		
XPC31178K : ISUZU FTR 800 TURBO	9.73		2010-11-01	540 901		(207 628)	333 272		
XPC31179J : ISUZU FTR 800 TURBO	9.73		2010-11-01	540 901		(207 628)	333 272		
XPC31180A : ISUZU FTR 800 TURBO	9.73		2010-12-01	502 262		(192 802)	309 460		
POB00039K : TRACTOR 4X4 AGRIC	Variable		2012-05-01	1 112 732		(244 364)	868 368		
POB00040B : GRID ROLLER	Variable		2012-05-01	301 098		(66 910)	234 188		
POB00021J : ISUZU FVZ 1400 TURBO	Variable		2012-02-26	696 905		(164 203)	532 703		
POB00022H : ISUZU FTR 800 TIP	Variable		2012-02-26	441 128		(104 312)	336 816		
POB00023E : ISUZU FTR 800 TIP	Variable		2012-02-26	441 128		(104 312)	336 816		
POB00026X : BEEL 770 D MOTOR GRADER	Variable		2012-03-01	1 457 755		(336 854)	1 120 901		
48519940001 : ISUZU KB200	12.84		2013-04-01	144 870		(23 115)	121 755		
48519940002 : ISUZU KB200	12.84		2013-04-01	144 870		(23 115)	121 755		
48519940003 : ISUZU KB200	12.84		2013-04-01	144 870		(23 115)	121 755		
48519940004 : LPT 709 TON TATA DROPSIDE	12.84		2013-04-01	279 858		(44 654)	235 205		
48519940005 : CHEVROLET AVEO 1.5 HATCH BASE	12.84		2013-04-01	112 655		(17 975)	94 680		
48519940006 : ISUZU KB 200	12.84		2013-04-01	144 870		(23 115)	121 755		
48519940007 : ISUZU KB 200	12.84		2013-04-01	144 870		(23 115)	121 755		
48519940008 : CHEVROLET AVEO 1.5 HATCH BASE	12.84		2013-04-01	112 655		(17 975)	94 680		
48519940009 : ISUZU KB 200	12.84		2013-04-01	144 870		(23 115)	121 755		
48519940010 : MASSEY FERGUSON 275	12.84		2013-04-01	215 426		(34 373)	181 053		
48519940011 : ISUZU KB 200	12.84		2013-04-01	152 610		(24 350)	128 260		
48519940012 : ISUZU KB 200	12.84		2013-04-01	160 194		(25 560)	134 634		
48519940013 : ISUZU KB 200	12.84		2013-04-01	160 194		(25 560)	134 634		
48519940014 : NISSAN CABSTAR UD 40	12.84		2013-04-01	494 067		(78 832)	415 234		
48519940015 : ISUZU FVZ 1400 TIPPER TRUCK	13.34		2013-06-01	823 064	10 228	(133 291)	700 000		
48519940016 : JCB JS200 EXCAVATOR	12.84		2013-06-01	1 318 410	10 204	(214 293)	1 114 321		
48519940017 : TATA TIPPER TRUCK	12.84		2013-07-01	-	440 071	(65 192)	374 879		
48519940018 : TATA TIPPER TRUCK	12.84		2013-07-01	-	440 071	(65 192)	374 879		
48519940019 : LANDFILL COMPACTOR	14.90		2013-07-01	-	1 980 372	(283 725)	1 696 647		
48519940021 : TOYOTA HILUX 3.00	12.84		2013-08-01	-	243 749	(32 940)	210 808		
48519940022 : 15 TON FOUR WHEEL TRACTOR TRA	12.84		2013-09-01	-	192 859	(25 282)	167 578		
48519940023 : 20-25 TON FOUR AXLE LOW BED	12.84		2013-09-01	-	200 474	(26 210)	174 264		
<b>Total long-term loans</b>				<b>11 597 150</b>	<b>3 520 562</b>	<b>(3 287 542)</b>	<b>11 830 171</b>		
<b>ANNUITY LOAN</b>									
Development Loan of South Africa	12.00		2013-03-01	5 248 410	(23 836)	(796 725)	4 427 849		
<b>TOTAL EXTERNAL LOANS</b>				<b>16 845 560</b>	<b>3 496 726</b>	<b>(4 084 267)</b>	<b>16 258 020</b>		

