EKURHULENI METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

General Information

LEGAL FORM OF ENTITY	Municipality and its municipal entities
LEGISLATION GOVERNING THE MUNICIPALITY'S OPERATIONS	MFMA (No. 56 of 2003)
MAYORAL COMMITTEE	
Executive Mayor	Clr N Mekgwe
Councillors	Speaker: Clr P Kumalo
	Chief Whip: Clr M Mabote
	MMC SRAC: Clr N Shongwe
	MMC Finance: Clr L Mtshali
	MMC Environmental Development: Clr L Sibeko
	MMC Economic Development: Clr A Mogale
	MMC Corporate Services & City Development: Clr Q Duba
	MMC Community Safety: Clr M Siboza
	MMC Housing: Clr V Chauke
	MMC Health: Clr M Maluleke
	MMC Infrastructure Services: Clr T Thebe
	MMC Water & Energy: Clr A Nxumalo
GRADING OF LOCAL AUTHORITY	The municipality is a category A grade 6 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998.
ACCOUNTING OFFICER	K Ngema 011 999 0863
CHIEF FINANCIAL OFFICER (CFO)	Z G Myeza 011 999 6514
REGISTERED OFFICE	Corner Cross and Rose Street Germiston 1400
BUSINESS ADDRESS	Corner Cross and Rose Street Germiston 1400
POSTAL ADDRESS	Private Bag X69 Germiston 1400
BANKERS	ABSA Bank
AUDITORS	Auditor General 61 Central Street, Houghton

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The reports and statements set out below comprise the group annual financial statements presented to the Municipal Council:

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
WCA	Workmen's Compensation
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MIG Cities Grant	Municipal Infrastructure Grant for Metropolitan Municipalities
GMRF	Germiston Municipal Retirement Fund

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the economic entity’s cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The group annual financial statements set out on pages 4 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 16 September 2010 and were signed on its behalf by:

Accounting Officer
K NGEMA

Germiston

16 September 2010

Statement of Financial Position

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
ASSETS					
Current Assets					
Inventories	12	159,983,121	189,745,665	147,362,841	177,125,385
Other Investments	8	246,305,961	66,435,247	246,305,961	66,435,247
Current tax receivable		12,374	12,374	-	-
Other receivables from exchange transactions	13	106,595,182	261,274,690	107,275,310	233,874,804
Other receivables from non-exchange transactions	14	163,381,813	30,380,376	163,381,813	30,380,376
Consumer debtors	15	1,217,263,683	1,168,831,431	1,217,263,683	1,168,831,431
Current portion of long term receivables		113,219,274	37,905,936	113,219,274	37,905,936
Cash and cash equivalents	16	704,129,378	1,078,370,017	664,625,412	1,064,929,449
		2,710,890,786	**2,832,955,736**	**2,659,434,294**	**2,779,482,628**
Non-Current Assets					
Investment property	4	148,810,410	149,782,796	106,717,857	106,717,857
Property, plant and equipment (PPE)	5	47,209,314,670	47,442,053,174	46,455,434,238	46,706,510,210
Intangible assets	6	26,061,403	16,517,700	24,316,844	15,904,858
Investments in controlled entities	7	-	-	306	306
Other Investments	8	87,995,156	281,990,739	84,670,381	279,217,804
Deferred tax	10	264,410	228,737	-	-
Long-term receivables		177,601,115	90,344,067	177,601,115	90,344,067
		47,650,047,164	**47,980,917,213**	**46,848,740,741**	**47,198,695,102**
Total Assets		**50,360,937,950**	**50,813,872,949**	**49,508,175,035**	**49,978,177,730**
LIABILITIES					
Current Liabilities					
Current tax payable		103,867	157,343	-	-
Trade and other payables from exchange transactions	22	2,354,522,380	2,053,964,532	2,339,237,686	2,046,304,415
Deposits	23	420,367,012	375,734,022	417,027,259	373,154,192
Unspent conditional grants and receipts	20	211,279,008	170,026,714	200,485,475	159,233,181
Provisions	21	294,806,998	232,668,133	275,420,461	218,327,100
Current portion of long-term liabilities	19	434,176,874	145,013,490	419,494,477	131,313,741
		3,715,256,139	**2,977,564,234**	**3,651,665,358**	**2,928,332,629**
Non-Current Liabilities					
Long-term liabilities	19	2,446,907,756	2,131,247,700	2,276,068,354	1,945,600,829
Retirement benefit obligation	11	1,217,204,060	1,218,237,600	1,217,204,060	1,218,237,600
Provisions	21	453,193,541	550,344,956	450,773,773	548,617,235
Other long term liabilities		24,243,027	21,726,026	17,243,027	14,726,026
		4,141,548,384	**3,921,556,282**	**3,961,289,214**	**3,727,181,690**
Total Liabilities		**7,856,804,523**	**6,899,120,516**	**7,612,954,572**	**6,655,514,319**
Net Assets		**42,504,133,427**	**43,914,752,433**	**41,895,220,463**	**43,322,663,411**
NET ASSETS					
Net Assets Attributable to Net Asset Holders of Controlling Entity					
Share premium	17&17	7,442,007	7,442,007	-	-
Fair value adjustment assets-available-for-sale reserve		1,847,979	1,338,694	-	-
Accumulated surplus		42,476,886,252	43,888,501,850	41,895,220,463	43,322,663,411
Minority interest		17,957,189	17,469,882	-	-
Total Net Assets		**42,504,133,427**	**43,914,752,433**	**41,895,220,463**	**43,322,663,411**

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Revenue					
Property rates	26	2,129,917,993	1,777,573,282	2,131,999,385	1,778,466,900
Property rates - penalties and collection charges		71,207,519	108,131,850	71,207,519	108,131,850
Service charges	27	8,070,035,692	6,175,062,204	8,100,302,359	6,205,473,518
Rental of facilities and equipment	40	67,101,869	63,392,199	48,719,059	46,629,596
Interest earned - outstanding debtors		271,115,244	424,504,456	270,958,631	422,540,814
Fines		97,679,269	92,720,626	97,679,269	92,720,626
Licences and permits		27,662,851	25,457,297	27,662,851	25,457,297
Income from agency services		156,773,259	142,254,100	156,773,259	142,254,100
Government grants and subsidies	28	2,885,992,560	2,494,966,819	2,876,826,076	2,477,039,069
Other income		115,234,552	90,163,504	92,012,250	66,897,696
Interest received - external investment	34	95,077,164	204,834,406	90,343,076	198,701,652
Rendering of services		5,851,972	6,354,811	-	-
Recoveries		2,105,554	2,401,068	-	-
Dividends received	34	27,321	191,952	-	-
Total Revenue		**13,995,782,819**	**11,608,008,574**	**13,964,483,734**	**11,564,313,118**
Expenditure					
Employee related costs	31	(3,987,222,239)	(3,554,692,966)	(3,864,225,216)	(3,448,167,386)
Remuneration of councillors	32	(62,513,464)	(58,716,685)	(62,513,464)	(58,716,685)
Debt impairment	33	(1,425,172,319)	(1,454,839,240)	(1,417,262,543)	(1,453,564,993)
Depreciation and amortisation	35	(2,112,295,513)	(2,161,680,288)	(2,081,909,359)	(2,134,448,857)
Repairs and maintenance		(1,010,671,741)	(1,069,982,706)	(1,004,887,004)	(1,059,875,480)
Finance costs	37	(326,998,725)	(224,082,857)	(307,457,612)	(196,680,386)
Bulk purchases	43	(4,951,102,729)	(3,954,700,800)	(5,150,063,183)	(4,122,009,647)
Contracted services	41	(557,389,470)	(555,731,329)	(563,519,769)	(561,560,314)
Grants and subsidies paid	42	(57,093,069)	(53,740,403)	(57,093,069)	(53,830,991)
General Expenses	29	(873,332,178)	(847,992,890)	(842,873,554)	(799,431,382)
Administration		(1,153,814)	-	-	-
Impairment of assets	36	(357,859)	(266,816)	(330,955)	-
Collection costs		(74,256,762)	(65,132,462)	(73,529,768)	(63,841,260)
Total Expenditure		**(15,439,559,882)**	**(14,001,559,442)**	**(15,425,665,496)**	**(13,952,127,381)**
Gain on disposal of assets		34,708,229	5,275,393	34,665,026	5,275,393
Deficit on disposal of assets		(1,126,471)	(536,734)	(926,212)	(469,161)
Taxation	38	(944,210)	(848,831)	-	-
Deficit for the year		**(1,411,139,515)**	**(2,389,661,040)**	**(1,427,442,948)**	**(2,383,008,031)**
Attributable to:					
Net Asset holders of the controlling entity		(1,411,611,071)	(2,389,491,497)	(1,427,442,948)	(2,383,008,031)
Minority interest		471,556	(169,543)	-	-

Statement of Changes in Net Assets

Figures in Rand	Share premium	Fair value adjustment assets-available-for-sale reserve	Accumulated surplus	Minority interest	Total net assets
Economic entity					
Opening balance as previously reported	7,442,007	2,090,729	39,324,124,141	17,638,303	39,351,295,180
Adjustments					
Prior year adjustments (Note 49)	-	(181,044)	6,953,869,206	18,782	6,953,706,944
Balance at 01 July 2008 as restated	**7,442,007**	**1,909,685**	**46,277,993,347**	**17,657,085**	**46,305,002,124**
Other fair value gains (losses)	-	(570,991)	-	(17,660)	(588,651)
Net income (losses) recognised directly in net assets	-	(570,991)	-	(17,660)	(588,651)
Surplus for the year	-	-	(2,389,491,497)	(169,540)	(2,389,661,037)
Total recognised income and expenses for the year	-	(570,991)	(2,389,491,497)	(187,200)	(2,390,249,688)
Total changes	-	(570,991)	(2,389,491,497)	(187,200)	(2,390,249,688)
Balance at 01 July 2009 restated	**7,442,007**	**1,338,694**	**43,888,501,850**	**17,469,882**	**43,914,752,433**
Changes in net assets					
Other fair value gains (losses)	-	509,285	-	15,751	525,036
Other adjustments	-	-	(4,527)	-	(4,527)
Net income (losses) recognised directly in net assets	-	509,285	(4,527)	15,751	520,509
Surplus for the year	-	-	(1,411,611,071)	471,556	(1,411,139,515)
Total recognised income and expenses for the year	-	509,285	(1,411,615,598)	487,307	(1,410,619,006)
Total changes	-	509,285	(1,411,615,598)	487,307	(1,410,619,006)
Balance at 30 June 2010	**7,442,007**	**1,847,979**	**42,476,886,252**	**17,957,189**	**42,504,133,427**
Note(s)	17				
Controlling entity					
Opening balance as previously reported	-	-	38,752,641,664	-	38,752,641,664
Adjustments					
Prior year adjustments (Note 49)	-	-	6,953,029,778	-	6,953,029,778
Balance at 01 July 2008 as restated	**-**	**-**	**45,705,671,442**	**-**	**45,705,671,442**
Changes in net assets					
Surplus for the year	-	-	(2,383,008,031)	-	(2,383,008,031)
Total changes	-	-	(2,383,008,031)	-	(2,383,008,031)
Balance at 01 July 2009	**-**	**-**	**43,322,663,411**	**-**	**43,322,663,411**
Changes in net assets					
Surplus for the year	-	-	(1,427,442,948)	-	(1,427,442,948)
Total changes	-	-	(1,427,442,948)	-	(1,427,442,948)
Balance at 30 June 2010	**-**	**-**	**41,895,220,463**	**-**	**41,895,220,463**
Note(s)	17				

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Cash flows from operating activities					
Receipts					
Taxation		1,826,877,056	1,488,217,149	1,826,877,056	1,488,217,149
Sale of goods and services		6,916,197,160	5,232,178,124	6,870,921,168	5,188,124,425
Grants		2,918,078,371	2,468,887,304	2,918,078,371	2,468,887,304
Interest income		366,192,409	206,798,048	361,301,707	198,701,652
Dividends received		27,321	191,952	-	-
Other receipts		821,079,010	1,035,016,650	492,884,199	759,090,024
		12,848,451,327	10,431,289,227	12,470,062,501	10,103,020,554
Payments					
Employee costs		(3,870,765,618)	(3,362,030,259)	(3,864,225,217)	(3,355,807,222)
Suppliers		(6,581,334,412)	(5,996,301,429)	(6,320,217,958)	(5,739,510,344)
Finance costs		(326,998,725)	(209,220,680)	(307,457,612)	(181,818,209)
Other payments		(999,877,012)	(585,945,597)	(984,939,891)	(571,231,173)
Taxes on surpluses		(1,033,306)	(975,559)	-	-
		(11,780,009,073)	(10,154,473,524)	(11,476,840,678)	(9,848,366,948)
Net cash flows from operating activities	44	**1,068,442,254**	**276,815,703**	**993,221,823**	**254,653,606**
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE)	5	(1,975,067,555)	(2,580,223,368)	(1,927,503,432)	(2,559,394,962)
Proceeds from the sale of property, plant and equipment	5	38,603,926	6,109,044	38,600,927	6,072,855
Purchase of other intangible assets	6	(11,294,402)	(9,511,305)	(9,788,613)	(9,511,305)
Proceeds from sale of financial assets		27,651,485	36,445,402	14,676,709	36,445,402
Net movement in long term receivables - current		(75,313,338)	29,991,167	(75,313,338)	29,991,167
Net movements in long term receivables - non-current		(99,236,441)	3,742,023	(99,236,441)	3,742,023
Net cash flows from investing activities		**(2,094,656,325)**	**(2,513,447,037)**	**(2,058,564,188)**	**(2,492,654,820)**
Cash flows from financing activities					
Movement in long term liabilities		607,869,695	940,041,132	618,648,261	949,089,541
Movement in deposits		44,632,990	35,470,185	43,873,066	35,255,740
Movement in other long term liabilities		(529,253)	(2,901,995)	2,517,001	198,878
Net cash flows from financing activities		**651,973,432**	**972,609,322**	**665,038,328**	**984,544,159**
Net increase/ (decrease) in cash and cash equivalents		**(374,240,639)**	**(1,264,022,012)**	**(400,304,037)**	**(1,253,457,055)**
Cash and cash equivalents at the beginning of the year		1,078,370,017	2,342,392,029	1,064,929,449	2,318,386,504
Cash and cash equivalents at the end of the year	16	**704,129,378**	**1,078,370,017**	**664,625,412**	**1,064,929,449**

Accounting Policies

1. Presentation of Group Annual Financial Statements

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the group annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

1.2 Property, plant and equipment (PPE)

Property, plant and equipment (PPE) 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 period.

