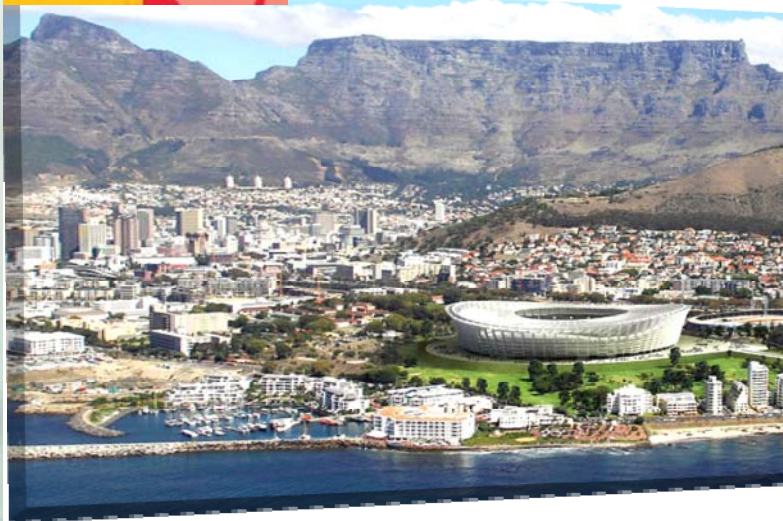




CITY OF CAPE TOWN

Unaudited Consolidated Annual Financial Statements



For the year ended

30 June 2010

Auditor-General: 30 September 2010

TABLE OF CONTENTS

| | <i>Page</i> |
|---|-------------|
| 1. GENERAL INFORMATION | 2 |
| 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS | 4 |
| 3. REPORT BY THE AUDITOR GENERAL | n/a |
| 4. REPORT OF THE CHIEF FINANCIAL OFFICER | n/a |
| 5. STATEMENT OF FINANCIAL POSITION | 12 |
| 6. STATEMENT OF FINANCIAL PERFORMANCE | 13 |
| 7. STATEMENT OF CHANGES IN NET ASSETS | 14 |
| 8. CASH FLOW STATEMENT | 15 |
| 9. ACCOUNTING POLICIES | 16 |
| 10. NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS | 26 |
| 11. APPENDICES: | |
| (A) SCHEDULE OF EXTERNAL LOANS | 68 |
| (B) ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT | 69 |
| (C) ACTUAL VERSUS BUDGET - REVENUE AND EXPENDITURE | 70 |
| (D) SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE | 71 |
| (E) ACTUAL VERSUS BUDGET – ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT | 72 |
| (F) DISCLOSURE OF GRANTS AND SUBSIDIES | 73 |

| | |
|---------------------|------------------------|
| MAYOR | Alderman D Plato |
| DEPUTY MAYOR | Alderman I Neilson |
| SPEAKER | Alderman JD Smit |
| CHIEF WHIP | Alderman AM Serritslev |

MEMBERS OF THE MAYORAL COMMITTEE

| | |
|------------------------|--|
| Alderman CR Justus | Mayoral Committee Member for Utility Services |
| Alderman I Neilson | Mayoral Committee Member for Finance |
| Alderman F Purchase | Mayoral Committee Member for Economic Development and Tourism |
| Alderman B Walker | Mayoral Committee Member for Corporate Services and Human Resources |
| Councillor M Nieuwoudt | Mayoral Committee Member for Planning and Environment |
| Councillor G Pascoe | Mayoral Committee Member for Social Development |
| Councillor B Herron | Mayoral Committee Member for Community Services |
| Councillor S Sims | Mayoral Committee Member for Housing |
| Councillor JP Smith | Mayoral Committee Member for Safety and Security Services |
| Councillor E Thompson | Mayoral Committee Member for Transport, Roads and Stormwater |
| Councillor D Ximbi | Mayoral Committee Member for Health |

MEMBERS OF THE AUDIT COMMITTEE

| | |
|---------------|-------------|
| A Mahmood | Chairperson |
| B Engelbrecht | Member |
| M Burton | Member |
| Z Manjra | Member |
| K Moloko | Member |

| | | |
|-----------------|--|--|
| AUDITORS | The Auditor-General Business Connexion Building Ring Road, Century Boulevard Century City 7441 | Private Bag X1 Chempet 7442 |
|-----------------|--|--|

| | | |
|----------------|--|--|
| BANKERS | ABSA Bank 1 st floor, Tijgerpark IV Willie van Schoor Drive Tyger Valley 7530 | PO Box 4453 Tyger Valley 7536 |
|----------------|--|--|

| | | |
|--------------------------|--|--|
| REGISTERED OFFICE | 12 Hertzog Boulevard Cape Town 8000 | PO Box 655 Cape Town 8000 |
|--------------------------|--|--|

| | |
|---------------------|----------------|
| CITY MANAGER | Achmat Ebrahim |
|---------------------|----------------|

| | |
|--------------------------------|-----------------|
| CHIEF FINANCIAL OFFICER | Mike Richardson |
|--------------------------------|-----------------|

COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

COUNCILLOR/ALDERMAN

| | | | |
|-------------------|----------------|------------------|--------------------|
| Abdullah, R | Gexa, NG | Martin, FJ | Rossouw, S |
| Abrahams, A | Gophe, XO | Matha, MS | Salwary, MI |
| Abrahams, AN | Gouws, PJH | Matiwane, MP | Samuels, G |
| Adams, F | Green, AM | Matshikiza, AB | Sass, GM |
| Adams, R | Groenewald, E | Matshoba, MO | Schwella, W |
| Amira, D | Gutuza, FS | Mavungavunga, VN | Serritslev, AM |
| Arendse, MG | Gwangxu, X | Mawela, XG | Sidinana, LT |
| Arendse, PS | Haskin, GCR | Maxakato, FH | Sikhutshwa, TR |
| Arendse, SWP | Hassiem, W | Mbaliswana, MG | Siljeur, GR |
| Ariefdien, M | Haywood, M | Mbonde, ME | Simons, JM |
| August, SN | Herron, BN | McKenzie, CL | Sims, S |
| Bala-Mjobo, BV | Heuvel, JA | Mdluli, VV | Sizani, FM |
| Baskiti, M | Hill, PA | Mgodeli, P | Smit, D |
| Bent, NL | Hlazo, MW | Mgxekekeni, TM | Smit, JD |
| Benya, L | Holderness, N | Middleton, JH | Smith, DR |
| Bergh, AV | Ipsier, CW | Mkutswana, MA | Smith, J |
| Berry, EA | Iversen, I | Mngxunyeni, PM | Solizwe, MT |
| Bester, N | Jackson, B | Mofoko, NM | Sonnenberg, EJ |
| Bevu, MZ | Jackson, IR | Morkel, GN | Sopaqa, MM |
| Bew, CB | Jacobs, BM | Moshani, NA | Sotashe, X |
| Billie, NE | Jacobs, J | Mothuko, NC | Steenkamp, FR |
| Bottoman, TN | Jacobs, NA | Mrawu, R | Stemela, HP |
| Brady, WE | Jaftha, WD | Mthiya, TB | Tabisher, C |
| Bredenhand, JC | Jama, JS | Murudker, M | Thomas, CR |
| Brenner, HI | Jantjies, LEJ | Mxolose, WS | Thomas, GHJ |
| Britz, MT | Jeffreys, CB | Neilson, ID | Thompson, EL |
| Brynard, CA | Jelele, LD | Nenzani, SM | Thompson, TB |
| Burger, JHH | Jespersen, GA | Ngamlana, TI | Timm, G |
| Buso, NA | Joko, B | Ngqu, P | Traut, A |
| Cavanagh, GV | Jones, M | Nieuwoudt, MJ | Trout, TV |
| Chapple, PH | Jordaan, C | Njamela, JG | Truter, B |
| Christians, DJ | Joseph, D | Ntamo, GT | Tshambula, D |
| Claassen, CPV | Justus, CR | Ntloko, HN | Twigg, GG |
| Claassen, HM | Kearns, F | Ntongana, NE | Tyhalisisu, VKT |
| Clayton, CC | Kent, MEA | Ntotoviyane, C | Van Dalen, B |
| Cortje-Alcock, BA | Kinahan, OM | O'Connell, RA | Van der Merwe, JFH |
| Cottee, DG | Klaas, MN | Oliver, MJ | Van der Walt, ML |
| Crous, AC | Klein, TD | Orrie, A | Van Rensburg, MJ |
| D'Alton, DJ | Kleinsmith, ME | Pascoe, GI | Van Wyk, J |
| Daniels, CJ | Koty, PN | Pearce, Y | Van Zyl, P |
| Dantile, PN | Kwayinto, EN | Pick, UE | Venter, JD |
| Dase, NC | Labase, MM | Plato, D | Vlotman, B |
| Davids, MM | Landingwe, NJ | Pretorius, IJ | Vos, J |
| Dudley, DK | Lategan, KH | Pringle, SB | Vuba, ST |
| Dunn, LR | Lee, BEH | Purchase, F | Walker, VM |
| Elese, D | Le Roux, B | Qually, DL | Watkyns, BRW |
| Esbach, BM | Ludidi, MT | Rass, B | Williams, DC |
| Fienies, MM | Lukas, A | Rau, R | Xazana, R |
| Fourie, A | Maboee, BE | Raymond, FHL | Ximbi, DL |
| Frans, J | Magwentshu, ND | Ridder, JC | Zuma, BA |
| Gabriel, NA | Makanda, MN | Robinson, AC | |
| Gabriel, PJ | March, GW | Ross, ND | |

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

I am responsible for the preparation of these consolidated annual financial statements, as set out on pages 12 to 73 in terms of Section 126(1) of the Municipal Finance Management Act, and have accordingly signed the statements on behalf of the Entity.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30 to these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



ACHMAT EBRAHIM
CITY MANAGER

DATE: 30 SEPTEMBER 2010

1. OVERVIEW

In an eventful year for the Economic Entity (hereinafter 'the Entity') to 30 June 2010, given the prevailing market condition which took a heavy toll on many industries, the Entity relatively remained resilient to the impact of the economic downturn.

Notwithstanding improved results, the Entity remains conscious of the fact that the demands for its services continue to outstrip its resources. The heightened sense of urgency around social infrastructure backlogs and 2010 readiness programme has had the effect of stretching resources considerably.

Despite these challenges, and in the context of the economic contraction, the key performance indication of the Entity's financial strength, remain within the Entity's internal targets.

The Statement of Financial Performance of the Entity reflects its leverage ability to manage its strong Statement of Financial Position efficiently and maintaining sound financial health in order to deliver on its constitutional and developmental mandate.

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

2. OPERATING RESULTS

The overall summarised operating results for the Entity in comparison to the approved budget are shown below. The Statement of Financial Performance reflects a summary of income and expenditure, whilst the segmental operating results per service are shown in Appendix D to the annual financial statements.

| | 2010 | | 2009 | 2009 to 2010 |
|--|-------------------|-------------------|-------------------|--------------|
| | Actual R'000 | Budget R'000 | Actual R'000 | Growth % |
| Revenue | | | | |
| Property rates | 3 841 314 | 3 813 865 | 3 240 604 | 18,54 |
| Service charges | 8 735 777 | 8 778 943 | 6 943 215 | 25,82 |
| Grants and subsidies - operating | 2 550 811 | 2 634 173 | 2 273 951 | 12,18 |
| Finance income | 507 108 | 496 595 | 656 733 | (22,78) |
| Other | 878 547 | 872 663 | 946 356 | (7,17) |
| | 16 513 557 | 16 596 239 | 14 060 859 | 17,44 |
| Expenditure | | | | |
| Employee-related costs | 5 586 988 | 5 636 211 | 4 537 777 | 23,12 |
| Impairment costs | 675 454 | 828 932 | 902 900 | (25,19) |
| Net depreciation and amortisation expenses | 589 676 | 558 064 | 372 072 | 58,48 |
| Depreciation and amortisation expense | 991 349 | 960 756 | 733 726 | 35,11 |
| Grant funded assets financed from reserves* | (401 673) | (402 692) | (361 654) | 11,07 |
| Finance costs | 599 801 | 540 448 | 406 570 | 47,53 |
| Bulk purchases | 3 671 264 | 3 705 691 | 2 874 027 | 27,74 |
| Repairs and maintenance | 832 374 | 767 906 | 689 390 | 20,74 |
| Contract services | 1 062 917 | 1 054 679 | 871 911 | 21,91 |
| General expenses | 3 000 818 | 3 372 386 | 2 848 068 | 5,36 |
| | 16 019 292 | 16 464 317 | 13 502 715 | 18,64 |
| Net operating surplus before taxation and minority interest | 494 264 | 131 922 | 558 144 | |
| Grant and subsidies - capital | 2 024 806 | 2 021 161 | 2 992 142 | |
| Grants funded assets financed from reserve * | (401 673) | (402 692) | (361 654) | |
| Surplus – refer page 13 | 2 117 398 | 1 750 391 | 3 188 632 | |
| Appropriations and Taxation | (1 713 166) | (1 206 049) | (3 305 983) | |
| Net result | 404 232 | 544 342 | (117 351) | |

Actual revenue has increased by 17,44%, whilst expenditure increased 18,64% between the respective financial years. A comparison of actual results to the approved budget, and explanations of material differences, are set out in the annual financial statements as per Appendix C. * Grant funded assets component included in the accumulated surplus represents deferred income to net off future depreciation charges over the useful life of the assets funded as such.

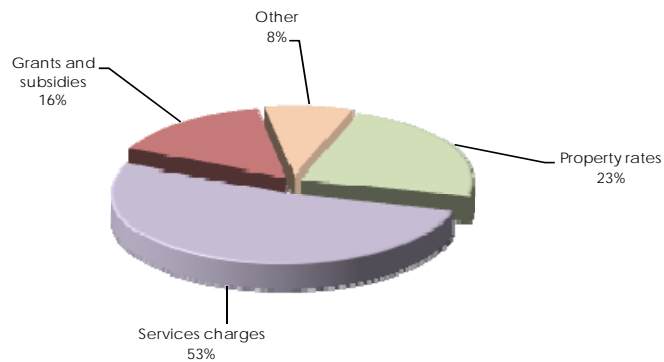
Included in the Statement of Changes in net assets is a contribution to the capital replacement reserve of R948,47 million to support the capital renewal program.

2.1 Operating revenue

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

- property rates;
- service charges which are made up of:
 - electricity sales;
 - water sales;
 - wastewater management (sewerage and sanitation); and
 - waste management (solid waste);
- government grants; and
- other

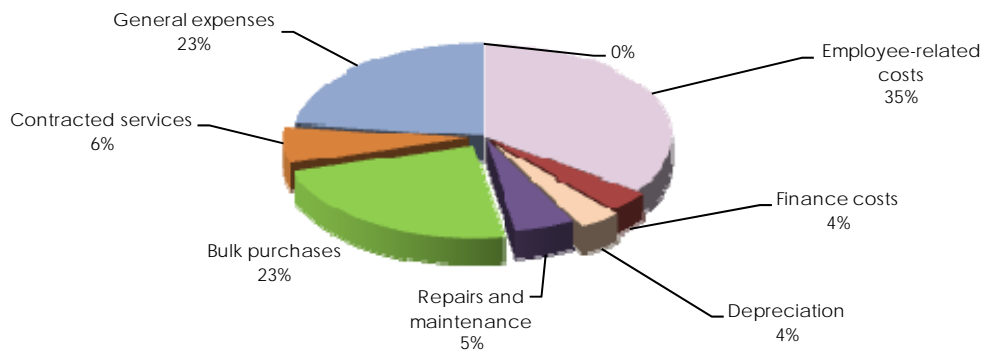
The Entity experienced a total revenue growth of 17,44% on the amounts realised in the previous financial year, which was approximately the amount targeted in this year's budget. The following graph indicates the main categories of income.



Further detail of service charges is contained in note 24 to the financial statements.

2.2 Operating expenditure

The following graph indicates the main categories of expenditure for the year under review. The pro-active management control and containment of cost increases remains a key priority of the Entity. The lower depreciation cost in comparison to previous year is not indicative of a reduced capital expenditure programme, but rather due to huge capital investment of which the completion of these projects are longer than a 12 month period. Finance costs rose as result of the Entity's increased capital investment and funding strategy.



Further detail is contained in notes 30 to 38 to the financial statements.

3. OPERATING RESULTS PER SERVICE

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

| 3.1 Rates and general services | 2010 | | | 2009 |
|--------------------------------|------------------|------------------|-------------------|------------------|
| | Actual R'000 | Budget R'000 | Variance R'000 | Actual R'000 |
| Revenue | 8 905 485 | 9 058 802 | 153 317 | 7 568 701 |
| Expenditure | (8 901 768) | (9 192 606) | (290 838) | (7 316 167) |
| Net operating surplus | 3 717 | (133 804) | (137 521) | 252 534 |
| Grant and subsidies - capital | 1 578 098 | 1 469 390 | (108 708) | 2 488 649 |
| Result for the year | 1 581 815 | 1 335 586 | (246 229) | 2 741 183 |
| Appropriations | (1 117 680) | (909 455) | 208 225 | (2 702 265) |
| Net results | 464 135 | 426 131 | (38 004) | 38 918 |

The operating surplus realised as a surplus in excess of the budgeted deficit is mainly due to the expenditure for the achievement of staff parity being lower than the provisions made in the budget.

| 3.2 Housing service | 2010 | | | 2009 |
|-------------------------------|------------------|------------------|-------------------|------------------|
| | Actual R'000 | Budget R'000 | Variance R'000 | Actual R'000 |
| Revenue | 483 374 | 410 013 | (73 361) | 494 212 |
| Expenditure | (855 743) | (892 544) | (36 801) | (818 659) |
| Net operating deficit | (372 369) | (482 531) | (110 162) | (324 447) |
| Grant and subsidies - capital | 186 797 | 262 460 | 75 663 | 164 017 |
| Result for the year | (185 572) | (220 071) | (34 499) | (160 430) |
| Appropriations | (114 195) | (97 100) | 17 095 | (83 730) |
| Net results | (299 767) | (317 171) | (17 404) | (244 160) |

The lower-than-expected operating deficit in relation to budgeted amounts are mainly due to a decrease in employee and impairment costs and also an increase in operating grants received.

3.3 Trading services

| Electricity service | 2010 | | | 2009 |
|-------------------------------|-----------------|-----------------|-------------------|-----------------|
| | Actual R'000 | Budget R'000 | Variance R'000 | Actual R'000 |
| Revenue | 6 292 750 | 6 230 282 | (62 468) | 4 723 968 |
| Expenditure | (5 734 042) | (5 801 186) | (67 144) | (4 305 187) |
| Net operating surplus | 558 708 | 429 096 | (129 612) | 418 781 |
| Grant and subsidies - capital | 33 681 | 43 331 | 9 650 | 55 093 |
| Result for the year | 592 389 | 472 427 | (119 962) | 473 874 |
| Appropriations | (224 958) | (40 390) | 184 568 | (295 499) |
| Net results | 367 431 | 432 037 | 64 606 | 178 376 |

The higher-than-expected operating surplus in relation to budgeted amounts is mainly due to lower-than-expected expenditure on repairs and maintenance and bulk purchases and also an increase in electricity sales.

| Waste management (solid waste) | 2010 | | | 2009 |
|--------------------------------|-----------------|-----------------|-------------------|-----------------|
| | Actual R'000 | Budget R'000 | Variance R'000 | Actual R'000 |
| Revenue | 1 446 152 | 1 436 951 | (9 201) | 1 202 190 |
| Expenditure | (1 395 809) | (1 415 659) | (19 850) | (1 222 517) |
| Net operating surplus | 50 343 | 21 292 | (29 051) | (20 327) |
| Grant and subsidies - capital | 50 000 | 50 000 | - | 37 500 |
| Result for the year | 100 343 | 71 292 | (29 051) | 17 173 |
| Appropriations | (34 513) | (27 268) | 7 245 | (42 333) |
| Net results | 65 830 | 44 024 | (21 806) | (25 160) |

The lower-than-expected operating deficit in relation to budgeted amounts are mainly due to a budget increase in employee-related costs, as a result of the implementation of the staff parity exercise.

| Water service (Water and wastewater management) | 2010 | | | 2009 |
|--|------------------|------------------|-------------------|------------------|
| | Actual R'000 | Budget R'000 | Variance R'000 | Actual R'000 |
| Revenue | 3 748 701 | 3 779 201 | 30 500 | 3 378 625 |
| Expenditure | (3 896 168) | (3 884 025) | 12 143 | (3 522 863) |
| Net operating deficit | (147 467) | (104 824) | 42 643 | (144 238) |
| Grant and subsidies - capital | 175 888 | 195 981 | 20 093 | 225 051 |
| Result for the year | 28 421 | 91 157 | 62 736 | 80 813 |
| Appropriations | (221 819) | (131 836) | 89 983 | (181 986) |
| Net results | (193 398) | (40 679) | 152 719 | (101 173) |

The operating deficit in relation to budgeted amounts are mainly due to a higher contribution for impairment provision for bad debts and also a decrease in service charges income.

3.4 Subsidiaries (Controlled and Municipal Entities) and Joint venture

| | 2010 | | | 2009 |
|-----------------------|-----------------|-----------------|-------------------|-----------------|
| | Actual R'000 | Budget R'000 | Variance R'000 | Actual R'000 |
| Revenue | | | | 193 394 |
| Expenditure | | | | (175 653) |
| Net operating surplus | | | | 17 741 |
| Taxation | | | | (5 130) |
| Net results | | | | 12 611 |

The surplus for the year as compared to a budgeted deficit, is as a result of the revision of the estimated useful lives of assets of Cape Town International Convention Centre, which resulted in a saving of budgeted depreciation.

4. CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year amounted to R4,66 billion, which represented 83,23% (2008: 96,97%) of the approved capital budget. This is an **increase of 61.35% based** on year to year.

| Capital expenditure per service | 2010 | | | 2009 |
|---|------------------|------------------|------------|------------------|
| | Actual R'000 | Budget R'000 | Variance % | Actual R'000 |
| Rates and general | 1 317 456 | 1 722 693 | | 2 738 752 |
| Roads and stormwater | 1 588 087 | 1 856 251 | | 759 847 |
| Housing | 228 579 | 345 888 | | 226 936 |
| Electricity | 666 633 | 711 787 | | 496 871 |
| Water service (water and wastewater management) | 576 767 | 648 855 | | 699 558 |
| Waste management (solid waste) | 285 406 | 317 024 | | 164 889 |
| | 4 662 928 | 5 602 499 | | 5 086 853 |

The aforementioned fixed assets were financed from the following sources:

| Source of finance | 2010 | | | 2009 |
|-----------------------------|------------------|------------------|----------------|------------------|
| | Actual R'000 | Budget R'000 | Variance % | Actual R'000 |
| Capital Replacement Reserve | 838 275 | 925 475 | (9,42) | 451 830 |
| External Finance Fund | 1 782 933 | 2 252 945 | (20,86) | 1 609 435 |
| Grants and donations | 1 994 844 | 2 362 117 | (15,55) | 2 962 341 |
| Revenue | 46 875 | 61 962 | (24,35) | 63 247 |
| | 4 662 927 | 5 602 499 | (16,77) | 5 086 853 |

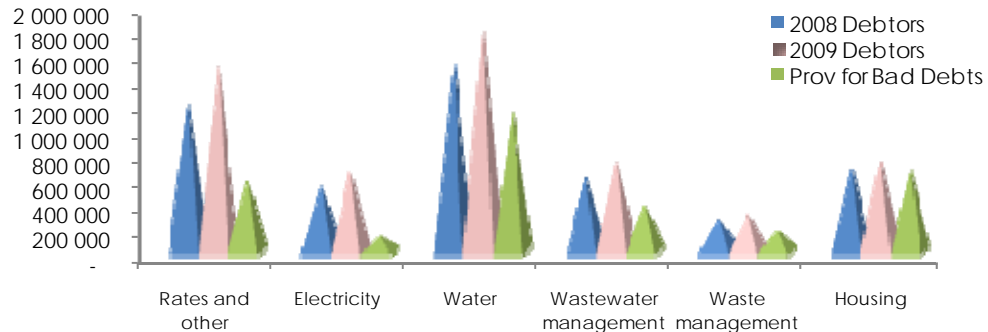
A complete analysis of capital expenditure (budgeted and actual) per functional area is included in Appendix D, whilst Appendix B contain detail according to asset class. More details regarding external loans used to finance fixed assets are shown in Appendix A.

Pie to be added

5. CONSUMER DEBTORS

Outstanding consumer debtors at 30 June 2009 were R5,82 billion. Total provision for impairment increased from R2,57 billion to R3,08 billion. The amounts included in the consumer debtor balances considered to be doubtful are covered by a provision for impairment of R3,08 billion, which represents 52.89% of the total outstanding consumer debtors. An amount of R92,70 million was written off during the year under review.

The outstanding consumer debtors as at 30 June 2009 are represented graphically below, also reflecting the coverage by the provision for impairment.



6. BORROWING, INVESTMENTS AND CASH

Interest bearing debt increased by net of R822,33 million (23.62%) in the year ended 30 June 2009 to finance the Entity’s infrastructure capital programme.

In the financial year ended 30 June 2009, the Entity repaid interest bearing debt of R429,70 million.

