BLUE CRANE DEVELOPMENT AGENCY

REG NO.: 2003/015482/08

DRAFT/PRO FORMA FINANCIAL STATEMENTS

30 JUNE 2010

Prepared by:
BCDA

Blue Crane Development Agency
(Registration Number 2003/015482/08)
Financial Statements for the year ended 30 JUNE 2010

General Information

Country of incorporation and domicile	Somerset East, South Africa
Nature of business and principal activities	Development Agents
Directors	LS Blouw PJ Fourie H van As GJ Gerwel SM Banzana
Registered office	72-74 Paulet Street SOMERSET EAST 5850
Business address	72-74 Paulet Street SOMERSET EAST 5850
Postal address	P.O. Box 197 SOMERSET EAST 5850
Secretary	ZE Tesana
Company registration number	2003/015482/08

Blue Crane Development Agency
(Registration Number 2003/015482/08)
Financial Statements for the year ended 30 JUNE 2010

Index

The report and statements set out below comprise the adjustment to the financial statement presented to the Director's based on the Audit Finding by the Auditor General.

Blue Crane Development Agency
(Registration Number 2003/015482/08)
Financial Statements for the year ended 30 JUNE 2010

Management Report

The following Management Report to the Financial Statements for the period ending 30 June 2010. The only adjustment reflected is financial information adjusted as per Audit Findings of the Auditor General.
The directors submit their report for the year ended 30 June 2010.

1 Review of activities

Main Business and Operations

The Blue Crane Development agency is engaged as development agenct and operates principally in South Africa, Somerset East. The operating results and state of affairs of the Blue Crane Development Agency are set out in the attached financial statements and do in our opinion require further comment. This is Draft / Pro Forma set of annual financial statements. This set will be replaced by annual financial statements taking into account audit findings of the 2007/2008* Financial Year.(March

2 Going Concern

We draw attention to the fact that at 30 JUNE 2010, the company had accumulated Surplus and that the company's total assets exceed its liabilities. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3 Post Statement of Financial Position Events

The Draft /Pro Forma Statement will be replaced by Annual Financial Statement for the Financial Year ended 30 June 2010. The replacement statement will containt the adjustments as per audit findings of

4 Directors

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

Name	Nationality	Changes	
LS Blouw	South African	Appointed 01 November 2007	
PJ Fourie	South African	Appointed 01 November 2007	*
H van As	South African	Appointed 01 November 2007	
GJ Gerwel	South African	Appointed 01 November 2007	
SM Banzana	South African	Appointed 01 November 2007	
MC Mjadu	South African	Resigned 01 November 2007	
DO Claassen	South African	Resigned 01 November 2007	
ME Doro	South African	Resigned 01 November 2007	
M Liddell	South African	Resigned 01 November 2007	
	*RESIGNED	2009/2010	

Directors Report

5 Secretary

The secretary of the company was ZE Tesana of:
New Acting Ceo: CJ Wilken

Business Address	72-74 Paulet Street SOMERSET EAST 5850
Postal Address	P.O. Box 197 SOMERSET EAST 5850

Blue Crane Development Agency
(Registration Number 2003/015482/08)
Statement of Financial Position At 30 JUNE 2010

Statement of Financial Position

Figures in Rand	Note	2010	2009
Net Assets and Liabilities			
Net Assets			
Accumulated Surplus/Deficit		2049794	1065465
Current Liabilities		**43121**	**237841**
Trade and other Payables		43121	37841
Provision			200000
Total Net Assets and Liabilities		**2092915**	**1303306**
Assets			
Non-Current Assets			
Property, Plant and Equipment		89503	71456
Current Assets		2003412	1231850
Trade and other Receivables		546457	492875
Cash and cash Equivalents		1456955	738975
Total Assets		**2092915**	**1303306**

Blue Crane Development Agency
(Registration Number 2003/015482/08)
Statement of Financial Performance for the year ended 30 JUNE 2010

Statement of Financial Performance

Figures in Rand	Note	2010	2009
Revenue			
Grant Funding		5500000	4966800
(Industrial Development Corporation)			
ECDC			200000
Other Income		116295	183302
Investment Revenue - Interest			
Total Revenue		**5616295**	**5350102**
Expenditure			
Operating Expenditure		4631966	4519583
Total Expenditure		**4631966**	**4519583**
Net Surplus / (Deficit) for the year		**984329**	**830519**

Blue Crane Development Agency
(Registration Number 2003/015482/08)
Statement of Changes in Net Assets for the year ended 30 JUNE 2010

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated Surplus / (Deficit)	Total
Balance at 1 March 2008		234946	234946
Changes in Net Assets			
Surplus for the Year		830519	830519
Balance at 1 JULY 2009		**1065465**	**1065465**
Changes in Net Assets			
Surlus for the Year		984329	984329
Balance at 30 JUNE 2010		**2049794**	**2049794**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the Companies Act of South Africa, 1973. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous period, except for the changes set out in note 2 - changes in accounting policy.