Property, plant and equipment, is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

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

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

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

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

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

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The estimated useful lives are as follows:

Item	**Average useful life**
Land	
• Landfill sites	15 years
Motor vehicles	
• Specialised vehicles	5 - 15 years
• Other vehicles	4 - 25 years (Changed: 4 - 20 years in 2009)
Infrastructure	
• Roads and stormwater	1 – 120 years
• Pedestrian malls	30 years
• Electricity	5 – 60 years
• Water	3 – 200 years
• Sewer	3 – 120 years
• Housing	50 years

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

• Solid Waste	5 – 60 years
• Servitudes	Indefinite
Community	
• Buildings	30 years
• Recreational facilities	20 – 30 years
• Security	11 – years (Changed: 5 years in 2009)
Other property, plant and equipment	
• Furniture and fittings	3 - 33 years
• Water craft	15 years
• Office equipment	3 – 33 years (Changed: 3 - 7 years in 2009)
• Specialised plant and equipment	10 – 26 years (Changed: 10 - 15 years in 2009)
• Other items of plant and equipment	2 – 25 years

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

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

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

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

1.3 Investments in controlled entities

Economic entity group annual financial statements

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

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

Controlling entity group annual financial statements

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

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

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

1.4 Financial instruments

Trade and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account

Accounting Policies

1.4 Financial instruments (continued)

for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

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

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

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

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment financial assets
- Loans and receivables financial assets
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

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

Recognition

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

Measurement

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

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the

1.4 Financial instruments (continued)

economic entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the economic entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

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

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

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

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

Held-to-maturity investments

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

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

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

Loans and receivables

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

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

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

1.4 Financial instruments (continued)

instruments) the economic entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Available-for-sale financial assets

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

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

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

Other financial liabilities

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

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

De-recognition

Financial assets

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

Financial liabilities

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

Categorisation

The economic entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.
A financial asset is any asset that is:
- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The economic entity has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:
• Investments
• Long term receivables
• Consumer debtors
• Other receivables
• Cash and cash equivalents
• Unlisted shares

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

Type of financial asset	Classification in terms of IAS 39.09
Investments	Held to maturity

1.4 Financial instruments (continued)

Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other receivables	Loans and receivables
Bank balances and cash	Available for sale
Unlisted shares	Available for sale

A financial liability is any liability that is:
- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The economic entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:
• Long term liabilities
• Trade and other payables
• Consumer deposits
• Unspent conditional grants and receipts

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

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

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

Type of financial liability	**Classification in terms of IAS 39.09**
Long term liabilities	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants and receipts	Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

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

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

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

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

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

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

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

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

1.5 Tax

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from)

1.5 Tax (continued)

the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

1.6 Leases

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

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

Finance leases - As lessor

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

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

Finance leases – As lessee

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

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

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

Operating leases - As lessor

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

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

1.6 Leases (continued)

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

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

Operating leases – As lessee

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

1.7 Inventories

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

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

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

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

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

1.8 Share premium

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

1.9 Employee benefits

Benefits

Retirement Funds

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

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

Defined Contribution Funds

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

Defined Benefit Plans

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

1.9 Employee benefits (continued)

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

Medical Aid: Continued Members

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the economic entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

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

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

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

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

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

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

1.10 Provisions and contingencies

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

A provision is recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

a) Leave Provision

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

1.10 Provisions and contingencies (continued)

end.

b) COID Provision

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

c) Landfill Rehabilitation Provision

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

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

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

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

d) Workmenscompensation provision

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

e) Long service awards provision

The economic entity offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

f) GMRF provision

The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its obligation to contribute to the fund due to the required investment yield not being achieved.

g) Bonus provision

The provision is to provide for performance bonusses of the economic entity's section 57 employees.

1.11 Revenue from exchange transactions

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

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

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

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments

1.11 Revenue from exchange transactions (continued)

to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity were an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

1.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.16 and 1.17. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 3 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the economic entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Presentation of currency

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

1.14 Investment property

1.14 Investment property (continued)

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

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

Cost model

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

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

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

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

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

1.15 Intangible assets

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

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

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

An intangible asset is measured initially at cost.

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

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

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

The economic entity does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.
The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.
Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.
Theeconomic entity assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The economic entity regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the entity expects the asset to generate net cash inflows or service potential for the entity. Intangible assets with indefinite useful lives are not amortised.

1.15 Intangible assets (continued)

The economic entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.
The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the economic entity expects to use the asset.
Theeconomic entity reviews the amortisation method, useful lives and residual values of intangible assets annually.

The estimated useful lives are as follows:

Item	**Useful life**
Computer software	3 - 14 years (Changed: 5 - 14 years in 2009)

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.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

1.16 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the economic entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

1.16 Impairment of cash-generating assets (continued)

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Criteria developed by the economic entity to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.19 Comparative figures

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

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

1.19 Comparative figures (continued)

reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 Unauthorised expenditure

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

1.21 Fruitless and wasteful expenditure

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

1.22 Irregular expenditure

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

1.23 Use of estimates

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

1.24 Internal Reserves

Asset Fair Value Adjustment Reserve

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

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

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the economic entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Segmental information

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

1.27 Research and development expenditure

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

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;

Accounting Policies

1.27 Research and development expenditure (continued)

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

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

1.28 Going concern

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

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

2. CHANGES IN ACCOUNTING POLICY

Changes due to GRAP implementation

2009
Adjustments were made to amounts previously reported in the annual financial statements of the economic entity arising from the implementation of new accounting policies and changes to existing policies.

The aggregate effect of the changes in accounting policy on the group annual financial statements for the year ended 30 June 2009 is as follows:

Statement of financial position

Property, plant and equipment (PPE)				
Adjustment (Fair value adjustment)	-	-	-	30,965,761,430
Investments in controlled/municipal entities				
Previously stated	-	-	-	480,244,714
Adjustment due to measurement at cost and re-classification	-	-	-	(480,244,408)
	-	**-**	**-**	**306**
Sundry debtors - Fines				
Adjustment due to estimation of fines income	-	-	-	4,049,381
Investments - Investment in equity				
Adjustment due to adoption of GRAP6	-	-	-	4,000,000
Operating lease receipts asset				
Adjustment due to straight-lining	-	-	-	29,222,305
Operating lease payments liability				
Adjustment due to straight-lining	-	-	-	(746,656)
Investment Property				
Adjustment due to initial recognition - transfer from PPE	-	-	-	73,790,971
Property, plant and equipment (PPE)				
Adjustment due to initial recognition - transfer to Investment Property	-	-	-	(73,790,971)
Opening accumulated surplus				
Adjustment (Investments in controlled/municipal entities opening balance)	-	-	-	468,765,096
Adjustment (Sundry debtors - Fines)	-	-	-	(3,061,023)
Adjustment (PPE fair value adjustment)	-	-	-	(30,965,761,430)
Adjustment (Leases as lessor)	-	-	-	(15,978,769)
Adjustment (Leases as lessee)	-	-	-	896,600
	-	**-**	**-**	**(30,515,139,526)**

Statement of financial performance

Share of surplus of entities accounted for under the equity method				
Previously stated	-	-	-	(3,181,412)

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
2. CHANGES IN ACCOUNTING POLICY (continued)				
Adjustment	-	-	-	3,181,412
	-	**-**	**-**	**-**
Estimate of fines to be received				
Adjustment	-	-	-	(988,358)
Operating lease receipts				
Adjustment	-	-	-	(13,243,535)
Operating lease payments				
Adjustment	-	-	-	(149,943)
Accumulated surplus				
Adjustment (Equity accounting directly against reserves prior year)	-	-	-	4,297,900

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity’s accounting periods beginning on or after 1 July 2011 or later periods:

GRAP 18: Segment Reporting

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

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

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

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

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

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

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

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

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

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 103: Heritage Assets

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

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

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

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

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

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

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

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

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

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

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation

3. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

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

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

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

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

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

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

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

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

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

3. NEW STANDARDS AND INTERPRETATIONS (continued)

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 26: Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a economic entity to recognise:

3. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

GRAP25 defines, amongst others, the following:

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

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

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

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

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

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

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

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;

3. NEW STANDARDS AND INTERPRETATIONS (continued)

- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost.

- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

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

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

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

GRAP 104: Financial Instruments

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

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

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

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

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

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

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

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

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

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

Notes to the Group Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

as follows:

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

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

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

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

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

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

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

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

GRAP 104 requires extensive disclosures on the significance of financial instruments for a economic entity’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a economic entity is exposed to as a result of its group annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

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

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

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

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

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

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

4. INVESTMENT PROPERTY

Economic entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	159,018,200	(10,207,790)	148,810,410	159,018,200	(9,235,404)	149,782,796

Controlling entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	106,717,857	-	106,717,857	106,717,857	-	106,717,857

Reconciliation of investment property - Economic entity - 2010

	Opening balance	Depreciation	Total
Investment property	149,782,796	(972,386)	148,810,410

Reconciliation of investment property - Economic entity - 2009

	Opening balance	Depreciation	Total
Investment property	150,755,181	(972,385)	149,782,796

Reconciliation of investment property - Controlling entity - 2010

	Opening balance	Total
Investment property	106,717,857	106,717,857

Reconciliation of investment property - Controlling entity - 2009

	Opening balance	Total
Investment property	106,717,857	106,717,857

Fair value of investment properties	768,293,184	685,189,400	636,084,684	570,024,900

Pledged as security

Carrying value of assets pledged as security:

Property in West Germiston	16,859,337	17,250,310	-	-
Airport Park and Delville Flats	25,233,216	25,814,629	-	-

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

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

Details of property

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

Notes to the Group Annual Financial Statements

Figures in Rand

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

Economic entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,534,787,272	(29,454,206)	1,505,333,066	1,531,430,573	(25,665,584)	1,505,764,989
Infrastructure	40,448,064,305	(3,499,284,335)	36,948,779,970	39,079,043,821	(1,819,411,048)	37,259,632,773
Community	3,451,571,635	(357,852,699)	3,093,718,936	3,297,175,120	(185,180,719)	3,111,994,401
Other property, plant and equipment	6,503,099,226	(920,011,713)	5,583,087,513	6,154,650,796	(668,384,970)	5,486,265,826
Heritage	78,395,185	-	78,395,185	78,395,185	-	78,395,185
Total	**52,015,917,623**	**(4,806,602,953)**	**47,209,314,670**	**50,140,695,495**	**(2,698,642,321)**	**47,442,053,174**

Controlling entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,224,101,666	-	1,224,101,666	1,223,471,538	-	1,223,471,538
Infrastructure	39,842,254,988	(3,329,838,515)	36,512,416,473	38,497,478,197	(1,669,170,375)	36,828,307,822
Community	3,451,571,635	(357,852,699)	3,093,718,936	3,297,175,120	(185,180,719)	3,111,994,401
Other property, plant and equipment	6,434,138,085	(887,336,107)	5,546,801,978	6,104,847,583	(640,506,319)	5,464,341,264
Heritage	78,395,185	-	78,395,185	78,395,185	-	78,395,185
Total	**51,030,461,559**	**(4,575,027,321)**	**46,455,434,238**	**49,201,367,623**	**(2,494,857,413)**	**46,706,510,210**

Reconciliation of property, plant and equipment (ppe) - Economic entity - 2010

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	1,505,764,989	7,292,600	(3,935,900)	-	(3,788,623)	-	1,505,333,066
Infrastructure	37,259,632,773	1,370,876,625	(770,705)	-	(1,680,620,008)	(338,715)	36,948,779,970
Community	3,111,994,401	247,250,117	-	(92,853,603)	(172,671,979)	-	3,093,718,936
Other property, plant and equipment	5,486,265,826	349,648,213	(315,563)	-	(252,491,819)	(19,144)	5,583,087,513
Heritage	78,395,185	-	-	-	-	-	78,395,185
	47,442,053,174	**1,975,067,555**	**(5,022,168)**	**(92,853,603)**	**(2,109,572,429)**	**(357,859)**	**47,209,314,670**

Notes to the Group Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,507,909,414	6,348,004	-	(4,737,889)	(3,754,540)	-	1,505,764,989
Infrastructure	37,395,268,327	1,893,920,190	(552,041)	(342,746,943)	(1,686,256,760)	-	37,259,632,773
Community	3,213,985,082	364,665,043	-	(297,647,356)	(169,008,368)	-	3,111,994,401
Other property, plant and equipment	5,473,644,273	315,290,131	(1,121,654)	4,437	(301,284,545)	(266,816)	5,486,265,826
Heritage	78,395,185	-	-	-	-	-	78,395,185
	47,669,202,281	**2,580,223,368**	**(1,673,695)**	**(645,127,751)**	**(2,160,304,213)**	**(266,816)**	**47,442,053,174**

Reconciliation of property, plant and equipment (PPE) - Controlling entity - 2010

	Opening balance	Additions and work in progress	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,223,471,538	4,566,029	(3,935,901)	-	-	-	1,224,101,666
Infrastructure	36,828,307,822	1,346,047,799	(770,705)	-	(1,660,837,488)	(330,955)	36,512,416,473
Community	3,111,994,401	247,250,117	-	(92,853,603)	(172,671,979)	-	3,093,718,936
Other property, plant and equipment	5,464,341,264	329,639,487	(155,508)	-	(247,023,265)	-	5,546,801,978
Heritage	78,395,185	-	-	-	-	-	78,395,185
	46,706,510,210	**1,927,503,432**	**(4,862,114)**	**(92,853,603)**	**(2,080,532,732)**	**(330,955)**	**46,455,434,238**

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

	Opening balance	Additions and work in progress	Disposals	Other changes, movements	Depreciation	Total
Land	1,223,471,538	4,737,889	-	(4,737,889)	-	1,223,471,538
Infrastructure	36,962,734,196	1,878,247,242	(467,545)	(342,742,497)	(1,669,463,574)	36,828,307,822
Community	3,213,985,082	364,665,043	-	(297,647,356)	(169,008,368)	3,111,994,401
Other property, plant and equipment	5,449,406,544	311,744,788	(1,102,388)	-	(295,707,680)	5,464,341,264
Heritage	78,395,185	-	-	-	-	78,395,185
	46,927,992,545	**2,559,394,962**	**(1,569,933)**	**(645,127,742)**	**(2,134,179,622)**	**46,706,510,210**

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

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

Borrowing costs capitalised

Infrastructure	5,723,674	-	5,723,674	-
Community	178,965	-	178,965	-
Other property, plant and equipment	268,827	-	268,827	-
	6,171,466	**-**	**6,171,466**	**-**

Capitalisation rates used during the year were 11%.

Work-in-progress reconciliation of the controlling entity

Included in the cost price is the following work-in-progress projects:

Work-in-progress				
Opening balance	780,886,890	-	780,886,890	-
Capital expenditure towards work-in-progress	1,231,074,481	780,866,890	1,231,074,481	780,866,890
Transferred to completed projects	(198,435,489)	-	(198,435,489)	-
	1,813,525,882	**780,866,890**	**1,813,525,882**	**780,866,890**

The gross carrying amount of property, plant and equipment fully depreciated and still in use at year end is R354,868,554.

ERWAT's Grootvlei Biosure plant (Cost 2010: R22 996 855; 2009 R 26 076 262) is not currently operational as the Grootvlei Mine was liquidated.The contract between ERWAT and the new owners of the mine (AURORA mining) could not be renewed due to the financial difficulties the new owners are experiencing. The probability is that the plant can be used in the near future as there will be development in the area were the plant is situated.

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

6. INTANGIBLE ASSETS

Economic entity	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	30,930,121	(4,868,718)	26,061,403	19,854,587	(3,336,887)	16,517,700

Controlling entity	2010			2009		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	27,864,612	(3,547,768)	24,316,844	18,294,867	(2,390,009)	15,904,858

Reconciliation of intangible assets - Economic entity - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	16,517,700	11,294,402	(1,750,699)	26,061,403

Reconciliation of intangible assets - Economic entity - 2009

	Opening balance	Additions	Amortisation	Total
Computer software, other	7,410,085	9,511,305	(403,690)	16,517,700

Reconciliation of intangible assets - Controlling entity - 2010

	Opening balance	Additions	Amortisation	Total

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

6. INTANGIBLE ASSETS (continued)

Computer software, other	15,904,858	9,788,613	(1,376,627)	24,316,844

Reconciliation of intangible assets - Controlling entity - 2009

	Opening balance	Additions	Amortisation	Total
Computer software, other	6,662,790	9,511,305	(269,237)	15,904,858

Work-in-progress

Reconciliation of work-in-progress of the controlling entity

Included in additions is the following amounts relating to software still in development:

Work-in-progress				
Opening balance	12,213,926	5,458,052	12,213,926	5,458,052
Software development incurred during the year	6,827,615	6,755,874	6,827,615	6,755,874
	19,041,541	**12,213,926**	**19,041,541**	**12,213,926**

7. INVESTMENTS IN CONTROLLED ENTITIES

Name of company	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Brakpan Bus Company	100.00 %	100.00 %	6	6
Ekurhuleni Development Company	100.00 %	100.00 %	100	100
East Rand Water Care Company	97.00 %	97.00 %	-	-
Pharoe Park Housing Company	93.46 %	93.46 %	100	100
Germiston Phase II Housing Company	92.59 %	92.59 %	100	100
Lethabong Housing Institute	100.00 %	100.00 %	-	-
			306	**306**

8. OTHER INVESTMENTS

Available-for-sale				
Unlisted shares	4,000,000	4,000,000	4,000,000	4,000,000
Old Mutual and Sanlam	3,324,775	2,772,935	-	-
Terms and conditions				
	7,324,775	**6,772,935**	**4,000,000**	**4,000,000**
Held to maturity				
Investments	326,976,342	341,653,051	326,976,342	341,653,051
Total other financial assets	**334,301,117**	**348,425,986**	**330,976,342**	**345,653,051**
Non-current assets				
Available-for-sale	7,324,775	6,772,935	4,000,000	4,000,000
Held to maturity	80,670,381	275,217,804	80,670,381	275,217,804
	87,995,156	**281,990,739**	**84,670,381**	**279,217,804**
Current assets				
Held to maturity	246,305,961	66,435,247	246,305,961	66,435,247
	334,301,117	**348,425,986**	**330,976,342**	**345,653,051**

Available-for-sale equity investments not at fair value

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

8. OTHER INVESTMENTS (continued)

The carrying amount of these financial instruments is as follows:

Rand Airport 20% interest in ordinary shares	4,000,000	4,000,000	4,000,000	4,000,000

The Company's Equity amounted to R535,737,521 (2009 - R535,935,542) represented by Share Capital of R5,201,000 (2009 - R5,201,000), Reserves of R165,755,503 (2009 - R165,755,503) as well s Retained Income of R364,781,018 (2009 - R364,979,039) as at 28 February 2010.