Long-term investments as at 30 June 2009 amounted to R197,38 million, and short-term investments amounted to R1,20 billion, of which R416,54 million was set aside for the repayment of loans. Cash and cash equivalents increased by R1,50 billion to R2,76 billion.

Additional information regarding loans, investments and cash and cash equivalents is provided in notes 13, 7, 12 and Appendix A to the financial statements.

7. CASH FLOW ANALYSIS

Cash generated from operations decreased from R3,56 billion to R3,33 billion. The Entity’s working capital requirements have steadily increased over the last two years due to improve service delivery and 2010 initiatives. The increase in working capital is expected to be funded from cash generated from operations without any shortfall being funded from short term borrowings.

Summary of Net Cash Flows

Cash from operating activities
 Cash from investing activities
 Cash from financing activities

Net increase in cash and cash equivalents

| 2010 | 2009 |
|-----------|--------------|
| R'million | R'million |
| | 3 331 |
| | (2 673) |
| | 831 |
| | 1 489 |

Net cash flows from operating activities decrease by 6.5%. Net cash flow utilised in investing activities decreased from R4,07 billion to R2,67 billion mainly due to the construction of the 2010 stadium and the significant capital programme in cash generating assets. As a result of the debt raising activities cash flows from financing activities decreased from R1,25 billion to R831,00 million. Intended loan funded assets were funded from the Entity’s own resources to the amount of R1,80 billion - refer note 41.

8. CREDIT RATING

The Entity is rated by Moody's Investor Services. During the year under review, Moody's retained their rating and outlook for the Entity as Aa2 stable outlook. The rating was reaffirmed during July 2010. To monitor our credit rating and capacity for long-term financing we consider various qualitative and quantitative factors. At 30 June 2009 and 30 June 2008, the gearing ratio, which is net debt divided by total capital plus net debt was 22.57% and 30.36% respectively. For the purpose of this calculation net debt is defined in note 45.4 of the financial statements.

9. EXPRESSION OF APPRECIATION

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

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

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

MIKE RICHARDSON
CHIEF FINANCIAL OFFICER

| | | Economic Entity | | Municipality of Cape Town | |
|---|------|-------------------|-------------------|---------------------------|-------------------|
| | Note | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| | | 20 618 650 | 17 012 183 | 20 469 348 | 16 856 656 |
| Property, plant and equipment | 2 | 20 135 322 | 16 523 308 | 19 947 252 | 16 329 013 |
| Heritage assets | 3 | 10 002 | 9 440 | 10 002 | 9 440 |
| Investment property | 4 | 87 082 | 91 546 | 87 082 | 91 546 |
| Intangible assets | 5 | 31 709 | 32 821 | 31 709 | 32 821 |
| Investments | 7 | 235 477 | 197 375 | 274 245 | 236 143 |
| Long-term receivables | 8 | 119 058 | 157 693 | 119 058 | 157 693 |
| Current assets | | | | | |
| | | 8 578 705 | 7 372 317 | 8 411 637 | 7 225 267 |
| Assets held-for-sale | 6 | 66 | - | 66 | - |
| Inventory | 9 | 199 558 | 201 349 | 197 080 | 200 289 |
| Trade receivables | 10 | 3 360 962 | 2 743 236 | 3 361 410 | 2 744 102 |
| Other receivables | 11 | 316 215 | 451 688 | 293 625 | 430 832 |
| Investments | 7 | 55 800 | 1 196 576 | 55 800 | 1 196 576 |
| Current portion of long-term receivables | 8 | 17 651 | 21 517 | 17 480 | 21 517 |
| Cash and cash equivalents | 12 | 4 628 453 | 2 757 951 | 4 486 176 | 2 631 951 |
| TOTAL ASSETS | | 29 197 355 | 24 384 500 | 28 880 985 | 24 081 923 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| | | 8 625 029 | 6 453 690 | 8 596 740 | 6 423 138 |
| Long-term borrowings | 13 | 5 566 231 | 3 831 465 | 5 547 626 | 3 811 963 |
| Provisions | 14 | 3 049 114 | 2 611 175 | 3 049 114 | 2 611 175 |
| Deferred taxation | | 9 684 | 11 050 | - | - |
| Current liabilities | | | | | |
| | | 5 665 642 | 5 161 185 | 5 625 134 | 5 113 943 |
| Deposits | 15 | 242 593 | 254 017 | 229 160 | 235 526 |
| Provisions | 16 | 741 818 | 543 097 | 739 446 | 540 789 |
| Payables | 17 | 3 152 538 | 2 845 172 | 3 132 257 | 2 822 643 |
| Unspent conditional grants and receipts | 18 | 1 048 440 | 889 821 | 1 048 440 | 889 821 |
| VAT | 19 | 212 848 | 145 302 | 212 848 | 145 302 |
| Taxation | | 3 297 | 3 179 | - | - |
| Current portion of long-term borrowings | 13 | 264 107 | 476 219 | 262 983 | 475 484 |
| Current portion of derivative financial instruments | | - | 4 378 | - | 4 378 |
| Total liabilities | | 14 290 671 | 11 614 875 | 14 221 874 | 11 537 081 |
| NET ASSETS | | | | | |
| Total net assets | | | | | |
| | | 14 906 684 | 12 769 625 | 14 674 529 | 12 544 842 |
| Housing development fund | 20 | 531 472 | 510 851 | 531 472 | 510 851 |
| Reserves | 21.1 | 1 839 091 | 1 776 549 | 1 839 091 | 1 776 549 |
| Accumulated surplus | 22 | 12 401 949 | 10 355 153 | 12 303 966 | 10 257 442 |
| Minority interest | 21.2 | 134 172 | 127 072 | - | - |
| TOTAL NET ASSETS AND LIABILITIES | | 29 197 355 | 24 384 500 | 28 896 403 | 24 081 923 |

| | | Economic Entity | | Municipality of Cape Town | |
|---|------|-------------------|-------------------|---------------------------|-------------------|
| | Note | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| REVENUE | | | | | |
| Property rates | 23 | 3 837 920 | 3 237 649 | 3 841 314 | 3 240 604 |
| Service charges | 24 | 8 866 059 | 7 058 067 | 8 735 777 | 6 943 215 |
| Rental of letting stock and facilities | 25 | 248 700 | 228 424 | 248 700 | 228 422 |
| Finance income | 26 | 516 415 | 666 643 | 506 533 | 656 733 |
| Fines | | 154 584 | 183 283 | 154 584 | 183 283 |
| Licences and permits | | 33 054 | 31 337 | 33 054 | 31 337 |
| Income for agency services | | 111 097 | 109 222 | 111 097 | 109 222 |
| Government grants and subsidies: operating | 27 | 2 550 811 | 2 273 951 | 2 550 811 | 2 273 951 |
| Government grants and subsidies: capital | 27 | 1 940 857 | 2 900 886 | 1 940 857 | 2 900 886 |
| Other income | 28 | 267 641 | 226 167 | 259 919 | 219 413 |
| Donated property, plant and equipment | 29 | 83 949 | 69 424 | 83 949 | 91 256 |
| Gains on disposal of property, plant and equipment | | 79 142 | 183 531 | 79 142 | 183 491 |
| Total revenue | | 18 690 229 | 17 168 584 | 18 545 737 | 17 061 813 |
| EXPENDITURE | | | | | |
| Employee-related costs | 30 | 5 619 692 | 4 565 158 | 5 586 988 | 4 537 777 |
| Remuneration of councillors | 31 | 83 547 | 77 709 | 83 321 | 77 629 |
| Impairment costs | 32 | 678 519 | 903 813 | 675 454 | 902 900 |
| Collection costs | | 167 822 | 159 579 | 167 822 | 159 579 |
| Depreciation and amortisation expenses | 33 | 1 011 744 | 752 607 | 991 349 | 733 726 |
| Repairs and maintenance | 34 | 839 677 | 696 704 | 832 374 | 689 390 |
| Finance costs | 35 | 601 739 | 407 966 | 599 801 | 406 570 |
| Bulk purchases | 36 | 3 671 264 | 2 874 027 | 3 671 264 | 2 874 027 |
| Contracted services | | 1 126 162 | 926 972 | 1 062 917 | 871 911 |
| Grants and subsidies paid | 37 | 94 224 | 128 535 | 94 193 | 128 480 |
| General expenses | 38 | 2 649 638 | 2 478 685 | 2 656 304 | 2 478 887 |
| Loss on disposal of property, plant and equipment | | 3 432 | 17 680 | 3 076 | 3 492 |
| Total expenditure | | 16 547 460 | 13 989 435 | 16 424 863 | 13 864 368 |
| Surplus | | 2 142 769 | 3 179 149 | 2 120 874 | 3 197 445 |
| Taxation | 39 | (5 710) | (5 067) | - | - |
| Surplus after taxation | | 2 137 059 | 3 174 082 | 2 120 874 | 3 197 445 |
| Attributable to net assets holder of the Controlling Entity | | 2 129 959 | 3 169 533 | | |
| Attributable to minority interest | 21.2 | 7 100 | 4 549 | | |
| SURPLUS FOR THE YEAR | | 2 137 059 | 3 174 082 | | |

| | FAIR VALUE RESERVE R'000 | MINORITY INTEREST R'000 | HOUSING DEVELOPMENT FUND R'000 | CAPITAL REPLACEMENT RESERVE R'000 | SELF- INSURANCE RESERVE R'000 | ACCUMULATED SURPLUS R'000 | TOTAL R'000 |
|--|-----------------------------------|-------------------------------|---|--|--|---------------------------------|-------------------|
| 2009 | | | | | | | |
| Balance as at 30 June 2008 | 421 | 123 206 | 490 354 | 908 673 | 660 903 | 7 412 407 | 9 595 964 |
| Restated surplus as at 01 July 2008 | | 4 549 | | | | 3 169 533 | 3 174 082 |
| Surplus at 30 June 2009 - previously reported | | | | | | 3 130 125 | - |
| Lease smoothing adjustments - 2009 | | | | | | 8 813 | - |
| Correction of bulk water income | | | | | | 23 728 | - |
| Correction of water inventory accrual 2008/09 | | | | | | 6 938 | - |
| Observatory CID operating result 2009 | | | | | | (18) | - |
| Liquidated municipal entity transfer of depreciation | | | | | | (53) | - |
| Correction of minority interest - share buy-back | | (683) | | | | 683 | - |
| Transfer from fair value reserve - CTCHC | (421) | | | | | - | (421) |
| Transfer to | | | 51 556 | 554 189 | 73 555 | (679 300) | - |
| Property, plant and equipment purchased | | | (31 059) | (420 771) | | 451 830 | - |
| Balance as at 30 June 2009 - refer note 47 | - | 127 072 | 510 851 | 1 042 091 | 734 458 | 10 355 153 | 12 769 625 |
| 2010 | | | | | | | |
| Net surplus for the year | | 7 100 | | | | 2 129 959 | 2 137 059 |
| Transfer to/(from) | | | 49 247 | 948 473 | (76 283) | (921 437) | - |
| Property, plant and equipment purchased | | | (28 626) | (809 648) | | 838 274 | - |
| Balance as at 30 June 2010 - refer note 47 | - | 134 172 | 531 472 | 1 180 916 | 658 175 | 12 401 949 | 14 906 684 |

| | HOUSING DEVELOPMENT FUND R'000 | CAPITAL REPLACEMENT RESERVE R'000 | SELF- INSURANCE RESERVE R'000 | ACCUMULATED SURPLUS R'000 | TOTAL R'000 |
|--|---|--|--|---------------------------------|-------------------|
| 2009 | | | | | |
| Balance at 30 June 2008 | 490 354 | 908 673 | 660 903 | 7 296 280 | 9 356 210 |
| Restated surplus at 01 July 2008 | | | | 3 197 445 | |
| Surplus at 30 June 2009 - previously reported | | | | 3 136 187 | 3 136 187 |
| Lease smoothing adjustments - 2009 | | | | 8 813 | 8 813 |
| Claremont road bypass recognised | | | | 21 832 | 21 832 |
| Correction of bulk water income | | | | 23 728 | 23 728 |
| Correction of water accrual 08/09 | | | | 6 938 | 6 938 |
| Liquidated municipal entity transfer of depreciation | | | | (53) | (53) |
| Transfer to | 51 556 | 554 189 | 73 555 | (679 300) | - |
| Property, plant and equipment purchased | (31 059) | (420 771) | | 451 830 | - |
| Balance at 30 June 2009 | 510 851 | 1 042 091 | 734 458 | 10 266 255 | 12 553 655 |
| 2010 | | | | | |
| Net surplus for the year | | | | 2 120 874 | 2 120 874 |
| Transfer to/(from) | 49 247 | 948 473 | (76 283) | (921 437) | - |
| Property, plant and equipment purchased | (28 626) | (809 648) | | 838 274 | - |
| Balance at 30 June 2010 | 531 472 | 1 180 916 | 658 175 | 12 303 966 | 14 674 529 |

| | Economic Entity | | Municipality of Cape Town | |
|---|--------------------|--------------------|---------------------------|--------------------|
| Note | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Cash receipts from ratepayers, government and other | 17 267 435 | 14 412 301 | 17 132 707 | 14 316 352 |
| Cash paid to suppliers and employees | (13 319 291) | (11 256 625) | (13 220 119) | (11 163 936) |
| Cash generated from operations | 40 3 948 144 | 3 155 676 | 3 912 588 | 3 152 416 |
| Finance income | 393 539 | 587 015 | 383 657 | 577 105 |
| Finance costs | (525 488) | (406 807) | (523 550) | (405 411) |
| Taxation | (6 958) | (4 434) | - | - |
| NET CASH FROM OPERATING ACTIVITIES | 3 809 237 | 3 331 450 | 3 772 695 | 3 324 110 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Additions to property, plant and equipment | (4 677 459) | (5 086 861) | (4 662 928) | (5 082 173) |
| Proceeds on disposal of property, plant and equipment and intangible assets | 82 385 | 173 551 | 82 380 | 187 505 |
| Decrease in assets held-for-sale | (66) | 242 | (66) | 242 |
| Decrease in non-current receivables | 42 501 | 60 900 | 42 673 | 35 707 |
| (Increase) / Decrease in investments | 1 102 674 | 2 179 402 | 1 102 674 | 2 179 402 |
| NET CASH FROM INVESTING ACTIVITIES | (3 449 965) | (2 672 766) | (3 435 267) | (2 679 317) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| New loans raised and interest capitalised | 2 047 666 | 1 252 228 | 2 047 299 | 1 240 230 |
| Loans repaid | (525 012) | (429 897) | (524 137) | (409 834) |
| Increase / (Decrease) in consumer deposits | (11 424) | 8 390 | (6 366) | (2 065) |
| NET CASH FROM FINANCING ACTIVITIES | 1 511 230 | 830 721 | 1 516 796 | 828 331 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1 870 502 | 1 489 405 | 1 854 225 | 1 473 124 |
| Cash and cash equivalents at the beginning of the year | 2 757 951 | 1 268 546 | 2 631 951 | 1 158 827 |
| Cash and cash equivalents at the end of the year | 4 628 453 | 2 757 951 | 4 486 176 | 2 631 951 |

1 STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the Economic Entity (hereinafter 'the Entity') which are, in all material respects, consistent with those applied in the previous year except as stated in note 47. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

1.1 ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Entity has adopted all new and revised standards and interpretations issued by the Accounting Standards Board that are relevant to its operations and effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

A number of new standards are not yet effective for the year ended 30 June 2010, and are presented below:

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of non-cash generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information
- GRAP 25 - Employee benefits
- GRAP 26 - Impairment of cash generating assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial instruments

All the above standards, where applicable, will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal except for the application of GRAP 25 "employee benefits" and for additional disclosures.

1.2 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

The ASB has issued a directive which sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

- **Operating lease commitments – Entity as lessor**

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

- **Pension and other post-employment benefits**

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

- **Impairment of trade receivables**

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

- **Property, plant and equipment**

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

- **Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in note 13 and 48.2 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

- **Held-to-maturity financial assets**

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

1.2.1 Consolidation

The Entity's financial statements incorporate the financial statements of the parent entity, City of Cape Town, and all its subsidiaries and joint ventures, presented as a single economic entity and consolidated at the same reporting date as the parent entity.

1.2.1.1 Subsidiaries

Subsidiaries are all controlled entities over which the entity has ownership, control or effective control to govern the financial and operating policies of such controlled entity so as to benefit from its activities. Controlled entities are fully consolidated from the date on which control is transferred to the entity, and are carried at cost.

1.2.1.2 Joint Ventures

A joint venture is a contractual arrangement whereby the Entity and other parties undertake an economic activity that is subject to joint control.

The Entity reports its interest in jointly controlled entities using the proportionate consolidations method of accounting. The Entity's share the assets, liabilities, income and expenses, and cash flows of jointly controlled entities are combined with the equivalent items in the Entity's financial statements on a line-by-line basis.

1.2.2 Departure from accounting framework

In accordance with the Accounting Framework the consolidated financial statements presented do not include the financial results of the Khayelitsha Community Trust and its related entities. There is an outstanding issue regarding the status of Khayelitsha Community Trust and its entities which will impact whether it should be consolidated or not. As a result of this National Treasury provide a ruling that the City that continue the accounting for Khayelitsha Community Trust in a manner that is consistent with the policies adopted when preparing the annual financial statements for the previous financial year.

National Treasury has made a commitment to resolve the matter before the end of the next financial year.

Details of the financial results from draft financial statements for the Trust for the period ended 30 June 2010 are summarised below;

| ENTITY | KHAYELITSHA COMMUNITY TRUST R'000 | KBD MANAGEMENT (estimated) R'000 | KBD RETAIL PROP. (estimated) R'000 | KBD HOUSING (estimated) R'000 |
|-------------------|--------------------------------------|--|--|-------------------------------------|
| Total assets | 12 301 | 402 | 94 056 | 0,3 |
| Total liabilities | 8 707 | 831 | 105 581 | 49,4 |
| Total revenue | 6 962 | 146 | 20 780 | - |
| Total expenditure | 6 463 | 208 | 24 573 | 42,4 |

1.3 HOUSING FUNDS

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

1.3.1 Housing development fund

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

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

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

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

1.3.2 Unrealised housing proceeds

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

1.4 RESERVES

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

1.4.1 Capital replacement reserve (CRR)

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

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

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

1.4.2 Insurance reserve

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

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

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

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

1.4.3 Compensation for Occupational Injuries and Diseases Reserve (COID)

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

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

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

1.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

The gain or loss arising from 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.

1.5.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not insignificant, are reassessed annually. The depreciation rates are based on the following estimated useful lives:

| | Years | | Years |
|-------------------------|-------|------------------------|---------|
| Infrastructure | | Other | |
| Roads and paving | 10-50 | Buildings | 6 - 50 |
| Electricity | 20-30 | Specialist vehicles | 10 - 20 |
| Water | 15-30 | Other vehicles | 4 - 8 |
| Sewerage | 15-20 | Office equipment | 3 - 10 |
| Housing | 30 | Furniture and fittings | 6 - 10 |
| Community | | Watercraft | 10 |
| Recreational facilities | 20-30 | Bins and containers | 5 |
| Security | 5-10 | Plant and equipment | 5 - 10 |
| | | Landfill sites | 30 |

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where appropriate, the term of the relevant lease and recognised in the Statement of Financial Performance.

1.5.2 Impairment of property, plant and equipment

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

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

1.6 HERITAGE ASSETS

A heritage asset is defined as an asset that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

1.7 INVESTMENT PROPERTIES

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

Investment property other than vacant land is depreciated on the straight-line basis over the useful lives of the assets estimated at 20 to 50 years.

1.8 INTANGIBLE ASSETS

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

The Entity recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the Entity, and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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

1.9 NON-CURRENT ASSETS HELD-FOR-SALE

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

1.10 FINANCIAL INSTRUMENTS

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

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

1.10.1 Financial assets

The Entity classifies its financial assets into the following categories:

- held-to-maturity.
- loans and receivables.
- available-for-sale; and
- fair value through profit and loss.

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

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

1.10.2 Financial liabilities

After initial recognition, the Entity measures all financial liabilities, including trade and other payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and trade and other payables (excluding provisions). Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

1.10.3 Trade payables and other

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

1.10.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value, which approximates amortised cost, less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

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

1.11 INVENTORIES

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

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values and is recognised as an expense in the period the write-down or loss occurs. Consumables are written down according to their age, condition and utility.

1.12 REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the Entity and these benefits can be measured reliably. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.12.1 Revenue from exchange transactions

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

1.12.1.2 Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis, and revenue is recognised providing that the benefits can be measured reliably. Estimates of consumption are made every alternative month on the basis of consumption history. Such estimated consumption is recognised as income when invoiced and adjusted every following month that the meter is read. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

1.12.1.3 Services provided on a prepayment basis is recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

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

1.12.1.5 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis, which takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

1.12.1.6 Dividends are recognised when the Entity's right to receive payment is established.

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

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

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Prepaid electricity sold is only recognised as income once the related units are consumed.

1.12.2 Revenue from non-exchange transactions

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

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of

ratepayers, and are deducted from revenue.

- 1.12.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.
- 1.12.2.3 Donations are recognised on a cash receipt basis, or at fair value, or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Entity.
- 1.12.2.4 Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003), and is recognised when the recovery thereof from the responsible councillors or officials is probable.

1.13 OFFSETTING

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

1.14 CONDITIONAL GRANTS AND RECEIPTS

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

Interest earned on the investment is treated in accordance with grant conditions.

1.14.1 Grants and receipts of a revenue nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

1.14.2 Grants and receipts of a capital nature

Income is transferred to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.15 PROVISIONS

A provision is recognised when the Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

1.16 ENVIRONMENTAL REHABILITATION PROVISIONS

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

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

1.17 CASH AND CASH EQUIVALENTS

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

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

1.18 EMPLOYEE BENEFITS

1.18.1 Retirement benefit plans

The Entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable.

1.18.2 Post-retirement pension funds

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the obligations.

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

Actuarial gains or losses are accounted for using the 'corridor method'. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10% of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10% will be recognised over two years. Actuarial valuations are performed annually.

1.18.3 Medical aid: continued members

The 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 Entity is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund and the Entity will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Entity decision on protected rights. Post retirement medical contributions paid by the Entity and depending on the employee's contract could either be 70%, 60% or a subsidy indicated on a sliding-scale basis. The employee is responsible for the balance of post retirement medical contribution in each case. External appointments do not qualify for a post-retirement medical aid subsidy.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution.

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

Actuarial gains or losses are accounted for using the 'corridor method'. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10% of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10% will be recognised over two years. Actuarial valuations are performed annually.

1.18.4 Short-term and long-term employee benefits

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

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

1.19 LEASES

1.19.1 The Entity as lessee

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

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

1.19.1.2 Operating leases are those leases that do not fall within the scope of the above definition. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.19.2 The Entity as lessor

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

1.20 GRANTS-IN-AID

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

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 VALUE-ADDED TAX

The Entity accounts for value-added tax on the payment basis.

1.22 UNAUTHORISED EXPENDITURE

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

1.23 IRREGULAR EXPENDITURE

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

1.24 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.25 FOREIGN CURRENCY TRANSACTIONS

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

arise.