**LUKHANJI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
<b>Land and Buildings</b>	109 703 289	-	-	-	109 703 289	(16 707 064)	-	-	-	(16 707 064)	-	(92 996 226)	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	11 916 250	-	-	11 916 250	-	-	-	-	-	-	-	11 916 250
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>109 703 289</b>	<b>11 916 250</b>	<b>-</b>	<b>-</b>	<b>121 619 539</b>	<b>(16 707 064)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16 707 064)</b>	<b>-</b>	<b>(92 996 226)</b>	<b>11 916 250</b>
<b>Buildings</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	16 676 493	-	-	-	16 676 493	(15 864 403)	-	-	-	(15 864 403)	15 864 403	80 972 893	97 649 386
Sewerage Mains & Purification	5 123 736	-	-	-	5 123 736	(4 020 947)	-	-	-	(4 020 947)	4 020 947	(5 078 447)	45 289
Electricity	102 056 144	-	-	-	102 056 144	(75 731 739)	-	-	-	(75 731 739)	75 731 739	(15 089 749)	86 966 395
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>123 856 372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123 856 372</b>	<b>(95 617 088)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95 617 088)</b>	<b>95 617 088</b>	<b>60 804 697</b>	<b>184 661 070</b>
<b>Community Assets</b>	279 152	-	-	-	279 152	(80 204)	-	-	-	(80 204)	80 204	(279 152)	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>279 152</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>279 152</b>	<b>(80 204)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80 204)</b>	<b>80 204</b>	<b>(279 152)</b>	<b>-</b>
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>233 838 814</b>	<b>11 916 250</b>	<b>-</b>	<b>-</b>	<b>245 755 064</b>	<b>(112 404 355)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(112 404 355)</b>	<b>95 697 292</b>	<b>(32 470 680)</b>	<b>196 577 320</b>

**LUKHANJI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
<b>Total brought forward</b>	233 838 814	11 916 250	-	-	245 755 064	(112 404 355)	-	-	-	(112 404 355)	95 697 292	(32 470 680)	196 577 320
<b>Other Assets</b>	4 190 616	-	-	-	4 190 616	(2 441 023)	-	-	-	(2 441 023)	2 441 023	(2 304 074)	1 886 542
Office Equipment	3 710 280	-	-	-	3 710 280	(397 304)	-	-	-	(397 304)	397 304	(646 418)	3 063 862
Furniture & Fittings	420 810	-	-	-	420 810	(302 240)	-	-	-	(302 240)	302 240	(420 810)	-
Bins and Containers	53 000	-	-	-	53 000	(9 540)	-	-	-	(9 540)	9 540	(13 967)	39 033
Emergency Equipment	12 564 711	-	-	-	12 564 711	(4 172 562)	-	-	-	(4 172 562)	4 172 562	(4 555 293)	8 009 418
Motor vehicles	85 027	-	-	-	85 027	(76 254)	-	-	-	(76 254)	76 254	-	85 027
Security	7 052 475	-	-	-	7 052 475	(1 170 870)	-	-	-	(1 170 870)	1 170 870	(1 021 617)	6 030 858
Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	15 705	-	-	-	15 705	(15 705)	-	-	-	(15 705)	15 705	(15 705)	-
	<b>28 092 623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28 092 623</b>	<b>(8 585 498)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8 585 498)</b>	<b>8 585 498</b>	<b>(8 977 883)</b>	<b>19 114 740</b>
<b>Finance Lease Assets</b>	-	3 520 562	-	-	3 520 562	-	-	-	-	-	-	-	3 520 562
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	3 520 562	-	-	3 520 562	-	-	-	-	-	-	-	3 520 562
	<b>261 931 437</b>	<b>15 436 812</b>	<b>-</b>	<b>-</b>	<b>277 368 250</b>	<b>(120 989 854)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(120 989 854)</b>	<b>104 282 790</b>	<b>(41 448 564)</b>	<b>219 212 622</b>