The economic entity has not reclassified any financial assets from cost or amortised cost to fair value during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Investments with a carrying value of R 301,501,285 (2009 - R 316,795,946) is encumbered in respect of long term liabilities as disclosed in note 19.

Credit quality of other financial assets

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

9. FINANCIAL ASSETS BY CATEGORY

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

Economic entity - 2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	326,976,342	-	326,976,342
Long term receivables	290,820,389	-	-	290,820,389
Consumer debtors	1,217,263,683	-	-	1,217,263,683
Other receivables	269,989,369	-	-	269,989,369
Cash and cash equivalents	-	-	704,129,378	704,129,378
Unlisted shares	-	-	4,000,000	4,000,000
Unit Trusts and Demutualisation shares	-	-	3,324,775	3,324,775
	1,778,073,441	**326,976,342**	**711,454,153**	**2,816,503,936**

Economic entity - 2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	341,653,051	-	341,653,051
Long term receivables	128,250,003	-	-	128,250,003
Consumer debtors	1,168,831,431	-	-	1,168,831,431
Other receivables	291,667,440	-	-	291,667,440
Cash and cash equivalents	-	-	1,078,370,017	1,078,370,017
Unlisted shares	-	-	4,000,000	4,000,000
Unit Trusts and Demutualisation shares	-	-	2,772,935	2,772,935
	1,588,748,874	**341,653,051**	**1,085,142,952**	**3,015,544,877**

Controlling entity - 2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	326,976,342	-	326,976,342
Long term receivables	290,820,389	-	-	290,820,389
Consumer debtors	1,217,263,683	-	-	1,217,263,683
Other receivables	270,657,123	-	-	270,657,123

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

9. FINANCIAL ASSETS BY CATEGORY (continued)

Cash and cash equivalents	-	-	664,625,412	664,625,412
Unlisted shares	-	-	4,000,000	4,000,000
	1,778,741,195	**326,976,342**	**668,625,412**	**2,774,342,949**

Controlling entity - 2009

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Other investments	-	341,653,051	-	341,653,051
Long term receivables	128,250,003	-	-	128,250,003
Consumer debtors	1,168,831,431	-	-	1,168,831,431
Other receivables	264,255,180	-	-	264,255,180
Cash and cash equivalents	-	-	1,064,929,449	1,064,929,449
Unlisted shares	-	-	4,000,000	4,000,000
	1,561,336,614	**341,653,051**	**1,068,929,449**	**2,971,919,114**

10. DEFERRED TAX

Deferred tax asset and liability

Other	22,450	21,222	-	-
Provision for bonuses	241,960	207,515	-	-
	264,410	**228,737**	**-**	**-**

Reconciliation of net deferred tax asset (liability)

At beginning of the year	228,737	72,052	-	-
Movement in proivisions	35,673	156,685	-	-
	264,410	**228,737**	**-**	**-**

11. EMPLOYEE BENEFITS

Retirement Funds
The economic entity provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.
The economic entity contributes to defined contribution and defined benefit funds. These funds are multi employer funds.

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

Defined Benefit Plans
The economic entity does not apply “defined benefit accounting” to the defined benefit funds to which it is a member where these funds are classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply “defined benefit accounting” was requested from the various funds, but information received from these funds were insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in future to ensure that these benefit plans could be accounted for as “defined benefit accounting”. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds. The following funds have been treated as definded contribution plans although they are defined benefit funds:
1. Joint Municipal Pension Fund
2. Municipal Employees Pension Fund
3. South African Local Authorities Pension Fund

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

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

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

11. EMPLOYEE BENEFITS (continued)

Post retirement medical aid plan

The economic entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the economic entity is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the economic entity for the remaining portion.

An actuarial valuation was performed by ARCH Actuarial Consulting as at 30 June 2010.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(1,217,204,060)	(1,218,237,600)	(1,217,204,060)	(1,218,237,600)

Movements for the year

Opening balance	(1,218,237,600)	(1,137,424,997)	(1,218,237,600)	(1,137,424,997)
Benefits paid	40,883,760	37,235,184	40,883,760	37,235,184
Net expense recognised in the statement of financial performance	(39,850,220)	(118,047,787)	(39,850,220)	(118,047,787)
	(1,217,204,060)	**(1,218,237,600)**	**(1,217,204,060)**	**(1,218,237,600)**

Net expense recognised in the statement of financial performance

Current service cost	(52,465,753)	(49,195,825)	(52,465,753)	(49,195,825)
Interest cost	(109,254,127)	(120,609,805)	(109,254,127)	(120,609,805)
Actuarial (gains) losses	121,869,660	51,757,843	121,869,660	51,757,843
	(39,850,220)	**(118,047,787)**	**(39,850,220)**	**(118,047,787)**

Key assumptions used

Assumptions used on last valuation on .

Discount rates used	9.22 %	9.12 %	9.22 %	9.12 %
Health care cost inflation rate	7.27 %	7.79 %	7.27 %	7.79 %

Other assumptions:

Key Demographic Assumptions

Assumption	**Value**
Average retirement age	63
Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%
Proportion of eligible non-member employees joining the scheme by retirement	20%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1

Withdrawal from service (sample annual rates)	***Age***	***Females***	***Males***
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

12. INVENTORIES

Inventories Bedfordview Stanford Gardens	6,830,000	6,830,000	-	-
Inventories Bedfordview Tennis Court	5,790,280	5,790,280	-	-
Electrical Stock	91,795,321	121,897,266	91,795,321	121,897,266
Sewerage	58,304	87,305	58,304	87,305
Cleansing	31,501	43,413	31,501	43,413
Consumable stores	4,294,877	5,575,020	4,294,877	4,184,352
Maintenance materials	4,826,697	4,074,293	4,826,697	4,074,293
Water	14,789,686	12,896,664	14,789,686	14,287,332
Unsold Properties Held for Resale	25,430,100	25,430,100	25,430,100	25,430,100
Food and Beverage	21,050	1,501	21,050	1,501
Fleet and Transport	2,013,817	3,610,011	2,013,817	3,610,011
Fuel (Diesel, Petrol)	6,270,614	6,406,620	6,270,614	6,406,620
	162,152,247	192,642,473	149,531,967	180,022,193
Provision for obsolete Inventories	(2,169,126)	(2,896,808)	(2,169,126)	(2,896,808)
	159,983,121	**189,745,665**	**147,362,841**	**177,125,385**

Inventory includes land owned in Bedfordview that will be developed for the affordable market. Stanford Gardens Phase III will commence once the township application is approved by Council. The Bedford Tennis Court is also available for development.

13. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	5,246,903	5,298,322	-	-
Other deposits	522,988	13,495,384	-	-
Other receivable	70,451,491	143,701,966	75,585,301	130,643,754
Debtor for interest on investments	1,130,110	3,169,489	1,130,110	1,778,400
VAT debtor	38,116,552	90,981,463	35,721,154	90,309,729
Lease rental receipts asset	16,159,827	11,142,921	16,159,827	11,142,921
Provision for debt impairment	(25,032,689)	(6,514,855)	(21,321,082)	-
	106,595,182	**261,274,690**	**107,275,310**	**233,874,804**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

14. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Current	163,381,813	30,380,376	163,381,813	30,380,376

Consists of Grant debtors R160,493,614 (2009 - R27,667,578) and Traffic Fine debtors of R2,888,199 (2009 - R2,712,798).

15. CONSUMER DEBTORS

Gross balances				
Rates	1,522,569,228	1,369,598,299	1,522,569,228	1,369,598,299
Electricity	1,097,337,445	923,408,765	1,097,337,445	923,408,765
Water	1,798,859,518	1,614,609,749	1,798,859,518	1,614,609,749
Waste water	511,287,467	467,776,253	511,287,467	467,776,253
Refuse	592,942,615	511,870,779	592,942,615	511,870,779
Housing rental	30,768,516	24,687,044	30,768,516	24,687,044
Other	1,918,537,482	1,690,623,869	1,918,537,482	1,690,623,869
	7,472,302,271	**6,602,574,758**	**7,472,302,271**	**6,602,574,758**

Less: Provision for debt impairment				
Rates	(1,202,745,486)	(1,045,217,825)	(1,202,745,486)	(1,045,217,825)
Electricity	(860,920,549)	(748,162,861)	(860,920,549)	(748,162,861)
Water	(1,528,436,128)	(1,328,251,658)	(1,528,436,128)	(1,328,251,658)
Waste water	(477,605,182)	(415,051,609)	(477,605,182)	(415,051,609)
Refuse	(436,121,255)	(379,000,973)	(436,121,255)	(379,000,973)

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
15. CONSUMER DEBTORS (continued)				
Housing rental	(30,768,516)	(24,687,044)	(30,768,516)	(24,687,044)
Other	(1,718,441,472)	(1,493,371,357)	(1,718,441,472)	(1,493,371,357)
	(6,255,038,588)	**(5,433,743,327)**	**(6,255,038,588)**	**(5,433,743,327)**
Net balance				
Rates	319,823,742	324,380,474	319,823,742	324,380,474
Electricity	236,416,896	175,245,904	236,416,896	175,245,904
Water	270,423,390	286,358,091	270,423,390	286,358,091
Waste water	33,682,285	52,724,644	33,682,285	52,724,644
Refuse	156,821,360	132,869,806	156,821,360	132,869,806
Other	200,096,010	197,252,512	200,096,010	197,252,512
	1,217,263,683	**1,168,831,431**	**1,217,263,683**	**1,168,831,431**
Rates				
Current (0 -30 days)	160,187,754	208,419,815	160,187,754	208,419,815
31 - 60 days	69,975,935	53,946,540	69,975,935	53,946,540
61 - 90 days	48,647,248	40,989,750	48,647,248	40,989,750
91 - 120+ days	1,243,758,291	1,066,242,194	1,243,758,291	1,066,242,194
	1,522,569,228	**1,369,598,299**	**1,522,569,228**	**1,369,598,299**
Electricity				
Current (0 -30 days)	428,580,382	290,230,779	428,580,382	290,230,779
31 - 60 days	87,807,802	59,567,142	87,807,802	59,567,142
61 - 90 days	40,010,434	34,909,086	40,010,434	34,909,086
91 - 120+ days	540,938,827	538,701,758	540,938,827	538,701,758
	1,097,337,445	**923,408,765**	**1,097,337,445**	**923,408,765**
Water				
Current (0 -30 days)	112,873,725	47,936,803	112,873,725	47,936,803
31 - 60 days	72,763,623	75,578,593	72,763,623	75,578,593
61 - 90 days	60,868,489	54,897,444	60,868,489	54,897,444
91 - 120+ days	1,552,353,681	1,436,196,909	1,552,353,681	1,436,196,909
	1,798,859,518	**1,614,609,749**	**1,798,859,518**	**1,614,609,749**
Waste water				
Current (0 -30 days)	25,635,278	32,134,223	25,635,278	32,134,223
31 - 60 days	23,125,685	20,217,660	23,125,685	20,217,660
61 - 90 days	17,827,004	15,907,615	17,827,004	15,907,615
91 - 120+ days	444,699,500	399,516,755	444,699,500	399,516,755
	511,287,467	**467,776,253**	**511,287,467**	**467,776,253**
Refuse				
Current (0 -30 days)	31,663,399	29,172,929	31,663,399	29,172,929
31 - 60 days	18,003,230	16,388,982	18,003,230	16,388,982
61 - 90 days	15,818,160	14,759,512	15,818,160	14,759,512
91 - 120 days	527,457,826	451,549,356	527,457,826	451,549,356
	592,942,615	**511,870,779**	**592,942,615**	**511,870,779**
Housing rental				
Current (0 -30 days)	543,386	370,668	543,386	370,668
31 - 60 days	786,926	637,800	786,926	637,800
61 - 90 days	808,535	581,847	808,535	581,847
91 - 120+ days	28,629,669	23,096,729	28,629,669	23,096,729
	30,768,516	**24,687,044**	**30,768,516**	**24,687,044**

Other (specify)

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

15. CONSUMER DEBTORS (continued)

Current (0 -30 days)	111,371,246	62,079,513	111,371,246	62,079,513
31 - 60 days	48,347,258	50,390,716	48,347,258	50,390,716
61 - 90 days	35,634,821	48,202,214	35,634,821	48,202,214
91 - 120+ days	1,723,184,157	1,529,951,426	1,723,184,157	1,529,951,426
	1,918,537,482	**1,690,623,869**	**1,918,537,482**	**1,690,623,869**

Reconciliation of debt impairment provision

Balance at beginning of the year	(5,433,743,327)	(4,793,209,517)	(5,433,743,327)	(4,793,209,517)
Contributions to provision	(1,383,962,067)	(1,453,564,993)	(1,383,962,067)	(1,453,564,993)
Debt impairment written off against provision	562,666,806	854,547,053	562,666,806	854,547,053
Reversal of debt impairment	-	(41,515,870)	-	(41,515,870)
	(6,255,038,588)	**(5,433,743,327)**	**(6,255,038,588)**	**(5,433,743,327)**

Credit quality of consumer debtors

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

Arrangements

The carrying value of consumer debtors that would otherwise be past due or impaired whose terms have been renegotiated is R113,219,274 (2009 - R95,064,463).