1.26 BORROWING COSTS

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

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

1.27 COMPARATIVE INFORMATION

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

2. PROPERTY, PLANT AND EQUIPMENT

Economic Entity

| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Disposals R'000 | Depreciation R'000 | Impairment R'000 | Carrying value R'000 |
|---------------------------|--------------------------|------------------------------------|--------------------|--------------------|-----------------------|---------------------|-------------------------|
| As at 30 June 2010 | | | | | | | |
| Land and buildings | 1 769 547 | (24 506) | 227 789 | (679) | (95 124) | (52 034) | 1 824 993 |
| Infrastructure | 8 440 973 | (510 819) | 2 697 418 | - | (368 255) | - | 10 259 317 |
| Community | 3 778 151 | 540 008 | 853 099 | - | (128 388) | - | 5 042 870 |
| Leased assets | 133 704 | - | - | - | (19 969) | - | 113 735 |
| Other | 1 759 793 | (4 752) | 883 393 | (5 337) | (360 141) | (6) | 2 272 950 |
| Housing rental stocks | 641 140 | - | 7 235 | (452) | (26 466) | - | 621 457 |
| TOTAL | 16 523 308 | (69) | 4 668 934 | (6 468) | (998 343) | (52 040) | 20 135 322 |

(refer Appendix B for more detail)

As at 30 June 2009

| | | | | | | | |
|-----------------------|-------------------|----------------|------------------|----------------|------------------|------------------|-------------------|
| Land and buildings | 1 585 343 | 107 377 | 303 365 | (370) | (90 146) | (136 022) | 1 769 547 |
| Infrastructure | 6 535 085 | (17 122) | 2 240 283 | - | (317 273) | - | 8 440 973 |
| Community | 1 954 680 | (47 353) | 1 885 368 | - | (14 544) | - | 3 778 151 |
| Leased assets | 161 453 | (745) | - | - | (27 004) | - | 133 704 |
| Other | 1 448 625 | (46 737) | 619 014 | (6 950) | (253 898) | (261) | 1 759 793 |
| Housing rental stocks | 657 334 | 1 151 | 9 660 | (687) | (26 318) | - | 641 140 |
| TOTAL | 12 342 520 | (3 429) | 5 057 690 | (8 007) | (729 183) | (136 283) | 16 523 308 |

Municipality of Cape Town

| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Disposals R'000 | Depreciation R'000 | Impairment R'000 | Carrying value R'000 |
|---------------------------|--------------------------|------------------------------------|--------------------|--------------------|-----------------------|---------------------|-------------------------|
| As at 30 June 2010 | | | | | | | |
| Land and buildings | 1 612 088 | (24 506) | 223 059 | (323) | (82 633) | (52 034) | 1 675 651 |
| Infrastructure | 8 440 973 | (510 819) | 2 696 421 | - | (368 255) | - | 10 258 320 |
| Community | 3 778 151 | 540 008 | 853 099 | - | (128 388) | - | 5 042 870 |
| Leased assets | 133 704 | - | - | - | (19 969) | - | 113 735 |
| Other | 1 722 957 | (4 747) | 874 589 | (5 337) | (352 237) | (6) | 2 235 219 |
| Housing rental stocks | 641 140 | - | 7 235 | (452) | (26 466) | - | 621 457 |
| TOTAL | 16 329 013 | (64) | 4 654 403 | (6 112) | (977 948) | (52 040) | 19 947 252 |

As at 30 June 2009

| | | | | | | | |
|-----------------------|-------------------|----------------|------------------|----------------|------------------|------------------|-------------------|
| Land and buildings | 1 419 737 | 107 377 | 299 705 | (370) | (78 339) | (136 022) | 1 612 088 |
| Infrastructure | 6 525 241 | (17 122) | 2 250 127 | - | (317 273) | - | 8 440 973 |
| Community | 1 954 680 | (47 353) | 1 885 368 | - | (14 544) | - | 3 778 151 |
| Leased assets | 161 453 | (745) | - | - | (27 004) | - | 133 704 |
| Other | 1 415 407 | (46 737) | 608 142 | (6 770) | (246 824) | (261) | 1 722 957 |
| Housing rental stocks | 657 334 | 1 151 | 9 660 | (687) | (26 318) | - | 641 140 |
| TOTAL | 12 133 852 | (3 429) | 5 053 002 | (7 827) | (710 302) | (136 283) | 16 329 013 |

The leased property, plant and equipment are encumbered as set out in note 13. Provision has been made for the estimated costs of rehabilitation of waste sites, included in other assets, as described in note 14.

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

Fully depreciated assets at an original cost of R1,63 billion are currently still in use.

The cooling towers of the former Athlone Power Station dating from the early 1960's have been subsequently imploded on 22 August 2010. The Power Station was closed down and impaired in 2003.

The annual review of the useful lives of assets resulted in an increase in the depreciation charge to the Statement of

Performance

of

R27,50

million.

3. HERITAGE ASSETS

| | <i>Economic Entity</i> | | | | Carrying value R'000 |
|-----------------------------|--------------------------|------------------------------------|--------------------|--------------------|-------------------------|
| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Disposals R'000 | |
| As at 30 June 2010 | | | | | |
| Assets under construction | 1 722 | (600) | 538 | - | 1 160 |
| Paintings and art galleries | 7 718 | 600 | 60 | (36) | 8 342 |
| TOTAL | 9 440 | - | 598 | (36) | 10 002 |

(refer Appendix B for more detail)

| | | | | | |
|-----------------------------|--------------|--------------|------------|-------------|--------------|
| As at 30 June 2009 | | | | | |
| Assets under construction | 6 523 | (5 350) | 549 | - | 1 722 |
| Paintings and art galleries | 2 622 | 4 956 | 155 | (15) | 7 718 |
| TOTAL | 9 145 | (394) | 704 | (15) | 9 440 |

| | <i>Municipality of Cape Town</i> | | | | Carrying value R'000 |
|-----------------------------|----------------------------------|------------------------------------|--------------------|--------------------|-------------------------|
| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Disposals R'000 | |
| As at 30 June 2010 | | | | | |
| Assets under construction | 1 722 | (600) | 538 | - | 1 660 |
| Paintings and art galleries | 7 718 | 600 | 60 | (36) | 8 342 |
| TOTAL | 9 440 | - | 598 | (36) | 10 002 |

| | | | | | |
|-----------------------------|--------------|--------------|------------|-------------|--------------|
| As at 30 June 2009 | | | | | |
| Assets under construction | 6 523 | (5 350) | 549 | - | 1 722 |
| Paintings and art galleries | 2 622 | 4 956 | 155 | (15) | 7 718 |
| TOTAL | 9 145 | (394) | 704 | (15) | 9 440 |

4. INVESTMENT PROPERTY

| | <i>Economic Entity</i> | | | | Carrying Value R'000 |
|---------------------------|--------------------------|------------------------------------|--------------------|-----------------------|-------------------------|
| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Depreciation R'000 | |
| As at 30 June 2010 | | | | | |
| Vacant land | 38 366 | - | - | - | 38 366 |
| Land and buildings | 53 180 | - | - | (4 464) | 48 716 |
| TOTAL | 91 546 | - | - | (4 464) | 87 082 |

(refer Appendix B for more detail)

| | | | | | |
|---------------------------|---------------|------------|------------|----------------|---------------|
| As at 30 June 2009 | | | | | |
| Vacant land | 38 409 | (43) | - | - | 38 366 |
| Land and buildings | 56 667 | 148 | 806 | (4 441) | 53 180 |
| TOTAL | 95 076 | 105 | 806 | (4 441) | 91 546 |

| | <i>Municipality of Cape Town</i> | | | | |
|---------------------------|----------------------------------|------------------------------------|--------------------|-----------------------|-------------------------|
| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Depreciation R'000 | Carrying Value R'000 |
| As at 30 June 2010 | | | | | |
| Vacant land | 38 366 | - | - | - | 38 366 |
| Land and buildings | 53 180 | - | - | (4 464) | 48 716 |
| TOTAL | 91 546 | - | - | (4 464) | 87 082 |

| | | | | | |
|---------------------------|---------------|------------|------------|----------------|---------------|
| As at 30 June 2009 | | | | | |
| Vacant land | 38 409 | (43) | - | - | 38 366 |
| Land and buildings | 56 667 | 148 | 806 | (4 441) | 53 180 |
| TOTAL | 95 076 | 105 | 806 | (4 441) | 91 546 |

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

Property valuations are conducted by mandated professionally qualified valuers. These valuations were used as basis for disclosure. The fair value of the investment properties amounts to R423,59 million (2009: R414,00 million)

5. INTANGIBLE ASSETS

| | <i>Economic Entity</i> | | | | | |
|--|--------------------------|------------------------------------|--------------------|--------------------|-----------------------|-------------------------|
| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Disposals R'000 | Amortisation R'000 | Carrying Value R'000 |
| As at 30 June 2010 | | | | | | |
| Computer software (acquired separately) | 32 821 | (102) | 7 927 | - | (8 937) | 31 709 |

(refer Appendix B for more detail)

| | | | | | | |
|--|--------|-------|--------|------|----------|--------|
| As at 30 June 2009 | | | | | | |
| Computer software (acquired separately) | 20 103 | 4 060 | 27 661 | (20) | (18 983) | 32 821 |

| | <i>Municipality of Cape Town</i> | | | | | |
|--|----------------------------------|------------------------------------|--------------------|--------------------|-----------------------|-------------------------|
| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Additions R'000 | Disposals R'000 | Amortisation R'000 | Carrying Value R'000 |
| As at 30 June 2010 | | | | | | |
| Computer software (acquired separately) | 32 821 | (102) | 7 927 | - | (8 937) | 31 709 |

| | | | | | | |
|--|--------|-------|--------|---|----------|--------|
| As at 30 June 2009 | | | | | | |
| Computer software (acquired separately) | 20 083 | 4 060 | 27 661 | - | (18 983) | 32 821 |

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using straight-line method over a period of 5 years.

6. ASSETS HELD-FOR-SALE

| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Carrying Value R'000 |
|---------------------------|--------------------------|------------------------------------|-------------------------|
| As at 30 June 2010 | | | |
| Land held for sale | - | 66 | 66 |

(refer Appendix B for more detail)

| | | | |
|---------------------------|-----|-------|---|
| As at 30 June 2009 | | | |
| Land held for sale | 242 | (242) | - |

| | Opening Balance R'000 | Transfers/ Adjustments R'000 | Carrying value R'000 |
|---------------------------|--------------------------|------------------------------------|-------------------------|
| As at 30 June 2010 | | | |
| Land held for sale | - | 66 | 66 |

| | | | |
|---------------------------|-----|-------|---|
| As at 30 June 2009 | | | |
| Land held for sale | 242 | (242) | - |

Various properties have been presented as held-for-sale following a Council decision to dispose of properties no longer required for municipal purposes. These properties are identified for sale as and when the need arises. These transactions are expected to yield income of approximately R300 million, and should be concluded by 2013.

| | Economic Entity | | Municipality of Cape Town | |
|---|-----------------|----------------|---------------------------|----------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 7. INVESTMENTS | | | | |
| 7.1 Held-to-maturity | | | | |
| 7.1.1. Listed | | | | |
| RSA Government stock at amortised cost | 42 826 | 37 374 | 42 826 | 37 374 |
| Total listed investments | 42 826 | 37 374 | 42 826 | 37 374 |
| 7.1.2 Unlisted | | | | |
| Sinking fund deposits – refer note 42 | 248 387 | 416 537 | 248 387 | 416 537 |
| Other fixed deposits | 4 475 050 | 3 479 566 | 4 357 593 | 3 383 974 |
| Provision for impairment | (9 616) | (9 616) | (9 616) | (9 616) |
| Total unlisted investments | 4 713 821 | 3 886 487 | 4 596 364 | 3 790 895 |
| Total | 4 756 647 | 3 923 861 | 4 639 190 | 3 828 269 |
| Current portion included in short-term investments | (55 800) | (1 196 576) | (55 800) | (1 196 576) |
| Current portion included in cash and cash equivalents - refer note 12 | (4 465 370) | (2 529 910) | (4 347 913) | (2 434 318) |
| Total held-to-maturity | 235 477 | 197 375 | 235 477 | 197 375 |

Collateral deposits for staff housing loans

Included in other fixed deposits (unlisted investments) above are fixed deposits with a carrying value of R0,472 million (2009: R0,470 million) which were pledged as security deposits for securing staff home loans with financial institutions.

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

| | Economic Entity | | Municipality of Cape Town | |
|--|-----------------|----------------|---------------------------|----------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 7.2 Available-for-sale | | | | |
| 7.2.1 Unlisted | | | | |
| Investment in municipal entities at cost: | | | | |
| Cape Town International Convention Centre (Pty) Ltd (Convenco) | - | - | 284 000 | 284 000 |
| Provision for impairment | - | - | (245 232) | (245 232) |
| | - | - | 38 768 | 38 768 |
| Other unlisted investment | | | | |
| Cape Town Community Housing Company (Pty) Ltd | | | | |
| Original investment at cost | - | - | 2 500 | 2 500 |
| Amounts previously written off | - | - | - | - |
| Provision for impairment | - | - | (2 500) | (2 500) |
| Carrying value | - | - | - | - |
| Total available-for-sale | - | - | 38 768 | 38 768 |
| TOTAL | 235 477 | 197 375 | 274 245 | 236 143 |

8. LONG-TERM RECEIVABLES

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Loans to employees | 12 | 2 261 | 12 | 2 261 |
| Sporting bodies | 1 519 | 1 672 | 1 519 | 1 672 |
| Housing land sales | 1 184 | 6 320 | 1 184 | 6 320 |
| | 25 485 | 27 433 | 25 485 | 27 433 |
| Public organisations | 30 175 | 31 652 | 30 175 | 31 652 |
| Provision for impairment | (4 690) | (4 219) | (4 690) | (4 219) |
| | 108 338 | 141 524 | 108 338 | 141 524 |
| Housing selling developments | 222 049 | 242 626 | 222 049 | 242 626 |
| Provision for impairment | (113 711) | (101 102) | (113 711) | (101 102) |
| Other | 171 | - | - | - |
| | 136 709 | 179 210 | 136 538 | 179 210 |
| Current portion transferred to current receivables | (17 651) | (21 517) | (17 480) | (21 517) |
| TOTAL | 119 058 | 157 693 | 119 058 | 157 693 |

Reconciliation of impairment provision

| | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|
| Balance at beginning of the year | 105 321 | 88 532 | 105 321 | 88 532 |
| Transfer to provisions | 13 080 | 16 789 | 13 080 | 16 789 |
| Balance as at 30 June | 118 401 | 105 321 | 118 401 | 105 321 |

Loans to employees

Staff are entitled to various loans, e.g. car and computer loans which attract interest at 8% to 17% per annum and which are repayable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans are repayable by 2010.

Sporting bodies

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

Public organisations

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

Housing selling development loans

Housing loans were historically granted to qualifying individuals in terms of national Housing Policy. These loans currently attract interest at 10,5% per annum and are repayable over 20 years. The interest rate is determined as per Council policy.

| | Economic Entity | | Municipality of Cape Town | |
|-----------------------------|-----------------|----------------|---------------------------|----------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 9. INVENTORY | | | | |
| Consumable stores | 161 998 | 160 688 | 159 520 | 159 628 |
| Medical supplies | 918 | 1 014 | 918 | 1 014 |
| Spare parts and meters | 11 600 | 15 749 | 11 600 | 15 749 |
| Water | 13 312 | 12 718 | 13 312 | 12 718 |
| Other goods held for resale | 9 702 | 11 180 | 9 702 | 11 180 |
| Green electricity rights | 2 028 | - | 2 028 | - |
| TOTAL | 199 558 | 201 349 | 197 080 | 200 289 |

Inventory to the value of R0,81 million (2009: R0,61 million) was taken on during the year - refer note 38. Inventories (excluding bulk water) which were recognised as expenses during the year amounted to R624,57 million of which a portion was capitalised. Green electricity rights are rights to sell green units at a tariff to consumers upon their request for green electricity.

10. TRADE RECEIVABLES

| | Economic Entity | | | Economic Entity | | |
|--------------------------------|---------------------------|---|-------------------------|---------------------------|---|-------------------------|
| | As at 30 June 2010 | | | As at 30 June 2009 | | |
| | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 |
| Service debtors | 5 874 027 | (2 589 866) | 3 284 161 | 5 070 850 | (2 410 796) | 2 660 054 |
| Rates and other | 1 892 016 | (660 549) | 1 231 467 | 1 526 788 | (586 018) | 940 770 |
| Trade: Electricity | 906 308 | (159 323) | 746 985 | 662 967 | (120 345) | 542 622 |
| Water | 1 954 152 | (1 179 483) | 774 669 | 1 835 158 | (1 157 889) | 677 269 |
| Waste management (solid waste) | 319 525 | (168 788) | 150 737 | 305 169 | (166 135) | 139 034 |
| Wastewater management | 802 026 | (421 723) | 380 303 | 740 768 | (380 409) | 360 359 |
| Housing rental developments | 393 706 | (350 403) | 43 303 | 365 716 | (326 272) | 39 444 |
| Housing selling developments | 392 659 | (359 161) | 33 498 | 386 232 | (342 494) | 43 738 |
| TOTAL | 6 660 392 | (3 299 430) | 3 360 962 | 5 822 798 | (3 079 562) | 2 743 236 |

Consumer debtors to the net amount of R1,064 billion (2009: R855,40 million) are only due after 30 days. Included in the outstanding balances are consumer debtors to the value of R466,76 million (2009: R391,61 million), who have made arrangements to repay their outstanding debt over a re-negotiated period. At 30 June 2010, the Entity is owed R263,16 million (2009: R312,20 million) by National and Provincial Government.

| | 2010 R'000 | 2009 R'000 |
|---|------------------|------------------|
| Reconciliation of impairment provision | | |
| Balance at beginning of the year | 3 079 562 | 2 570 525 |
| Contributions to provisions | 597 548 | 704 016 |
| Transfers to/(from) provisions | 1 288 | (102 278) |
| Bad debts written-off | (378 968) | (92 701) |
| Balance at 30 June | 3 299 430 | 3 079 562 |

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

Economic Entity

Analysis of Trade Receivables Ageing in Days

| | Total R'000 | Not due R'000 | 0 - 30 R'000 | 31 - 60 R'000 | 61 - 90 R'000 | 91 - 365 R'000 | + 365 R'000 |
|---------------------------|--------------------|------------------|-----------------|------------------|------------------|-------------------|--------------------|
| As at 30 June 2010 | | | | | | | |
| Rates and other | 189 2016 | 357 627 | 440 842 | 96 984 | 27 680 | 462 150 | 506 733 |
| Provision for impairment | (660 549) | (39 747) | (48 993) | (10 765) | (3 072) | (51 299) | (506 733) |
| | 1 231 467 | 317 880 | 391 909 | 86 219 | 24 608 | 410 851 | - |
| Electricity | 906 308 | 490 221 | 146 027 | 45 551 | 15 506 | 93 490 | 115 513 |
| Provision for impairment | (159 323) | (27 158) | (8 090) | (2 524) | (859) | (5 179) | (115 513) |
| | 746 985 | 463 063 | 137 937 | 43 027 | 14 647 | 88 311 | - |
| Water | 1 954 152 | 170 486 | 157 278 | 81 446 | 51 802 | 397 252 | 1 095 888 |
| Provision for impairment | (1 179 483) | (16 605) | (15 319) | (7 933) | (5 046) | (38 692) | (1 095 888) |
| | 774 669 | 153 881 | 141 959 | 73 513 | 46 756 | 358 560 | - |
| Waste management | 319 525 | 31 118 | 25 961 | 14 511 | 8 933 | 71 002 | 168 000 |
| Provision for impairment | (168 788) | (162) | (135) | (75) | (46) | (370) | (168 000) |
| | 150 737 | 30 956 | 25 826 | 14 436 | 8 887 | 70 632 | - |
| Wastewater management | 802 026 | 83 954 | 70 905 | 39 542 | 24 314 | 189 467 | 393 844 |
| Provision for impairment | (421 723) | (5 734) | (4 843) | (2 701) | (1 661) | (12 940) | (393 844) |
| | 380 303 | 78 220 | 66 062 | 36 841 | 22 653 | 176 527 | - |
| Housing rental stock | 393 706 | 25 354 | 12 248 | 8 401 | 8 215 | 95 103 | 244 385 |
| Provision for impairment | (350 403) | (18 001) | (8 696) | (5 965) | (5 833) | (67 523) | (244 385) |
| | 43 303 | 7 353 | 3 552 | 2 436 | 2 382 | 27 580 | - |
| Housing selling stock | 392 659 | 24 498 | 7 327 | 2 934 | 2 643 | 30 375 | 324 882 |
| Provision for impairment | (359 161) | (12 332) | (3 748) | (1 501) | (1 352) | (15 346) | (324 882) |
| | 33 498 | 12 166 | 3 579 | 1 433 | 1 291 | 15 029 | - |
| Gross debtors | 6 660 392 | 1 183 258 | 860 588 | 289 369 | 139 093 | 1 338 839 | 2 849 245 |
| Provision for impairment | (3 299 430) | (119 739) | (89 764) | (31 464) | (17 869) | (191 349) | (2 849 245) |
| TOTAL | 3 360 962 | 1 063 519 | 770 824 | 257 905 | 121 224 | 1 147 490 | - |

Analysis of Trade Receivables Ageing in Days

| | Total R'000 | Not due R'000 | 0 - 30 R'000 | 31 - 60 R'000 | 61 - 90 R'000 | 91 - 365 R'000 | + 365 R'000 |
|---------------------------|--------------------|------------------|-----------------|------------------|------------------|-------------------|--------------------|
| As at 30 June 2009 | | | | | | | |
| Rates and other | 1 526 788 | 296 593 | 331 247 | 72 820 | 55 781 | 308 701 | 461 646 |
| Provision for impairment | (586 018) | (34 682) | (38 657) | (8 498) | (6 510) | (36 025) | (461 646) |
| | 940 770 | 261 911 | 292 590 | 64 322 | 49 271 | 272 676 | - |
| Electricity | 662 967 | 281 692 | 149 123 | 31 375 | 18 734 | 82 968 | 99 075 |
| Provision for impairment | (120 345) | (10 632) | (5 622) | (1 182) | (706) | (3 128) | (99 075) |
| | 542 622 | 271 060 | 143 501 | 30 193 | 18 028 | 79 840 | - |
| Water | 1 835 158 | 165 806 | 146 370 | 65 458 | 64 448 | 341 612 | 1 051 464 |
| Provision for impairment | (1 157 889) | (22 516) | (19 877) | (8 889) | (8 752) | (46 391) | (1 051 464) |
| | 677 269 | 143 290 | 126 493 | 56 569 | 55 696 | 295 221 | - |
| Waste management | 305 169 | 35 652 | 20 557 | 13 079 | 10 522 | 67 378 | 157 981 |
| Provision for impairment | (166 135) | (1 975) | (1 138) | (725) | (583) | (3 733) | (157 981) |
| | 139 034 | 33 677 | 19 419 | 12 354 | 9 939 | 63 645 | - |
| Wastewater management | 740 768 | 146 265 | 8 435 | 41 527 | 34 121 | 176 103 | 334 317 |
| Provision for impairment | (380 409) | (16 586) | (957) | (4 709) | (3 870) | (19 970) | (334 317) |
| | 360 359 | 129 679 | 7 478 | 36 818 | 30 251 | 156 133 | - |
| Housing rental stock | 365 716 | 19 135 | 11 081 | 5 658 | 8 647 | 88 465 | 232 730 |
| Provision for impairment | (326 272) | (13 460) | (7 794) | (3 980) | (6 082) | (62 226) | (232 730) |
| | 39 444 | 5 675 | 3 287 | 1 678 | 2 565 | 26 239 | - |
| Housing selling stock | 386 232 | 17 013 | 8 181 | 3 246 | 3 171 | 42 754 | 311 867 |
| Provision for impairment | (342 494) | (6 905) | (3 403) | (1 352) | (1 320) | (17 647) | (311 867) |
| | 43 738 | 10 108 | 4 778 | 1 894 | 1 851 | 25 107 | - |
| Gross debtors | 5 822 798 | 962 156 | 674 994 | 233 163 | 195 424 | 1 107 981 | 2 649 080 |
| Provision for impairment | (3 079 562) | (106 756) | (77 448) | (29 335) | (27 823) | (189 120) | (2 649 080) |
| TOTAL | 2 743 236 | 855 400 | 597 546 | 203 828 | 167 601 | 918 861 | - |

Municipality of Cape Town

As at 30 June 2010

As at 30 June 2009

| | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 |
|--------------------------------|---------------------|--------------------------------|-------------------|---------------------|--------------------------------|-------------------|
| Service debtors | 5 874 475 | (2 589 866) | 3 284 609 | 5 071 716 | (2 410 796) | 2 660 920 |
| Rates and other | 1 892 464 | (660 549) | 1 231 915 | 1 527 334 | (586 018) | 941 316 |
| Trade: Electricity | 906 308 | (159 323) | 746 985 | 663 287 | (120 345) | 542 942 |
| Water | 1 954 152 | (1 179 483) | 774 669 | 1 835 158 | (1 157 889) | 677 269 |
| Waste management (solid waste) | 319 525 | (168 788) | 150 737 | 305 169 | (166 135) | 139 034 |
| Wastewater management | 802 026 | (421 723) | 380 303 | 740 768 | (380 409) | 360 359 |
| Housing rental developments | 393 706 | (350 403) | 43 303 | 365 716 | (326 272) | 39 444 |
| Housing selling developments | 392 659 | (359 161) | 33 498 | 386 232 | (342 494) | 43 738 |
| TOTAL | 6 660 840 | (3 299 430) | 3 361 410 | 5 823 664 | (3 079 562) | 2 744 102 |