The correct basis of accounting for the year under review for a municipal entity subject to the companies Act is GRAP. These basis of accounting are used by the BCDA to prepare the adjusted financial statements for the year ending 30 June 2010.

The financial statements (these adjusted financial statements) have been prepared accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognized Accounting Practice (GRAP)issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial Statements	AC 101: Presentation of financial Statements
GRAP 2: Cash Flow Statements	AC 118: Cash Flow Statements
GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors	AC 103: Accounting Policies, Changes in Accounting Estimates and Errors

1.1 Property, plant and equipment

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

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

Item	**Average useful life**
Furniture and fixtures	5 years, 10% residual
IT equipment	4 years, 10% residual

Accounting Policies

1.1 Property, plant and equipment (Continue)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

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

1.2 Financial instruments

Fair value determination

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Accounting Policies

1.2 Financial instruments (Continue)

Cash and cash equivalents

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

1.3 Impairment of assets

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

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

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

Accounting Policies

1.3 Impairment of assets (Continue)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.4 Share capital and equity

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

1.5 Provisions and contingencies

Provisions are recognized when:

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

1.5 Provisions and contingencies (Continue)

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognized for future operating losses.

I

f an entity has a contract that is onerous; the present obligation under the contract shall be recognized and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognized in business combinations that are recognized separately are subsequently measured at the higher of:

- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

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

Accounting Policies

1.6 Government grants

Government grants are recognized when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately).

1.7 Borrowing costs

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

TOLERANCE, TRUST, TENACITY

Blue Crane Route Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

Members of the Council	
Mayor	NM Scott
Councillors	JF Froelich
	KC Brown
	K Olivier
	M Nontyi
	NR Sibaca
	L Simmons
	VS Jonas
	NP Yantolo
	BA Manxoweni
Grading of local authority	Grade 2
Accounting Officer	MA Mene
Chief Finance Officer (CFO)	DR Sauls
Registered office	67 Nojoli Street Somerset East 5850
Postal address	P.O. Box 21 Somerset East 5850
Bankers	ABSA Bank
Auditors	Auditor General

Index

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pagess 4 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MA Mene
Accounting Officer

31 August 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	11	1 588 006	909 909
Other financial assets	8	82 099	54 485
Trade and other receivables from exchange transactions	12	552 024	7 239
Other receivables from non-exchange transactions	13	934 091	648 412
VAT receivable	14	1 046 913	1 089 736
Consumer debtors	15	8 337 556	6 656 699
Cash and cash equivalents	16	20 112 087	10 787 541
		32 652 776	**20 154 021**
Non-Current Assets			
Investment property	4	-	-
Property, plant and equipment	5	266 064 557	253 697 174
Intangible assets	6	254 104	254 104
Other financial assets	8	121 408	243 965
		266 440 069	**254 195 243**
Non-Current Assets		266 440 069	254 195 243
Current Assets		32 652 776	20 154 021
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**299 092 845**	**274 349 264**
Liabilities			
Current Liabilities			
Finance lease obligation	17	880 436	805 053
Operating lease liability		10 787	2 361
Trade and other payables from exchange transactions	20	8 791 085	7 176 206
Consumer deposits	21	1 349 551	1 105 422
Retirement benefit obligation	10	353 503	342 546
Unspent conditional grants and receipts	18	7 547 444	7 058 393
Provisions	19	2 659 472	2 659 472
		21 592 278	**19 149 453**
Non-Current Liabilities			
Finance lease obligation	17	1 241 637	2 131 997
Retirement benefit obligation	10	14 290 519	12 779 301
Provisions	19	5 357 398	5 357 398
		20 889 554	**20 268 696**
Non-Current Liabilities		20 889 554	20 268 696
Current Liabilities		21 592 278	19 149 453
Liabilities of disposal groups		-	-
Total Liabilities		**42 481 832**	**39 418 149**
Assets		299 092 845	274 349 264
Liabilities		(42 481 832)	(39 418 149)
Net Assets		**256 611 013**	**234 931 115**
Net Assets			
Accumulated surplus		256 611 013	234 931 115