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	503,060	486,981	480,060	464,981
Bank balances	690,376,318	1,075,631,545	664,145,352	1,064,464,468
Short-term deposits	13,250,000	2,251,491	-	-
	704,129,378	**1,078,370,017**	**664,625,412**	**1,064,929,449**

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

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

ABSA				
Alberton income account	3,311,582	1,621,885	3,311,582	1,621,885
Alberton Direct Banking Account	-	4,972	-	4,972
Benoni Income Account	3,027,128	7,269,973	3,027,128	7,269,973
Benoni Direct Banking	1,337,862	-	1,337,862	-
Boksburg Income Account	3,650,827	4,825,630	3,650,827	4,825,630
Boksburg Direct Banking Account Bt	-	(1,800)	-	(1,800)
Brakpan Income Account	1,019,870	1,137,042	1,019,870	1,137,042
Brakpan NER Account	-	1,239,490	-	1,239,490
Germiston Income Account	5,909,250	(4,733,719)	5,909,250	(4,733,719)
Kempton Park Income Account	8,095,380	1,728,306	8,095,380	1,728,306
Kempton Park Direct Banking Account	850,560	-	850,560	-
Lethabong Direct Banking Account	149,990	13,459	149,990	13,459
Lethabong Income Account	467,337	1,675,273	467,337	1,675,273
Nigel Income Account	1,859,622	1,908,207	1,859,622	1,908,207
Springs Income Account	502,402	6,065	502,402	6,065
Springs Direct Banking Account	1,125,912	2,316,785	1,125,912	2,316,785
Springs Market Account	1,220,120	49,454	1,220,120	49,454
RSC Levies Account	802,650	-	802,650	-
External Finance Fund Account	275,133,232	337,581,381	275,133,232	337,581,381
Capital Replacement Reserve Account	753	703	753	703
Primary Bank Account (Capital from revenue account)	136,953,414	91,655,748	136,953,414	91,655,748

16. CASH AND CASH EQUIVALENTS (continued)

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
Salary Account	4,235,901	10,834,395	4,235,901	10,834,395
Treasury Account	63,266,255	39,037,345	63,266,255	39,037,345
Expenditure Imprest Account	(19,255,230)	52,030,565	(19,255,230)	52,030,565
Chip Account (MIG)	51,311,824	88,578,883	51,311,824	88,578,883
Housing Account	116,240,993	81,831,809	116,240,993	81,831,809
Solid Waste Account	-	1,499,014	-	1,499,014
Petty Cash and Floats	480,060	464,480	480,060	464,480
Short Term Deposits at various institutions with dates within 3 months	2,927,434	342,354,104	2,927,434	342,354,104
ABSA Licence income bank account	284	-	284	-
Brakpan Bus Company (BBC)	7,271,652	4,262,933	-	-
Cash on hand - entities	23,000	22,000	-	-
Ekurhuleni Development Company (EDC)	415,626	104,027	-	-
Lethabong Housing Institute (LHI)	13,612	127,409	-	-
Call deposits - entities	13,250,000	2,251,491	-	-
Germiston Phase II Housing Company (Phase II)	863,671	236,769	-	-
East Rand Water Care Company (ERWAT)	17,211,548	6,250,219	-	-
Pharoe Park Housing Company (PP)	454,857	185,720	-	-
	704,129,378	**1,078,370,017**	**664,625,412**	**1,064,929,449**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

16. CASH AND CASH EQUIVALENTS (continued)

The economic entity had the following bank accounts

Account number / description	Bank statement balances 30 June 2010	30 June 2009	30 June 2008	Cash book balances 30 June 2010	30 June 2009	30 June 2008
ABSA BANK - Income Alberton- 111-841-0641	-	-	-	3,311,582	1,621,885	1,603,534
ABSA BANK - Direct Banking Alberton - 111-840-0646	-	-	-	-	4,972	100,199
ABSA BANK - Income Benoni - 4055327394	-	-	-	3,027,128	7,269,973	3,342,443
ABSA BANK - Direct Banking Benoni - 4055328015	-	-	-	1,337,862	-	18,080
ABSA BANK - Mask Account Benoni - 4065622380	-	-	-	-	-	-
ABSA BANK - Income Boksburg - 230000069	-	-	-	3,650,827	4,825,630	3,816,853
ABSA BANK - Direct Banking KL Boksburg - 230000220	-	-	-	-	-	-
ABSA BANK - Direct Banking BT Boksburg - 230000255	-	-	-	-	(1,800)	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	-	-	-
ABSA BANK - Income Brakpan - 240000024	-	-	-	1,019,870	1,137,043	1,725,181
ABSA BANK - Prepaid Sales Account Brakpan-240159392	-	-	-	-	1,239,490	409,390
ABSA BANK - Income Germiston - 2500002277	-	(15,289,000)	-	5,909,250	(4,733,719)	12,382,845
ABSA BANK - Direct Banking Germiston - 250000804	-	-	-	-	-	-
ABSA BANK - Direct Banking Kempton Park - 260181599	-	-	-	850,560	-	(4,423)
ABSA BANK - Income Kempton Park - 260000004	-	-	-	8,095,380	1,728,306	3,013,807
ABSA BANK - Income Lethabong - 4055442546	-	-	-	467,337	1,675,273	(488,494)
ABSA BANK - Direct Banking Lethabong - 4055442596	-	-	-	149,990	13,459	10,800
ABSA BANK - Income Nigel - 270000010	-	-	-	1,859,622	1,908,206	2,381,288
ABSA BANK - Income Springs - 280000051	-	-	-	502,402	6,065	40,229
ABSA BANK - Direct Springs - 280000094	-	-	-	1,125,912	2,316,785	723,208
ABSA BANK - Fresh Produce Market - 1135470160	1,220,120	49,454	2,574,846	1,220,120	49,454	(1,340,122)
ABSA BANK - RSC Levies - 1018470132	-	-	875,352	802,650	-	882,494
ABSA BANK - EFF Account (EX CLF) - 4053834321	275,133,232	337,581,381	75,232	275,133,232	337,581,381	75,232
ABSA BANK - C R R Account (EX CDF) - 4053834779	753	703	357,002,773	753	703	357,002,773
ABSA BANK - Primary Bank Acc - 4053835084	136,953,414	91,655,748	144,037,200	136,953,414	91,655,748	144,037,200
ABSA BANK - Salary Account - 4055571973	6,226,280	13,091,058	46,610,088	4,235,901	10,834,395	44,872,646
ABSA BANK - Treasury Account - 4055571931	63,266,255	39,037,346	483,987,813	63,266,255	39,037,345	483,987,813
ABSA BANK - Expenditure Imprest Acc - 4055571915	4,084,411	78,810,003	126,567,003	(19,255,230)	52,030,565	98,686,513
ABSA BANK - CMIP Account - 4055571884	51,311,824	88,578,883	56,071,991	51,311,824	88,578,883	56,071,991
ABSA BANK - Housing Account - 4055571842	116,240,993	81,831,809	116,855,633	116,240,993	81,831,809	116,855,633

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

16. CASH AND CASH EQUIVALENTS (continued)

ABSA BANK - Solid Waste - 1026820134	-	-	-	-	1,499,014	-
Petty Cash and Floats	-	-	-	480,060	464,480	446,131
Short Term Deposits at various institutions with dates within 3 months	-	342,354,104	987,733,260	2,927,434	342,354,104	987,733,260
ABSA licences income bank account	-	-	-	284	-	-
EMM - 4075756252	804,183	-	-	-	-	-
(BBC) ABSA Current account - 4052643454	143,096	7,240,807	5,600,118	169,248	1,197,158	5,662,834
(BBC) ABSA Current account - 9193942873	7,062,659	3,012,611	1,043,127	7,102,404	3,065,775	1,052,706
(EDC) ABSA Current account - 4055919492	422,121	104,027	1,258,681	415,626	104,027	1,258,681
(ERWAT) ABSA Current account - 260170120	15,878,449	6,202,443	10,355,955	15,861,106	6,179,919	10,310,074
(ERWAT) ABSA Current account - 260170139	1,346,619	198,059	44,971	1,346,619	198,059	44,971
(ERWAT) Clearing account	-	-	-	3,823	(127,759)	(176,872)
(Phase II) ABSA Current account - 4052348660	863,671	140,757	576,180	863,671	236,769	576,180
(Phase II) ABSA Call account - 2065919012	1,000,000	1,000,000	3,000,000	1,000,000	1,000,000	3,000,000
(LHI) FNB Current account - 62019238428	43,868	128,746	150,292	13,612	127,409	150,292
(LHI) Investec Call account - 1100182677580	250,000	250,000	500,000	250,000	251,491	500,000
(PP) ABSA Current account - 4050383636	454,857	141,589	498,909	454,857	185,720	498,909
(PP) ABSA Call account - 2069361362	11,000,000	-	-	11,000,000	-	-
(PP) ABSA Call account - 2065919054	1,000,000	1,000,000	1,100,000	1,000,000	1,000,000	1,100,000
Cash on hand - Entities	23,000	22,000	27,750	23,000	22,000	27,750
Total	**694,729,805**	**1,077,142,528**	**2,346,547,174**	**704,129,378**	**1,078,370,017**	**2,342,392,029**

17. SHARE PREMIUM

Issued

Share premium	7,442,007	7,442,007	-	-

18. HOUSING DEVELOPMENT FUND

The housing development fund is represented by the following assets and liabilities

Property, plant and equipment	-	208,749,619	-	208,749,619
Housing selling scheme loans	-	24,687,044	-	24,687,044
Provision for bad debts	-	(24,687,044)	-	(24,687,044)
Assets	**-**	**208,749,619**	**-**	**208,749,619**
Bank overdraft	-	208,749,619	-	208,749,619
Total Housing Development Fund Assets and Liabilities	**-**	**-**	**-**	**-**

The fund liabilities exceeded fund assets in the 2008/2009 financial year and the fund was accordingly de-recognised in 2009.

19. LONG-TERM LIABILITIES

Held at amortised cost

Bank Loans	2,364,483,528	1,708,682,605	2,211,457,002	1,548,074,663

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

19. LONG-TERM LIABILITIES (continued)

Development Bank of South Africa	250,855,069	301,794,552	218,359,796	263,055,874
Stock Loans	265,746,033	265,784,033	265,746,033	265,784,033
	2,881,084,630	**2,276,261,190**	**2,695,562,831**	**2,076,914,570**

Held at amortised cost - current

Bank loans	(383,395,975)	(100,279,410)	(368,713,578)	(86,579,662)
Development Bank of South Africa	(50,683,899)	(44,696,080)	(50,683,899)	(44,696,080)
Stock Loans	(97,000)	(38,000)	(97,000)	(38,000)
	(434,176,874)	**(145,013,490)**	**(419,494,477)**	**(131,313,742)**
	2,446,907,756	**2,131,247,700**	**2,276,068,354**	**1,945,600,828**

Non-current liabilities

At amotised cost	2,881,084,630	2,276,261,190	2,695,562,831	2,076,914,570
At amortised cost - current portion	(434,176,874)	(145,013,490)	(419,494,477)	(131,313,741)
	2,446,907,756	**2,131,247,700**	**2,276,068,354**	**1,945,600,829**

Investments with a carrying value of R301,501,285 (2009 - R316,795,946) is encumbered in respect of long term liabilities above with a carrying value of R553,141,796 (2009 - R342,340,705) as disclosed in note 8.

20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants comprises

Conditional grants and receipts

Restructuring	281,975	1,825,274	281,975	1,825,274
HIV / Aids Grant	1,249,227	2,424,177	1,249,227	2,424,177
Bontle Ke Botho	200,313	770,947	200,313	770,947
Environment & Tourism	390,976	460,215	390,976	460,215
Demilitarisation Project	5,989	25,095	5,989	25,095
WSDP	-	1,740,660	-	1,740,660
Township Initiatives	5,300,126	8,563,402	5,300,126	8,563,402
20 Prioritised Township Programme	-	9,488	-	9,488
UEM Danida	3,916,058	833,001	3,916,058	833,001
Principal Job Evaluation Committee - PJEC	-	173	-	173
Lethabong Housing Institute	598,945	2,000,000	598,945	2,000,000
Zonki Trust	725,181	725,181	725,181	725,181
Local Economic Development (LED) Grant	9,040	14,193	9,040	14,193
Consolidated Metropolitan Transport Fund (CMTF)	122,947	2,007,925	122,947	2,007,925
International Council For Local Environment Initiatives (ICLEI)	78,070	78,070	78,070	78,070
Public Transport Infrastructure Fund	45,508,940	26,238,065	45,508,940	26,238,065
Rondebult Water - Public Contribution	961,041	961,041	961,041	961,041
Deaprtment of Water Affairs & Forestry (DWAF)	582,545	582,545	582,545	582,545
Integrated National Electrification Programme (INEP)	-	3,090,225	-	3,090,225
Local Economic Development (LED) - Industrial Hives	838,348	838,348	838,348	838,348
Local Economic Development (LED) - Street Trading Facilities	300,000	300,000	300,000	300,000
Gautrans	1,184,381	1,184,381	1,184,381	1,184,381
Municipal Infrastructure Grant (MIG)	-	5,724,482	-	5,724,482
Provincial Housing Board (PHB)	66,129,857	54,959,963	66,129,857	54,959,963
Mayoral Golf Day Proceeds	-	604,728	-	604,728
Community Nursey	-	161,916	-	161,916
Accreditation Capacity Enhancement	3,341,449	3,523,000	3,341,449	3,523,000
HRSC - Health	-	200,000	-	200,000
Roodekop Ext - Public Contribution	1,844,676	1,844,676	1,844,676	1,844,676
Health - Public Contribution	43,728	98,421	43,728	98,421
Expanded Public Works Programme	12,985,972	-	12,985,972	-
Neighbourhood Development Partnership Grant	809,701	-	809,701	-
Eastgate Substation Public Contribution	2,815,347	-	2,815,347	-

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (continued)				
Community Care centres	7,578,278	-	7,578,278	-
PHB Interest	53,475,898	48,237,122	42,682,365	37,443,589
	211,279,008	**170,026,714**	**200,485,475**	**159,233,181**

Movement during the year

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Balance at the beginning of the year	170,026,714	178,178,479	159,233,181	167,384,946
Additions during the year	2,927,244,854	2,486,815,054	2,918,078,370	2,468,887,304
Income recognition during the year	(2,885,992,560)	(2,494,966,819)	(2,876,826,076)	(2,477,039,069)
	211,279,008	**170,026,714**	**200,485,475**	**159,233,181**

See note 28 for reconciliation of grants from National/Provincial Government.

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

21. PROVISIONS

Reconciliation of provisions - Economic entity - 2010

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Reversed during the year	Total
COID provision	19,657,530	2,358,904	(1,098,763)	(436,542)	(6,047,502)	14,433,627
Leave and bonus provision	190,922,783	72,360,344	(69,010,198)	-	-	194,272,929
Landfill rehabilitation provision	217,468,979	27,425,546	(131,536,700)	-	-	113,357,825
WCA provision	-	19,073,770	(12,004,854)	-	-	7,068,916
Long service awards	223,109,156	48,690,139	(28,455,098)	-	-	243,344,197
GMRF	127,971,029	94,500,301	(54,451,636)	-	-	168,019,694
Post retirement medical provision	1,727,721	876,315	(184,268)	-	-	2,419,768
Other provisions	2,155,890	3,783,725	(856,032)	-	-	5,083,583
	783,013,088	**269,069,044**	**(297,597,549)**	**(436,542)**	**(6,047,502)**	**748,000,539**

Reconciliation of provisions - Economic entity - 2009

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Total
COID provision	15,509,939	5,581,335	(1,049,759)	(383,985)	19,657,530
Leave and bonus provision	167,059,620	81,453,859	(57,590,695)	-	190,922,784
Landfill rehabilitation provision	192,863,417	54,380,642	(29,775,080)	-	217,468,979
WCA provision	16,604,621	6,002,427	(28,395,064)	5,788,016	-
Long service awards	211,561,596	33,724,738	(22,177,178)	-	223,109,156
GMRF	113,108,852	14,862,177	-	-	127,971,029
Post retirement medical provision	1,343,493	512,161	(127,933)	-	1,727,721
Defects - Stanford Gardens	284,075	-	(284,075)	-	-
Other provisions	1,653,432	502,458	-	-	2,155,890
	719,989,045	**197,019,797**	**(139,399,784)**	**5,404,031**	**783,013,089**

Reconciliation of provisions - Controlling entity - 2010

	Opening Balance	Additions	Utilised/adjusted during the year	Under / (over) provision prior year	Reversed during the year	Total
COID provision	19,657,530	2,358,904	(1,098,763)	(436,542)	(6,047,502)	14,433,627
Leave and bonus provision	178,737,641	60,264,724	(59,032,390)	-	-	179,969,975
Landfill rehabilitation provision	217,468,979	27,425,546	(131,536,700)	-	-	113,357,825
WCA provision	-	19,073,770	(12,004,854)	-	-	7,068,916
Long service awards	223,109,156	48,690,139	(28,455,098)	-	-	243,344,197
GMRF	127,971,029	94,500,301	(54,451,636)	-	-	168,019,694
	766,944,335	**252,313,384**	**(286,579,441)**	**(436,542)**	**(6,047,502)**	**726,194,234**

Reconciliation of provisions - Controlling entity - 2009

	Opening Balance	Additions	Utilised during the year	Under / (over) provision prior year	Total
COID provision	15,509,939	5,581,335	(1,049,759)	(383,985)	19,657,530
Leave and bonus provision	156,157,845	70,957,732	(48,377,936)	-	178,737,641
Landfill rehabilitation provision	192,863,417	54,380,642	(29,775,080)	-	217,468,979
WCA provision	16,604,621	6,002,427	(28,395,064)	5,788,016	-
Long service awards	211,561,596	33,724,738	(22,177,178)	-	223,109,156
GMRF	113,108,852	14,862,177	-	-	127,971,029
	705,806,270	**185,509,051**	**(129,775,017)**	**5,404,031**	**766,944,335**

Non-current liabilities	453,193,541	550,344,956	450,773,773	548,617,235
Current liabilities	294,806,998	232,668,133	275,420,461	218,327,100

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

21. PROVISIONS (continued)

	748,000,539	**783,013,089**	**726,194,234**	**766,944,335**

COID provision
This provision is made for future expected outflows as a result of the economic entity's obligation to contribute to the pension fund and medical
expenses that was incurred due to past contractual arrangements with various employees in the old Benoni- and Germiston local municipalities. The discount rate used in determining the present value of the obligation was 12% (2009 - 12%) and the inflation assumption used for the increase in expenses/contributions is 7% (2009 - 7%).