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Municipality of Cape Town

Analysis of Trade Receivables Ageing in Days

| | Total R'000 | Not due R'000 | 0 - 30 R'000 | 31 - 60 R'000 | 61 - 90 R'000 | 91 - 365 R'000 | + 365 R'000 |
|---------------------------|--------------------|------------------|-----------------|------------------|------------------|-------------------|--------------------|
| <i>As at 30 June 2010</i> | | | | | | | |
| Rates and other | 1 892 464 | 358 075 | 440 842 | 96 984 | 27 680 | 462 150 | 506 733 |
| Provision for impairment | (660 549) | (39 747) | (48 933) | (10 765) | (3 072) | (51 299) | (506 733) |
| | 1 231 915 | 318 328 | 391 909 | 86 219 | 24 608 | 410 851 | - |
| Electricity | 906 308 | 490 221 | 146 027 | 45 551 | 15 506 | 93 490 | 115 513 |
| Provision for impairment | (159 323) | (27 158) | (8 090) | (2 524) | (859) | (5 179) | (115 513) |
| | 746 985 | 463 063 | 137 937 | 43 027 | 14 647 | 88 311 | - |
| Water | 1 954 152 | 170 486 | 157 278 | 81 446 | 51 802 | 397 252 | 1 095 888 |
| Provision for impairment | (1 179 483) | (16 605) | (15 319) | (7 933) | (5 046) | (38 692) | (1 095 888) |
| | 774 669 | 153 881 | 141 959 | 73 513 | 46 756 | 358 560 | - |
| Waste management | 319 525 | 31 118 | 25 961 | 14 511 | 8 933 | 71 002 | 168 000 |
| Provision for impairment | (168 788) | (162) | (135) | (75) | (46) | (370) | (168 000) |
| | 150 737 | 30 956 | 25 826 | 14 436 | 8 887 | 70 632 | - |
| Wastewater management | 802 026 | 83 954 | 70 905 | 39 542 | 24 314 | 189 467 | 393 844 |
| Provision for impairment | (421 723) | (5 734) | (4 843) | (2 701) | (1 661) | (12 940) | (393 844) |
| | 380 303 | 78 220 | 66 062 | 36 841 | 22 653 | 176 527 | - |
| Housing rental stock | 393 706 | 25 354 | 12 248 | 8 401 | 8 215 | 95 103 | 244 385 |
| Provision for impairment | (350 403) | (18 001) | (8 696) | (5 965) | (5 833) | (67 523) | (244 385) |
| | 43 303 | 7 353 | 3 552 | 2 436 | 2 382 | 27 580 | - |
| Housing selling stock | 392 659 | 24 498 | 7 327 | 2 934 | 2 643 | 30 375 | 324 882 |
| Provision for impairment | (359 161) | (12 332) | (3 748) | (1 501) | (1 352) | (15 346) | (324 882) |
| | 33 498 | 12 166 | 3 579 | 1 433 | 1 291 | 15 029 | - |
| Gross debtors | 6 660 840 | 1 183 706 | 860 588 | 289 369 | 139 093 | 1 338 839 | 2 849 245 |
| Provision for impairment | (3 299 430) | (119 739) | (89 764) | (31 464) | (17 869) | (191 349) | (2 849 245) |
| TOTAL | 3 361 410 | 1 063 967 | 770 824 | 257 905 | 121 224 | 1 147 490 | - |

Analysis of Trade Receivables Ageing in Days

| | Total R'000 | Not due R'000 | 0 - 30 R'000 | 31 - 60 R'000 | 61 - 90 R'000 | 91 - 365 R'000 | + 365 R'000 |
|---------------------------|--------------------|------------------|-----------------|------------------|------------------|-------------------|--------------------|
| <i>As at 30 June 2009</i> | | | | | | | |
| Rates and other | 1 527 334 | 297 139 | 331 247 | 72 820 | 55 781 | 308 701 | 461 646 |
| Provision for impairment | (586 018) | (34 682) | (38 657) | (8 498) | (6 510) | (36 025) | (461 646) |
| | 941 316 | 262 457 | 292 590 | 64 322 | 49 271 | 272 676 | - |
| Electricity | 663 287 | 282 012 | 149 123 | 31 375 | 18 734 | 82 968 | 99 075 |
| Provision for impairment | (120 345) | (10 632) | (5 622) | (1 182) | (706) | (3 128) | (99 075) |
| | 542 942 | 271 380 | 143 501 | 30 193 | 18 028 | 79 840 | - |
| Water | 1 835 158 | 165 806 | 146 370 | 65 458 | 64 448 | 341 612 | 1 051 464 |
| Provision for impairment | (1 157 889) | (22 516) | (19 877) | (8 889) | (8 752) | (46 391) | (1 051 464) |
| | 677 269 | 143 290 | 126 493 | 56 569 | 55 696 | 295 221 | - |
| Waste management | 305 169 | 35 652 | 20 557 | 13 079 | 10 522 | 67 378 | 157 981 |
| Provision for impairment | (166 135) | (1 975) | (1 138) | (725) | (583) | (3 733) | (157 981) |
| | 139 034 | 33 677 | 19 419 | 12 354 | 9 939 | 63 645 | - |
| Wastewater management | 740 768 | 146 265 | 8 435 | 41 527 | 34 121 | 176 103 | 334 317 |
| Provision for impairment | (380 409) | (16 586) | (957) | (4 709) | (3 870) | (19 970) | (334 317) |
| | 360 359 | 129 679 | 7 478 | 36 818 | 30 251 | 156 133 | - |
| Housing rental stock | 365 716 | 19 135 | 11 081 | 5 658 | 8 647 | 88 465 | 232 730 |
| Provision for impairment | (326 272) | (13 460) | (7 794) | (3 980) | (6 082) | (62 226) | (232 730) |
| | 39 444 | 5 675 | 3 287 | 1 678 | 2 565 | 26 239 | - |
| Housing selling stock | 386 232 | 17 013 | 8 181 | 3 246 | 3 171 | 42 754 | 311 867 |
| Provision for impairment | (342 494) | (6 905) | (3 403) | (1 352) | (1 320) | (17 647) | (311 867) |
| | 43 738 | 10 108 | 4 778 | 1 894 | 1 851 | 25 107 | - |
| Gross debtors | 5 823 664 | 963 022 | 674 994 | 233 163 | 195 424 | 1 107 981 | 2 649 080 |
| Provision for impairment | (3 079 562) | (106 756) | (77 448) | (29 335) | (27 823) | (189 120) | (2 649 080) |
| TOTAL | 2 744 102 | 856 266 | 597 546 | 203 828 | 167 601 | 918 861 | - |

11. OTHER RECEIVABLES

| | <i>Economic Entity</i> | | | | | |
|--------------------------|---------------------------|---|-------------------------|---------------------------|---|-------------------------|
| | As at 30 June 2010 | | | As at 30 June 2009 | | |
| | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 |
| Payments made in advance | 1 006 | - | 1 006 | 1 576 | - | 1 576 |
| Government subsidies | 90 118 | - | 90 118 | 158 821 | - | 158 821 |
| Rates and other | 198 972 | (7 159) | 191 813 | 270 008 | (2 506) | 267 502 |
| Property rentals | 68 051 | (34 773) | 33 278 | 45 777 | (21 988) | 23 789 |
| TOTAL | 358 147 | (41 932) | 316 215 | 476 182 | (24 494) | 451 688 |

Included in rates and general is an amount of R51,38 million (2009: R83,5 million) for VAT due by SARS.

| | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|
| Reconciliation of impairment provision | | |
| Balance at beginning of the year | 24 494 | 31 012 |
| Contributions to provision | 15 851 | 5 774 |
| Transfer to provisions | 1 793 | - |
| Bad debts written-off | (206) | (12 292) |
| Balance at 30 June | 41 932 | 24 494 |

In determining the recoverability of other receivables, the City of Cape Town considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date.

| | <i>Economic Entity</i> | | | | | | |
|---------------------------|---|------------------|-----------------|------------------|------------------|-------------------|----------------|
| | Analysis of other receivables' ageing in days | | | | | | |
| | Total R'000 | Not due R'000 | 0 - 30 R'000 | 31 - 60 R'000 | 61 - 90 R'000 | 91 - 365 R'000 | + 365 R'000 |
| As at 30 June 2010 | | | | | | | |
| Payments made in advance | 1 006 | 1 006 | - | - | - | - | - |
| Government subsidies | 90 118 | 1 304 | 70 846 | 13 570 | 300 | 4 098 | - |
| | 91 124 | 2 310 | 70 846 | 13 570 | 300 | 4 098 | - |
| Rates and other | 198 972 | 163 614 | 24 350 | 4 158 | 387 | 4 013 | 2 450 |
| Provision for impairment | (7 159) | (2) | (156) | (112) | (91) | (4 348) | (2 450) |
| | 191 813 | 163 612 | 24 194 | 4 046 | 296 | (335) | - |
| Property rentals | 68 051 | 22 287 | (1 446) | 1 701 | 569 | 11 646 | 33 294 |
| Provision for impairment | (34 773) | (384) | 127 | (150) | (50) | (1 022) | (33 294) |
| | 33 278 | 21 903 | (1 319) | 1 551 | 519 | 10 624 | - |
| Gross debtors | 358 147 | 188 211 | 93 750 | 19 429 | 1 256 | 19 757 | 35 744 |
| Provision for impairment | (41 932) | (386) | (29) | (262) | (141) | (5 370) | (35 744) |
| TOTAL | 316 215 | 187 825 | 93 721 | 19 167 | 1 115 | 14 387 | - |

| | <i>Economic Entity</i> | | | | | | |
|---------------------------|---|------------------|-----------------|------------------|------------------|-------------------|----------------|
| | Analysis of other receivables' ageing in days | | | | | | |
| | Total R'000 | Not due R'000 | 0 - 30 R'000 | 31 - 60 R'000 | 61 - 90 R'000 | 91 - 365 R'000 | + 365 R'000 |
| As at 30 June 2009 | | | | | | | |
| Payments made in advance | 1 576 | 1 576 | - | - | - | - | - |
| Government subsidies | 158 821 | - | 136 162 | 7 248 | 7 217 | 8 194 | - |
| | 160 397 | 1 576 | 136 162 | 7 248 | 7 217 | 8 194 | - |
| Rates and other | 270 008 | 249 643 | 7 402 | 4 543 | 577 | 6 098 | 1 745 |
| Provision for impairment | (2 506) | - | (58) | - | - | (703) | (1 745) |
| | 267 502 | 249 643 | 7 344 | 4 543 | 577 | 5 395 | - |
| Property rentals | 45 777 | 4 356 | 13 797 | 309 | 2 060 | 6 271 | 18 984 |
| Provision for impairment | (21 988) | (488) | (1 547) | (35) | (231) | (703) | (18 984) |
| | 23 789 | 3 868 | 12 250 | 274 | 1 829 | 5 568 | - |
| Gross debtors | 476 182 | 255 575 | 157 361 | 12 100 | 9 854 | 20 563 | 20 729 |
| Provision for impairment | (24 494) | (488) | (1 605) | (35) | (231) | (1 406) | (20 729) |

| | | | | | | | |
|-------|---------|---------|---------|--------|-------|--------|---|
| TOTAL | 451 688 | 255 087 | 155 756 | 12 065 | 9 623 | 19 157 | - |
|-------|---------|---------|---------|--------|-------|--------|---|

Municipality of Cape Town

| | As at 30 June 2010 | | | As at 30 June 2009 | | |
|--------------------------|---------------------|--------------------------------|-------------------|---------------------|--------------------------------|-------------------|
| | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 | Gross Balance R'000 | Provision for Impairment R'000 | Net Balance R'000 |
| Payments made in advance | 117 | - | 117 | 1 096 | - | 1 096 |
| Government subsidies | 90 118 | - | 90 118 | 158 821 | - | 158 821 |
| Rates and other | 187 796 | (3 539) | 184 258 | 257 684 | (1 745) | 255 939 |
| Property rentals | 68 051 | (34 773) | 33 278 | 45 777 | (21 988) | 23 789 |
| TOTAL | 331 937 | (38 312) | 307 771 | 463 378 | (23 733) | 439 645 |

Reconciliation of impairment provision

| | 2010 R'000 | 2009 R'000 |
|----------------------------------|---------------|---------------|
| Balance at beginning of the year | 23 733 | 30 500 |
| Contributions to provisions | 12 786 | 5 525 |
| Transfers to provisions | 1 793 | - |
| Bad debts written off | - | (12 292) |
| Balance as at 30 June | 38 312 | 23 733 |

Municipality of Cape Town

Analysis of other receivables' ageing in days

| | Total R'000 | Not Due R'000 | 0-30 R'000 | 31-60 R'000 | 61-90 R'000 | 91-365 R'000 | +365 R'000 |
|---------------------------|----------------|----------------|----------------|---------------|--------------|----------------|---------------|
| As at 30 June 2010 | | | | | | | |
| Payments made in advance | 117 | 117 | - | - | - | - | - |
| Government subsidies | 90 118 | 1 304 | 70 846 | 13 570 | 300 | 4 098 | - |
| | 90 235 | 1 421 | 70 846 | 13 570 | 300 | 4 098 | - |
| Rates and general | 187 797 | 163 614 | 21 516 | 390 | 328 | (501) | 2 450 |
| Provision for impairment | (3 539) | (2) | (98) | (112) | (91) | (786) | (2 450) |
| | 184 258 | 163 612 | 21 418 | 278 | 237 | (1 287) | - |
| Property rentals | 68 051 | 22 287 | (1 446) | 1 701 | 569 | 11 646 | 33 294 |
| Provision for impairment | (34 773) | (384) | 127 | (150) | (50) | (1 022) | (33 294) |
| | 33 278 | 21 903 | (1 319) | 1 551 | 519 | 10 624 | - |
| Gross debtors | 346 083 | 187 322 | 90 916 | 15 661 | 1 197 | 15 243 | 35 744 |
| Provision for impairment | (38 312) | (386) | 29 | (262) | (141) | (1 808) | (35 744) |
| TOTAL | 307 771 | 186 936 | 90 945 | 15 399 | 1 056 | 13 435 | - |

Analysis of other receivables' ageing in days

| | Total R'000 | Not Due R'000 | 0-30 R'000 | 31-60 R'000 | 61-90 R'000 | 91-365 R'000 | +365 R'000 |
|---------------------------|----------------|----------------|----------------|--------------|--------------|---------------|---------------|
| As at 30 June 2009 | | | | | | | |
| Payments made in advance | 1 096 | 1 096 | - | - | - | - | - |
| Government subsidies | 158 821 | - | 136 162 | 7 248 | 7 217 | 8 194 | - |
| | 159 917 | 1 096 | 136 162 | 7 248 | 7 217 | 8 194 | - |
| Rates and general | 248 871 | 240 749 | 3 910 | 390 | 264 | 1 813 | 1 745 |
| Provision for impairment | (1 745) | - | - | - | - | - | (1 745) |
| | 247 126 | 240 749 | 3 910 | 390 | 264 | 1 813 | - |
| Property rentals | 45 777 | 4 356 | 13 797 | 309 | 2 060 | 6 271 | 18 984 |
| Provision for impairment | (21 988) | (488) | (1 547) | (35) | (231) | (703) | (18 984) |
| | 23 789 | 3 868 | 12 250 | 274 | 1 829 | 5 568 | - |
| Gross debtors | 454 565 | 246 201 | 153 869 | 7 947 | 9 541 | 16 278 | 20 729 |
| Provision for impairment | (23 733) | (488) | (1 547) | (35) | (231) | (703) | (20 729) |
| TOTAL | 430 832 | 245 713 | 152 322 | 7 912 | 9 310 | 15 575 | - |

12. CASH AND CASH EQUIVALENTS (BANK AND CASH)

| | | |
|--|--------------|--|
| Bank balance | | |
| ABSA - Primary bank account | 40-5658-4470 | |
| Salary bank account | 40-5658-4496 | |
| Cashier's bank account | 40-5658-4527 | |
| General income account (primary) | 40-5658-4569 | |
| ABSA - Traffic fines bank account | 40-7261-8663 | |
| FNB - Traffic fines bank account | 62073198816 | |
| Other - Subsidiaries and joint venture | | |
| Cash on hand and in transit | | |
| Call and short term deposits - refer note 7. | | |

| Economic Entity | | Municipality of Cape Town | |
|------------------|------------------|---------------------------|------------------|
| 2010 | 2009 | 2010 | 2009 |
| R'000 | R'000 | R'000 | R'000 |
| 140 063 | 189 083 | 115 311 | 158 743 |
| 115 310 | 158 727 | 115 310 | 158 727 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1 | 16 | 1 | 16 |
| 24 752 | 30 340 | - | - |
| 23 020 | 38 958 | 22 952 | 38 890 |
| 4 465 370 | 2 529 910 | 4 347 913 | 2 434 318 |
| 4 628 453 | 2 757 951 | 4 486 176 | 2 631 951 |

Subsidiaries (controlled and municipal entities) and joint venture have separate bank accounts which are not listed separately.

Cash and cash equivalents comprise cash held and short-term deposits. The carrying amount of these assets approximates their fair value.

13. LONG-TERM BORROWINGS

| | |
|--|--|
| Local registered stock loans | |
| Annuity loans | |
| Other loans | |
| Finance leases | |
| Sub-total - refer Appendix A for more detail | |
| Current portion transferred to current liabilities | |

| | | | |
|------------------|------------------|------------------|------------------|
| 4 202 884 | 2 208 602 | 4 202 884 | 2 208 602 |
| - | 14 229 | - | 14 229 |
| 1 486 230 | 1 927 891 | 1 466 501 | 1 907 654 |
| 141 224 | 156 962 | 141 224 | 156 962 |
| 5 830 338 | 4 307 684 | 5 810 609 | 4 287 447 |
| (264 107) | (476 219) | (262 983) | (475 484) |
| 5 566 231 | 3 831 465 | 5 547 626 | 3 811 963 |

The capitalised lease liabilities are secured by items of leased plant, to the carrying value of R113,74 million (2009: R133,71 million). R248,39 million (2009: R416,54 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term borrowings - refer note 7 and 42 for more detail.

Long-term borrowings detailed as follows:

LOCAL REGISTERED STOCK

ABSA Investor Services

Unsecured bond paying fixed interest semi-annually, redeemed on 30 June 2010.

| | | | |
|------------------|------------------|------------------|------------------|
| 4 202 884 | 2 208 602 | 4 202 884 | 2 208 602 |
| - | 4 600 | - | 4 600 |

Standard Bank Nominees

Secured bond paying fixed interest semi-annually. As security a sinking fund was established which together with interest capitalized will be used to settle the original loan liability on 31 March 2014.

| | | | |
|-------|-------|-------|-------|
| 6 800 | 6 800 | 6 800 | 6 800 |
|-------|-------|-------|-------|

Listed Bonds

Unsecured bonds totalling R4,20 billion listed on the Johannesburg Stock Exchange of South Africa (JSE). Interest is payable semi-annually while capital will be redeemed by way of a bullet repayment on the final redemption date. Certain Bond raising costs have been capitalized and offset against the proceeds thereof and subsequently written-off over the periods of the respective bonds. Sinking funds have been established for the purpose of providing for the capital repayment at the dates of redemption.

| | | | |
|-----------|-----------|-----------|-----------|
| 4 196 084 | 2 197 202 | 4 196 084 | 2 197 202 |
|-----------|-----------|-----------|-----------|

| | Economic Entity | | Municipality of Cape Town | |
|---|-----------------|---------------|---------------------------|---------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| ANNUITY LOANS | - | 14 229 | - | 14 229 |
| ABSA Bank | - | 14 229 | - | 14 229 |
| Unsecured fixed interest loans repaid semi-annually in equal instalments of interest and capital, final redemption on 30 June 2010. | | | | |
| OTHER LOANS | 1 486 230 | 1 927 891 | 1 466 501 | 1 907 654 |

| | | | | |
|--|---------|---------|---------|---------|
| DBSA Bank Unsecured fixed interest loan, repayable semi-annually in equal instalments of capital with interest payable on the reducing balance. Various final redemptions. | 867 884 | 967 778 | 867 884 | 967 778 |
|--|---------|---------|---------|---------|

| | | | | |
|---|---|---------|---|---------|
| ABSA Bank Structured unsecured loan of R50,00 million plus capitalised interest. Deposits were made semi-annually into two sinking funds with ABSA Bank which, together with fixed interest capitalized over ten years, settled the loan liability on 30 June 2010. | - | 264 243 | - | 264 243 |
|---|---|---------|---|---------|

| | | | | |
|--|----|----|----|----|
| Nedcor Bank Unsecured fixed rate loan, interest payable annually and loan capital repayable on 31 August 2019. | 50 | 50 | 50 | 50 |
|--|----|----|----|----|

| | | | | |
|---|--------|--------|--------|--------|
| FirstRand Bank Structured R125,00 million 15-year loan repayable semi-annually in equal instalments of capital and fixed-rate interest. | 19 931 | 36 889 | 19 931 | 36 889 |
|---|--------|--------|--------|--------|

As part of the loan structure, the Entity sold moveable assets with a market value of R125,00 million to FirstRand Bank. FirstRand Bank leased the assets back to the Entity over 15 years, with rentals payable during the years 2009-2011. At the same time the Entity lent R125,00 million to FirstRand Bank, repayable together with interest on the same dates, and in the same amounts, as the rental payable by the Entity under the lease agreement. The Entity has ceded its rights under its loan to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness.

| | | | | |
|--|---------|---------|---------|---------|
| FirstRand Bank Structured R220,00 million 15-year loan, R200,00 million of which is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R20,00 million payable in one installment, together with fixed-rate interest, on 30 June 2017. The bullet repayment of the R20,00 million capital and interest will be made out of the guaranteed investment portfolios of two 15-year sinking fund investment policies purchased from Momentum Group. | 189 299 | 194 484 | 189 299 | 194 484 |
|--|---------|---------|---------|---------|

As part of the loan structure, the Entity purchased two 15-year sinking fund policies from Momentum Group for an upfront premium of R220,00 million. R20,00 million of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, R200,00 million, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand Bank for R200,00 million on day one of the policies. The Entity has ceded and pledged the sinking fund policies to FirstRand Bank as security.

| | Economic Entity | | Municipality of Cape Town | |
|--|-----------------|---------|---------------------------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| | R'000 | R'000 | R'000 | R'000 |
| FirstRand Bank | 59 337 | 74 210 | 59 337 | 74 210 |
| Structured R150,00 million 15-year loan repayable semi-annually in equal instalments of capital and fixed interest. | | | | |
| As part of the loan structure, the Entity leased moveable electricity assets with a market value of R150,00 million to FirstRand Bank for 20 years. Rental is payable in three instalments during 1998 – 2000, with a nominal annual rental thereafter. The rentals are payable into a deposit account with FirstRand Bank, which attracts a fixed rate of interest. FirstRand Bank leased the assets back to the Entity over 15 years, with rentals payable during the years 2003 – 2013, out of the deposit account, which will reduce to zero on 30 June 2013. The Entity has ceded its rights to repayment of the deposit to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness. | | | | |
| ABSA Bank | 160 000 | 180 000 | 160 000 | 180 000 |
| Unsecured fixed interest loan, repayable semi-annually in equal instalments of capital with interest payable on the reducing balance, final redemption on 30 June 2018. | | | | |
| FirstRand Bank | 170 000 | 190 000 | 170 000 | 190 000 |
| Structured R300,00 million 15-year loan, R74,30 million of which is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R225,70 million payable in one instalment, together with capitalized fixed-rate interest, on 30 June 2018. The bullet repayment of the R225,70 million capital and interest will be made out of a 15-year sinking fund investment policy purchased from Momentum Group. | | | | |
| As part of the loan structure, the Entity purchased a 15-year sinking fund policy from Momentum Group for a premium of R228,40 million which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the Entity to Momentum, later sold on to FirstRand Bank and FutureGrowth. In terms of a put option agreement, the maturity proceeds of this unguaranteed portfolio was sold in advance to FirstRand Bank for a fixed option price of R894,60 million, payable on 30 June 2018. The Entity has ceded and pledged the sinking fund policy to FirstRand Bank as security for the Entity's obligations to FirstRand Bank under the put option agreement and any other debt liability. | | | | |
| DBSA - Claremont Road Bypass Company | 19 465 | 20 237 | - | - |
| Interest is charged at a nominal fixed rate of R186 plus 154 basis points per annum. | | | | |
| Repayable in 28 equal six-monthly instalments, commencing on 30 September 2009. | | | | |
| Secured by an agreement of cession from Claremont Improvement District Company (Association incorporated under section 21) (Cedent), over their right and title to the levies collected by the City of Cape Town from the Claremont Improvement District rate payers in terms of the co-operation agreement. | | | | |
| The Cedent, the company and the City of Cape Town concluded a co-operation agreement in terms of which, the City of Cape Town undertook to pay to the Cedent levies collected from the rate payers within the Claremont City Improvement District. | | | | |
| Standard Bank Ltd – Epping CID | 264 | - | - | - |
| The finance lease payments represent installments payable by the Entity on motor vehicles leased from Standard Bank Ltd. | | | | |

| | Economic Entity | | Municipality of Cape Town | |
|---|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| FINANCE LEASES | 141 224 | 156 962 | 141 224 | 156 962 |
| Nedbank | | | | |
| Sale and leaseback structured R55,30 million 15 year loan funded by Nedbank through an Infrastructure Trust. Lease rentals equating to fixed rate interest are payable semi-annually over 15 years; a bullet rental amount of R55,30 million is payable on 02/01/2012 out of the proceeds of a sinking fund. The Entity deposits semi-annually with Nedbank equal amounts which, together with compounded interest over 15 years, will equate to the original loan capital. The Entity has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.. | 59 489 | 61 242 | 59 489 | 61 242 |
| An additional floating rate liability of R4,19 million (2009: R5,99 million) arising from a restructuring of the loan is repayable over the remaining life of the loan.. | | | | |
| Investec | 12 014 | 18 744 | 12 014 | 18 744 |
| Sale and leaseback structured R54,80 million 15-year loan funded by Investec Bank. Lease rentals equating to loan fixed-rate interest plus capital are payable semi-annually over 15 years. Investec has granted the Entity the right to acquire the assets at the expiry of the lease at an agreed option price of R47,60 million. The Entity has deposited with Investec an amount, which together with compound interest, will equate to the option price payable on 31 December 2011. | | | | |
| The Entity has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price. | | | | |
| Standard Corporate and Investment Bank (SCMB) | 69 721 | 76 976 | 69 721 | 76 976 |
| Sale and leaseback structured R59,30 million 15-year loan. The Entity sold moveable electricity assets to Standard Bank at the market value of R59,30 million. The Entity invested R5,80 million of the proceeds in a sinking fund deposit, which when compounded over 15 years at a fixed rate of interest, grows to the original loan capital amount. Standard Bank leased the assets back to the Entity with rentals, equating to the loan fixed-rate interest, payable annually over 15 years. A bullet rental amount of R59,30 million is payable on 24 June 2011 out of the sinking fund deposit. | | | | |
| TOTAL - refer to Appendix A for more details | 5 830 338 | 4 307 684 | 5 810 609 | 4 287 447 |

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

14. PROVISIONS (NON-CURRENT)

| | <i>Economic Entity</i> | | | | |
|---|-----------------------------|------------------------------|--------------------------------------|----------------------------------|------------------|
| | Long-service leave benefits | Environmental rehabilitation | Post-retirement medical aid benefits | Post-retirement pension benefits | Total |
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| <i>As at 30 June 2010</i> | | | | | |
| Balance at beginning of the year | 246 984 | 363 280 | 1 988 205 | 12 706 | 2 611 175 |
| Interest cost | 24 666 | 45 315 | 222 090 | 1 463 | 293 534 |
| Service cost and transitional liability | 18 811 | (86 709) | 51 429 | 391 | (16 078) |
| Benefit payments | (32 481) | - | (101 050) | (1 367) | (134 898) |
| Actuarial loss | 47 674 | - | 237 458 | 25 | 285 157 |
| Transfer from operating account | 36 530 | 75 000 | 102 022 | 1 997 | 215 549 |
| | 342 184 | 396 886 | 2 500 154 | 15 215 | 3 254 439 |
| Transfer to current provision | (43 282) | (35 500) | (124 696) | (1 847) | (205 325) |
| Balance at end of the year | 298 902 | 361 386 | 2 375 458 | 13 368 | 3 049 114 |

| | <i>Municipality of Cape Town</i> | | | | |
|---|----------------------------------|------------------------------|--------------------------------------|----------------------------------|------------------|
| | Long-service leave benefits | Environmental rehabilitation | Post-retirement medical aid benefits | Post-retirement pension benefits | Total |
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| <i>As at 30 June 2010</i> | | | | | |
| Balance at beginning of the year | 246 984 | 363 280 | 1 988 205 | 12 706 | 2 611 175 |
| Interest cost | 24 666 | 45 315 | 222 090 | 1 463 | 293 534 |
| Service cost and transitional liability | 18 811 | (86 709) | 51 429 | 391 | (16 078) |
| Benefit payments | (32 481) | - | (101 050) | (1 367) | (134 898) |
| Actuarial loss | 47 674 | - | 237 458 | 25 | 285 157 |
| Transfer from operating account | 36 530 | 75 000 | 102 022 | 1 997 | 215 549 |
| | 342 184 | 396 886 | 2 500 154 | 15 215 | 3 254 439 |
| Transfer to current provision | (43 282) | (35 500) | (124 696) | (1 847) | (205 325) |
| Balance at end of the year | 298 902 | 361 386 | 2 375 458 | 13 368 | 3 049 114 |

Long-service leave benefits

An actuarial valuation has been performed of the Entities' liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of ten years service and every five years thereafter. The provision is utilised when eligible employees receive the value of the vested benefits.

| | 2010 | 2009 |
|----------------------------------|------|------|
| Key financial assumptions | | |
| Discount rate | 8,7% | |
| General inflation rate (CPI) | 5,5% | |
| Salary increase | 6,5% | |
| | 6,3% | |

Environmental rehabilitation

Provision is made in terms of the Entity's licensing stipulations of the landfill waste sites, for the estimated costs of rehabilitation

of waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 5,4% (2009: 5,1%) and discounted to present value at the average borrowing cost of 11,3% (2009: 11,0%), hence the difference. The payment dates of total closure and rehabilitation are uncertain but are expected to be between 2011 and 2020.