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	24	5 531 510	4 803 504
Service charges	25	56 763 416	45 791 917
Rental of facilities and equipment		58 882	82 585
Interest received (trading)		1 705 984	2 021 901
Income from agency services		575 285	349 028
Fines		59 588	83 533
Licences and permits		1 206 432	859 050
Government grants & subsidies	26	45 106 435	42 125 356
Miscellaneous other revenue		6 301 532	4 008 189
Other income		1 060 212	1 243 850
Interest received - investment	31	1 015 031	1 046 944
Total Revenue		**119 384 307**	**102 415 857**
Expenditure			
Personnel	28	(37 483 282)	(32 636 219)
Remuneration of councillors	29	(2 275 099)	(2 024 116)
Finance costs	32	(1 140 720)	(283 922)
Debt impairment	30	(6 275 812)	(6 045 384)
Collection costs		(2 542)	(32 611)
Repairs and maintenance		(4 012 044)	(2 256 674)
Bulk purchases	33	(27 618 983)	(20 905 120)
General Expenses	27	(14 465 746)	(11 186 597)
Conditional grant expenditure		(2 247 607)	(9 669 168)
Total Expenditure		**(95 521 835)**	**(85 039 811)**
Gain or loss on disposal of assets and liabilities		(2 182 575)	-
Revenue		119 384 307	102 415 857
Expenditure		(95 521 835)	(85 039 811)
Other		(2 182 575)	-
Surplus for the year		**21 679 897**	**17 376 046**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	(4 572 828)	(4 572 828)
Adjustments		
Change in accounting policy	154 888 836	154 888 836
Balance at 01 July 2008 as restated	**150 316 008**	**150 316 008**
Changes in net assets		
Assets take-on	80 360 908	80 360 908
Post-retirement medical aid liability take-on	(13 121 847)	(13 121 847)
Net income (losses) recognised directly in net assets	67 239 061	67 239 061
Surplus for the year	17 376 046	17 376 046
Total recognised income and expenses for the year	84 615 107	84 615 107
Total changes	84 615 107	84 615 107
Balance at 01 July 2009	**234 931 116**	**234 931 116**
Changes in net assets		
Surplus for the year	21 679 897	21 679 897
Total changes	21 679 897	21 679 897
Balance at 30 June 2010	**256 611 013**	**256 611 013**
Note(s)	2, 5, 10	

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Grants		45 106 435	42 125 356
Interest income		1 015 031	1 046 944
Other receipts		75 653 723	54 438 706
		121 775 189	97 611 006
Payments			
Employee costs		(39 758 381)	34 660 335
Finance costs		(871 139)	(283 922)
Other payments		(55 974 461)	(120 288 603)
		(96 603 981)	(85 912 190)
Total receipts		121 775 189	97 611 006
Total payments		(96 603 981)	(85 912 190)
Net cash flows from operating activities	34	**25 171 208**	**11 698 816**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(15 366 151)	(9 959 519)
Proceeds from sale of property, plant and equipment	5	509 103	-
Net movement in financial assets		94 943	(20 831)
Net cash flows from investing activities		**(14 762 105)**	**(9 980 350)**
Cash flows from financing activities			
Finance lease payments		(1 084 558)	(1 599 680)
Other cash item		-	1 723 455
Net cash flows from financing activities		**(1 084 558)**	**123 775**
Net increase/(decrease) in cash and cash equivalents		**9 324 545**	**1 842 241**
Cash and cash equivalents at the beginning of the year		10 787 541	8 945 298
Cash and cash equivalents at the end of the year	16	**20 112 086**	**10 787 539**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

Transitional provision

1.1 Investment property (continued)

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 4. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.2 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 5. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment

1.2 Property, plant and equipment (continued)
implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.3 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to other comprehensive income and accumulated in the revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.5 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

1.5 Investments in controlled entities (continued)

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

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

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to

1.6 Financial instruments (continued)

an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Amortised cost is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

1.6 Financial instruments (continued)

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

1.7 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Transitional provision

The municipality changed its accounting policy for inventories in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Accounting Policies

1.8 Inventories (continued)

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in note 11. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.9 Non-current assets held for sale and disposal groups

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

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

1.10 Impairment of cash-generating assets (continued)

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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 obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and

1.12 Provisions and contingencies (continued)
measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.10.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies

Accounting Policies

1.12 Provisions and contingencies (continued)
under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.13 Revenue from exchange transactions

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a

Accounting Policies

1.13 Revenue from exchange transactions (continued)
straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made

Accounting Policies

for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

1.17 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

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

1.22 Use of estimates

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

1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

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

1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.26 Conditional grants and receipts

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

1.27 Going Concern

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

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 Intangible Assets
- Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to Standards of GRAP
- Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
- Directive 5 Determining the GRAP Reporting Framework
- Directive 7 The Application of Deemed Cost on the adoption of Standards of GRAP
- IPSAS 20 Related Party Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement

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

Statement of financial position

	2010	2009
Statutory funds - Revolving fund		
Previously stated	-	6 949 646
Adjustment - Transferred to Accumulated Suplus / (Deficit) - (see below)	-	(6 949 646)
	-	-
Reserves - Game Reserve		
Previously stated	-	12 000
Adjustment - Transferred to Accumulated Surplus / (Deficit) - (see below)	-	(12 000)
	-	-
Loans redeemed and other capital receipts		
Previously stated:-		
Loans redeemed and advances repaid	-	135 027
Contributions from operating income	-	2 965 010
Grants and subsidies	-	158 386 046
Public contributions	-	115 400
Adjustments:-		
Transferred to Statement of Financial Performance	-	(10 379 667)
Transferred to Accumulated Surplus / (Deficit) - (see below)	-	(151 221 816)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. Changes in accounting policy (continued)