Leave and bonus provision
The liability is based on the total accrued leave days at year end. A section 57 bonus provision is also provided for.

Landfill rehabilitation provision
In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision. Due to the substantial decrease of the CPIX from 12,2% to 5%, there was a substantial reduction in the provision (2009: Due to changes in the estimation of the sizes of the cells, the remaining useful lives of the landfill sites). The discounting rate for 2010 remained at 12% (2009 - reduced from 14% to 12%). The net result of the re-estimation had the following effect on the current year amounts:

Reduction in the provision for Landfill site rehabilitation	R131,536,700 (2009 - R29,775,080)
Reduction in the cost of property, plant and equipment	R92,853,604 (2009 - R26,019,337)
Amount recognised in profit and loss due to re-estimation where the adjustment exceed the carrying amount of the asset	R38,683,096 (2009 - R3,755,743)

Workmenscompensation provision
The provision is for the period March 2010 to June 2010 which has been estimated in the latest return submitted to the compensation commissioner.

Long service awards provision
The economic entity offers various types of long service awards to its employees.
The key actuarial financial assumptions are as follows:

- Discount rate:	9.06% (2009 - 9.18%)
- General salary inflation (long-term)	6.40% (2009 - 6.54%)

An actuarial valuation was performed by ARCH Actuarial Consulting as at 30 June 2010.

GMRF provision
The provision is for the economic entity's obligation to the Germiston Municipal Retirement Fund due to the economic entity failing to meet its
obligation to contribute to the fund due to the required investment yield not being achieved.

Post retirement medical provision
ERWAT provides post retirement medical benefits to some of its aready retired emplyees and a provision is thus raised for the obligation.

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1,654,749,338	1,482,023,302	1,657,261,021	1,462,872,753
Payments in advance	364,697,290	251,851,841	364,697,290	251,422,774
Lease rental payments liability	692,452	436,040	692,452	366,584
Other payables	120,559,629	108,987,863	102,763,252	120,976,818
Retentions	213,823,671	210,665,486	213,823,671	210,665,486
	2,354,522,380	**2,053,964,532**	**2,339,237,686**	**2,046,304,415**

23. DEPOSITS

Electricity and water	417,027,259	373,154,192	417,027,259	373,154,192
Rental deposits held	3,339,753	2,579,830	-	-
	420,367,012	**375,734,022**	**417,027,259**	**373,154,192**

Guarantees in lieu of electricity and water deposits is R73,069,121 (2009 - R73,326,119).

24. FINANCIAL LIABILITIES BY CATEGORY

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

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

24. FINANCIAL LIABILITIES BY CATEGORY (continued)

Economic entity - 2010

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,881,084,630	2,881,084,630
Consumer deposits	420,367,012	420,367,012
Trade and other payables	2,354,626,247	2,354,626,247
Unspent conditional grants	211,279,008	211,279,008
	5,867,356,897	**5,867,356,897**

Economic entity - 2009

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,276,261,190	2,276,261,190
Consumer deposits	375,734,022	375,734,022
Trade and other payables	2,054,121,874	2,054,121,874
Unspent conditional grants	170,026,714	170,026,714
	4,876,143,800	**4,876,143,800**

Controlling entity - 2010

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,695,562,831	2,695,562,831
Deposits	417,027,259	417,027,259
Trade and other payables	2,339,237,686	2,339,237,686
Unspent conditional grants	200,485,475	200,485,475
	5,652,313,251	**5,652,313,251**

Controlling entity - 2009

	Financial liabilities at amortised cost	Total
Long term and other liabilities	2,076,914,570	2,076,914,570
Deposits	373,154,192	373,154,192
Trade and other payables	2,046,304,413	2,046,304,413
Unspent conditional grants	159,233,181	159,233,181
	4,655,606,356	**4,655,606,356**

25. REVENUE

Rendering of services	5,851,972	6,354,811	-	-
Property rates	2,129,917,993	1,777,573,282	2,131,999,385	1,778,466,900
Property rates – Penalties imposed and collection charges	71,207,519	108,131,850	71,207,519	108,131,850
Service charges	8,070,035,692	6,175,062,204	8,100,302,359	6,205,473,518
Rental of facilities & equipment	67,101,869	63,392,199	48,719,059	46,629,596
Income from agency services	156,773,259	142,254,100	156,773,259	142,254,100
Fines	97,679,269	92,720,626	97,679,269	92,720,626
Licences and permits	27,662,851	25,457,297	27,662,851	25,457,297
Government grants & subsidies	2,885,992,560	2,494,966,819	2,876,826,076	2,477,039,069
Interest earned - outstanding debtors	271,115,244	424,504,456	270,958,631	422,540,814
Interest received - external investments	95,077,164	204,834,406	90,343,076	198,701,652
Dividends received	27,321	191,952	-	-

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

25. REVENUE (continued)

Other income	117,340,106	92,564,572	92,012,250	66,897,696
	13,995,782,819	**11,608,008,574**	**13,964,483,734**	**11,564,313,118**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	5,851,972	6,354,811	-	-
Service charges	8,070,035,692	6,175,062,204	8,100,302,359	6,205,473,518
Rental of facilities & equipment	67,101,869	63,392,199	48,719,059	46,629,596
Income from agency services	156,773,259	142,254,100	156,773,259	142,254,100
Licences and permits	27,662,851	25,457,297	27,662,851	25,457,297
Interest earned - outstanding debtors	271,115,244	424,504,456	270,958,631	422,540,814
Interest received - external investments	95,077,164	204,834,406	90,343,076	198,701,652
Dividends received	27,321	191,952	-	-
Other income	117,340,106	92,564,572	92,012,250	66,897,696
	8,810,985,478	**7,134,615,997**	**8,786,771,485**	**7,107,954,673**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	2,129,917,993	1,777,573,282	2,131,999,385	1,778,466,900
Property rates – Penalties imposed and collection charges	71,207,519	108,131,850	71,207,519	108,131,850
Fines	97,679,269	92,720,626	97,679,269	92,720,626
Government grants & subsidies	2,885,992,560	2,494,966,819	2,876,826,076	2,477,039,069
	5,184,797,341	**4,473,392,577**	**5,177,712,249**	**4,456,358,445**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

26. PROPERTY RATES

Rates received

Residential	1,424,234,294	1,567,379,699	1,424,234,294	1,567,379,699
Commercial	1,023,197,584	716,282,181	1,023,197,584	716,282,181
State	6,564,461	41,782,036	6,564,461	41,782,036
Small holdings and farms	27,027,144	63,866,828	27,027,144	63,866,828
Vacant land	155,790,898	-	155,790,898	-
Other properties	11,220,441	-	11,220,441	-
Related entity elimination	(2,081,392)	(893,618)	-	-
Less: Income forgone	(516,035,437)	(610,843,844)	(516,035,437)	(610,843,844)
	2,129,917,993	**1,777,573,282**	**2,131,999,385**	**1,778,466,900**

Valuations (R'000)

Residential	210,543,870	15,229,873	210,543,870	15,229,873
Commercial	78,234,916	7,516,950	78,234,916	7,516,950
Provincial and National Government	1,554,164	398,572	1,554,164	398,572
Municipal	5,410,910	699,450	5,410,910	699,450
Small holdings and farms	11,661,180	1,231,310	11,661,180	1,231,310
Sectional title	35,996,110	-	35,996,110	-
Vacant land	6,812,163	-	6,812,163	-
Other	1,255,866	-	1,255,866	-
	351,469,179	**25,076,155**	**351,469,179**	**25,076,155**

Valuations on land and buildings are performed every 3 to 5 years. The last general valuation roll came into effect on 1 July 2009 and the valuations have accordingly been adjusted in the current financial year. The previous valuation roll was based on land values only and the new roll is based on land values as well as improvements value and therefore the huge increase in valuations in the current year. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis. Interest is levied on rates outstanding after due date.

27. SERVICE CHARGES

Sale of electricity	5,586,448,413	4,027,569,706	5,617,639,155	4,054,169,692
Sale of water	1,411,496,041	1,178,809,867	1,414,367,745	1,180,942,160
Solid waste	562,602,062	461,870,724	564,339,330	463,107,826
Sewerage and sanitation charges	459,631,588	458,157,264	454,098,541	458,599,197
Fresh produce market	16,245,039	16,216,531	16,245,039	16,216,531
Other service charges	33,612,549	32,438,112	33,612,549	32,438,112
	8,070,035,692	**6,175,062,204**	**8,100,302,359**	**6,205,473,518**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

28. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	2,087,357,684	1,719,819,868	2,087,357,684	1,719,819,868
Ambulance Subsidy	96,850,000	92,236,000	96,850,000	92,236,000
National Government grants	492,331,874	476,085,299	492,331,874	476,085,299
Provincial Government grants	50,371,008	80,524,211	50,371,008	80,524,211
Public contributions	41,549,568	6,835,422	41,549,568	6,835,422
Health Subsidies	94,603,579	89,227,750	94,603,579	89,227,750
SETA	13,762,363	12,310,519	13,762,363	12,310,519
Department of Transport	9,166,484	10,269,321	-	-
MIG Grant entity	-	7,658,429	-	-
	2,885,992,560	**2,494,966,819**	**2,876,826,076**	**2,477,039,069**

National Government grants

Balance unspent at beginning of year	44,732,175	61,706,160	44,732,175	61,706,160
Current-year receipts	376,083,625	458,031,965	376,083,625	458,031,965
Conditions met - transferred to revenue	(492,331,874)	(476,085,299)	(492,331,874)	(476,085,299)
Debtor	135,149,603	1,079,349	135,149,603	1,079,349
	63,633,529	**44,732,175**	**63,633,529**	**44,732,175**

Provincial Government grants

Balance unspent at beginning of year	70,412,211	73,415,410	70,412,211	73,415,410
Current-year receipts	63,864,525	73,935,035	63,864,525	73,935,035
Conditions met - transferred to revenue	(50,371,008)	(80,524,211)	(50,371,008)	(80,524,211)
Debtor	-	3,585,977	-	3,585,977
	83,905,728	**70,412,211**	**83,905,728**	**70,412,211**

Equitable share

Current-year receipts	2,087,357,684	1,719,819,868	2,087,357,684	1,719,819,868
Conditions met - transferred to revenue	(2,087,357,684)	(1,719,819,868)	(2,087,357,684)	(1,719,819,868)
	-	**-**	**-**	**-**

Public contributions

Balance unspent at beginning of year	6,645,206	4,208,281	6,645,206	4,208,281
Current-year receipts	44,964,205	9,272,347	44,964,205	9,272,347
Conditions met - transferred to revenue	(41,549,568)	(6,835,422)	(41,549,568)	(6,835,422)
Other	204,012	-	204,012	-
	10,263,855	**6,645,206**	**10,263,855**	**6,645,206**

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

Ambulance Subsidy

Current-year receipts	96,850,000	92,236,000	96,850,000	92,236,000
Conditions met - transferred to revenue	(96,850,000)	(92,236,000)	(96,850,000)	(92,236,000)
	-	**-**	**-**	**-**

Provincial Health Subsidies

Current-year receipts	94,603,579	89,227,750	94,603,579	89,227,750
Conditions met - transferred to revenue	(94,603,579)	(89,227,750)	(94,603,579)	(89,227,750)
	-	**-**	**-**	**-**

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

28. GOVERNMENT GRANTS AND SUBSIDIES (continued)

SETA

Current-year receipts	13,762,363	12,310,519	13,762,363	12,310,519
Conditions met - transferred to revenue	(13,762,363)	(12,310,519)	(13,762,363)	(12,310,519)
	-	**-**	**-**	**-**

29. GENERAL EXPENSES

Advertising	9,301,989	11,076,238	8,780,704	10,304,514
Assessment rates & municipal charges	-	162,206	-	-
Auditors remuneration	15,005,045	13,081,733	12,972,809	10,871,795
Bank charges	8,033,349	6,780,680	7,506,620	6,286,697
Consulting and professional fees	114,799,407	99,809,344	110,777,791	95,915,280
Consumables	18,577,688	34,537,084	17,717,316	33,906,923
Stock adjustments and write-offs	3,757,910	4,804,796	3,757,910	4,800,158
Entertainment	2,275,499	2,324,736	1,745,583	1,779,648
Animal Costs	1,670,428	1,327,733	1,670,428	1,327,733
Gifts	322,386	605,470	322,386	605,470
Hire of busses	-	82,830	-	-
Insurance	64,083,033	36,359,038	61,627,938	33,937,242
IT expenses	14,776,152	26,165,557	13,823,528	25,491,494
Rentals	46,329,825	5,096,051	45,017,494	3,902,981
Fleet	106,092,674	118,953,427	98,648,531	112,064,255
Marketing	11,712,276	9,474,329	10,211,084	8,143,659
Magazines, books and periodicals	389,054	630,858	363,136	630,195
Motor vehicle expenses - busses	5,691,874	7,477,281	-	-
Fuel and oil	3,221,297	2,160,008	3,221,297	2,160,008
Productions	1,965,868	356,169	1,965,868	356,169
Postage and courier	16,100,771	16,429,952	16,089,837	16,421,103
Printing and stationery	31,167,826	28,896,253	30,622,078	28,296,022
Research and development costs	236,223	399,755	-	-
Security (Guarding of municipal property)	7,007,559	7,970,734	-	-
Software expenses	491,590	10,451,100	421,169	10,367,583
Staff welfare	4,370,377	4,696,589	4,277,424	4,665,919
Subscriptions and membership fees	9,338,126	9,274,931	9,206,975	9,104,112
Telephone and fax	63,314,939	73,359,058	61,064,629	71,229,596
Training	16,628,079	21,678,692	15,490,140	20,588,342
Travel - local	6,001,820	7,599,749	5,408,439	6,993,611
Travel - overseas	3,583,145	4,453,723	3,583,145	4,453,723
Refuse	33,268,008	17,279,935	33,268,008	17,279,935
Title deed search fees	647,186	258,200	647,186	258,200
Electricity	41,817	-	-	-
Sewerage and waste disposal	19,924	-	-	-
Water	10,895	-	-	-
Uniforms	29,540,163	17,860,888	29,402,021	17,745,014
Laboratory expenses	1,866,351	1,999,817	-	-
Venue expenses	4,258,193	6,752,467	4,258,193	6,752,467
Other expenses	217,433,432	237,365,479	229,003,887	232,791,534
	873,332,178	**847,992,890**	**842,873,554**	**799,431,382**

30. OPERATING DEFICIT

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

Operating lease charges

Lease rentals on operating lease - Other				
• Contractual amounts	46,077,443	4,464,870	45,017,494	3,902,981
• Contingent amounts	252,382	631,181	-	-
	46,329,825	**5,096,051**	**45,017,494**	**3,902,981**

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

30. OPERATING DEFICIT (continued)

Surplus on sale of property, plant and equipment (PPE)	34,708,229	5,275,393	34,665,026	5,275,393
Impairment on property, plant and equipment	357,859	266,816	330,955	-
Deficit on sale of non-current assets held for sale and net assets of disposal groups	1,126,471	536,734	926,212	469,161
Amortisation on intangible assets	-	-	-	-
Depreciation and amortisation	2,112,295,513	2,161,680,288	2,081,909,359	2,134,448,857
Employee costs	4,049,735,703	3,613,409,651	3,926,738,680	3,506,884,071
Research and development	236,223	399,755	-	-

31. EMPLOYEE RELATED COSTS

Basic	2,773,273,741	2,302,016,515	2,693,452,194	2,234,013,986
Medical aid - entity contributions	215,217,814	261,439,179	214,956,704	261,343,868
UIF	20,022,260	18,257,803	19,996,919	18,236,571
WCA	20,262,745	12,175,443	19,073,769	11,790,443
SDL	29,163,024	25,608,564	28,445,736	24,952,247
Other payroll levies	742,139	912,132	718,323	636,941
Leave pay provision charge	62,058,670	97,250,914	58,989,363	93,819,275
Standby Allowances	16,589,856	13,875,574	16,589,856	13,875,574
Post-employment benefits - Pension - Defined contribution plan	491,375,188	420,501,832	490,515,218	419,790,293
Overtime payments	329,297,483	359,757,220	323,022,782	352,345,393
Long-service awards	20,657,844	12,210,663	20,556,800	11,747,770
Ad Hoc Travelling	1,164,876	1,301,594	1,164,876	1,301,594
Allowances	12,827,268	10,082,148	6,420,328	4,313,431
Other contributions	23,756,318	18,542,829	-	-
Other related costs	490,665	760,556	-	-
Less: Employee costs capitalised to PPE	(29,677,652)	-	(29,677,652)	-
	3,987,222,239	**3,554,692,966**	**3,864,225,216**	**3,448,167,386**

Remuneration of municipal manager

Annual Remuneration	1,833,600	1,275,000	1,833,600	1,275,000

Salary of the City Manager was only for a period of 12 months (2009 - 9 months)

Deputy City Managers

Annual Remuneration - average	1,360,703	1,226,590	1,360,703	1,226,590

Remuneration of executive directors

Annual Remuneration - average	1,036,973	951,627	1,036,973	951,627

32. REMUNERATION OF COUNCILLORS

Executive Mayor	952,586	935,179	952,586	935,179
Mayoral Committee Members	7,764,372	7,343,350	7,764,372	7,343,350
Speaker	751,764	728,534	751,764	728,534
Councillors	47,874,493	44,726,804	47,874,493	44,726,804
Councillors' pension contribution	5,170,249	4,982,817	5,170,249	4,982,817
	62,513,464	**58,716,684**	**62,513,464**	**58,716,684**

In-kind benefits

The Executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

32. REMUNERATION OF COUNCILLORS (continued)

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor has full-time bodyguards. From time to time this service is also used by other councillors.