Post-retirement medical aid and pension benefits

An actuarial valuation has been performed of the Entity's liability in respect of benefits to eligible retirees and retrenched employees of the Entity. The provision is utilised when eligible employees receive the value of the vested benefits - refer to note 48 for more detail.

15. DEPOSITS

Electricity and water
Other deposits

| Economic Entity | | Municipality of Cape Town | |
|-----------------|----------------|---------------------------|----------------|
| 2010 | 2009 | 2010 | 2009 |
| R'000 | R'000 | R'000 | R'000 |
| 228 865 | 235 526 | 228 865 | 235 526 |
| 13 728 | 18 491 | 295 | - |
| 242 593 | 254 017 | 229 160 | 235 526 |

Guarantees held in lieu of electricity and water deposits were R29,63 million (2009: R29,30 million). Deposits are released when the owner/occupant of a property terminates the contract with the Entity to supply water and electricity to a property, or when certain contractual services are delivered

16. PROVISIONS

As at 30 June 2010

Other provisions
Insurance claims
Post-retirement benefits
Legal fees
Environmental rehabilitation
Leave benefits
Performance bonuses

TOTAL

| Economic Entity | | | | |
|----------------------|-------------------------|-----------------------|---------------------------|----------------------|
| Opening Balance 2010 | Transfer from operating | Transfer to operating | Transfer from non-current | Closing Balance 2010 |
| R'000 | R'000 | R'000 | R'000 | R'000 |
| 8 | 147 334 | (8) | - | 147 334 |
| 6 710 | 5 992 | (6 710) | - | 5 992 |
| 104 019 | - | (104 019) | 126 543 | 126 543 |
| 4 967 | 2 803 | (4 967) | - | 2 803 |
| 75 000 | - | (75 000) | 35 500 | 35 500 |
| 350 093 | 64 481 | (36 530) | 43 282 | 421 326 |
| 2 300 | 2 320 | (2 300) | - | 2 320 |
| 543 097 | 222 930 | (229 534) | 205 325 | 741 818 |

As at 30 June 2010

Other provisions
Insurance claims
Post-retirement benefits
Legal fees
Environmental rehabilitation
Leave benefits

TOTAL

| Municipality of Cape Town | | | | |
|---------------------------|--------------------------|------------------------|----------------------------|----------------------|
| Opening Balance 2010 | Transfers from operating | Transfers to operating | Transfers from non-current | Closing Balance 2010 |
| R'000 | R'000 | R'000 | R'000 | R'000 |
| - | 147 282 | - | - | 147 282 |
| 6 710 | 5 992 | (6 710) | - | 5 992 |
| 104 019 | - | (104 019) | 126 543 | 126 543 |
| 4 967 | 2 803 | (4 967) | - | 2 803 |
| 75 000 | - | (75 000) | 35 500 | 35 500 |
| 350 093 | 64 481 | (36 530) | 43 282 | 421 326 |
| 540 789 | 220 558 | (227 226) | 205 325 | 739 446 |

Insurance and COID claims

Provision has been made for outstanding insurance claims as at 30 June 2010, funded out of the Insurance Reserve. The assessment of claims is based on the assessed quantum of claims received.

Legal fees

Legal cost relating to the process of defending the Entity in Labour Appeal Court and Labour Court cases, for which the court dates have already been set. The calculations of these amounts are based on assessments by attorneys.

Staff leave

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

| | Economic Entity | | Municipality of Cape Town | |
|------------------------------|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 17. PAYABLES | | | | |
| Trade creditors | 1 998 953 | 1 893 575 | 1 989 653 | 1 883 216 |
| Payments received in advance | 663 885 | 563 556 | 663 885 | 563 556 |
| Accrued interest | 98 714 | 22 463 | 98 714 | 22 463 |
| Inter-company advances | 90 907 | 152 513 | 90 907 | 152 513 |
| Third-party payments | 187 675 | 161 575 | 187 675 | 161 575 |
| Other creditors | 112 405 | 51 490 | 100 151 | 39 320 |
| TOTAL | 3 152 538 | 2 845 172 | 3 130 985 | 2 822 643 |

Guarantees held in lieu of retentions were R154,36 million (2009: R16,39 million).

| | 2010 | 2009 | 2010 | 2009 |
|--|------------------|----------------|------------------|----------------|
| 18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | | | |
| Conditional grants from other spheres of government | 949 826 | 790 158 | 949 826 | 790 158 |
| Municipal infrastructure grant (MIG) | - | - | - | - |
| National government | 702 923 | 540 307 | 702 923 | 540 307 |
| Provincial Government Western Cape (PGWC) - other | 246 903 | 249 851 | 246 903 | 249 851 |
| Other conditional receipts | 98 614 | 99 663 | 98 614 | 99 663 |
| Public contributions | 98 614 | 99 663 | 98 614 | 99 663 |
| TOTAL | 1 048 440 | 889 821 | 1 048 440 | 889 821 |

These amounts are separately invested in terms of section 12 of the MFMA.- refer note 27 and 29 for more detail of grants from National and Provincial Government.

The unspent portion of the conditional grant will be spent over the next two or three years to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance for the Integrated Rapid Transport System.

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

| | | | | |
|----------------|----------------|----------------|----------------|----------------|
| 19. VAT | | | | |
| VAT payable | 406 598 | 358 184 | 406 598 | 358 184 |
| VAT receivable | (193 750) | (212 882) | (193 750) | (212 882) |
| TOTAL | 212 848 | 145 302 | 212 848 | 145 302 |

The City of Cape Town is registered for VAT on the payment basis.

| | Economic Entity | | Municipality of Cape Town | |
|---|-------------------|-------------------|---------------------------|-------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 20. HOUSING DEVELOPMENT FUND | | | | |
| Realised housing proceeds | | | | |
| Balance at beginning of the year | 341 894 | 281 098 | 341 894 | 281 098 |
| Income | 106 309 | 110 589 | 106 309 | 110 589 |
| Land sales | 42 864 | 13 119 | 42 864 | 13 119 |
| Repayments long-term debtors | 34 550 | 41 261 | 34 550 | 41 261 |
| Repayments public organisations | 3 027 | 3 047 | 3 027 | 3 047 |
| Service contributions | 5 745 | 5 837 | 5 745 | 5 837 |
| Subsidy refunds and other | 20 123 | 47 325 | 20 123 | 47 325 |
| Interest | 23 023 | 26 363 | 23 023 | 26 363 |
| Expenditure | (53 726) | (57 025) | (53 726) | (57 025) |
| Funding capital projects | (28 626) | (31 059) | (28 626) | (31 059) |
| Funding operating projects | (25 100) | (25 966) | (25 100) | (25 966) |
| Non-cash transfer to provision for impairment | (19 852) | (19 131) | (19 852) | (19 131) |
| Balance at end of the year | 397 648 | 341 894 | 397 648 | 341 894 |
| Unrealised housing proceeds | | | | |
| Balance at beginning of the year | 168 957 | 209 256 | 168 957 | 209 256 |
| Loans realised | (22 053) | (23 510) | (22 053) | (23 510) |
| Long-term housing loans | (20 577) | (22 062) | (20 577) | (22 062) |
| Long-term loans public organisations | (1 476) | (1 448) | (1 476) | (1 448) |
| Transfer to impairment provision - selling schemes | (12 609) | (16 402) | (12 609) | (16 402) |
| Transfer to impairment provision - public organisations | (471) | (387) | (471) | (387) |
| Balance at end of the year | 133 824 | 168 957 | 133 824 | 168 957 |
| Unrealised housing proceeds represent loan repayments not yet due in terms of the debtors loan agreement. | | | | |
| TOTAL | 531 472 | 510 851 | 531 472 | 510 851 |
| 21. RESERVES AND MINORITY INTEREST | | | | |
| 21.1 RESERVES | | | | |
| Capital replacement reserve | 1 180 916 | 1 042 091 | 1 180 916 | 1 042 091 |
| Insurance reserve | 658 175 | 734 458 | 658 175 | 734 458 |
| Self-insurance reserve | 612 654 | 694 790 | 612 654 | 697 703 |
| COVID reserve | 45 521 | 39 668 | 45 521 | 36 755 |
| Fair value reserve - CTCHC | - | - | - | - |
| TOTAL | 1 839 091 | 1 776 549 | 1 839 091 | 1 776 549 |
| The capital replacement reserve and the self-insurance reserve are fully funded and invested in ring-fenced financial instruments. | | | | |
| 21.2 MINORITY INTEREST | | | | |
| Balance at beginning of year | 127 072 | 123 206 | | |
| Transfer to minority: share buy-back correction | - | (683) | | |
| Share of net surplus attributable to minority interest | 7 100 | 4 549 | | |
| TOTAL | 134 172 | 127 072 | | |
| 22. ACCUMULATED SURPLUS | | | | |
| Accumulated surplus | 12 401 949 | 10 355 153 | 12 303 966 | 10 266 255 |
| Receipts, from grant funded assets acquired, to the value of R9,85 billion (2009: R8,20 billion) are included in the accumulated surplus and earmarked to fund future depreciation charges over the asset useful lives. | | | | |

| | Economic Entity | | Municipality of Cape Town | |
|---|--------------------|--------------------|---------------------------|--------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 23. PROPERTY RATES | | | | |
| <i>Actual</i> | | | | |
| Residential | | | | |
| Commercial | | | | |
| State | | | | |
| Penalties | | | | |
| | 4 189 149 | 3 558 900 | 4 192 543 | 3 561 855 |
| | 86 889 | 77 244 | 86 889 | 77 244 |
| | 4 276 038 | 3 636 144 | 4 279 432 | 3 639 099 |
| Income forgone * | (438 118) | (398 495) | (438 118) | (398 495) |
| TOTAL | 3 837 920 | 3 237 649 | 3 841 314 | 3 240 604 |
| <i>Valuations</i> | | | | |
| Rateable properties | 609 172 811 | 599 530 758 | 609 172 811 | 599 530 758 |
| Non-rateable properties | 16 509 646 | 16 174 244 | 16 509 646 | 16 174 244 |
| Total Property Valuations | 625 682 457 | 615 705 002 | 625 682 457 | 615 705 002 |
| Valuations as at July 2009 | | | | |
| Residential | 448 792 979 | 435 344 532 | 448 792 979 | 435 344 532 |
| Commercial | 126 484 355 | 126 915 504 | 126 484 355 | 126 915 504 |
| Agriculture | 3 147 331 | 8 895 965 | 3 147 331 | 8 895 965 |
| State | 32 762 683 | 31 773 932 | 32 762 683 | 31 773 932 |
| Municipal | 14 495 109 | 12 775 069 | 14 495 109 | 12 775 069 |
| Total Property Valuations | 625 682 457 | 615 705 002 | 625 682 457 | 615 705 002 |
| The last general valuation came into effect on 1 July 2007 and was based on market related values. Supplementary valuations are processed when completed by the Valuations Department and takes into account changes to individual property values. Rates are levied on a daily basis and payable monthly. Interest is raised monthly on accounts in arrears, at prime plus 1% per annum. | | | | |
| 24. SERVICE CHARGES | | | | |
| Sale of electricity | 5 659 845 | 4 222 879 | 5 665 721 | 4 227 295 |
| Sale of water | 1 482 819 | 1 281 279 | 1 483 354 | 1 281 671 |
| Waste management (solid waste) | 544 284 | 490 499 | 544 284 | 490 499 |
| Wastewater management (sewerage and sanitation) | 801 003 | 744 294 | 801 003 | 744 294 |
| Other | 378 108 | 319 116 | 241 415 | 199 456 |
| TOTAL | 8 866 059 | 7 058 067 | 8 735 777 | 6 943 215 |
| 25. RENTAL OF LETTING STOCK AND FACILITIES | | | | |
| Rental agreements | 258 631 | 240 683 | 258 631 | 240 683 |
| Hire/rentals | 22 972 | 22 877 | 22 972 | 22 875 |
| | 281 603 | 263 560 | 281 603 | 263 558 |
| Income forgone * | (32 903) | (35 136) | (32 903) | (35 136) |
| TOTAL | 248 700 | 228 424 | 248 700 | 228 422 |
| 26. FINANCE INCOME | | | | |
| Interest receivable - external investments | 361 681 | 518 630 | 351 799 | 508 720 |
| Interest receivable - outstanding debtors | 212 978 | 215 721 | 212 978 | 215 721 |
| | 574 659 | 734 351 | 564 777 | 724 441 |
| Interest transferred to external funds (conditional grants) | (62 622) | (68 180) | (62 622) | (68 180) |
| Net finance income | 512 037 | 666 171 | 502 155 | 656 261 |
| Gains on foreign exchange transactions | - | 472 | - | 472 |
| Gains on valuation of derivatives (held for trading) | 4 378 | - | 4 378 | - |
| TOTAL | 516 415 | 666 643 | 506 533 | 656 733 |

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

27. GOVERNMENT GRANTS AND SUBSIDIES**Unconditional grants**

Equitable share

Fuel levy

Conditional grants

Municipal infrastructure grants (MIG)

Provincial health subsidies

Metropolitan Transport Advisory Board

National projects

Provincial projects - other

Other

TOTAL

| | Economic Entity | | Municipality of Cape Town | |
|---------------------------------------|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| | 1 982 501 | 1 732 382 | 1 982 501 | 1 732 382 |
| Equitable share | 610 891 | 486 734 | 610 891 | 486 734 |
| Fuel levy | 1 371 610 | 1 245 648 | 1 371 610 | 1 245 648 |
| | 2 509 167 | 3 442 455 | 2 509 167 | 3 442 455 |
| Municipal infrastructure grants (MIG) | 298 552 | 384 305 | 298 553 | 384 305 |
| Provincial health subsidies | 126 907 | 115 310 | 126 907 | 115 310 |
| Metropolitan Transport Advisory Board | 89 075 | 65 022 | 25 718 | 65 022 |
| National projects | 1 490 954 | 2 140 788 | 1 490 954 | 2 140 788 |
| Provincial projects - other | 483 554 | 647 094 | 546 910 | 647 094 |
| Other | 20 125 | 89 936 | 20 125 | 89 936 |
| TOTAL | 4 491 668 | 5 174 837 | 4 491 668 | 5 174 837 |

The Entity does not foresee a significant decrease in the level of grant funding.

Unconditional grant

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

Municipal infrastructure grant projects

Balance unspent at beginning of year

Regrouping adjustments

Current year receipts

Adjustments

Conditions met - transferred to revenue

Amounts still to be claimed

Conditions still to be met - transferred to liabilities - refer note 18

| | | | | |
|--|-----------|-----------|-----------|-----------|
| | - | (60 913) | - | (60 913) |
| Regrouping adjustments | 91 224 | - | 91 224 | - |
| Current year receipts | (327 790) | (245 447) | (327 790) | (245 447) |
| Adjustments | 8 420 | - | 8 420 | - |
| Conditions met - transferred to revenue | 298 553 | 384 305 | 298 553 | 384 305 |
| Amounts still to be claimed | (70 407) | (77 945) | (70 407) | (77 945) |
| Conditions still to be met - transferred to liabilities - refer note 18 | - | - | - | - |

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

Provincial health subsidies

Balance unspent at beginning of year

Current year receipts - included in public health vote - see Appendix F

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities

| | | | | |
|---|-----------|-----------|-----------|-----------|
| | - | - | - | - |
| Current year receipts - included in public health vote - see Appendix F | (126 907) | (115 310) | (126 907) | (115 310) |
| Conditions met - transferred to revenue | 126 907 | 115 310 | 126 907 | 115 310 |
| Conditions still to be met - transferred to liabilities | - | - | - | - |

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

Provincial projects and MTAB

Balance unspent at beginning of year

Regrouping adjustment

Current year receipts

Interest earned

Adjustments

Conditions met - transferred to revenue

Amounts still to be claimed

Conditions still to be met - transferred to liabilities - refer note 18

| | | | | |
|--|------------------|------------------|------------------|------------------|
| | (249 851) | (326 499) | (249 851) | (326 499) |
| Regrouping adjustment | 9 492 | 8 847 | 8 428 | 8 847 |
| Current year receipts | (510 714) | (568 111) | (510 714) | (568 111) |
| Interest earned | (8 260) | (11 557) | (8 260) | (11 557) |
| Adjustments | (57 903) | (43 676) | (57 903) | (43 676) |
| Conditions met - transferred to revenue | 572 628 | 712 116 | 572 628 | 712 116 |
| Amounts still to be claimed | (2 295) | (20 971) | (1 231) | (20 971) |
| Conditions still to be met - transferred to liabilities - refer note 18 | (246 903) | (249 851) | (246 903) | (249 851) |

| | Economic Entity | | Municipality of Cape Town | |
|--|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| <i>National Government projects</i> | | | | |
| Balance unspent at beginning of year | (540 307) | (1 079 034) | (540 307) | (1 079 034) |
| Regrouping adjustment | 16 562 | 480 458 | 16 562 | 480 458 |
| Current year receipts | (1 675 666) | (1 525 244) | (1 675 666) | (1 525 244) |
| Interest earned | (42 360) | (36 656) | (42 360) | (36 656) |
| Adjustments | 22 035 | (2 044) | 22 035 | (2 044) |
| Conditions met - transferred to revenue | 1 490 954 | 2 140 788 | 1 490 954 | 2 140 788 |
| Amounts still to be claimed | 25 859 | (518 575) | 25 859 | (518 575) |
| Conditions still to be met - transferred to liabilities - refer note 18 | (702 923) | (540 307) | (702 923) | (540 307) |

These grants received from National Government are for operational and capital expenditure (such as budget reform, restructuring, urban renewal, etc.). Other than the amounts unspent, the conditions of the grants have been met - refer Appendix F.

28. OTHER INCOME

| | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|
| Insurance recoveries | 1 316 | 1 156 | 1 009 | 1 156 |
| Bulk infrastructure levies | 77 373 | 100 654 | 77 373 | 100 654 |
| City improvement district (CIDs) | 68 709 | 58 528 | 68 709 | 58 528 |
| Skills development levy | 18 437 | 18 386 | 18 437 | 18 386 |
| Other income | 101 806 | 47 443 | 94 391 | 40 689 |
| TOTAL | 267 641 | 226 167 | 259 919 | 219 413 |

29. PUBLIC CONTRIBUTIONS

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Public contributions: Consumer connections | 32 395 | 30 643 | 32 395 | 30 643 |
| Other | 51 554 | 38 781 | 51 554 | 60 613 |
| TOTAL | 83 949 | 69 424 | 83 949 | 91 256 |

Public contributions and other third-party funds

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Balance unspent at beginning of year | (99 663) | (96 438) | (99 663) | (96 438) |
| Regrouping adjustment | 75 | 1 257 | 75 | 1 257 |
| Current year receipts | (50 934) | (46 658) | (50 934) | (46 658) |
| Interest earned | (1 838) | (2 444) | (1 838) | (2 444) |
| Adjustments | (28 399) | (24 777) | (28 399) | (24 777) |
| Conditions met - transferred to revenue | 83 949 | 69 424 | 83 949 | 69 424 |
| Amounts still to be claimed | (1 804) | (27) | (1 804) | (27) |
| Conditions still to be met - transferred to liabilities - refer note 18 | (98 614) | (99 663) | (98 614) | (99 663) |

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

30. EMPLOYEE-RELATED COSTS

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Salaries and wages | 3 538 626 | 3 017 933 | 3 510 920 | 2 995 375 |
| Social contributions - UIF, pensions and medical aid | 884 635 | 771 814 | 881 642 | 769 183 |
| Travel, motor car, accommodation, subsistence and other allowances | 252 200 | 244 085 | 252 200 | 243 958 |
| Housing benefits and allowances | 43 831 | 55 926 | 43 831 | 55 926 |
| Overtime payments | 261 101 | 226 984 | 260 781 | 226 815 |
| Staff parity provision | - | (101 074) | - | (101 074) |
| Performance bonus - net contribution | 1 685 | 1 896 | - | - |
| Contribution: post-retirement and long-service | 657 138 | 368 616 | 657 138 | 368 616 |
| | 5 639 216 | 4 586 180 | 5 606 512 | 4 558 799 |
| Expenditure recharged to capital projects | (19 524) | (21 022) | (19 524) | (21 022) |
| TOTAL | 5 619 692 | 4 565 158 | 5 586 988 | 4 537 777 |

Remuneration of executives

Analysis of remuneration benefits

| | Total R'000 | Annual Salary R'000 | Performance Bonus R'000 | Car Allowance R'000 | Social Contribution R'000 |
|--------------------------------------|----------------|---------------------------|-------------------------------|---------------------------|---------------------------------|
| 2010 | | | | | |
| City Manager | 1 432 | 1 181 | - | 51 | 200 |
| Finance | 1 162 | 875 | - | 117 | 170 |
| Health | 1 112 | 774 | 44 | 133 | 161 |
| Integrated human settlement services | 1 136 | 968 | - | 14 | 154 |
| Service delivery integration | 1 287 | 1 081 | - | 36 | 170 |
| Economic and social development | 1 067 | 852 | - | 72 | 143 |
| Safety and security | 1 064 | 802 | 42 | 95 | 125 |
| Community development | 1 162 | 940 | - | 84 | 138 |
| Corporate services | 1 134 | 929 | - | 60 | 145 |
| Strategy and planning | 1 135 | 1 084 | - | 49 | 2 |
| Transport, roads and stormwater | 943 | 846 | - | - | 97 |
| Utility services | 1 209 | 1 011 | - | 48 | 150 |
| Internal audit | 1 070 | 996 | - | 72 | 2 |
| Chief executive officer (CTICC) | 1 114 | 1 013 | 101 | - | - |
| | 16 027 | 13 352 | 187 | 831 | 1 657 |

Analysis of remuneration benefits

| | Total R'000 | Annual Salary R'000 | Performance Bonus R'000 | Car Allowance R'000 | Social Contribution R'000 |
|--------------------------------------|----------------|---------------------------|-------------------------------|---------------------------|---------------------------------|
| 2009 | | | | | |
| City Manager | 1 467 | 1 053 | 140 | 50 | 224 |
| Finance | 1 170 | 775 | 133 | 110 | 152 |
| Health | 1 023 | 724 | 19 | 133 | 147 |
| Integrated human settlement services | 1 127 | 855 | 112 | 30 | 130 |
| Service delivery integration | 1 288 | 916 | 127 | 85 | 160 |
| Economic and social development | 1 071 | 763 | 106 | 72 | 130 |
| Safety and security | 1 043 | 767 | 17 | 146 | 113 |
| Community development | 1 155 | 834 | 114 | 84 | 123 |
| Corporate services | 1 131 | 820 | 116 | 60 | 135 |
| Strategy and planning | 1 083 | 968 | 65 | 48 | 2 |
| Transport, roads and stormwater | 1 034 | 867 | 62 | - | 105 |
| Utility services | 1 206 | 905 | 119 | 48 | 134 |
| Internal audit | 1 067 | 888 | 105 | 72 | 2 |
| Chief executive officer (CTICC) | 962 | 865 | 97 | - | - |
| | 15 827 | 12 000 | 1 332 | 938 | 1 557 |

Economic Entity

Municipality of Cape Town

| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
|--|---------------|---------------|---------------|---------------|
| 31. REMUNERATION OF COUNCILLORS | | | | |
| Executive Mayor | 853 | 768 | 853 | 768 |
| Deputy Executive Mayor | 672 | 694 | 672 | 694 |
| Speaker | 672 | 620 | 672 | 620 |
| Chief Whip | 631 | 591 | 631 | 591 |
| Mayoral Committee members | 6 522 | 5 981 | 6 522 | 5 981 |
| Sub-council chairpersons | 14 617 | 13 038 | 14 617 | 13 038 |
| Councillors | 51 899 | 48 966 | 51 899 | 48 966 |
| Councillors' pension contributions | 7 455 | 6 971 | 7 455 | 6 971 |
| Board members/directors/trustee fees* | 226 | 80 | - | - |
| TOTAL | 83 547 | 77 709 | 83 321 | 77 629 |

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full-time, and have access to Council's vehicles for official functions.