Provisions

Previously stated:-		
Leave Pay Provision	-	2 575 431
Audit fee Provision	-	1 350 000
Adjustments:-		
Transferred to Staff Leave Accrual	-	(2 575 431)
Transferred to Statement of Financial Performance	-	(1 350 000)
	-	**-**

Trust funds

Previously stated	-	7 207 924
Adjustments:-		
Transferred to Unspent Conditional Grants / Deferred Income	-	(7 058 393)
Transferred to Trade and Other Payables	-	(33 444)
Adjusted to Statement of Financial Performance (Interest received)	-	(116 087)
	-	**-**

Insurance claims paid but not yet utilised

Previously stated	-	511 076
Transferred to Statement of Financial Performance (Insurance claims received)	-	(511 076)
	-	**-**

Finance lease obligation

Previously stated	-	-
Adjustment to Accumulated Surplus / (Deficit)	-	670 226
	-	**670 226**

Housing Development Fund

Previously stated	-	(514 054)
Adjustment to Accumulated Surplus / (Deficit)	-	514 054
	-	**-**

Accumulated Surplus / (Deficit)

Implementation of GRAP:-		
Transferred from Game Reserve (Reserves no longer permitted)	-	(12 000)
Transferred from statutory funds	-	(6 949 646)
Transferred from loans redeemed and other capital receipts	-	(151 221 816)
Finance lease obligation adjustment	-	(670 226)
Housing Development Fund - (previously treated as an accrual - not cash backed)	-	(514 054)
Operating surplus prior year adjustment	-	4 478 906
	-	**(154 888 836)**

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted all new GAAP and GRAP standards and interpretations that are relevant to its operations and that became effective for the current financial year. The adopted standards and interpretations have not resulted in significant changes to the municipality's accounting policies or financial performance.

IFRS 7 (AC 144) Financial Instruments: Disclosures

IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and

3. New standards and interpretations (continued)

valuation of the municipality's financial instruments.

The effective date of the standard is for years beginning on or after 01 January 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

3. New standards and interpretations (continued)

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

3. New standards and interpretations (continued)

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity’s operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

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

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

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

3. New standards and interpretations (continued)

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

3. New standards and interpretations (continued)

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the

3. New standards and interpretations (continued)
item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2010 or later periods:

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2010 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

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

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

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

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

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

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

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

3. New standards and interpretations (continued)

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

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

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 30 June 2011.

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

The impact of this standard is currently being assessed.

4. Investment property

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	-	-

Reconciliation of investment property - 2009

	Opening balance	Total
Investment property	-	-

Transitional provisions

The municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provisions, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012

5. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	18 428 284	-	18 428 284	18 428 284	-	18 428 284
Buildings	34 381 080	-	34 381 080	34 117 633	-	34 117 633
Infrastructure	195 733 792	-	195 733 792	186 905 626	-	186 905 626
Capital work in progress	1 627 117	-	1 627 117	-	-	-
Other property, plant and equipment	15 894 284	-	15 894 284	14 245 631	-	14 245 631
Total	**266 064 557**	**-**	**266 064 557**	**253 697 174**	**-**	**253 697 174**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Total
Land	18 428 284	-	-	-	18 428 284
Buildings	34 117 633	1 852 897	(1 589 450)	-	34 381 080
Infrastructure	186 905 626	9 135 256	-	(307 090)	195 733 792
Capital work in progress	-	1 627 117	-	-	1 627 117
Other property, plant and equipment	14 245 631	2 750 881	(1 102 228)	-	15 894 284
	253 697 174	**15 366 151**	**(2 691 678)**	**(307 090)**	**266 064 557**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Other changes, movements	Total
Land	10 411 414	8 016 870	18 428 284
Buildings	34 117 633	-	34 117 633
Infrastructure	106 544 866	80 360 760	186 905 626
Other property, plant and equipment	10 286 607	3 959 024	14 245 631
	161 360 520	**92 336 654**	**253 697 174**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. Property, plant and equipment (continued)

Capitalised expenditure(excluding borrowing costs)

Capital work in progress	1 627 117	-

Assets subject to finance lease (Net carrying amount)

Motor vehicles	3 958 879	3 958 879

Other information

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

Other movements consist of identified assets that were taken on in the fixed asset register at prior year cost, recently valued or nominal value of R0 and R1, depending on the type of assets. The values as at 2009 on the register were written out at carrying value and the identified assets taken on to the register at 30 June 2009.