**LUKHANJI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
<b>Land</b>	37 577 661	-	-	-	37 577 661	(14 956 545)	(1 910 263)	-	-	(16 866 808)	159 744	72 125 629	109 863 033
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>37 577 661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37 577 661</b>	<b>(14 956 545)</b>	<b>(1 910 263)</b>	<b>-</b>	<b>-</b>	<b>(16 866 808)</b>	<b>159 744</b>	<b>72 125 629</b>	<b>92 996 226</b>
<b>Buildings</b>	-	-	-	-	-	-	-	-	-	-	-	-	-

<b>Infrastructure</b>													
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	16 676 493	-	-	-	16 676 493	(15 521 307)	(343 096)	-	-	(15 864 403)	-	-	812 090
Sewerage Mains & Purification	5 902 683	-	-	-	5 902 683	(4 630 571)	(149 973)	-	-	(4 780 544)	-	(778 947)	343 192
Electricity Mains	102 078 031	-	-	-	102 078 031	(72 290 335)	(3 462 196)	-	-	(75 752 531)	20 793	(21 887)	26 324 405
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
	124 657 206	-	-	-	124 657 206	(92 442 214)	(3 955 264)	-	-	(96 397 478)	20 793	(800 834)	27 479 687
<b>Community Assets</b>													
Parks & Gardens	1 181 993	138 662	-	-	1 320 655	(1 067 348)	(18 859)	-	-	(1 086 206)	1 006 003	(1 041 503)	198 948
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 181 993	138 662	-	-	1 320 655	(1 067 348)	(18 859)	-	-	(1 086 206)	1 006 003	(1 041 503)	198 948
<b>Heritage Assets</b>													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	163 416 860	138 662	-	-	163 555 522	(108 466 106)	(5 884 386)	-	-	(114 350 492)	1 186 539	70 283 292	120 674 861

**LUKHANJI MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
<b>Total brought forward</b>	163 416 860	138 662	-	-	163 555 522	(108 466 106)	(5 884 386)	-	-	(114 350 492)	1 186 539	70 283 292	120 674 861
<b>Other Assets</b>													
Office Equipment	2 997 952	291 964	-	-	3 289 917	(1 938 245)	(823 399)	-	-	(2 761 644)	320 621	900 699	1 749 592
Furniture & Fittings	222 543	173 207	-	-	395 749	(98 248)	(305 503)	-	-	(403 751)	6 447	3 314 530	3 312 976
Bins and Containers	420 810	-	-	-	420 810	(255 940)	(46 301)	-	-	(302 240)	-	-	118 570
Emergency Equipment	1	-	-	-	1	(1)	(9 540)	-	-	(9 541)	1	52 999	43 460
Motor vehicles	7 161 592	3 214 866	-	-	10 376 458	(2 483 489)	(1 689 101)	-	-	(4 172 590)	28	2 188 253	8 392 149
Fire engines	85 027	-	-	-	85 027	(75 327)	(927)	-	-	(76 254)	-	-	8 773
Refuse tankers	4 927 267	1 614 816	-	-	6 542 083	(548 696)	(682 110)	-	-	(1 230 806)	59 936	510 392	5 881 604
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	15 705	-	-	-	15 705	(15 705)	-	-	-	(15 705)	-	-	-
	15 830 897	5 294 852	-	-	21 125 750	(5 415 649)	(3 556 881)	-	-	(8 972 530)	387 032	6 966 874	19 507 125
<b>Finance Lease Assets</b>													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>179 247 758</b>	<b>5 433 514</b>	<b>-</b>	<b>-</b>	<b>184 681 272</b>	<b>(113 881 755)</b>	<b>(9 441 267)</b>	<b>-</b>	<b>-</b>	<b>(123 323 022)</b>	<b>1 573 571</b>	<b>77 250 165</b>	<b>140 181 986</b>