Sub-council Chairpersons and full-time councillors are provided with an office and administrative and secretarial support at the cost of Council.

The Executive Mayor has two full-time bodyguards, and all councillors have access to security in terms of the councillors' security policy.

Councillors are provided with work stations/ward offices, which are appropriately equipped. Computers are provided to councillors, either in their offices or at their homes.

* Board members/directors/trustee fees relate to fees i.r.o the Cape Town International Convention Centre and the Cape Town Community Housing Company.

| | Economic Entity | | Municipality of Cape Town | |
|---|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 32. IMPAIRMENT COSTS | | | | |
| Allowances for impairment losses | 626 479 | 725 498 | 623 414 | 724 585 |
| Irrecoverable debts written-off | - | 47 216 | - | 47 216 |
| Impairment of investment | - | (5 184) | - | (5 184) |
| Impairment of property, plant and equipment | 52 040 | 136 283 | 52 040 | 136 283 |
| TOTAL | 678 519 | 903 813 | 675 454 | 902 900 |
| Impairment of property relates to land made available for informal housing opportunities. | | | | |
| 33. DEPRECIATION AND AMORTISATION EXPENSES | | | | |
| Depreciation of property, plant and equipment | 998 343 | 729 183 | 977 948 | 710 302 |
| Depreciation of investment property | 4 464 | 4 441 | 4 464 | 4 441 |
| Amortisation of intangible assets | 8 937 | 18 983 | 8 937 | 18 983 |
| TOTAL - Refer notes 2, 4, 5, 6 and Appendix B | 1 011 744 | 752 607 | 991 349 | 733 726 |
| 34. REPAIRS AND MAINTENANCE | | | | |
| Repairs and maintenance expenditure – refer note 47.3 | 839 677 | 696 704 | 832 374 | 689 390 |
| These amounts only represent the primary direct cost spent on repair and maintenance. The full amount spent on repairs and maintenance inclusive of secondary costs amounts to R1,55 billion. | | | | |
| 35. FINANCE COSTS | | | | |
| Interest expense | 601 347 | 397 395 | 599 570 | 396 027 |
| Long-term borrowings (amortised cost) | 577 075 | 371 070 | 575 298 | 369 702 |
| Finance leases (amortised cost) | 24 272 | 26 325 | 24 272 | 26 325 |
| Loss on valuation of derivatives (held for trading) | - | 10 365 | - | 10 365 |
| Amortisation of bond issue expenses | 226 | 141 | 226 | 141 |
| Loss on foreign exchange transactions | 166 | 65 | 5 | 37 |
| TOTAL | 601 739 | 407 966 | 599 801 | 406 570 |
| 36. BULK PURCHASES | | | | |
| Electricity | 3 392 122 | 2 624 556 | 3 392 122 | 2 624 556 |
| Water | 279 142 | 249 471 | 279 142 | 249 471 |
| TOTAL | 3 671 264 | 2 874 027 | 3 671 264 | 2 874 027 |

| | Economic Entity | | Municipality of Cape Town | |
|--|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 37. GRANTS AND SUBSIDIES PAID | | | | |
| Ad hoc | 31 | 55 | - | - |
| Community upliftment | 5 882 | 2 015 | 5 882 | 9 852 |
| Destination marketing organisation and tourism | 57 900 | 92 089 | 64 766 | 92 089 |
| Economic promotion and job creation | 259 | 2 980 | 259 | 2 980 |
| Educational Institutions and health forums | 1 779 | 1 443 | 1 779 | 1 443 |
| Health and HIV/Aids/TB | 1 553 | 1 099 | 1 553 | 1 099 |
| Programmes, conferences and events | 411 | 960 | 411 | 960 |
| Senior citizens and disabled | - | 763 | - | 763 |
| Social arts and culture and other | 6 466 | 6 476 | 6 466 | 6 476 |
| Sporting bodies | 4 232 | 4 628 | 4 232 | 4 628 |
| Wesgro | 8 845 | 8 190 | 8 845 | 8 190 |
| Khayelitsha Community Trust | 6 866 | 7 837 | - | - |
| TOTAL | 94 224 | 128 535 | 94 193 | 128 480 |
| 38. GENERAL EXPENSES | | | | |
| Chemicals | 84 848 | 67 352 | 84 848 | 67 352 |
| Communication and publication | 32 576 | 22 630 | 30 376 | 22 630 |
| Computer services and software | 32 163 | 33 191 | 30 004 | 30 901 |
| Consultants | 149 788 | 127 183 | 146 313 | 125 003 |
| Electricity - Eskom payments | 52 774 | 41 756 | 52 740 | 41 363 |
| Fuel | 131 116 | 157 716 | 130 890 | 157 627 |
| Furniture and fittings | - | 1 197 | - | 1 197 |
| Hire charges | 134 562 | 185 450 | 134 211 | 185 069 |
| Legal fees | 28 680 | 21 837 | 28 424 | 21 590 |
| Levy: Skills development | 37 936 | 33 499 | 37 936 | 33 499 |
| Licenses and permits | 63 322 | 50 929 | 63 322 | 50 929 |
| Materials and consumables | 302 682 | 281 963 | 286 488 | 266 005 |
| City Improvement Districts (CIDs) | - | - | 66 648 | 56 772 |
| Minor tools and equipment | 42 121 | 49 632 | 42 118 | 49 632 |
| Pharmaceutical supplies | 57 958 | 53 552 | 57 958 | 53 552 |
| Postage and courier | 26 294 | 22 467 | 26 254 | 22 437 |
| Printing and stationary | 63 658 | 63 933 | 63 133 | 63 665 |
| Rental | 54 145 | 44 079 | 52 158 | 41 688 |
| Inventory: taken on/scrapping - refer note 8 | (806) | 606 | (806) | 606 |
| Security services | 252 718 | 211 620 | 248 389 | 208 029 |
| Sewerage services - disposals external | 25 344 | 24 349 | 25 344 | 24 349 |
| Telecommunications | 117 171 | 109 609 | 115 772 | 108 816 |
| Training | 59 297 | 47 982 | 58 585 | 47 472 |
| Insurance: claims | 24 054 | 25 321 | 24 054 | 25 321 |
| Insurance: underwriting | 22 447 | 21 640 | 22 447 | 20 478 |
| Indigent relief | 321 187 | 286 035 | 321 187 | 286 035 |
| Contributions, transfers and other | 536 084 | 496 681 | 509 992 | 470 394 |
| | 2 652 119 | 2 482 209 | 2 658 785 | 2 482 411 |
| Expenditure recharged to capital projects | (2 481) | (3 524) | (2 481) | (3 524) |
| TOTAL | 2 649 638 | 2 478 685 | 2 656 304 | 2 478 887 |

| | Economic Entity | | Municipality of Cape Town | |
|---|--------------------|--------------------|---------------------------|--------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 39. TAXATION | | | | |
| <i>Deferred taxation:</i> | | | | |
| Cape Town International Convention Centre (Pty) Ltd: | | | | |
| Deferred income taxes are calculated on all temporary differences under the balance sheet method using a tax rate of 28% (2009: 28%). | | | | |
| At beginning of the year | 11 050 | 10 064 | | |
| Temporary differences | (1 366) | 986 | | |
| At end of the year | 9 684 | 11 050 | | |
| The balance comprises: | | | | |
| Capital allowance (non-deductible temporary difference) | 9 684 | 11 050 | | |
| Statement of Performance charge | | | | |
| Taxation income | | | | |
| South African normal | | | | |
| Current year: CTICC | 5 587 | 5 006 | | |
| City Improvement Districts | 123 | 61 | | |
| | 5 710 | 5 067 | | |
| 40. CASH GENERATED BY OPERATIONS | | | | |
| Surplus for the year | 2 142 769 | 3 179 149 | 2 120 874 | 3 197 445 |
| Adjustment for : | 1 942 986 | 1 172 701 | 1 927 256 | 1 147 966 |
| Fair value reserve | - | (421) | - | - |
| Depreciation | 1 011 744 | 752 607 | 991 349 | 733 726 |
| Impairment | 52 040 | 136 283 | 52 040 | 136 283 |
| Gain and loss on disposal of assets | (75 710) | (165 851) | (76 067) | (180 000) |
| Loss on valuation of derivatives | (4 378) | 10 365 | (4 378) | 10 365 |
| Contribution to provisions | 636 660 | 195 848 | 636 596 | 195 485 |
| Contribution to impairment provision | 237 306 | 502 547 | 234 447 | 502 270 |
| Finance income | (516 415) | (666 643) | (506 533) | (656 733) |
| Finance costs | 601 739 | 407 966 | 599 801 | 406 570 |
| Operating surplus before working capital changes: | 4 085 755 | 4 351 850 | 4 048 130 | 4 345 411 |
| Decrease in inventories | 1 791 | 26 662 | 3 209 | 16 051 |
| Increase in trade receivables | (714 718) | (881 122) | (714 301) | (881 226) |
| Increase/(decrease) in other receivables | 118 035 | (86 189) | 117 295 | (86 601) |
| Increase/(decrease) in unspent conditional grants and receipts | 158 619 | (673 815) | 158 619 | (673 063) |
| Increase in payables | 231 116 | 416 691 | 232 091 | 431 850 |
| Increase/(decrease) in net VAT | 67 546 | 1 599 | 67 546 | (6) |
| Cash generated by operations | 3 948 144 | 3 155 676 | 3 912 589 | 3 152 416 |
| 41. CASH AND CASH EQUIVALENTS | | | | |
| Balance at end of the year | 4 628 453 | 2 757 951 | 4 486 176 | 2 631 951 |
| Balance at beginning of the year | (2 757 951) | (1 268 546) | (2 631 951) | (1 158 827) |
| Net increase in cash and cash equivalents - refer note 12 | 1 870 502 | 1 489 405 | 1 854 225 | 1 473 124 |
| 42. UTILISATION OF LONG-TERM BORROWINGS RECONCILIATION | | | | |
| Long-term borrowings raised - refer Appendix A | 2 000 000 | 1 200 000 | 2 000 000 | 1 200 000 |
| EFF earmarked capital expenditure | (3 810 138) | (3 421 955) | (3 810 138) | (3 421 955) |
| 2008/9 and prior years | (1 763 419) | (1 812 519) | (1 763 419) | (1 812 519) |
| 2009/10 | (2 046 719) | (1 609 436) | (2 046 719) | (1 609 436) |
| Total EFF (overdrawn) | (1 810 138) | (2 221 955) | (1 810 138) | (2 221 955) |
| Cash set aside for the repayment of long-term borrowings - refer note 7 and 13 | 248 387 | 416 537 | 248 387 | 416 537 |
| Cash overdrawn | (1 561 751) | (1 805 418) | (1 561 751) | (1 805 418) |

| | Economic Entity | | Municipality of Cape Town | |
|---|-----------------|---------------|---------------------------|---------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 43. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES | | | | |
| 43.1 Irregular expenditure | | | | |
| Opening balance | - | - | - | - |
| Irregular expenditure – supply chain regulation | 3 355 | - | 1 965 | - |
| Closing balance (awaiting authorisation) | 3 355 | - | 1 965 | - |
| 43.2 Fruitless and wasteful expenditure | | | | |
| Opening balance | 1 318 | 127 269 | 1 186 | 127 266 |
| Fruitless expenditure current year | 8 | 351 | - | 219 |
| Approved by Council | (1 055) | (126 302) | (923) | (126 299) |
| Closing balance | 271 | 1 318 | 263 | 1 186 |

| Incident | Proceedings | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
|--|--------------------------------------|---------------|---------------|---------------|---------------|
| Late payment interest - SARS | Awaiting condonement by Council | 8 | 132 | - | - |
| Time theft | Council referred the matter to SCOPA | 263 | 263 | 263 | 263 |
| Arrear staff debtor | Council referred the matter to SCOPA | - | 466 | - | 466 |
| Splitting of orders | Council referred the matter to SCOPA | - | 238 | - | 238 |
| Foreign exchange loss | Council referred the matter to SCOPA | - | 219 | - | 219 |
| Estimated irregular expenditure | | 271 | 1 318 | 263 | 1 186 |

43.3 Material losses

| | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|
| Water losses: Bulk | 70 263 | 63 838 | 70 263 | 63 838 |
| Reticulation (normal distribution) | 423 598 | 363 637 | 423 598 | 363 637 |
| Electricity losses | 485 553 | 404 288 | 485 553 | 404 288 |
| Total | 979 414 | 831 763 | 979 414 | 831 763 |

Water losses

In the current year the bulk water losses were 8,2% (2009: 7,6%) and water reticulation losses were 20,6% (2009: 19,6%). The percentage unaccounted for water between the treatment plant and points of connection to the bulk system or reservoirs is thought to be predominantly due to metering inefficiencies which is an apparent loss.

Water not accounted for due to technical losses, that is, burst and leaks in reticulation mains would, with adequate funding provided for maintenance, be reduced to the extent of bringing the unaccounted for water losses down by 1,5%. This is critical in the sense that technical losses are real losses (water going into the ground) whereas apparent losses are more about accounting for water used.

Electricity losses

In the current year the energy losses were 7,7% (2009: 8,4%). Losses are split into technical and non technical, technical is as a result of the very nature of electricity and the way it is conducted, via lines, status/condition and age of the network, weather conditions, and load on the system.

Non technical losses are as a result of theft or vandalism. It is impossible to measure either of these as all of the above is ever changing. Some benchmarking indicates that an acceptable percentage is between 10% and 15%.

| Economic Entity | | Municipality of Cape Town | |
|-----------------|-------|---------------------------|-------|
| 2010 | 2009 | 2010 | 2009 |
| R'000 | R'000 | R'000 | R'000 |

44. ADDITIONAL DISCLOSURES

44.1 SUPPLY CHAIN MANAGEMENT REGULATIONS – City of Cape Town

44.1.1 Deviations

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

Incident

| | | | | |
|--|------------------|----------------|------------------|----------------|
| Appointment of consultants | 105 566 | 200 195 | 105 566 | 200 195 |
| Information technology upgrade | 104 294 | 30 144 | 104 294 | 30 144 |
| Upgrading of electricity services | 5 938 | 40 572 | 5 938 | 40 572 |
| Extension of contract | 19 969 | 134 196 | 19 969 | 134 196 |
| Upgrading of road infrastructure | 66 535 | 28 796 | 66 535 | 28 796 |
| Supply and delivery of plant and equipment | 339 294 | 29 235 | 339 294 | 29 235 |
| Other | 310 461 | 171 142 | 258 658 | 169 338 |
| Deviations less than R200 000 | 258 658 | 195 736 | 267 525 | 195 736 |
| Total amount condoned | 1 210 715 | 830 016 | 1 167 779 | 828 212 |

44.2 MUNICIPAL FINANCE MANAGEMENT ACT

44.2.1 Section 124

Disclosures concerning councillors, directors and officials

Councillors' arrear consumer accounts – City of Cape Town

As at 30 June 2010, no councillors had arrear accounts outstanding for more than 90 days

As at 30 June 2009, no councillors had arrear accounts outstanding for more than 90 days.

44.2.2 Section 125

Other compulsory disclosures

| | SALGA contributions R'000 | Audit fees R'000 | PAYE UIF R'000 | Pension and medical aid R'000 |
|--|------------------------------|---------------------|-------------------|----------------------------------|
| As at 30 June 2010 | | | | |
| Opening balance | - | 80 | 44 181 | 105 349 |
| Subscriptions/fees | - | 17 676 | 656 191 | 1 404 527 |
| Amount paid - current year | - | (16 380) | (602 969) | (1 281 869) |
| - previous years | - | (80) | (44 181) | (105 349) |
| Balance unpaid (included in payables) | - | 1 296 | 53 222 | 122 658 |

| | SALGA contributions R'000 | Audit fees R'000 | PAYE UIF R'000 | Pension and medical aid R'000 |
|--|------------------------------|---------------------|-------------------|----------------------------------|
| As at 30 June 2009 | | | | |
| Opening balance | - | 497 | 38 976 | 90 263 |
| Subscriptions/fees | 12 000 | 16 152 | 587 358 | 1 213 335 |
| Amount paid - current year | (6 000) | (16 072) | (543 177) | (1 107 986) |
| Amount paid - previous years | (6 000) | (497) | (38 976) | (90 263) |
| Balance unpaid (included in payables) | - | 80 | 44 181 | 105 349 |

| | Economic Entity | | Municipality of Cape Town | |
|---|------------------|------------------|---------------------------|------------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| 45. COMMITMENTS | | | | |
| 45.1 CAPITAL COMMITMENTS | | | | |
| Commitments in respect of capital expenditure | | | | |
| Approved and contracted for: | | | | |
| Infrastructure | 873 264 | 3 246 639 | 873 264 | 3 246 639 |
| Community | 19 673 | 21 929 | 19 673 | 21 929 |
| Heritage | 4 585 | 144 | 4 585 | 144 |
| Other | 766 025 | 42 981 | 766 025 | 42 981 |
| TOTAL | 1 663 547 | 3 311 693 | 1 663 547 | 3 311 693 |

This expenditure will be financed from:

| | | | | |
|-------------------------|------------------|------------------|------------------|------------------|
| External loans | 401 957 | 1 541 343 | 401 957 | 1 541 343 |
| Asset financing reserve | 25 854 | 287 760 | 25 854 | 287 760 |
| Government grants | 1 228 569 | 1 482 590 | 1 228 569 | 1 482 590 |
| Other sources | 7 167 | - | 7 167 | - |
| TOTAL | 1 663 547 | 3 311 693 | 1 663 547 | 3 311 693 |

45.2 OPERATING LEASE COMMITMENTS

The City as Lessee

Future minimum lease payments under non-cancellable operating leases:

Land and buildings

| | 160 871 | 81 738 | 92 337 | 15 528 |
|----------------------------------|---------|--------|--------|--------|
| Payable within one year | 47 250 | 15 599 | 45 906 | 12 620 |
| Payable within two to five years | 53 609 | 9 039 | 46 431 | 2 908 |
| Payable after five years | 60 012 | 57 100 | - | - |

Vehicles and other equipment

| | 14 133 | 42 859 | 14 133 | 42 859 |
|----------------------------------|----------------|----------------|----------------|---------------|
| Payable within one year | 13 396 | 28 880 | 13 396 | 28 880 |
| Payable within two to five years | 605 | 13 790 | 605 | 13 790 |
| Payable after five years | 132 | 189 | 132 | 189 |
| TOTAL | 175 004 | 124 597 | 106 470 | 58 387 |

Minimum lease payments for the Entity, recognised as an expense during the period under review amount to R39,80 million (2009: R53,40 million). Leased premises are contracted for the remaining periods of between one and four years, with renewable options available in certain instances.

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

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

| Economic Entity | | Municipality of Cape Town | |
|-----------------|-------|---------------------------|-------|
| 2010 | 2009 | 2010 | 2009 |
| R'000 | R'000 | R'000 | R'000 |

The Entity as lessor

At Statement of Financial Performance date, the Entity has contracted with tenants for the following future minimum lease:

Buildings

Payable within one year
 Payable within two to five years
 Payable after five years

| 477 043 | 529 429 | 477 731 | 530 022 |
|---------|---------|---------|---------|
| 54 245 | 52 084 | 54 933 | 52 677 |
| 157 460 | 175 448 | 157 460 | 175 448 |
| 265 338 | 301 897 | 265 338 | 301 897 |

Other equipment

Payable within one year

| | | | |
|---|---|---|---|
| - | 3 | - | 3 |
| - | 3 | - | 3 |

| | | | |
|----------------|----------------|----------------|----------------|
| 477 043 | 529 432 | 477 731 | 530 025 |
|----------------|----------------|----------------|----------------|

The Entity lets properties under operating leases. Rental income earned during the year was R54,93 million (2009: R52,68 million).

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a increase in current year income of R6,60 million.

46. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the Entities operations. The note presents information about the Entities exposure to each of the above risks, policies and processes for measuring and managing risk, and the Entities management of capital. Further quantitative disclosures are included throughout these financial statements.

The Entity has established a risk management committee, which is responsible for developing and monitoring the Entity's risk management policies. A member of this committee, representing the Entity's audit committee, reports quarterly to the audit committee. The risk management committee policies are established to identify and analyse the risk faced by the Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the Entity's activities.

The accounting policy for financial instruments was applied to the following Statement of Financial Position items.

| Financial assets | Held to maturity investments | Loans and receivables | Net assets and non financial assets | Total carrying amount | Fair value |
|---------------------------|------------------------------|-----------------------|-------------------------------------|-----------------------|------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| 2010 | | | | | |
| Investments | 291 277 | - | - | 291 277 | 324 167 |
| Long-term receivables | - | 136 709 | - | 136 709 | 136 709 |
| Trade receivables | - | 3 360 962 | - | 3 360 962 | 3 360 962 |
| Other receivables | - | 315 208 | 1 006 | 316 215 | 316 215 |
| Cash and cash equivalents | - | 4 628 453 | - | 4 628 453 | 4 628 453 |
| | 291 277 | 8 441 332 | 1 006 | 8 733 615 | 8 766 505 |
| 2009 | | | | | |
| Investments | 1 393 951 | - | - | 1 393 951 | 1 452 497 |
| Long-term receivables | - | 179 210 | - | 179 210 | 179 210 |
| Trade receivables | - | 2 743 236 | - | 2 743 236 | 2 743 236 |
| Other receivables | - | 450 112 | 1 576 | 451 688 | 451 688 |
| Cash and cash equivalents | - | 2 757 951 | - | 2 757 951 | 2 757 951 |
| | 1 393 951 | 6 130 509 | 1 576 | 7 526 036 | 7 584 582 |

| Financial liabilities | Fair value through profit and loss R'000 | Amortised costs R'000 | Net assets and non financial liabilities R'000 | Total carrying amount R'000 | Fair value R'000 |
|--|---|--------------------------|---|--------------------------------|---------------------|
| 2010 | | | | | |
| Long-term borrowings | - | 5 830 338 | - | 5 830 338 | 5 950 450 |
| Consumer deposits | - | 242 593 | - | 242 593 | 242 593 |
| Payables | - | 2 488 654 | 663 885 | 3 152 538 | 3 152 538 |
| Derivative financial instruments - current | - | - | - | - | - |
| | - | 8 561 585 | 663 885 | 9 225 470 | 9 345 582 |
| 2009 | | | | | |
| Long-term borrowings | - | 4 307 684 | - | 4 307 684 | 4 315 899 |
| Derivative financial instruments | - | 254 017 | - | 254 017 | 254 017 |
| Consumer deposits | - | 2 281 616 | 563 556 | 2 845 172 | 2 845 172 |
| Payables | 4 378 | - | - | 4 378 | 4 378 |
| | 4 378 | 6 843 317 | 563 556 | 7 411 251 | 7 419 466 |

45.1 Fair values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS7. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

- Level 1: fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.
- Level 2: fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|------------------------------|------------------|------------------|------------------|------------------|
| Financial assets | | | | |
| 2010 | | | | |
| Investments | 44 415 | 279 752 | - | 324 167 |
| Cash and cash equivalents | - | 4 628 453 | - | 4 628 453 |
| | 44 415 | 4 908 205 | - | 4 952 620 |
| 2009 | | | | |
| Investments | 37 830 | 1 414 667 | - | 1 452 497 |
| Cash and cash equivalents | - | 2 757 951 | - | 2 757 951 |
| | 37 830 | 4 172 618 | - | 4 210 448 |
| Financial liabilities | | | | |
| 2010 | | | | |
| Long-term borrowings | - | 5 950 450 | - | 5 950 450 |
| | - | 5 950 450 | - | 5 950 450 |
| 2009 | | | | |
| Long-term borrowings | - | 4 315 899 | - | 4 315 899 |

| | | | |
|---|-----------|---|-----------|
| - | 4 315 899 | - | 4 315 899 |
|---|-----------|---|-----------|

Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Available-for-sale investments

The fair values of some investments are estimated, based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables/deposits

The fair value of trade and other receivables/payables/deposits, is estimated at the present value of future cash flows, except for retentions, which are payables discounted at the market rate of interest at the reporting date.