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

Transitional provisions

Property, plant and equipment recognised at provisional amounts

The municipality elected to adopt the transitional provisions for the implementation of GRAP. In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment have been recognised at provisional amounts.

Due to the adoption of the transitional provisions no depreciation was calculated.

6. Intangible assets

	2010			2009		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Intangible assets	254 104	-	254 104	254 104	-	254 104

Reconciliation of intangible assets - 2010

	Opening balance	**Total**
Intangible assets	254 104	254 104

Reconciliation of intangible assets - 2009

	Opening balance	**Total**
Intangible assets	254 104	254 104

Transitional provisions

Intangible assets recognised at provisional amounts

The municipality elected to adopt the transitional provisions for the implementation of GRAP. In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain intangible assets with a carrying value of R 254 104 (2009: R 254 104) was recognised at provisional amounts.

6. Intangible assets (continued)

Due to the abovementioned transitional provisions, no amortisation has been calculated.

7. Investments in controlled entities

Name of company	Held by	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Blue Crane Route Development Agency	Blue Crane Route Municipality	100.00 %	100.00 %	-	-

At the time of finalisation of the financial statements, the value of the municipality's investment in the Blue Crane Development Agency could not be determined due to the unavailability of financial statement information of the agency.

8. Other financial assets

	2010	2009
Loans and receivables		
Long term loans	203 507	298 450
Loans are repayable in monthly instalments over periods of three to twenty years. Certain loans have a fixed interest rate of 5% and others are linked to prime interest rate.		
	203 507	298 450
Non-current assets		
Loans and receivables	121 408	243 965
Current assets		
Loans and receivables	82 099	54 485
Non-current assets	121 408	243 965
Current assets	82 099	54 485
	203 507	**298 450**

Included in the above amount for loans and receivables is an amount of R95 209, which relates to a vehicle which was purchased on behalf of the mayor via a finance lease agreement with ABSA. The mayor pays the monthly instalments of the finance lease agreement upfront every month. The amount is repayable over three and a half years and interest is levied at prime less 1%. The mayor will be the owner of the vehicle at the end of the lease in 2011.

Fair value of loans and receivables approximates the carrying amounts.

9. Financial assets by category

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

2010

	Loans and receivables	Non-financial assets	Total
Inventories	-	1 588 006	1 588 006
Other financial assets	203 507	-	203 507
Trade and other receivables from exchange transactions	552 024	-	552 024
Other receivables from non-exchange transactions	934 091	-	934 091
VAT receivable	1 046 913	-	1 046 913
Consumer debtors	8 337 556	-	8 337 556
Cash and cash equivalents	20 112 087	-	20 112 087
Property, plant and equipment	-	266 064 557	266 064 557
Intangible assets	-	254 104	254 104
	31 186 178	**267 906 667**	**299 092 845**

9. Financial assets by category (continued)

2009

	Loans and receivables	Non-financial assets	Total
Inventories	-	909 909	909 909
Other financial assets	298 450	-	298 450
Trade and other receivables from exchange transactions	7 239	-	7 239
Other receivables from non-exchange transactions	648 412	-	648 412
VAT receivable	1 089 736	-	1 089 736
Consumer debtors	6 656 699	-	6 656 699
Cash and cash equivalents	10 787 541	-	10 787 541
Property, plant and equipment	-	253 697 174	253 697 174
Intangible assets	-	254 104	254 104
	19 488 077	**254 861 187**	**274 349 264**

10. Retirement benefits

Defined benefit plan

The plan is a post employment medical benefit plan.

Carrying value

	2010	2009
Present value of the defined benefit obligation-wholly unfunded	(14 644 022)	(13 121 847)
Non-current liabilities	(14 290 519)	(12 779 301)
Current liabilities	(353 503)	(342 546)
	(14 644 022)	**(13 121 847)**

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

Movements for the year

	2010	2009
Opening balance	(13 121 847)	-
Service and interest cost	(1 864 721)	-
Benefits paid	342 546	-
Transfer from Accumulated surplus	-	(13 121 847)
Net expense recognised in the statement of financial performance	1 522 175	-
	(13 121 847)	**(13 121 847)**

Net expense recognised in the statement of financial performance

	2010	2009
Current service cost	993 896	-
Interest cost	870 825	-
Benefits paid	(342 546)	-
	1 522 175	**-**

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

Key assumptions used

The following assumptions were used on the valuation on 30 June 2010.

Pre-retirement mortality: Males: SA (85/90) Light and Females: SA (85/90) light with 3 year adjustment.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

10. Retirement benefits (continued)

Post retirement mortality:	PA (90) M, PA (90) F.
HIV/AIDS:	Not allowed for.
Normal retirement age:	65 for males and 60 for females.
Age difference:	3 year age difference between males and females with females being 3 years younger.
Take up rate:	100% of active employees at retirement.
Discount rate:	Bond Exchange of South Africa ("BESA") yield curve.
Medical inflation:	1% p.a. lower than the discount rate.
Real discount rate:	1% p.a.