33. DEBT IMPAIRMENT

Contributions to debt impairment provision	1,410,736,887	1,453,489,465	1,407,952,467	1,452,215,218
Debt impairement written off	14,435,432	1,349,775	9,310,076	1,349,775
	1,425,172,319	**1,454,839,240**	**1,417,262,543**	**1,453,564,993**

34. INVESTMENT REVENUE

Dividend revenue				
Unit trusts - Local	27,321	191,952	-	-
Interest revenue				
Bank	53,192,342	107,694,581	51,575,046	105,412,442
External investments	41,236,545	96,338,961	38,119,753	92,488,346
Interest received - other	648,277	800,864	648,277	800,864
	95,077,164	**204,834,406**	**90,343,076**	**198,701,652**
	95,104,485	**205,026,358**	**90,343,076**	**198,701,652**

35. DEPRECIATION AND AMORTISATION

Property, plant and equipment (PPE)	2,109,572,428	2,160,304,213	2,080,532,732	2,134,179,621
Investment property	972,386	972,385	-	-
Intangible assets	1,750,699	403,690	1,376,627	269,236
	2,112,295,513	**2,161,680,288**	**2,081,909,359**	**2,134,448,857**

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

36. IMPAIRMENT OF ASSETS

Impairments

Property, plant and equipment (PPE)	357,859	266,816	330,955	-

Impairment

2010
During 2010 impairments occurred in the Roads and Storm water and the Community facility sectors. The date the impairments were recorded was 30 June 2010.
The impairment amounts were calculated as follows:
The recoverable amount is the highest of:
1. Fair value less cost to sell: Depreciated Replacement Cost less cost to sell
2. Value in use: Depreciated Replacement Cost
Once the current replacement cost (CRC) has been determined, the depreciated replacement cost (DRC) will be calculated. DRC is a powerful technique to determine the fair value of assets.
To determine the DRC, one requires knowledge of the following:
- The estimated useful life (EUL) of the asset or component under review;
- The estimated current replacement cost (CRC) – CRC is an estimate of replacing the asset with a modern equivalent of similar capacity.
DRC is calculated as follows:
DRC = RUL/EUL x CRC
Where RUL = Remaining Useful life.

Roads and stormwater
• Road Bridge
Flood damage as a result of high intensity rainfall caused the water, carried by the stream, to exceed the capacity of the bridge. The flood water washed away parts of the embankment, the bridge abutments and the floor and part of the substructure of the bridge. It is also evident that the river course has deviated from the original, possibly as a result of the flooding and silting, with the result that the water approaches the bridge diagonally which will increase the risk of damage.
Carrying value before the impairment: R508,448
Recoverable amount is calculated as the highest of:
- Fair value less cost to sell: Depreciable Replacement Cost less cost to sell: R177,494
- Value in use: Depreciable Replacement Cost: R177,494
The road bridge will not be sold; therefore there will not be any selling cost to deduct from the fair value.
The recoverable amount is R177,494.
Impairment of the road bridge: R330,954

37. FINANCE COSTS

Non-current borrowings	267,198,309	159,762,256	264,140,253	156,401,682
Interest on convertible instruments	14,881,061	22,988,580	-	-
Other interest paid	44,919,355	41,332,021	43,317,359	40,278,704
	326,998,725	**224,082,857**	**307,457,612**	**196,680,386**

38. TAXATION

Major components of the tax expense

Current

Local income tax - current period	979,884	1,005,517	-	-

Deferred

Originating and reversing temporary differences	(35,674)	(156,686)	-	-
	944,210	**848,831**	**-**	**-**

39. AUDITORS' REMUNERATION

Fees	15,005,045	13,081,733	12,972,809	10,871,795

40. RENTAL OF FACILITIES AND EQUIPMENT

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

40. RENTAL OF FACILITIES AND EQUIPMENT (continued)

Facilities and equipment				
Rental of facilities	67,059,803	61,047,332	48,676,993	44,284,729
Rental of equipment	42,066	2,344,867	42,066	2,344,867
	67,101,869	**63,392,199**	**48,719,059**	**46,629,596**
	67,101,869	**63,392,199**	**48,719,059**	**46,629,596**

Included in the above rentals are operating lease rentals at straight-lined amounts of R15,311,058.66 (2009 - R13,910,851).

41. CONTRACTED SERVICES

Information Technology Services	7,791,679	7,743,007	7,791,679	7,743,007
Security contracts	121,356,224	97,487,501	121,356,224	97,487,501
Meter management contracts	78,702,023	99,038,788	78,702,023	99,038,788
Environment contracts	257,572,255	215,699,763	257,572,255	215,699,763
Other Contractors	91,967,289	135,762,270	98,097,588	141,591,255
	557,389,470	**555,731,329**	**563,519,769**	**561,560,314**

42. GRANTS AND SUBSIDIES PAID

Other subsidies				
Discretionary grant: Sport and Social support	4,141,449	3,520,769	4,141,449	3,520,769
Subsidy: SPCA	2,315,000	2,205,000	2,315,000	2,205,000
Discretionary grant: General	-	4,758,873	-	4,849,461
Free basic electricity	42,811,835	34,118,884	42,811,835	34,118,884
Discretionary grant: Educational	5,633,159	6,217,649	5,633,159	6,217,649
Grants: Education (External)	2,191,626	2,919,228	2,191,626	2,919,228
	57,093,069	**53,740,403**	**57,093,069**	**53,830,991**

43. BULK PURCHASES

Electricity	3,775,465,432	2,850,723,811	3,755,448,110	2,842,924,008
Water	1,128,744,933	1,069,808,797	1,128,744,933	1,069,703,312
Sewer purification	46,892,364	34,168,192	265,870,140	209,382,327
	4,951,102,729	**3,954,700,800**	**5,150,063,183**	**4,122,009,647**

44. CASH GENERATED FROM OPERATIONS

Deficit	(1,411,139,515)	(2,389,661,040)	(1,427,442,948)	(2,383,008,031)
Adjustments for:				
Depreciation and amortisation	2,112,295,513	2,161,680,288	2,081,909,359	2,134,448,857
Loss on sale of assets and liabilities	(34,708,229)	(5,275,393)	(34,665,026)	(5,275,393)
Gain on sale of non-current assets and disposal groups	1,126,471	536,734	926,212	469,161
Impairment deficit	357,859	266,816	330,955	-
Debt impairment	1,425,172,319	1,454,839,240	1,417,262,543	1,453,564,993
Movements in operating lease assets and accruals	(81,539)	81,539	-	-
Movements in retirement benefit assets and liabilities	(1,033,540)	-	(1,033,540)	-
Movements in provisions through surplus and deficit	57,841,056	169,786,559	52,103,505	167,969,897
Movement in tax receivable and payable	(53,478)	(148,142)	-	-
Annual charge for deferred tax	(35,674)	(156,686)	-	-
Changes in working capital:				
Inventories	29,762,544	(21,909,634)	29,762,544	(21,968,481)
Other receivables from exchange transactions	166,712,477	(56,219,671)	126,599,494	(72,322,732)
Consumer debtors	(1,473,188,479)	(1,456,013,491)	(1,465,694,795)	(1,453,671,415)

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

44. CASH GENERATED FROM OPERATIONS (continued)

Trade and other payables from exchange transactions	278,453,143	449,033,419	292,933,270	468,280,010
Other receivables	(136,243,557)	(24,143,816)	(133,001,437)	(25,681,495)
Unspent conditional grants and receipts	41,252,294	(8,151,765)	41,252,294	(8,151,765)
Movement in long-term receivables through bad debt provision	11,979,393	-	11,979,393	-
Impairment investment in subsidiary	-	2,424,077	-	-
Change in available for sale assets	(26,804)	(153,331)	-	-
	1,068,442,254	**276,815,703**	**993,221,823**	**254,653,606**

45. COMMITMENTS

Authorised capital expenditure

Already contracted and provided for

• Community	172,373,675	167,325,700	172,373,675	167,325,700
• Infrastructure	556,974,993	858,952,877	552,404,381	849,753,533
• Other assets	222,925,582	105,733,600	222,900,186	105,733,600
	952,274,250	**1,132,012,177**	**947,678,242**	**1,122,812,833**

Not yet contracted for and authorised

• All	1,212,412,865	1,260,872,861	1,212,412,865	1,260,872,861

This committed expenditure relates to Property, plant and equipment and will be financed by available bank facilities, retained surpluses, external funding (bond issue, loans, grants, contributions etc) , existing cash resources etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	12,354,740	6,073,996	12,255,596	5,975,259
- in second to fifth year inclusive	10,629,439	1,221,624	10,484,680	884,864
	22,984,179	**7,295,620**	**22,740,276**	**6,860,123**

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

The actual lease contract amounts range between R8,000 and R300,000 (2009 - R4,000 and R260,000) per month on the office buildings and between R62 and R2,200 (2009 - R62 and R2,200) per month on the photocopier machines.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	12,317,569	14,927,453	12,317,569	14,927,453
- in second to fifth year inclusive	28,142,005	37,650,743	28,142,005	37,650,743
- later than five years	120,749,928	122,986,875	120,749,928	122,986,875
	161,209,502	**175,565,071**	**161,209,502**	**175,565,071**

Certain of the economic entity's property generates lease rental income. The majority of these leases are on a month to month basis. Lease periods range from month-to-month up to 99 years. Monthly lease payments range from R0 (social benefit) up to R 368,294 (2009 - R 461,988).

46. CONTINGENCIES

Controlling entity

Category A:Claims exceeding R 500 000.

Category B: Claims less than R 500 000.

Category C: Other legal matters.

CONTINGENT LIABILITIES

Category A Claims:	**CCC/Region**	**2010**	**2009**
Germiston Retirement Fund - Claim that EMM failed to meet its obligation to contribute to the Fund due to the required investment yield not being achieved	Germiston	-	61,000,000.00
Engen Petroleum Ltd/Atlas road - Claim as a result of rerouting of a provincial road	Kempton Park	14,061,088.00	14,061,088.00
WLT Advertising CC - Claim for damages as a result of conduct	Metro	31,706,247.00	31,706,247.00
Dehal Inc - Advocates claim for work done	Metro	2,600,000.00	2,600,000.00
Van Deventer- Claim for damages arising from cancelled land transaction	Kempton Park	30,000,000.00	30,000,000.00
South African Rail Commuter Corporation Ltd - Claim for damages due to derailment of passenger train	Kempton Park	2,200,362.00	2,200,362.00
SALA Pension fund	Metro	-	2,073,632.58
Pambili Wasteman	Metro	-	40,000,000.00
Snyman & Robbertse - Claim for legal costs and damages following not guilty verdict of disciplinary hearing	Metro	5,000,000.00	5,000,000.00
Miya-Mdluli Investments CC	Kempton Park	-	4,628,000.00
Neiljud - Claim for arrear rates	Metro	20,000,000.00	20,000,000.00
Summer Symphony 264 CC - Claim for compensation resulting from expropriation of a portion of the Strydom Land for Housing purposes	Metro	39,000,000.00	39,000,000.00
Hentic (Pty) Ltd and Merces Cura - Appeal against finding	Springs	2,500,000.00	-
Technology Corporate Management - Council Attorneys were served with notice of a summary judgement and furnished Council with instructions to invest trust moneys in terms of section 78 (2A) of the Attorneys Act	Metro	5,279,949.00	-
Group 15 - Possible claim submitted by employees of EMM**	Metro	2,000,000,000.00	
Hometalk - Possible claim for losses in respect of developments	Metro	65,000,000.00	
Other	Metro	6,823,010.00	4,063,008.00
Sub-Total		**2,224,170,656.00**	**256,332,337.58**

****Group 15**
The grading dispute in the EMM stemmed from employees who were of the opinion that the EMM should be graded at higher grade upon amalgamation. They opined that the remuneration structure should be linked to the determination of the Minister on the upper limits regarding remuneration of public office bearers. This resulted in a dispute been declared by the employees. The dispute was arbitrated & the employees were awarded a back pay implementation of a higher grade retrospective to 1 July 2003. The award is currently subjected to a Labour Court review. The matter will thus be set down in 2011. The amount disclosed is a management estimate and the calculation, as well as factor,s are subject to estimation uncertainty. The nature of the contingent liability as well as amount disclosed could thus differ substantially from the actual outcome.

46. CONTINGENCIES (continued)

	CCC/Region	2010	2009
Category B Claims: Other Claims	Metro	1,746,217.00	2,084,298.00
Category C Claims: Other Matters	Metro	240,000.00	1,453,874.00
	Sub-Total	**1,986,217.00**	**3,538,172.00**

CONTINGENT ASSETS

Category A Claims:	**CCC/Region**	**2010**	**2009**
Mofokeng & Maqubela - loss incurred by Council as a result of bad conduct	Metro	4,000,000.00	4,000,000.00
Ramahope- misappropriation of funds	East	-	850,000.00
Claim against Senior Business Brokers who failed to deposit moneys collected on behalf of EMM	East	-	1,734,776.00
Claim against Wallace Pienaar Properties who failed to procure the proclamation of a township	North	-	860,000.00
Summer Symphony - Compensation claim instituted by Plaintiff as a result of a non-settled Expropriation proceedings by EMM	North	49,652,700.00	49,652,700.00
Other contingent Assets	Metro	3,444,776.00	-
	Sub-Total	**57,097,476.00**	**57,097,476.00**

	CCC/Region	2010	2009
Category B Claims: Other Claims	Metro	888,413.00	819,533.00
Category C Claims: Other Matters	Metro	95,459.00	1,245,000.00
	Sub-Total	**983,872.00**	**2,064,353.00**

Controlled entities

BBC
The entity is a defendant in a legal action amounting to R150,000 for three accidents that involves busses and third parties as well as a labour case of R100,000. The directors is of the opinion, based on legal advice, that all cases will be successfully defended and therefore no losses for claims will be incurred. The actions are expected to be completed within the next twelve months. Court proceedings R250,000 (2009 - R71,908)

ERWAT
At 30 June 2010 the company had contingent liabilities in respect of bank and other gauarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business, the company has given guarantess amounting to 2010: R 2,999,270 (2009: R2,999,270) to third parties.

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

47. RELATED PARTIES

Relationships	
Controlled entities	Refer to note 7
Close family member of key management	Declarations are retained in a register at tender office.

Tenders awarded to family members of staff.