46.1 Credit risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Entity's investments, loans, trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 30 June was:

| | Economic Entity | | Municipality of Cape Town | |
|--|-----------------|------------|---------------------------|------------|
| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
| | | | | 1 |
| | | | | 39 |
| | | | | 3 |
| Investments - refer note 7 | 291 | 393 | 291 | 95 |
| | 277 | 951 | 277 | 1 |
| | | | | 17 |
| | | | | 9 |
| Loans receivable - refer note 8 | 136 | 179 | 136 | 21 |
| | 709 | 210 | 538 | 0 |
| | | | | 3 |
| | | | | 15 |
| Trade and other receivables - refer note 10 and 11 | 3 | 3 | 3 | 1 |
| | 676 | 193 | 658 | 20 |
| | 170 | 348 | 045 | 6 |
| | | | | 2 |
| | | | | 63 |
| Cash and cash equivalents - refer note 12 | 4 | 2 | 4 | 1 |
| | 628 | 757 | 486 | 95 |
| | 453 | 951 | 176 | 1 |
| | | | | 7 |
| | | | | 35 |
| | 8 | 7 | 8 | 6 |
| | 732 | 524 | 572 | 31 |
| Total | 610 | 460 | 036 | 8 |

Investments

The Entity limits its exposure to credit risk by only investing with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with the approved investment policy. Consequently, the entity does not consider there to be any significant exposure to credit risk.

Loans receivable

Loans are granted and managed in accordance with policies and regulations as set out in note 8. The associated interest rates and repayments are clearly defined and where appropriate, the entity obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

Trade and other receivables

Trade and other receivables are amounts owing by consumers and are presented net of impairment losses. The Entity has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Entity is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Entity's strategy on managing its risk includes encouraging residents to install water management devices which control water flow to households and pre-paid electricity meters. In certain instances a deposit is required for new service connections serving as a guarantee.

The Entity's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The Entity has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. The Entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables. The outstanding amounts of the 10 largest debtors represent 1.7% of the total outstanding balance. The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime plus 1% on any unpaid accounts after due date. The Entity has provided fully for all receivables outstanding over 365 days. Trade receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of trade receivable and other is given in note 10 and 11.

Payment of accounts of consumer debtors unable to pay, are re-negotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Cash and cash equivalents

The Entity limits its exposure to credit risk by only investing with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with Council's approved investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

46.2 Liquidity risk

Liquidity risk is the risk that the Entity will not be able to meet its obligations as they fall due. The Entity's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Entity's reputation.

The Entity ensures that it has sufficient cash on demand to meet expected operational expenses through the use of cash flow forecasts.

On average, 91.99% of trade receivables and other (own billed) income are realised within 30 days after due date and trade payables are settled within 30 days of invoice. National and provincial grant funding is received in terms of the Division of Revenue Act (DORA).

The following are contractual liabilities of which interest is included in borrowings:

| | Up to 1 year R'000 | 1 - 5 years R'000 | > 5 years R'000 | Total R'000 |
|--------------------------|-----------------------|----------------------|--------------------|-------------------|
| 2010 | | | | |
| Liabilities | | | | |
| Borrowings | 938 520 | 3 149 779 | 9 584 997 | 13 673 296 |
| Capital repayments | 264 372 | 710 594 | 4 855 372 | 5 830 338 |
| Interest | 674 148 | 2 439 185 | 4 729 625 | 7 842 958 |
| Trade and other payables | 2 488 654 | - | - | 2 488 654 |
| Trade payables | 1 998 953 | - | - | 1 998 953 |
| Sundry creditors | 489 700 | - | - | 489 700 |
| | 3 427 174 | 3 149 779 | 9 584 997 | 16 161 950 |

46.3 Market risk

Market risks is the risks that changes in market prices, such as foreign exchange rates and interest rates will affect the Entities income or value of its holdings of financial instruments. The objective of market risks management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Currency risk

The Entity is exposed to foreign currency risk through the importation of goods and services either directly or indirectly through the award of contracts to local importers. The Entity manages any material direct exposure to foreign currency risk by entering into forward exchange contracts. The Entity manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement in order to pre-determine the rand value of the contracted goods of services. The Entity was not a direct party to any outstanding forward exchange contract at reporting date.

The movement in the currency was not material to the Entities procurement and consequently not elaborated on any further.

Derivative financial instruments

An Interest rate swap agreement, based on a notional amount totalling R50,00 million, was entered into as part of a structured external loan to the Entity over the life of the loan (i.e. 1998 – 2010). This derivative was classified as a held for trading financial instrument and fair valued through profit or loss. Fair value was determined by discounting the remaining net cash flows under the swap agreement at ABSA Bank swap curve rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics. The loan was fully repaid on 30 June 2010.

Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments and loan payables. The Entity is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates except for one loan payable of R4,19 million.

Interest rate swap agreements, based on notional amounts totalling R50 million, have been entered into in order to maximise economic benefits, while limiting exposure to fluctuating interest rates on its loan payables over the life of the loans, i.e. 1998 to 2010. The fair value of interest rate swaps is based on discounted estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at reporting date.

The effective rates on financial instruments at 30 June 2010 are:

| | Weighted interest rate % | Maturity of interest bearing assets/liabilities | | | Total R'000 |
|------------------------------------|--------------------------|---|----------------|------------------|------------------|
| | | 1 year or less | 1 - 5 years | > 5 years | |
| | | R'000 | R'000 | R'000 | |
| Financial assets | | | | | |
| Investments | 8,23% | 55 800 | 86 595 | 148 882 | 291 277 |
| Cash and cash equivalents | 8,40% | 4 628 453 | - | - | 4 628 453 |
| Total financial assets | | 4 684 253 | 86 595 | 148 882 | 4 919 730 |
| Financial liabilities | | | | | |
| Loans | 11,67% | 184 915 | 648 827 | 4 855 372 | 5 689 114 |
| Finance leases | 14,85% | 79 457 | 61 767 | - | 141 224 |
| Total financial liabilities | | 264 372 | 710 594 | 4 855 372 | 5 830 338 |

Fair value sensitivity analysis

At 30 June 2010, if interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair value liability would have no significant impact. A 100 basis points lower would have had an equal but opposite effect of an amount of R48 072.

46.4 Capital management

The primary objective of managing the Entities capital is to ensure that there is sufficient cash available to support the funding requirement of the Entity, including capital expenditure and ensures that the Entity remains financially in a sound position.

The Entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. In a capital intensive industry, a gearing ratio of 50% or less can be considered reasonable. Included within net debt is interest bearing loans and borrowings, trade and other payables, less short-term deposits and cash and cash equivalents.

46.5 Foreign currency risk management - Cape Town International Convention Centre (CTICC)

Management accepts the risk as a result of changes in the rate of exchange and therefore has not hedged foreign currency risk.

The only foreign currency risk that the Entity is exposed to is the management fee due to RAI outstanding at year-end which is

included in trade and other payables.

47. PRIOR YEAR ADJUSTMENTS**47.1 Changes in accounting policy**

The accounting policy of the City has been change to align with the disclosure requirements in terms of GRAP 103 for heritage assets that they be disclosed for each class of asset recognised in the financial statements. This adherence is in anticipation of GRAP 103 which although approved is not yet effective.

47.2 Reclassification

The method previously used to disclose expenditure on repair and maintenance and grant projects, by cost element of settlement has now changed to cost element of incurrence.

The assets appertaining to now liquidated municipal entity has been transferred to electricity services and depreciation on such assets accounted for there.

47.3 Correction of errors

Correction of refunds received in respect of prior year bulk water overpaid.

Capitalisation of contributed asset, Claremont bypass road, completed in 2009.

Correction of prior year bulk water accruals.

De-recognition of non related impairment costs as cash receipts or cash paid.

Loss on disposal of PPE to be separately disclosed in the calculation method of the cash received and cash paid amounts.

Inclusion of Observatory CID 2009 financial results.

Presented below are only those Statement of Financial Performance and Position items which have been impacted by the prior year adjustments.

| | | As previously reported R'000 | Changes in accounting policy R'000 | Reclassification R'000 | Correction of errors R'000 | Restated R'000 |
|---|-------------|---------------------------------------|---|---------------------------|----------------------------------|-------------------|
| 2009 | Note | | | | | |
| Statement of Financial Performance | | | | | | |
| Service charges | 24 | 7 057 419 | - | 648 | - | 7 058 067 |
| Rental of letting stock and facilities | 25 | 219 609 | - | 2 | 8 813 | 228 424 |
| Other income | 28 | 202 446 | - | (650) | 24 371 | 226 167 |
| Total revenue | | 17 135 400 | - | - | 33 184 | 17 168 584 |
| Employee related costs | 30 | 4 570 882 | - | (5 725) | 1 | 4 565 158 |
| Impairment costs | 32 | 903 177 | - | - | 636 | 903 813 |
| Depreciation and amortisation expenses | 33 | 752 606 | - | - | 1 | 752 607 |
| Repairs and maintenance | 34 | 915 611 | - | (218 907) | - | 696 704 |
| Finance costs | 35 | 407 938 | - | 28 | - | 407 966 |
| Bulk purchases | 36 | 2 880 965 | - | - | (6 938) | 2 874 027 |
| Contracted services | - | 729 674 | - | 197 298 | - | 926 972 |
| Grants and subsidies paid | 37 | 125 144 | - | 3 391 | - | 128 535 |
| General expenses | 38 | 2 454 694 | - | 23 968 | 23 | 2 478 685 |
| Total expenditure | | 13 995 659 | - | 53 | (6 277) | 13 989 435 |
| Surplus for the year | | 3 139 741 | - | (53) | 39 461 | 3 179 149 |
| Statement of Financial Position | | | | | | |
| Property, plant and equipment | 2 | 16 532 741 | (9 440) | - | 7 | 16 523 308 |
| Heritage assets | 3 | - | 9 440 | - | - | 9 440 |
| Inventory | 9 | 194 411 | - | - | 6 938 | 201 349 |
| Other receivables | 11 | 419 066 | - | 81 | 32 541 | 451 688 |
| Cash and cash equivalents | 12 | 2 757 944 | - | - | 7 | 2 757 951 |
| Provisions | 16 | 543 089 | - | - | 8 | 543 097 |
| Payables | 17 | 2 845 095 | - | 53 | 24 | 2 845 172 |
| VAT | 19 | 145 221 | - | 81 | - | 145 302 |
| Accumulated surplus | 22 | 10 315 745 | - | (53) | 39 461 | 10 355 153 |

48. RETIREMENT BENEFIT INFORMATION

The City of Cape Town makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. Contributions of R508,771 million (2009: R448,41 million) to the defined benefit and defined contribution structures are expensed as incurred during the year under review.

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

48.1 DEFINED BENEFIT SCHEMES**Cape Joint Pension Fund (multi-employer fund)**

The DB section is a multi-employer plan and the contribution rate payable is 27%, 9% by the members and 18% by their councils. The fund was certified as being in a sound financial condition as at 30 June 2008 by the actuary.

The valuation disclosed an actuarial surplus of R182,73 million and was funded 106.5%.

SALA Pension Fund (multi-employer fund)

The fund, a defined benefit plan, is financially sound and was 110% funded as at 30 June 2007. The fund was 96% funded as at 1 July 2009. This has decreased from 110% at the previous valuation date mainly due to the low investment returns earned since that date.

48.2 DEFINED CONTRIBUTION SCHEMES**Cape Joint Pension Fund (multi-employer fund)**

This scheme was established to accommodate the unique characteristics of contract employees and cost to company employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances. The report was certified as being in a sound financial condition as at 30 June 2009 by the actuary. The valuation disclosed funding of 100%.

Cape Joint Retirement Fund (multi-employer fund)

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in future. The actuary certified the fund, a defined contribution plan, as being in a sound financial position as at 30 June 2009.

Municipal Councillors' Pension Fund (multi-employer fund)

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and their councils (15%) is sufficient to fund the benefits accruing from the fund in the future.

The last actuarial valuation of the fund was undertaken at 30 June 2006. The next actuarial valuation will be carried out as at 30 June 2007.

National Fund for Municipal Workers (multi-employer fund)

The retirement and pension funds are both defined contribution schemes. The last voluntary actuarial valuation of the fund was performed on 30 June 2008. As at 30 June 2008, the valuation disclosed a funding of 100%.

South African Municipal Workers Union National Provident Fund (multi-employer fund)

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005, and certified as being in a financially sound position. The next statutory valuation is due as at 30 June 2008. An administration transition of the fund from Momentum Life to an in-house administration at the end of 2007 could be the result in the delay.

48.3 DEFINED BENEFIT AND CONTRIBUTION SCHEME

Cape Municipal Pension Fund

The Cape Municipal Pension Fund operates both as a defined benefit and defined contribution scheme. The actuarial valuation of the fund was performed at 30 June 2009, and certified the fund as being in a financially sound position. The next statutory valuation is due by 30 June 2012.

| | Total | DB section | DC section |
|-------------------------|--------|------------|------------|
| In-service members | 8 085 | 378 | 7 707 |
| Pensioners | 5 440 | 4 451 | 989 |
| Membership 30 June 2009 | 13 525 | 4 829 | 8 696 |

| | 2010 | 2009 |
|--|------------|------------|
| | R' million | R' million |
| Past-service position - defined benefit section | 3 | 3 |
| Past-service position - defined contribution section | 4 | 4 |
| Total liabilities | 7 | 7 |
| Assets valued at market value | 61 | 61 |
| Actuarial surplus | 8 | 1 |

| | Key financial | 2010 | 2009 |
|--|---------------|-------|------|
| Actual employer contribution - defined benefit section | % | 20,25 | 20,5 |

| | | | |
|----------------------|-----|--|-----|
| | | | 1 |
| Actual employer | | | 8, |
| contribution - | 18, | | 0 |
| defined | 00 | | 0 |
| contribution section | % | | % |
| Norma | | | |
| l | | | |
| retirem | | | |
| ent | | | 6 |
| age | 60 | | 0 |
| | | | 1, |
| Net | | | 5 |
| discou | 1,0 | | 0 |
| nt rate: | 0% | | % |
| | | | 3, |
| | | | 0 |
| | | | 2,5 |
| | | | 0 |
| | | | 0% |
| | | | % |

48.4 POST-EMPLOYMENT BENEFITS

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

The members of medical aid schemes, entitled to a post-employment medical scheme subsidy at 30 June 2010, were 11 486 in-service members (2009: 12 309), and 6 511 (2009: 6 484) pensioners.

48.4.1 Health care arrangement assumptions

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

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

Continuation of membership

It was assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the Entity will remain on the employer's health care arrangements.

Family profile

Family profile was based on actual data and therefore no assumptions had to be made.

Plan assets

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

48.4.2 Retirement pension benefits

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

The number of employees who were eligible for a post-retirement pension at 30 June 2010 was 45 (2009: 46) employees, and 140 (2009: 149) pensioners.

Plan assets

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

| | Post retirement scheme defined-benefit obligations | | | | | |
|--|--|-------------------|------------------|----------------------|---------------------|------------------|
| | 2010 | | | 2009 | | |
| | Health R'000 | Retireme R'000 | Total R'000 | Health care R'000 | Retirement R'000 | Total R'000 |
| Present value of unfunded liability | 2 725 739 | 15 676 | 2 741 415 | 2 552 756 | 16 823 | 2 569 579 |
| Unrecognised actuarial gains/(losses) | (225 585) | (461) | (226 046) | (462 529) | (2 120) | (464 649) |
| Net liability in Statement of Financial Position | <u>2 500 154</u> | <u>15 215</u> | <u>2 515 369</u> | <u>2 090 227</u> | <u>14 703</u> | <u>2 104 930</u> |
| Service costs | | | | | | |
| Interest costs | 51 429 | 391 | 51 820 | 58 023 | 368 | 58 391 |
| Actuarial losses recognised | 222 090 | 1 463 | 223 553 | 226 267 | 1 667 | 227 934 |
| Transitional liability recognised | 237 458 | 25 | 237 483 | 1 131 | 4 | 1 135 |
| Total included in profit and loss | <u>510 977</u> | <u>1 879</u> | <u>512 856</u> | <u>285 421</u> | <u>2 039</u> | <u>287 460</u> |
| Balance at the beginning of the year | 2 090 227 | 14 703 | 2 104 930 | 1 892 197 | 14 538 | 1 906 735 |
| Net expense recognised in Statement of Financial Performance | 510 977 | 1 879 | 512 856 | 285 421 | 2 039 | 287 460 |
| Contributions paid | (101 050) | (1 367) | (102 417) | (87 391) | (1 874) | (89 265) |
| Net liability in Statement of Financial Position | <u>2 500 154</u> | <u>15 215</u> | <u>2 515 369</u> | <u>2 090 227</u> | <u>14 703</u> | <u>2 104 930</u> |

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

| | 2010 | | 2009 | |
|--|----------------------|-----------------------------|----------------------|-----------------------------|
| | Health care benefits | Retirement pension benefits | Health care benefits | Retirement pension benefits |
| Key financial assumptions | | | | |
| Discount rate | 8,9% | 8,9% | 8,7% | 8,7% |
| General inflation rate (CPI) | 5,3% | 5,3% | 5,5% | - |
| General salary inflation rate | - | 6,3% | - | 6,5% |
| Health care cost inflation rate | 7,3% | - | 7,5% | - |
| Net effective discount rate | 1,5% | 2,4% | 1,1% | 2,1% |
| Pension increase rate - pensioners | - | 2,6% | - | 3,0% |
| Net effective discount rate - pensioners | - | 6,1% | - | 5,5% |

49. GUARANTEES AND CONTINGENT LIABILITY

49.1 Guarantees

The Entity issued the following guarantees:

- To Development Bank of South Africa (DBSA) for a loan to the Gugulethu Central Market Place (the Company) for the sum of R250 000. As at 30 June 2010, the Company was in arrears with its repayment of capital and interest to the DBSA to the sum of R759 986 (2009: R472 708). In terms of a DBSA Board resolution dated 10 February 2010 the DBSA has agreed to write off the full amount.
- A bank guarantee of R346 727 as security for the lease of property.

49.2 Other contingent liabilities

Contractual disputes

Various contractual claims by contractors/suppliers and staff are currently in dispute, and are subject through mediation. The maximum potential liability is estimated at R218,29 million (2009: R49,95 million). Included in the total estimate of R333,29 million is a disputed amount of R130,00 million which relates to professional fees on the construction of the Cape Town Stadium. The Entity and its lawyers are of the opinion that the litigation is likely to be in the Entity's favour. The legal cost is estimated at R5 million. The timing of the legal proceedings regulating the above is however, uncertain.

Outstanding insurance claims

The estimated liability for insurance claims amounts to R68,95 million (2009: R72,82 million). The estimated amount was based on quotations, medical reports and letters of demand received. The merits must still be determined and could result in a lessor amount or more.

Loan agreements

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

Environmental rehabilitation

The City of Cape Town is in a negotiation process with Province to establish the rehabilitation obligation of old landfill sites.

50. RELATED PARTY DISCLOSURES

During the year, in the ordinary course of business, transactions between the City and the under-mentioned entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

| Economic Entity | | Municipality of Cape Town | |
|-----------------|-------|---------------------------|-------|
| 2010 | 2009 | 2010 | 2009 |
| R'000 | R'000 | R'000 | R'000 |

Cape Town International Convention Centre (Pty) Ltd

The Convention Centre was established for Cape Town to become host to international conferences with the objectives of promoting Cape Town as a tourism city.

The Economic Entity is the controlling shareholder of Convenco. The other (minority) shareholders are Provincial Government Western Cape and Sunwest International. The minority interest is reflected in the Statement of Financial Position.

| | | | |
|---|--|--------|--------|
| Percentage owned | | 50,18% | 50,18% |
| Arm's length transactions for the year: | | | |
| Receivables | | 448 | 865 |
| Service charges | | 11 795 | 8 644 |

Convenco has outsourced the management of its convention centre operating division in terms of a contract dated June 2001 to Amsterdam RAI.

| | | | | |
|---|-------|-------|---|---|
| Arm's length transactions for the year: | | | | |
| Fixed management fees | 2 642 | 3 062 | - | - |
| Basic management fees | 695 | 607 | - | - |
| Incentive fee | 5 968 | 4 317 | - | - |

City Improvement Districts (CIDs)

These entities were established to enable projects at the initiative of local communities, to provide services over and above the services provided by the City of Cape Town.

Percentage owned

Arm's length transactions for the year:

Receivables

Levies

Special rating area's

| | 2010 R'000 | 2009 R'000 |
|-------------|---------------|---------------|
| Receivables | - | 1 |
| Levies | 66 648 | 56 772 |

Cape Metropolitan Transport Fund (CMTF)

Cape Metropolitan Transport Fund amounted to R90,91 million (2009: R152,51 million).

Percentage owned

Arm's length transactions for the year:

Funds held on behalf of CMTF

Grants and transfers received

Interest paid

Revenue collected

Administrator

| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
|-------------------------------|---------------|---------------|---------------|---------------|
| Funds held on behalf of CMTF | 90 907 | 152 513 | 90 907 | 152 513 |
| Grants and transfers received | 90 138 | 68 856 | 90 138 | 68 856 |
| Interest paid | 10 082 | 17 407 | 10 082 | 17 407 |
| Revenue collected | 5 205 | 4 692 | 5 205 | 4 692 |

Epping City Improvement District

A director and member of key management is also the sole member of Just For You Business Support Services CC

Arm's length transactions for the year:

Just For You Business Support Services CC

| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|---------------|---------------|
| Just For You Business Support Services CC | 708 | 595 | - | - |

Khayelitsha Community Trust

The trust was established to promote economic activities for the upliftment of the local community. At year-end, the amount owing by the trust to the City amounted to R1,18 million (2009: R1,26 million).