Sensitivity Analysis - changes in medical inflation (+1% and -1%)	**+1%**	**-1%**
Accrued post retirement medical aid liability	12 395 704	17 554 705

11. Inventories

Work in progress	955 551	-
Consumable stores	632 455	909 909
	1 588 006	**909 909**

12. Trade and other receivables from exchange transactions

Employee costs in advance	13 216	7 239
Deposits	979	-
Other receivables	537 829	-
	552 024	**7 239**

Other receivables is a financial asset which is classified as loans and receivables. No amortisation was applied.

Fair value is estimated at cost.

13. Other receivables from non-exchange transactions

Government grants and subsidies	137 211	-
Other	796 880	648 412
	934 091	**648 412**

Other receivables consist of a debtor raised for salaries to be recovered from striking employees and prepaid expenses for the annual Biltong festival.

Other receivables from non-exchange transactions are financial assets classified as loans and receivables. No amortisation was applied. Fair value was estimated at cost.

14. VAT receivable

VAT	1 046 913	1 089 736

Amounts payable and receivalble for VAT have been set-off since the amounts are payable / receivable to / from the same entity (SARS).

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

14. VAT receivable (continued)

VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.

15. Consumer debtors

Gross balances		
Rates	2 921 202	2 483 513
Electricity	4 731 201	3 576 332
Water	6 498 057	5 511 286
Sewerage	4 566 486	4 232 828
Refuse	5 206 930	4 244 520
Other (specify)	1 166 101	1 101 224
	25 089 977	**21 149 703**
Less: Provision for debt impairment		
Rates	(1 889 977)	(1 635 074)
Electricity	(1 287 512)	(1 113 864)
Water	(5 007 944)	(4 332 517)
Sewerage	(3 651 135)	(3 158 702)
Refuse	(4 169 450)	(3 607 113)
Other (specify)	(746 403)	(645 734)
	(16 752 421)	**(14 493 004)**
Net balance		
Rates	1 031 225	848 439
Electricity	3 443 689	2 462 468
Water	1 490 113	1 178 769
Sewerage	915 351	1 074 126
Refuse	1 037 480	637 407
Other	419 698	455 490
	8 337 556	**6 656 699**
Rates		
Current (0 -30 days)	331 445	326 573
60 days	56 178	57 244
90 days	34 667	77 326
120 days	31 886	39 105
Older than 120 days	2 467 026	1 983 263
	2 921 202	**2 483 511**
Electricity		
Current (0 -30 days)	2 683 288	2 095 528
60 days	426 623	400 629
90 days	295 219	216 439
120 days	172 475	104 566
Older than 120 days	1 153 596	759 170
	4 731 201	**3 576 332**
Water		
Current (0 -30 days)	702 574	794 798
60 days	297 552	249 559
90 days	256 248	238 449
120 days	235 318	187 831
Older than 120 days	5 006 365	4 040 649

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

15. Consumer debtors (continued)

	6 498 057	**5 511 286**
Sewerage		
Current (0 -30 days)	404 892	467 207
60 days	139 746	148 460
90 days	125 864	139 481
120 days	117 875	117 203
Older than 120 days	3 778 109	3 360 477
	4 566 486	**4 232 828**
Refuse		
Current (0 -30 days)	491 778	476 525
60 days	193 501	170 878
90 days	179 349	155 325
120 days	172 899	144 606
Older than 120 days	4 169 403	3 297 186
	5 206 930	**4 244 520**
Other		
120 days	-	5 198
Older than 120 days	1 166 101	1 096 026
	1 166 101	**1 101 224**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	4 440 576	4 072 915
60 days	1 144 951	1 061 976
90 days	941 788	855 740
120 days	753 933	622 300
Older than 120 days	17 808 729	14 536 772
	25 089 977	21 149 703
Less: Provision for debt impairment	(16 752 421)	(14 493 004)
	8 337 556	**6 656 699**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(14 493 004)	(13 197 397)
Contributions to provision	(3 886 367)	(1 295 607)
Debt impairment written off against provision	1 626 950	-
	(16 752 421)	**(14 493 004)**

Currently the financial system does not allow for seperation of debtors by category.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	705	780
Bank balances	3 773 856	752 720
Short-term deposits	16 337 526	10 034 041
	20 112 087	**10 787 541**