1. IS (CW) 55/2009: Construction of ablution blocks and upgrading of stores at Kempton Park Roads Depot:
Awarded 15 March 2010 to Motshethale/Seletje Joint Venture (SJ Lekgwathi has 40% ownership)
For the amount of R7,975,780.00 (PM Lekgwathi employed at Boksburg Finance Dept is the wife of SJ Lekgwathi)

2. A-ED (WMS) 12/2009: The appointment of a development contractor to appoint community based contractors to render comprehensive refuse removal services in specified areas from 1 July 2010 until 30 June 2014. Awarded May 2010 but with effect of 1 July 2010 until 30 June 2015
Awarded 17 May 2010 to Tedcor (Pty) Ltd and Mazambane Trading (Pty) Ltd Joint Venture to form Hlanzekile Waste Services (Pty) Ltd (SJ Lekgwathi has 50% ownership.)
** Portion of bid for South of N17, Van Dyk Park, Buhle Park Phase 2 and Boksburg – estimated amount of R110,500,000 (R110,5 Million) for the period of the contract
** Portion of bid for Tembisa and adjacent area – estimated amount of R182,000,000. R182 Million) for the period of the contract. (PM Lekgwathi employed at Boksburg Finance Dept is the wife of SJ Lekgwathi)

3. Zolile Zozo Trading and Projects: Thandi Sylvia Sekgomane's son, Zolile is operating as a supplier to the municipality. The total amount of transactions for the 2009/20101 year totals to R 906,384.

Related party balances

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Amounts included in Trade Receivable and Consumer Debtors regarding related parties - municipal entities				
ERWAT			8,462,335	1,342,785
Pharoe Park Housing Company			1,814,626	922,998
Brakpan Bus Company			16,177,371	301,341
Lethabong Housing Institute			1,000,202	240,196
Pharoe Park Phase II			2,738,344	1,217,399
Ekurhuleni Development Company			7,476	1,027
Amounts included in Trade Payable regarding related parties - municipal entities				
ERWAT			18,533,273	13,939,876
Brakpan Bus Company			9,735	306,156

Related party transactions

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Sales to related parties - municipal entities				
ERWAT			32,684,458	27,992,151
Pharoe Park Housing Company			2,397,991	1,628,073
Pharoe Park Phase II			2,691,587	1,486,835
Ekurhuleni Development Company			30,123	26,388
Brakpan Bus Company			-	122,905
Lethabong Housing Institute			839,195	48,579
Purchases from (sales to) related parties - municipal entities				
ERWAT			289,391,002	242,805,316
Grants to related parties - municipal entities				
Ekurhuleni Development Company			-	90,589
ERWAT			15,977,926	-

48. CHANGE IN DISCOUNT RATE

Discount rate

Management revised the discount rate used for calculating provisions in the current period. The discount rate was unadjusted at 12% (2009 - adjusted from 14% to 12%) due to the weighted average cost of capital remaining the same.

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

49. PRIOR PERIOD ERRORS

2010 Controlling entity

Property, Plant & Equipment
Write-off of immovable assets recorded in the BAUD asset register system to be replaced by immovable properties which are componentised in the IMQS asset register system.

Write-off of immovable assets which could not be verified in the past but that were never corrected in the register - Validation of asset register.

Asset register validations.

Propety held for sale has been reallocated from Property, plant and equipment to Inventory.

Library books were accounted for in the current year within Property, plant and equipment - these books were previosuly expensed immediately.

Other receivables from Exchange Transactions (VAT) and Service Charges (Sale of electricity)
Pre-paid electricity over declared on agent sales.

Other receivables from Exchange Transactions (Agent debtors) and Service Charges (Sale of electricity)
Additional pre-paid electricity and relating debtor on agent sales when accrual accounting is applied.

Provisions and Employee Related Cost
Provision for Germiston retirement Fund contractual obligation in respect of shortfall in growth of investments.

Intangible Assets and Operating expenditure
Intangible Assets incorrectly charged to operating expenditure in the past.

Leases as Lessor
The lease register was validated during the current year and a subsequent adjustments were made.

Retirement benefit obligation
The economic entity obtained an acuarial valuation for the determination of the obligation and adjusted it retrospectively.

Long service awards
The economic entity obtained an actuarial valuation for the determination of the obligation and adjusted it retrospectively.

Notes
Utilization of Long-term Liabilities Reconciliation were disclosed with incorrect amounts. The note has been amended to reflect the correct amounts.

2010 Controlled entities

BBC
Tax correction

ERWAT
Property,Plant and equipmmet/Deferred income
1.A calculation error was made in the fair value assessment adjustment in 2009.The depreciation should have been R25 875 733 in stead off R24 866 405. There was also a calculation error of R640 with regard to the cost of assets. Computers equipment with the value if R 2352 should not have been retired in 2009.

Investments/Available for sale revaluation reserve
2. The Sanlam and Old mutual Demutualisation Shares were not accounted for in the finansial statement of ERWAT.The investement increased with R907 169 in 2008 and the reserve account entries were adjsuted in 2009 with R186 643.

Accruals/Provisions
3. Provisions amounting to R2 155 890 were included in Accruals for the June 2009 finacial year.

2009

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

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

49. PRIOR PERIOD ERRORS (continued)

Revenue and debtors
Revenue was incorrectly charged in prior years and was corrected.

Expenditure and Property, Plant and Equipment (PPE)
Property, Plant and Equipment are brought in-line when physical verification exercises are complete. The adjustments due to these verifcations were effected.

Intangible assets and Property, Plant and Equipment (PPE)
The municiplity has previously incorrectly accounted for intangible assets (software) under PPE instead of Intangible assets. The adjustments due to this mistake were effected.

No prior period errors are reported in 2009 for the economic entity seeing that no comparative information was required in 2009, which was the first year that consolidations were performed in accordance with GRAP6.

The correction of the errors results in adjustments as follows:

Statement of financial position				
Property, plant and equipment (PPE)	8,158,552,680	-	8,159,560,116	(404,496)
Land	-	-	-	74,078,102
Consumer Debtors	-	-	-	(160,991,775)
Intangible assets	12,213,926	-	12,213,926	1,204,737
Provisions	(353,236,075)	-	(351,080,185)	-
Trade and other payables from exchange transactions	2,156,101	-	-	8,730,552
Other receivables from exchange transactions	(22,053,351)	-	(22,558,582)	-
Inventories	25,430,100	-	25,430,100	-
Investment property	32,926,886	-	32,926,886	-
Retirement benefit obligation	(1,218,237,600)	-	(1,218,237,600)	-
Other investments	720,526	-	-	-
Fair value adjustment assets-available-for-sale reserve	181,044	-	-	-
Minority interest	(26,659)	-	-	-
Current tax payable	178,097	-	-	-
Opening accumulated surplus	(6,953,869,206)	-	(6,953,029,778)	(76,625,456)
Statement of financial performance				
Service charges	(5,499,569)	-	(5,499,569)	154,008,336
Debt impairment	(548,802)	-	-	-
Rental of facilities and equipment	4,417,003	-	4,417,003	-
Finance costs	14,862,177	-	14,862,177	-
General expenses	(10,690,971)	-	(10,690,971)	-
Depreciation	228,227,438	-	227,217,468	-
Deficit on disposal of assets	(6,331,624)	-	(6,331,623)	-
Employee related costs	92,360,163	-	92,360,163	-
Impairment of assets	(1,562,064)	-	(1,559,532)	-
Taxation	(178,097)	-	-	-
Minority interest	7,877	-	-	-

50. COMPARATIVE FIGURES

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

Statement of Financial Position
Some amounts were re-classified.

Statement of Financial Performance
Collection costs are now being disclosed separately and was thus taken out of general expenses in the prior year to disclose the comparative figures.

Notes
Certain notes have been amended:
1. Commitments: Operating leases - lessor (income)
2. Utilization of Long-Term Liabilities reconciliation

50. COMPARATIVE FIGURES (continued)

The effects of the reclassification are as follows:

Figures in Rand	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Statement of financial position				
Other receivables from exchange transactions	-	(1,154,879)	-	(1,154,879)
Retirement benefit obligation	-	1,727,721	-	-
Provisions	-	(1,727,721)	-	-
Consumer deposits	-	(1,155,378)	-	1,155,378
Cash and cash equivalents	-	(500)	-	(500)
Statement of financial performance				
General expenses	-	(65,132,462)	-	(63,841,260)
Collection costs	-	65,132,462	-	63,841,260

51. RISK MANAGEMENT

Capital risk management

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

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

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

There are no externally imposed capital requirements.

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

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

Figures in Rand	Note	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Total borrowings					
Other financial liabilities	19	(434,176,874)	(145,013,490)	(419,494,477)	(131,313,741)
Less: Cash and cash equivalents	16	704,129,378	1,078,370,017	664,625,412	1,064,929,449
Net debt		(1,138,306,252)	(1,223,383,507)	(1,084,119,889)	(1,196,243,190)
Total equity		42,504,133,427	36,430,640,020	41,895,220,463	36,684,408,751
Total capital		**41,365,827,175**	**35,207,256,513**	**40,811,100,574**	**35,488,165,561**

Financial risk management

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

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

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

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Liquidity risk

51. RISK MANAGEMENT (continued)

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

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

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

Economic entity

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	284,199,615	35,616,282	651,191,552	1,934,320,207
Trade and other payables	2,430,086,039	-	-	-

At 30 June 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	13,713,149	252,279,191	719,140,446	1,312,854,430
Trade and other payables	2,053,964,531	-	-	-

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term and other liabilities	269,517,218	35,616,282	651,191,552	1,756,480,806
Trade and other payables	2,414,793,870	-	-	-

At 30 June 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term and other liabilities	38,000	252,279,191	719,140,446	1,120,182,958
Trade and other payables	2,046,304,413	-	-	-

Interest rate risk

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

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

At year end, financial instruments exposed to interest rate risk is as follows:

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	13.00 %	1,170,279,864	-	-	-	-
Long-term receivables	13.00 %	100,933,261	100,933,261	100,933,261	-	-

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years	0
Long-term and other liabilities	12.00 %	284,199,615	35,616,282	651,191,552	1,934,320,207	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Notes to the Group Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

51. RISK MANAGEMENT (continued)

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

Financial instrument	Economic entity - 2010	Economic entity - 2009	Controlling entity - 2010	Controlling entity - 2009
Other investments	330,301,117	344,425,986	326,976,342	341,653,051
Long-term receivables	302,799,783	128,250,003	302,799,782	128,250,003
Consumer debtors	1,170,279,864	1,168,831,431	1,170,279,864	1,168,831,431
Other receivables	330,877,916	291,667,440	331,538,194	264,255,180
Cash and cash equivalents	704,129,378	1,078,370,017	664,625,412	1,064,929,449

Price risk

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

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

52. GOING CONCERN

Controlling entity

The Metro's cash and cash equivalents held at financial year end were as follows over the last three years:

	2007/08	2008/09	2009/10
Cash and Cash Equivalents	2,318,386,503	1,064,929,449	664,625,412
Liquidity Ratio	1.72	0.96	0.73
Acid Test Ratio	1.66	0.90	0.69
Number of Days Cash on Hand (Actual Cash)	114.15	49.49	20.23
Cash Adjusted for capital funding only received in July 2010			1,479,627,133
Adjusted Liquidity Ratio			0.96
Adjusted Acid Test Ratio			0.92
Adjusted Number of Days Cash on Hand (Actual Cash)			45.00

The fact that a portion of the long term funding for the capital projects for the 2009/10 financial year was only taken up in July 2010, had a significant impact on the closing cash. Had the transaction been finalised by 30 June 2010, the closing cash balance would have been R1,479,625,412 - a 39% increase from June 2009. The liquidity position has increased as a result of three key factors:

1. A strategic decision was taken to fund long term infrastructure from long term funding and not cash reserves as in the past.

2. Debtors collection levels increased to just below 91% - this is the highest collection level that the Metro has achieved since inception of the Metro in 2000.

3. A Revenue Management and Enhancement Project has been embarked upon to increase the Metro's revenue base.

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

Controlled entities

BBC
The company failed to secure a long term contract with the Department of Transport due to the age of the busses that did not meet the requirements of the contract. The company acquired new busses in the current year as well as increased the quantity of new busses leased from EMM, which means that the requirements will be met in all likelihood. This will inturn ensure that the company will secure said contract with the Department of Transport in the near future.

EDC
The entity's revenue is based on its management services provided to the housing companies. The ability of the company to continue as a going concern is dependent on the viability of Pharoe Park Housing Company (Pty) Ltd and Phase II Housing Company (Pty) Ltd. As the collection of rental income of the companies are improving, the transfer of rental stock from EMM and the turnaround strategy for the companies should be able to continue as a going concern. In addition the controlling entity budgetted to supply grants of R6.5 Million, R7.0 Million, R7.6 Million over 3 years respectively. This will ensure that the entity remains a going concern.

ERWAT
We draw attention to the fact that at 30 June, 2010, the entity had accumulated surpluses of R 583,361,925 and that the entity's total

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

52. GOING CONCERN (continued)

assets exceed its liabilities by R 585,267,058.

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

Phase II
The entity is reliant on rental income and the collection thereof. The collection of rental income for the year has improved and collection costs have declined.

The entity has applied a turnaround strategy for the ensuing three years. The controlling entity has authorised certain grants for the ensuing three years.

The above will ensure that the entity remains a going concern for the following twelve months.

LHI
The entity is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the entity. The entity is dependent on the support from the controlling entity. The turnaround strategy, which includes the development of properties in Bedfordview, should have a positive effect on the entity to remain a going concern. Grants budgeted for by the controlling entity will also create a positive position going forward.

Pharoe Park
The entity is reliant on rental income and the collection thereof. The collection of rental income for the current year has improved and collection costs have declined.

The entity has applied a turnaround strategy for the ensuing three years. The controlling entity has authorised certain grants for the ensuing three years.

The above will ensure that the entity remains a going concern for the following twelve months.

53. EVENTS AFTER THE REPORTING DATE

Controlling entity

1. Issuing of Municipal Bond for the funding of the 2009/10 Capital Expenditure
The Ekurhuleni Metropolitan Municipality has raised R815m in a 10-year, fixed-rate bond issuance for the funding of the 2009/10 capital infrastructure. R1.516 billion total bids were received (1.9x oversubscribed). The bond is priced at 185 basis points over the relevant government benchmark bond (R208), with a final rate of 10.56%. Ekurhuleni is the third metropolitan municipality in South Africa to issue in the local debt capital market following the City of Johannesburg and the City of Cape Town. The transaction was concluded on the 28th July 2010.

2. Write-off of Municipal Services Accounts of Municipal Entities
The Ekurhuleni Metropolitan Municipality will consider the writing off of municipal arrears of the Municipal Entities at a Council Meeting in September 2010. The following amounts are involved:

ERWAT – R8 224 466,01 (Including VAT)
Ekurhuleni Development Company – R5 571 955,39

3. Resignation of Senior Staff
The Deputy City Manager for Operations, Mr. Johan Leibbrandt has resigned during July 2010 and left the employ of the municipality at the end of August 2010.

The General Manager: 2010, Mr. Joe Mojapelo has resigned during July 2010 and left the employ of the municipality at the end of September 2010.

4. Provision of Guarantees for Loans of Municipal Entities
Council resolved to provide the following guarantees to loans of municipal entities:

Guarantee already approved:
Brakpan Bus Company: Nedbank loan of R15 million over a 5 year period at a floating interest rate of prime less 150 basis points nacm, the effective rate at balance sheet date was 8,5%.

Guarantee approved in principle:
ERWAT: Nedbank loan of R550 million over a 20 year period at a floating interest rate of JIBAR plus 3.1%, the effective rate at balance

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

53. EVENTS AFTER THE REPORTING DATE (continued)

sheet date was 9,75%.

5. Approval of a Turnaround Strategy for the Ekurhuleni Development Company
Council approved the implementation of a Turnaround Strategy for the Ekurhuleni Development Company during July 2010. With the implementation of this strategy, a subsidy of R6.5 million per year will be paid over to the Ekurhuleni Development Company for the next three financial years.

6. Approval of Service Level Agreement between EMM and the Brakpan Bus Company
Council approved a Service Level Agreement between the EMM and the Brakpan Bus Company during July 2010.

7. Extension of Free Basic Electricity funding agreement with ESKOM
Council approved the extension of the existing funding agreement for the rendering of Free Basic Electricity by Eskom. The first funding agreement provided for the roll out of Ekurhuleni funded free units of electricity to all households in the areas supplied by Eskom, as well as the payment of monthly accounts for the free basic electricity rendered by Eskom. Council has now extended the agreement to ensure the continuation of the roll out of free basic electricity to Eskom supply areas within the Ekurhuleni boundaries until 30 June 2013. The expense to Council is estimated at R5 million per month at a number of 100 000 customers and at a rate of 100 kilowatt-hours per month targeted to the Eskom Homelight tariff customers. This value is calculated at 2009/2010 costs.