Percentage owned

Arm's length transactions for the year:

Receivable

Grants

Trust

| | 2010 R'000 | 2009 R'000 | 2010 R'000 | 2009 R'000 |
|------------|---------------|---------------|---------------|---------------|
| Receivable | 1 183 | 1 262 | 1 183 | 1 262 |
| Grants | 6 866 | 7 837 | 6 866 | 7 837 |

Councillors

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

| Councillor | Position held in entity | Entity | Nature |
|----------------|-------------------------|--------------------------------------|--------------------|
| Cavanagh, G | Divisional Director | Lithotech Sales Cap | |
| Christiaans, D | CEO | Advance S.A. Fair | |
| Cottee, D | Director | Acacia Way Trading 147 | |
| Cottee, D | Director | Opertune Trading 13 | |
| Cottee, D | Director | Poplar Trading 128 CC | |
| Dantile, P | Owner | Ubunye Technical Services | |
| Haywood, M | Presiding Officer | Golden Arrow Bus Service | |
| Herron, B | Director / Shareholder | Greenmarket Square College (Pty) Ltd | |
| Joseph, D | Manager | Fikelela Labour Services CC | |
| Justus, C | Non-exec. Director | Communicare | Housing developers |
| Lukas, A | Member | Faras | |
| Neilson, I | Alternate Director | SA Cities Network | |
| Serritslev, A | Director | Eisleben Business Park (Pty) Ltd | City Project |
| Serritslev, A | Member | Phillippi Dev. Initiative | City Project |
| Serritslev, A | Member | Cape Town Partnership | City Improvement |
| Serritslev, A | Proprietorship | Serritslev Models | |

Executive Management

No business transactions took place between the Entity and key management personnel or their close family members during the year under review. Details relating to remuneration are disclosed in note 31.

| | EFFECTIVE INTEREST RATE (nacs) | LOAN NUMBER | REDEEMABLE DATE | BALANCE AS AT 30 JUNE 2009 | RECEIVED DURING THE YEAR | CAPITALISED DURING THE YEAR | REDEEMED/ WRITTEN OFF DURING YEAR | BALANCE AT 30 JUNE 2010 |
|-------------------------------------|-----------------------------------|-------------|-----------------|----------------------------|--------------------------|-----------------------------|-----------------------------------|-------------------------|
| | | | | R'000 | R'000 | R'000 | R'000 | R'000 |
| LOCAL REGISTERED STOCK | | | | | | | | |
| ABSA Investor Services | 16,500% | 830004515 | 2010 | 4 600 | | | 4 600 | - |
| Standard Bank Nominees | 14,650% | 830011508 | 2014 | 6 800 | | | | 6 800 |
| CCT01 | 12,570% | 830014004 | 2023 | 1 000 000 | | | | 1 000 000 |
| CCT02 | 11,615% | 830016003 | 2024 | 1 200 000 | | | | 1 200 000 |
| CCT03 | 12,310% | 830017007 | 2025 | - | 2 000 000 | | | 2 000 000 |
| CCT01 Transaction costs | | | | (2 798) | | (1 363) | (245) | (3 916) |
| Total local registered stock | | | | 2 208 602 | 2 000 000 | (1363) | 4 355 | 4 202 884 |
| ANNUITY LOANS | | | | | | | | |
| ABSA Bank | 11,150% | 830000000 | 2010 | 8 028 | | | 8 028 | - |
| ABSA Bank | 11,150% | 830000450 | 2010 | 6 201 | | | 6 201 | - |
| Total annuity loans | | | | 14 229 | - | - | 14 229 | - |
| OTHER LOANS | | | | | | | | |
| ABSA Bank | 14,383% | 830000440 | 2010 | 264 243 | | 48 662 | 312 905 | - |
| FirstRand Bank | 12,122% | 830001710 | 2011 | 36 889 | | | 16 958 | 19 931 |
| FirstRand Bank | 12,923% | 830000880 | 2013 | 74 210 | | | 14 873 | 59 337 |
| DBSA | 12,250% | 83001051 | 2015 | 155 866 | | | 25 978 | 129 888 |
| FirstRand Bank | 12,631% | 830003504 | 2017 | 194 484 | | | 5 185 | 189 299 |
| ABSA Bank | 10,900% | 830007011 | 2018 | 180 000 | | | 20 000 | 160 000 |
| DBSA | 10,590% | 83001050 | 2018 | 305 245 | | | 33 916 | 271 329 |
| FirstRand Bank | 12,046% | 830009531 | 2018 | 190 000 | | | 20 000 | 170 000 |
| Nedcor Bank | 1,000% | 830000920 | 2019 | 50 | | | - | 50 |
| DBSA | 5,000% | 830012028 | 2020 | 44 000 | | | 4 000 | 40 000 |
| DBSA | 9,420% | 830012035 | 2020 | 102 667 | | | 9 334 | 93 333 |
| DBSA | 9,639% | 830013000 | 2022 | 180 000 | | | 13 333 | 166 667 |
| DBSA | 10,565% | 830013507 | 2022 | 180 000 | | | 13 333 | 166 667 |
| Total other loans | | | | 1 907 654 | - | 48 662 | 489 815 | 1 466 501 |
| FINANCE LEASES | | | | | | | | |
| Investec | 14,343% | 830000870 | 2011 | 18 744 | | | 6 730 | 12 014 |
| SCMB | 15,209% | 830000890 | 2011 | 76 976 | | | 7 255 | 69 721 |
| Nedbank | 14,544% | 830000860 | 2012 | 61 242 | | | 1 753 | 59 489 |
| Total finance leases | | | | 156 962 | - | - | 15 738 | 141 224 |
| CONTROLLED ENTITIES | | | | | | | | |
| CID Claremont Road Co.: DBSA | | | 2011 | 20 237 | | | 772 | 19 465 |
| CID Epping | | | 2012 | - | 367 | | 103 | 264 |
| Total Controlled Entities | | | | 20 237 | 367 | - | 875 | 19 729 |
| TOTAL EXTERNAL LOANS | | | | 4 307 684 | 2 000 367 | 47 299 | 525 012 | 5 830 338 |

| | COST | | | | | ACCUMULATED DEPRECIATION | | | | | | CARRYING VALUE R'000 |
|---|--------------------|---------------------------|------------------|-----------------|--------------------|--------------------------|---------------------------|-----------------|--------------------|---------------|---------------------|-------------------------|
| | OPENING BALANCE | TRANSFERS/ ADJUSTMENTS | ADDITIONS | DISPOSALS | CLOSING BALANCE | OPENING BALANCE | TRANSFERS/ ADJUSTMENTS | IMPAIRMENT | ADDITIONS | DISPOSALS | CLOSING BALANCE | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | |
| LAND AND BUILDINGS | | | | | | | | | | | | |
| Land | 448 117 | 20 249 | 151 509 | (194) | 619 681 | (172 054) | - | (52 034) | - | - | (224 088) | 395 593 |
| Buildings and land | 3 056 159 | (149 829) | 76 280 | (770) | 2 981 840 | (1 562 675) | 105 074 | - | (95 124) | 285 | (1 552 440) | 1 429 400 |
| | 3 504 276 | (129 580) | 227 789 | (964) | 3 601 521 | (1 734 729) | 105 074 | (52 034) | (95 124) | 285 | (1 776 528) | 1 824 993 |
| INFRASTRUCTURE | | | | | | | | | | | | |
| Assets under construction | 2 804 576 | (1 702 981) | 1 928 245 | - | 3 029 840 | - | - | - | - | - | - | 3 029 840 |
| Drains | 478 600 | 5 430 | 7 121 | - | 491 151 | (188 198) | 1 | - | (14 807) | - | (203 004) | 288 147 |
| Roads | 3 130 002 | 456 784 | 321 550 | - | 3 908 336 | (1 491 347) | (488) | - | (77 978) | - | (1 569 813) | 2 338 523 |
| Beach improvements | 27 405 | - | - | - | 27 405 | (17 869) | 1 | - | (380) | - | (18 248) | 9 157 |
| Sewerage mains and purification | 1 090 623 | 244 735 | 26 906 | - | 1 362 264 | (389 400) | - | - | (56 880) | - | (446 280) | 915 984 |
| Electricity peak load equipment and mains | 3 111 317 | 432 233 | 405 608 | - | 3 949 158 | (1 306 693) | 1 | - | (133 025) | - | (1 439 717) | 2 509 441 |
| Reservoirs - water | 397 003 | 161 | 22 | - | 397 186 | (245 285) | 1 | - | (16 282) | - | (261 566) | 135 620 |
| Water mains and purification | 1 921 496 | 53 303 | 7 966 | (171) | 1 982 594 | (881 257) | - | - | (68 903) | 171 | (949 989) | 1 032 605 |
| | 12 961 022 | (510 335) | 2 697 418 | (171) | 15 147 934 | (4 520 049) | (484) | - | (368 255) | 171 | (4 888 617) | 10 259 317 |
| COMMUNITY ASSETS | | | | | | | | | | | | |
| Assets under construction | 3 201 202 | (3 052 624) | 109 544 | - | 258 122 | - | - | - | - | - | - | 258 122 |
| Parks and gardens | 21 197 | 8 728 | 1 745 | - | 31 670 | (3 676) | - | - | (707) | - | (4 383) | 27 287 |
| Libraries | 174 180 | - | 1 605 | - | 175 785 | (48 414) | - | - | (2 874) | - | (51 288) | 124 497 |
| Recreation facilities | 274 337 | 3 455 381 | 614 245 | - | 4 343 963 | (25 955) | (1 003) | - | (110 477) | - | (137 435) | 4 206 528 |
| Civic buildings | 302 650 | 233 126 | 125 960 | - | 661 736 | (117 370) | (103 600) | - | (14 330) | - | (235 300) | 426 436 |
| | 3 973 566 | 644 611 | 853 099 | - | 5 471 276 | (195 415) | (104 603) | - | (128 388) | - | (428 400) | 5 042 870 |
| LEASED ASSETS | | | | | | | | | | | | |
| Infrastructure and other | 398 128 | - | - | (7) | 398 121 | (264 424) | - | - | (19 969) | 7 | (284 386) | 113 735 |
| | 398 128 | - | - | (7) | 398 121 | (264 424) | - | - | (19 969) | 7 | (284 386) | 113 735 |
| OTHER ASSETS | | | | | | | | | | | | |
| Assets under construction | 190 950 | (47 086) | 379 595 | - | 523 459 | - | - | - | - | - | - | 523 459 |
| Landfill sites | 514 044 | - | - | - | 514 044 | (144 593) | - | - | (52 062) | - | (196 655) | 317 389 |
| Furniture, fittings and equipment | 353 347 | 34 342 | 48 460 | (12 496) | 423 653 | (189 473) | (11 568) | (2) | (43 617) | 11 835 | (232 825) | 190 828 |
| Bins and containers | 33 475 | 978 | 404 | (64) | 34 793 | (27 221) | 2 | - | (2 009) | 42 | (29 186) | 5 607 |
| Emergency equipment | 31 859 | (3) | 2 146 | (286) | 33 716 | (17 122) | 13 | - | (4 181) | 313 | (20 977) | 12 739 |
| Motor vehicles and watercraft | 886 435 | (19 789) | 221 193 | (29 872) | 1 057 967 | (459 187) | 11 419 | - | (102 965) | 27 163 | (523 570) | 534 397 |
| Specialised vehicles | 532 105 | 10 940 | 130 101 | (15 719) | 657 427 | (262 639) | (53) | - | (40 975) | 15 092 | (288 575) | 368 852 |
| Computer equipment | 799 169 | 16 588 | 101 333 | (25 044) | 892 046 | (481 409) | (535) | (4) | (114 313) | 23 699 | (572 562) | 319 484 |
| Animals | 53 | - | 161 | - | 214 | - | - | - | (19) | - | (19) | 195 |
| | 3 341 437 | (4 030) | 883 393 | (83 481) | 4 137 319 | (1 581 644) | (722) | (6) | (360 141) | 78 144 | (1 864 369) | 2 272 950 |
| HOUSING RENTAL STOCK | 1 148 244 | - | 7 235 | (2 596) | 1 152 883 | (507 104) | - | - | (26 466) | 2 144 | (531 426) | 621 457 |
| TOTAL | 25 326 673 | 666 | 4 668 934 | (87 219) | 29 909 054 | (8 803 365) | (735) | (52 040) | (998 343) | 80 751 | (9 773 732) | 20 135 322 |
| HERITAGE ASSETS | | | | | | | | | | | | |
| Assets under construction | 1 722 | (600) | 538 | - | 1 660 | - | - | - | - | - | - | 1 660 |
| Painting and art galleries | 7 718 | 600 | 60 | (36) | 8 342 | - | - | - | - | - | - | 8 342 |
| | 9 440 | - | 598 | (36) | 10 002 | - | - | - | - | - | - | 10 002 |
| INVESTMENT PROPERTIES | 129 615 | - | - | - | 129 615 | (38 069) | - | - | (4 464) | - | (42 533) | 87 082 |
| INTANGIBLE ASSETS | 296 764 | (982) | 7 927 | - | 303 709 | (263 943) | 880 | - | (8 937) | - | (272 000) | 31 709 |
| ASSETS HELD-FOR-SALE | - | 89 | - | - | 89 | - | (23) | - | - | - | (23) | 66 |
| TOTAL | 25 762 492 | (227) | 4 677 459 | (87 255) | 30 352 469 | (9 105 377) | 122 | (52 040) | (1 011 744) | 80 751 | (10 088 288) | 20 264 181 |

| | ACTUAL R'000 | BUDGET R'000 | VARIANCE R'000 | VARIANCE % | EXPLANATION OF VARIANCES GREATER THAN 10% |
|--|-------------------|-------------------|-------------------|-----------------|---|
| REVENUE | | | | | |
| Property rates | 3 837 920 | 3 813 865 | (24 055) | (0.63%) | |
| Service charges | 8 866 059 | 8 916 407 | 50 348 | 0.56% | |
| Rental of letting stock and facilities | 248 700 | 230 516 | (18 184) | (7.89%) | |
| Finance income | 516 415 | 505 386 | (11 029) | (2.18%) | |
| Fines | 154 584 | 172 065 | 17 481 | 10.16% | Due to the adjustment of the life span of outstanding cases and the effectiveness of roadblocks. |
| Licences and permits | 33 054 | 24 276 | (8 778) | (36.16%) | Due to increased drivers licences issued in the South and North |
| Agency services | 111 097 | 115 993 | 4 896 | 4.22% | |
| Government grants and subsidies: Operating | 2 550 811 | 2 634 173 | 83 362 | 3.16% | |
| Government grants and subsidies: Capital | 1 940 857 | 1 900 398 | (40 459) | (2.13%) | |
| Other income | 267 641 | 232 815 | (34 826) | (14.96%) | Due to fair value adjustment income on calculated outstanding retentions. |
| Public contributions, donated/contributed PPE | 83 949 | 120 763 | 36 814 | 30.48% | The income from connection fees is lower than the amount originally budgeted due to the down swing in the economy and the consequent fall in demand by developers for the installation of water/electricity connections. |
| Gains on disposal of property, plant and equipment | 79 142 | 101 444 | 22 302 | 21.98% | Mainly due to proceeds on land sales which did not materialise. |
| Total revenue | 18 690 229 | 18 768 101 | 77 872 | 0.41% | |
| EXPENDITURE | | | | | |
| Employee-related costs | 5 619 692 | 5 672 269 | (52 577) | (0.93%) | |
| Remuneration of councillors | 83 547 | 86 260 | (2 713) | (3.14%) | |
| Impairment costs | 678 519 | 829 161 | (150 642) | (18.17%) | Due to improved payment ratios the contribution to provision for bad debts could be reduced. |
| Collection costs | 167 822 | 183 665 | (15 843) | (8.63%) | |
| Depreciation and amortisation expense | 1 011 744 | 979 541 | 32 202 | 3.29% | This relates to the City's World Cup stadium, the Cape Town Stadium. In the budget phase the exact breakdown i.f.o. asset categories and classes could not be accurately established. Due to the GRAP requirements concerning componentisation of assets, the stadium's assets were componentised and some of the asset categories have a shorter useful life than originally planned, e.g. the temporary seating and the pitch to have but a few examples. |
| Repairs and maintenance | 839 677 | 774 973 | 64 704 | 8.35% | |
| Finance costs | 601 739 | 540 448 | 61 292 | 11.34% | Overspending on interest for the year was as a direct result of having the drawdown of the 3rd Bond Issue during March 2010 instead of 30 June 2010. Interest paid for 108 days. |
| Bulk purchases | 3 671 264 | 3 705 691 | (34 427) | (0.93%) | |
| Contracted services | 1 126 162 | 1 116 808 | 9 354 | 0.84% | |
| Grants and subsidies paid | 94 224 | 107 822 | (13 598) | (12.61%) | Less grants allocated due to certain programmes being determined as not being legally compliant. |
| General expenses | 2 649 638 | 3 005 872 | (356 234) | (11.85%) | Due to the underspending on projects. |
| Loss on disposal of property, plant and equipment | 3 432 | 15 | 3 417 | 22781.20% | Losses on housing land sold. |
| Total expenditure | 16 547 460 | 17 002 525 | (455 064) | (2.68%) | |
| NET SURPLUS FOR THE YEAR | 2 142 769 | 1 765 576 | (377 193) | (21.36%) | |

| 2009 | | | BUSINESS UNITS | 2010 | | |
|-------------------|--------------------|--------------------|--|-------------------|--------------------|--------------------|
| ACTUAL INCOME | ACTUAL EXPENDITURE | SURPLUS/ (DEFICIT) | | ACTUAL INCOME | ACTUAL EXPENDITURE | SURPLUS/ (DEFICIT) |
| R'000 | R'000 | R'000 | | R'000 | R'000 | R'000 |
| | | | Rates and General | | | |
| 8 461 | 151 438 | (142 977) | Executive and Council | 2 774 | 10 784 | (8 010) |
| 6 378 665 | 1 847 231 | 4 531 434 | Budget and Treasury Office | 7 711 404 | 2 121 163 | 5 590 241 |
| 431 138 | 924 577 | (493 439) | Corporate Services | 316 120 | 680 530 | (364 410) |
| 139 889 | 394 782 | (254 893) | Planning and Development | 138 568 | 494 155 | (355 587) |
| 203 882 | 400 711 | (196 829) | Health | 265 626 | 640 685 | (375 059) |
| 77 531 | 357 722 | (280 191) | Community and Social Services | 76 064 | 522 921 | (446 857) |
| 271 395 | 1 337 417 | (1066 022) | Public Safety | 237 768 | 1 614 519 | (1 376 751) |
| 1 927 021 | 798 758 | 1 128 263 | Sport and Recreation | 621 928 | 1 395 393 | (773 465) |
| 15 572 | 157 586 | (142 014) | Environmental Protection | 17 953 | 155 805 | (137 852) |
| 631 290 | 880 887 | (249 597) | Road Transport | 1 099 196 | 1 210 899 | (111 703) |
| | | | Housing | | | |
| 658 229 | 818 659 | (160 430) | Housing | 670 171 | 855 743 | (185 572) |
| | | | Utility Services | | | |
| 1 239 690 | 1 222 517 | 17 173 | Waste Management | 1 496 152 | 1 395 809 | 100 343 |
| 1 366 370 | 1 144 079 | 222 291 | Wastewater Management | 1 482 127 | 1 394 275 | 87 852 |
| 2 237 306 | 2 378 784 | (141 478) | Water | 2 442 462 | 2 501 893 | (59 431) |
| 4 779 061 | 4 305 187 | 473 874 | Electricity | 6 326 431 | 5 734 042 | 592 389 |
| | | | Other | | | |
| 3 151 | 50 871 | (47 720) | Tourism | 3 557 | 58 811 | (55 254) |
| 20 368 651 | 17 171 206 | 3 197 445 | Sub-total | 22 908 301 | 20 787 427 | 2 120 874 |
| 3 306 838 | 3 306 838 | - | Inter-departmental charges | 4 362 564 | 4 362 564 | - |
| 17 061 813 | 13 864 368 | 3 197 445 | Total Municipality of Cape Town | 18 545 737 | 16 424 863 | 2 120 874 |
| (21 832) | 14 187 | (36 019) | Adjustments at consolidation | - | - | - |
| 17 039 981 | 13 878 555 | 3 161 426 | Total | 18 545 737 | 16 424 863 | 2 120 874 |
| | | | CONTROLLED ENTITIES | | | |
| 133 038 | 118 901 | 14 137 | Cape Town International Convention Centre (Pty) Ltd | 151 539 | 131 701 | 19 838 |
| 60 999 | 57 413 | 3 586 | City Improvement Districts | 71 412 | 69 355 | 2 057 |
| 194 037 | 176 314 | 17 723 | Total Controlled Entities | 222 951 | 201 056 | 21 895 |
| (65 434) | (65 434) | - | Inter-company charges | (78 459) | (78 459) | - |
| 17 168 584 | 13 989 435 | 3 179 149 | Total Economic Entity before taxation | 18 690 229 | 16 547 460 | 2 142 769 |
| | | (4 549) | Share of surplus of associate, accounted for under the equity method | | | (7 100) |
| | | (5 067) | Taxation | | | (5 710) |
| | | 3 169 533 | | | | 2 129 959 |

| | ACTUAL | BUDGET | VARIANCE | VARIANCE | EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET |
|---|----------------------|------------------|----------------|---------------|---|
| | EXPENDITURE R'000 | R'000 | R'000 | % | |
| Executive and Council | 3 799 | 3 859 | 60 | 1.55% | |
| Budget and Treasury Office | 8 320 | 11 150 | 2 830 | 25.38% | Due to the establishment of new cash office did not materialise and office furniture were not delivered on time. |
| Corporate Services | 226 801 | 235 526 | 8 725 | 3.70% | |
| Planning and Development | 46 452 | 53 181 | 6 729 | 12.65% | The remainder of payments were not processed against the capital budget but against the technical assistance portion of the grant. Due to additional work to be done on certain projects the construction period was extended. |
| Health | 25 315 | 26 059 | 744 | 2.86% | |
| Community and Social Services | 46 870 | 71 988 | 25 118 | 34.89% | The underspending resulted from the participation process which delayed the ward allocations. |
| Public Safety | 89 930 | 102 374 | 12 444 | 12.16% | The underspending resulted from the participation process which delayed the ward allocations. |
| Sport and Recreation | 860 529 | 1 206 966 | 346 437 | 28.70% | Awaiting on the final cost after the commissioning of the Cape Town Stadium. This finalisation is subject to other legal processes. |
| Environmental Protection | 8 186 | 10 130 | 1 944 | 19.19% | Envisage upgrading of memorial and heritage sites did not materialised. |
| Road Transport | 1 588 087 | 1 856 251 | 268 164 | 14.45% | Some contracts are not progressing as well as expected due to weather conditions. |
| Housing | 228 579 | 345 888 | 117 309 | 33.92% | Various projects comprise this figure. Certain projects proceeding faster than initially envisaged whilst other projects are slightly delayed (e.g. Bardale). The City has acquired a significant parcel of land for subsidy housing whilst noting that this development will start after the required environmental impact assessment processes. |
| Waste Management | 285 406 | 317 025 | 31 619 | 9.97% | Orders placed for the plant at the new Oostenberg Transfer Station but roll-over to 2010/11 anticipated as a result of problems with the specifications not being in line with what was ordered. |
| Water | 576 767 | 648 855 | 72 088 | 11.11% | The expenditure on the installation of water meters (Private Sector funding) is less than anticipated as the expenditure is dependent on new developments which were negatively influence by the economic climate. Delays in delivery of equipment especially from abroad. |
| Electricity | 666 633 | 711 787 | 45 154 | 6.34% | Service connections projects to be underspent due to lower than anticipated consumer demand. Delay in the finalisation of the acquisition of land. |
| Other (Tourism) | 1 254 | 1 460 | 206 | 14.11% | Due to the under spending of tourism development facilities. |
| CONTROLLED ENTITIES | 4 662 928 | 5 602 499 | 939 571 | 16.77% | |
| Cape Town International Convention Centre (Pty) Ltd | 12 366 | 25 046 | 12 680 | 50.63% | Capex will be spend as deemed necessary. Tenders awarded as not completed at |
| City Improvement Districts | 2 165 | - | (2 165) | n/a | |
| TOTAL | 4 677 459 | 5 627 545 | 950 086 | 16.88% | |

| NATIONAL and PROVINCIAL GRANT FUNDS 2009/2010 | | | |
|---|--|---------------------------------|------------------|
| DEPARTMENT | DESCRIPTION | FUNDING SOURCE | INCOME R'000 |
| BUDGET | RESTRUCTURING GRANT - SEED FUNDING | STATE | 750 |
| CORPORATE SERVICES | ABET ADULT EDUCATION | PGWC | 8 |
| DEVELOPMENT AND PLANNING | METRO SOUTH EAST SPATIAL DEVELOPMENT AND OTHER PROJECTS | PGWC | - |
| DEVELOPMENT AND PLANNING | DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM - DANIDA | STATE | 19 991 |
| DEVELOPMENT SERVICES | MUNICIPAL INFRASTRUCTURE GRANTS | MUNICIPAL INFRASTRUCTURE GRANTS | 327 790 |
| DEVELOPMENT SERVICES | NEIGHBOURHOOD DEVELOPMENT PROGRAMME | STATE | 65 000 |
| ELECTRICITY | DME - INEP | DEPT. MINERAL ENERGY | 8 772 |
| ELECTRICITY | ENERGY EFFICIENCY ELECTRICITY DEMAND SIDE MANAGEMENT | STATE | 3 509 |
| EMERGENCY SERVICES | HELICOPTER STANDBY | PGWC | 500 |
| HEALTH | HIV/AIDS COMMUNITY BASED RESPONSE PROJECTS AND OTHERS | PGWC | 102 956 |
| HEALTH | HEALTH & HYGIENE EDUCATION: INFORMAL SETTLEMENT | STATE - DWAF | - |
| HOUSING | INFORMAL SETTLEMENTS AND OTHER PROJECTS | PGWC | 338 501 |
| HOUSING | ACCREDITATION : DEVELOPMENT SUPPORT | STATE | 17 741 |
| LIBRARIES | PUBLIC LIBRARY FUND | PGWC | 19 520 |
| SERVICE DELIVERY INTEGRATION | 2010 FIFA WORLD CUP: GREEN POINT | PGWC | 850 |
| SERVICE DELIVERY INTEGRATION | 2010 FIFA WORLD CUP: GREEN POINT | STATE | 665 188 |
| SPORT AND RECREATION | KHAYELITSHA MULTI PURPOSE CENTRE AND OTHER PROJECTS | PGWC | - |
| TRANSPORT, ROADS AND STORMWATER | JAKKELSVLEI CANAL UPGRADING | PGWC | 27 000 |
| TRANSPORT, ROADS AND STORMWATER | PUBLIC TRANSPORT INFRASTRUCTURE | STATE - TRANSPORT | 885 305 |
| WATER | DWAF: IMPLEMENTATION WATER DEMAND | STATE - DWAF | 9 410 |
| | | TOTAL | 2 492 791 |
| HOUSING | MELKBOSCH VILLAGE | PGWC | 9 995 |
| PGWC slow to measure progress on the ground | | | |
| PGWC has started paying according to work done and not based on projected cash flow | CRU: UITSIG HOUSES | PGWC | 11 384 |
| | | TOTAL | 21 379 |
| | | GRAND TOTAL | 2 514 170 |



CITY OF CAPE TOWN | ISIXEKO BASEKAPA | STAD KAAPSTAD

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