The municipality had the following bank accounts

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2010**	**30 June 2009**	**30 June 2008**
ABSA Bank - Savings - 9062642914	-	-	881	-	-	881
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
ABSA Bank - Fixed deposit - 2055844786	19 210	17 648	15 997	19 210	17 648	15 997
ABSA Bank - Fixed deposit - 2064372621	285	278	261	285	278	261
ABSA Bank - Call account - 2069984156	10 237 092	-	-	10 237 092	-	-
ABSA Bank - Fixed deposit - 2084303510	12 174	11 730	10 836	12 173	11 730	10 836
ABSA Bank - Call account - 9067623600	2 758 094	4 581 931	4 131 098	2 758 094	4 581 931	4 131 098
ABSA Bank - Fixed deposit - 3064335048	22 033	21 183	19 590	22 033	21 183	19 590
ABSA Bank - Fixed deposit - 4064313202	13 113	12 451	11 649	13 113	12 451	11 649
ABSA Bank - Fixed deposit - 5024312404	29 009	27 912	25 734	29 009	27 912	25 734
ABSA Bank - Fixed deposit - 9064335011	12 729	12 212	11 288	12 729	12 212	11 288
ABSA Bank - Fixed deposit - 9073206933	28 651	27 596	25 482	28 651	27 596	25 482
ABSA Bank - Money market - 9186985404	-	4 834 793	1 582 092	-	4 834 793	4 834 793
ABSA Bank - Money market - 9186985878	-	21 742	51 803	-	217 742	51 803
ABSA Bank - Money market - 9191350545	-	-	2 259 389	-	-	2 259 389
ABSA Bank - Call account - 99216529966	48 913	388 233	-	48 913	388 233	-
Nedbank - Money market - 1263036023	6 574	6 574	6 844	6 574	6 574	6 844
Nedbank - Fixed deposit - 18312491	4 600	4 600	4 600	4 600	4 600	4 600
Nedbank - Money market - 1263034756	60 429	57 521	52 651	60 429	57 521	526 651
First National Bank - Money market - 74255023258	3 077 122	-	-	3 077 122	-	-
ABSA - Cheque account - 2200000008	637 053	1 622 710	377 515	525 227	1 139 079	322 964
ABSA - Cheque account - 4064779134	3 249 065	130 401	418 774	3 248 630	(386 358)	393 216
ABSA Bank - 409180033	-	-	6 591	-	-	6 591
ABSA Bank - 4053048314	-	-	2 910	-	-	2 910
ABSA Bank - 4055469366	-	-	215	-	-	215
ABSA Bank - 4051973385	-	-	243	-	-	243
Total	**20 223 646**	**11 787 015**	**9 023 943**	**20 111 384**	**10 982 625**	**12 670 535**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

17. Finance lease obligation

Minimum lease payments due		
- within one year	1 068 945	1 074 634
- in second to fifth year inclusive	1 436 511	2 515 380
	2 505 456	3 590 014
less: future finance charges	(383 383)	(652 964)
Present value of minimum lease payments	**2 122 073**	**2 937 050**

Present value of minimum lease payments due		
- within one year	880 436	805 053
- in second to fifth year inclusive	1 241 637	2 131 997
	2 122 073	**2 937 050**

Non-current liabilities	1 241 637	2 131 997
Current liabilities	880 436	805 053
	2 122 073	**2 937 050**

The average lease term is 3 to 5 years and the average effective borrowing rate was between 3% and 18%.

Interest rates are fixed at the contract date No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Included in the balance above is a finance lease with ABSA registered in the municipality's name on behalf of the Mayor. Refer to note 8.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grant	1 838 221	4 342 065
Other grants	5 709 223	2 716 328
	7 547 444	**7 058 393**

See note 26 and appendix F for a reconciliation of grants and receipts from the different spheres of government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

19. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Total
Environmental rehabilitation	8 016 870	8 016 870

Reconciliation of provisions - 2009

	Opening Balance	Total
Environmental rehabilitation	8 016 870	8 016 870

Non-current liabilities	5 357 398	5 357 398
Current liabilities	2 659 472	2 659 472
	8 016 870	**8 016 870**

The provision for environmental rehabilitation relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation was performed by Kv3 Engineers at current value cost.

Transitional provisions

Provisions recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, the environmental rehabilitation provision for landfill sites with a carrying value of R 8 016 870 (2009: R 8 016 870) was recognised at provisional amounts.

20. Trade and other payables from exchange transactions

Trade payables	5 751 462	4 274 567
Payments received in advance	450 737	319 008
Accrued leave pay	2 572 147	2 575 431
Deposits received	16 739	7 200
	8 791 085	**7 176 206**

Trade payables are classified in terms of financial instruments as financial liabilities at amortised cost.