8. Resignation of Executive Mayor
The Executive Mayor has resigned with effect from November 2010. A new mayor has been appointed with effect form November 2010.

Controlled entities

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

54. UNAUTHORISED, FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

Controlling entity

Department	Description	Amount	Classification
Finance	Investigation into unbanked cash from sales of prepaid electricity by cashiers from a number of CCC's	R3,404,156.00	Loss of income
Environmental Development	Investigation into allegations of higher rates charged by suppliers whom have been engaged to provide specialized waste removal vehicles to EMM outside of contract.	R1,017,750.00	Fruitless & wasteful
Environmental Development	Investigation into alleged irregularities by EMM contract employee who used her company to provide council with energy saving air conditioners, which some of these were not installed.	R 474,109.00	Irregular expenditure

Controlled Entities

Irregular expenditure of the municipal entities amounted to R1,811,257.

55. IN-KIND DONATIONS AND ASSISTANCE

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

Two chartered accountants and seven registered engineers have been seconded to the economic entity as part of the partnership between DLG and SAICA.

56. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Current year subscription / fee	8,650,000	8,125,000	8,650,000	8,125,000

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

56. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Amount paid - current year	(8,650,000)	(8,125,000)	(8,650,000)	(8,125,000)
	-	-	-	-

Audit fees

Current year fees	15,049,594	13,840,646	12,972,809	11,665,025
Amount paid - current year	(14,618,860)	(13,891,040)	(12,586,624)	(11,665,025)
	430,734	**(50,394)**	**386,185**	**-**

PAYE and UIF

Current year payroll deductions	510,536,529	461,817,499	495,522,895	443,826,196
Amount paid - current year	(510,536,529)	(461,817,499)	(495,522,895)	(443,826,196)
	-	-	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	982,095,827	799,239,249	955,032,473	777,497,777
Amount paid - current year	(982,079,918)	(799,241,048)	(955,032,473)	(777,497,777)
	15,909	**(1,799)**	**-**	**-**

Councillors' arrear consumer accounts

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

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Khumalo JV	1,801	3,892	5,693
Mabena VM	1,668	112	1,780
Mabena VM	-	2,288	2,288
Mashinini SJ	1,440	471	1,911
Mashinini SJ	-	48,015	48,015
Mofokeng GJ	352	769	1,121
Radebe ML	407	231	638
Ndita M	-	17,502	17,502
Mafanga ZL	758	9,273	10,031
Sibeko G	-	109	109
Radebe GT	688	9,601	10,289
Dube NA	3,794	1,913	5,707
	10,908	**94,176**	**105,084**

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mabena VM	2,322	3,740	6,062
Mafanga ZL	377	-	377
Mahano F	120	-	120
Mashinini JS	669	49,679	50,348
Mofokeng JG	155	-	155
Ndita M	262	18,936	19,198
Nxumalo MJ	255	201	456
Sauls AEK	1,000	-	1,000
Siboza MH	-	567	567
Thaba LJ	290	-	290
Thibedi MA	45	6,959	7,004
Akoon MGH	195	731	926

56. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Maluleke MM	194	-	194
Mapekula V	986	-	986
Nxumalo A	151	-	151
	7,021	**80,813**	**87,834**

57. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Figures in Rand	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Outstanding long-term liabilities	2,276,211,191	1,339,270,930	2,076,914,571	1,127,825,029
Redemption of loans	(195,126,559)	(163,059,739)	(181,351,739)	(150,910,458)
New loans	800,000,000	1,100,000,000	800,000,000	1,100,000,000
	2,881,084,632	2,276,211,191	2,695,562,832	2,076,914,571
Used to finance property, plant and equipment: Opening Balance	(2,276,211,191)	(1,339,270,930)	(2,076,914,571)	(1,127,825,029)
Redemption of loans	195,126,559	163,059,739	181,351,739	150,910,458
Capital financed from external loans for the year	(1,283,767,872)	(1,100,000,000)	(1,283,767,872)	(1,100,000,000)
Long term liabilities taken up in following financial year in respect of capital expenditure of current year	815,000,000	-	815,000,000	-
Unspend long term liabilities	**331,232,128**	**-**	**331,232,128**	**-**

Cash set aside for the repayment of long-term liabilities for the 2009/2010 year is R 297,061,904 (2008/2009 - R 316,795,946).
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

58. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

The expenses incurred, as listed hereunder, have been approved/condoned	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Emergencies	2,185,119	15,022,403	2,185,119	15,022,403
Sole supplier	16,248,779	75,265,414	16,248,779	75,265,414
Appointment of consultants	18,228,827	377,174,268	18,228,827	377,174,268
Upgrade electricity infrastructure	4,331,861	76,678,812	4,331,861	76,678,812
Upgrade road infrastructure	-	853,520	-	853,520
Upgrade water infrastructure	5,051,795	52,032,051	5,051,795	52,032,051
Events	11,869,741	2,118,825	11,869,741	2,118,825
Other	185,281,118	78,186,100	185,010,849	78,186,100
Extension of contract	67,126,413	132,597,967	67,126,413	132,597,967
Deviations less than R200,000	4,926,318	15,579,771	4,926,318	15,579,771
	315,249,971	**825,509,131**	**314,979,702**	**825,509,131**

59. UNACCOUNTED ELECTRICITY AND WATER

Electricity

	2009/2010		**2008/2009**	
	Units	**Value**	**Units**	**Value**
Units purchased	10,872,634,812.00	3,725,462,920.18	10,826,701,444.10	2,842,924,008.00
Units sold	10,577,771,862.87	3,624,429,361.85	10,706,131,100.10	2,811,264,104.25
Units lost	294,862,949.13	101,033,558.33	120,570,344.00	31,659,903.75
Units lost %	2,71%	2.71%	1.13%	1.13%

Water

	2009/2010	**2008/2009**

59. UNACCOUNTED ELECTRICITY AND WATER (continued)

	Units	Value	Units	Value
Units on hand 1 July	2,720,000.00	8,834,016.00	2,635,000.00	8,088,939.39
Units purchased	319,747,745.00	1,128,744,933.37	329,424,656.00	1,071,193,464.97
	322,467,745.00	1,137,578,949.37	332,059,656.00	1,079,282,404.36
Units on hand 30 June	2,720,000.00	9,621,456.00	2,720,000.00	8,834,016.00
Units for sale	319,747,745.00	1,127,957,493.37	329,339,656.00	1,070,448,388.36
Units sold	214,012,502.00	754,960,773.62	226,261,533.80	735,736,903.62
Units lost	105,735,243.00	372,996,719.75	103,078,122.20	334,711,484.74
Units lost %	33.07%	33.07%	31.29%	31.25%

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60. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Economic entity - 2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
FINANCIAL PERFORMANCE									
Property rates	2,127,262,911	2,350,361,421		2,350,361,421	2,201,125,512		149,235,909	94 %	103 %
Service charges	9,028,993,673	9,031,338,293		9,031,338,293	8,070,035,692		961,302,601	89 %	89 %
Investment revenue	580,496,861	461,419,611		461,419,611	95,104,485		366,315,126	21 %	16 %
Transfers recognised - operational	2,343,228,440	2,431,121,904		2,431,121,904	2,872,230,197		(441,108,293)	118 %	123 %
Other own revenue	695,123,360	508,516,588		508,516,588	-		508,516,588	- %	- %
Total revenue (excluding capital transfers and contributions)	**14,775,105,245**	**14,782,757,817**		**14,782,757,817**	**13,238,495,886**		**1,544,261,931**	**90 %**	**90 %**
Employee costs	(4,122,692,599)	(4,058,532,866)	9,588,036	(4,048,944,830)	(3,987,222,239)	-	(61,722,591)	98 %	97 %
Remuneration of councillors	(66,636,377)	(66,636,377)	310,000	(66,326,377)	(62,513,464)	-	(3,812,913)	94 %	94 %
Debt impairment	(1,143,897,414)	(1,355,270,569)		(1,355,270,569)	(1,425,172,319)	-	69,901,750	105 %	125 %
Depreciation and asset impairment	(533,123,768)	(1,974,414,620)		(1,974,414,620)	(2,112,653,372)	-	138,238,752	107 %	396 %
Finance charges	(306,784,114)	(328,133,150)	-	(328,133,150)	(326,998,725)	-	(1,134,425)	100 %	107 %
Materials and bulk purchases	(5,429,285,871)	(5,429,285,871)	-	(5,429,285,871)	(4,951,102,729)	-	(478,183,142)	91 %	91 %
Transfers and grants	(61,505,000)	(62,005,000)	(500,000)	(62,505,000)	(57,093,069)	-	(5,411,931)	91 %	93 %
Other expenditure	(3,111,140,924)	(3,120,968,493)	(9,398,036)	(3,130,366,529)	(2,517,930,436)	-	(612,436,093)	80 %	81 %
Total expenditure	**(14,775,066,067)**	**(16,395,246,946)**	**-**	**(16,395,246,946)**	**(15,440,686,353)**	**-**	**(954,560,593)**	**94 %**	**105 %**
Surplus/(Deficit)	**39,178**	**(1,612,489,129)**		**(1,612,489,129)**	**(2,202,190,467)**		**589,701,338**	**137 %**	**(5,620,987)%**

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	586,471,168		586,471,168	13,762,363		572,708,805	2 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**39,178**	**(1,026,017,961)**		**(1,026,017,961)**	**(2,188,428,104)**		**1,162,410,143**	**213 %**	**(5,585,860)%**
Taxation	-	-		-	(944,210)		944,210	DIV/0 %	DIV/0 %
Attributable to minorities	-	-		-	(471,556)		471,556	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**39,178**	**(1,026,017,961)**		**(1,026,017,961)**	**(2,189,843,870)**		**1,163,825,909**	**213 %**	**(5,589,473)%**

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CAPITAL EXPENDITURE AND FUNDS SOURCES									
Total capital expenditure	2,382,685,694	2,268,169,866	-	2,268,169,866	1,935,436,671	-	332,733,195	85 %	81 %
Sources of capital funds									
Transfers recognised - capital	514,423,000	579,682,207		579,682,207	499,321,827		80,360,380	86 %	97 %
Public contributions and donations	-	9,489,171		9,489,171	9,164,860		324,311	97 %	DIV/0 %
Borrowing	1,053,745,849	1,585,855,290	15,002,000	1,600,857,290	1,314,843,241		286,014,049	82 %	125 %
Internally generated funds	1,101,267,445	176,442,198	(15,002,000)	161,440,198	158,908,862		2,531,336	98 %	14 %
Total sources of capital funds	**2,669,436,294**	**2,351,468,866**		**2,351,468,866**	**1,982,238,790**		**369,230,076**	**84 %**	**74 %**
CASH FLOWS									
Net cash from (used) operating	1,166,052,439	1,165,897,716		1,165,897,716	1,068,442,254		97,455,462	92 %	92 %
Net cash from (used) investing	(2,612,459,660)	(2,628,414,078)		(2,628,414,078)	(2,094,656,325)		(533,757,753)	80 %	80 %
Net cash from (used) financing	735,643,361	735,914,898		735,914,898	651,973,432		83,941,466	89 %	89 %
Cash / cash equivalents at beginning of year	2,337,870,408	2,337,870,408		2,337,870,408	1,078,370,017		1,259,500,391	46 %	46 %
Cash/cash equivalents at the year end	**1,627,106,548**	**1,611,268,944**		**1,611,268,944**	**704,129,378**		**907,139,566**	**44 %**	**43 %**

Controlling entity - 2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o. council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
FINANCIAL PERFORMANCE									

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Property rates	2,127,262,911	2,350,361,421		2,350,361,421	2,203,206,904		147,154,517	94 %	104 %
Service charges	8,761,835,673	8,764,180,293		8,764,180,293	8,100,302,359		663,877,934	92 %	92 %
Investment revenue	579,218,861	459,218,861		459,218,861	90,343,076		368,875,785	20 %	16 %
Transfers recognised - operational	2,343,228,440	2,431,121,904		2,431,121,904	2,863,063,713		(431,941,809)	118 %	122 %
Other own revenue	592,226,265	405,990,977		405,990,977	728,470,345		(322,479,368)	179 %	123 %
Total revenue (excluding capital transfers and contributions)	**14,403,772,150**	**14,410,873,456**		**14,410,873,456**	**13,985,386,397**		**425,487,059**	**97 %**	**97 %**
Employee costs	(3,999,057,276)	(3,934,456,543)	9,588,036	(3,924,868,507)	(3,864,225,216)	-	(60,643,291)	98 %	97 %
Remuneration of councillors	(66,636,377)	(66,636,377)	310,000	(66,326,377)	(62,513,464)	-	(3,812,913)	94 %	94 %
Debt impairment	(1,142,999,829)	(1,354,372,981)		(1,354,372,981)	(1,417,262,543)	-	62,889,562	105 %	124 %
Depreciation and asset impairment	(510,566,620)	(1,951,840,280)		(1,951,840,280)	(2,082,240,314)	-	130,400,034	107 %	408 %
Finance charges	(274,795,300)	(296,520,900)	-	(296,520,900)	(307,457,612)	-	10,936,712	104 %	112 %
Materials and bulk purchases	(5,345,503,871)	(5,345,503,871)	-	(5,345,503,871)	(5,150,063,183)	-	(195,440,688)	96 %	96 %
Transfers and grants	(61,505,000)	(62,005,000)	(500,000)	(62,505,000)	(57,093,069)	-	(5,411,931)	91 %	93 %
Other expenditure	(3,002,694,516)	(3,011,622,393)	(9,398,036)	(3,021,020,429)	(2,485,736,307)	-	(535,284,122)	82 %	83 %
Total expenditure	**(14,403,758,789)**	**(16,022,958,345)**	**-**	**(16,022,958,345)**	**(15,426,591,708)**	**-**	**(596,366,637)**	**96 %**	**107 %**
Surplus/(Deficit)	**13,361**	**(1,612,084,889)**		**(1,612,084,889)**	**(1,441,205,311)**		**(170,879,578)**	**89 %**	**(10,786,658)%**

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	586,471,168		586,471,168	13,762,363		572,708,805	2 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**13,361**	**(1,025,613,721)**		**(1,025,613,721)**	**(1,427,442,948)**		**401,829,227**	**139 %**	**(10,683,654)%**
Surplus/(Deficit) for the year	**13,361**	**(1,025,613,721)**		**(1,025,613,721)**	**(1,427,442,948)**		**401,829,227**	**139 %**	**(10,683,654)%**

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CAPITAL EXPENDITURE AND FUNDS SOURCES									
Total capital expenditure	2,382,685,694	2,268,169,866	-	2,268,169,866	1,935,436,671	-	332,733,195	85 %	81 %
Sources of capital funds									
Transfers recognised - capital	514,423,000	579,682,207		579,682,207	499,321,827		80,360,380	86 %	97 %
Public contributions and donations	-	9,489,171		9,489,171	9,164,860		324,311	97 %	DIV/0 %
Borrowing	768,455,849	1,505,786,290	15,002,000	1,520,788,290	1,298,837,641		221,950,649	85 %	169 %
Internally generated funds	1,099,806,845	173,212,198	(15,002,000)	158,210,198	127,703,634		30,506,564	81 %	12 %
Total sources of capital funds	**2,382,685,694**	**2,268,169,866**		**2,268,169,866**	**1,935,027,962**		**333,141,904**	**85 %**	**81 %**
CASH FLOWS									
Net cash from (used) operating	1,040,872,498	1,040,872,498		1,040,872,498	993,221,823		47,650,675	95 %	95 %
Net cash from (used) investing	(2,365,255,060)	(2,365,255,060)		(2,365,255,060)	(2,058,564,188)		(306,690,872)	87 %	87 %
Net cash from (used) financing	604,227,148	604,227,148		604,227,148	665,038,328		(60,811,180)	110 %	110 %
Cash / cash equivalents at beginning of year	2,320,695,059	2,320,695,059		2,320,695,059	1,064,929,449		1,255,765,610	46 %	46 %
Cash/cash equivalents at the year end	**1,600,539,645**	**1,600,539,645**		**1,600,539,645**	**664,625,412**		**935,914,233**	**42 %**	**42 %**