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

21. Consumer deposits

Water and electricity	1 349 551	1 105 422

22. Financial liabilities by category

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

2010

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Finance lease obligation	-	2 122 073	2 122 073
Operating lease liability	-	10 787	10 787
Trade and other payables from exchange transactions	5 751 463	3 039 623	8 791 086

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

22. Financial liabilities by category (continued)

Consumer deposits	-	1 349 551	1 349 551
Retirement benefit obligation	-	14 644 022	14 644 022
Unspent conditional grants and receipts	7 547 444	-	7 547 444
Provisions	-	8 016 870	8 016 870
	13 298 907	**29 182 926**	**42 481 833**

2009

	Financial liabilities at amortised cost	Non-financial liabilities	Total
Finance lease obligation	-	2 937 050	2 937 050
Operating lease liability	-	2 361	2 361
Trade and other payables from exchange transactions	4 274 567	2 901 639	7 176 206
Consumer deposits	-	1 105 422	1 105 422
Retirement benefit obligation	-	13 121 847	13 121 847
Unspent conditional grants and receipts	7 058 393	-	7 058 393
Provisions	-	8 016 870	8 016 870
	11 332 960	**28 085 189**	**39 418 149**

23. Revenue

Property rates	5 531 510	4 803 504
Service charges	56 763 416	45 791 917
Rental of facilities & equipment	58 882	82 585
Income from agency services	575 285	349 028
Fines	59 588	83 533
Licences and permits	1 206 432	859 050
Government grants & subsidies	45 106 435	42 125 356
Miscellaneous other revenue	6 301 532	4 008 189
	115 603 080	**98 103 162**

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

Service charges	56 763 416	45 791 917
Rental of facilities & equipment	58 882	82 585
Income from agency services	575 285	349 028
Licences and permits	1 206 432	859 050
Miscellaneous other revenue	6 301 532	4 008 189
	64 905 547	**51 090 769**

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

Property rates	5 531 510	4 803 504
Fines	59 588	83 533
Government grants & subsidies	45 106 435	42 125 356
	50 697 533	**47 012 393**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. Property rates

Rates received

All properties	5 531 510	4 803 504

Valuations

Residential	11 299 418	3 687 303
Commercial	2 818 025	1 237 543
State	3 634 937	1 725 989
Agricultural	54 940 300	2 491 977
Less: Income forgone	(5 039 633)	(4 146 543)
	67 653 047	**4 996 269**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2006. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.0007 for agricultural properties, 0.000846 for business properties, 0.00750 for residential properties, 0.01876 for goverment infrastructure properties and 0.01876 for government properties is applied to property valuations to determine assessment rates (2009: 0.01550 - agricultural properties, 0.01550 - business properties, 0.01650 - residential properties, 0.01550 - government properties and infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2009: R15 000 - residential properties and 30% government infrastructure).

Rates are levied on an annual basis with the final date for payment being 30 June 2010 (30 June 2009). Interest at prime plus 1% per annum (2009:prime plus 1% per annum), is levied on rates outstanding one months after due date.

The new general valuation will be implemented on 01 July 2011.

25. Service charges

Sale of electricity	43 839 769	32 929 443
Sale of water	5 972 904	6 114 758
Sewerage and sanitation charges	2 815 517	3 063 995
Refuse removal	3 871 459	3 362 084
Other service charges	263 767	321 637
	56 763 416	**45 791 917**

26. Government grants and subsidies

Equitable share	29 549 900	23 234 780
Government grant - MIG	10 428 511	9 418 937
Government grant - Other	5 128 024	9 471 639
	45 106 435	**42 125 356**

Conditions still to be met - remain liabilities (see note 18)

For a detail reconciliation refer to Appendix F.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

27. General expenses

Advertising	445 983	163 215
Auditors remuneration	2 086 160	595 772
Bank charges	169 914	182 300
Consulting and professional fees	1 044 913	1 484 902
Consumables	295 062	329 032
Donations	1 465	-
Entertainment	872 039	724 820
Animal Costs	17 500	15 493
Insurance	626 664	608 181
Conferences and seminars	19 525	23 223
Lease rentals on operating lease	1 191 369	599 078
Magazines, books and periodicals	15 373	18 405
Fuel and oil	1 535 498	1 669 123
Printing and stationery	733 048	693 908
Protective clothing	106 120	95 007
Security (Guarding of municipal property)	546 724	461 666
Telephone and fax	1 055 969	1 026 908
Transport and freight	29 688	28 423
Training	11 382	22 789
Title deed search fees	26 476	5 722
Utilities - water and electricity	1 975 358	1 118 268
Tourism development	89 583	138 221
Licences	467 187	283 429
Conditional grant expenditure	2 247 607	9 669 168
Chemicals	321 568	370 993
Other expenses	781 178	527 719
	16 713 353	**20 855 765**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. Employee related costs

Basic	25 483 022	22 137 127
Bonus	1 977 604	1 763 734
Medical aid contributions	1 291 239	1 124 909
UIF	281 245	252 708
WCA	199 165	480 872
SDL	314 395	241 661
Leave pay	245 068	451 690
Post-employment benefits - Pension - Defined contribution plan	651 350	-
Travel, motor car, accommodation, subsistence and other allowances	660 203	595 236
Overtime payments	990 912	984 501
Other allowances	1 867 263	1 428 547
Bargaining council	13 312	12 023
Other contributions	4 444	4 719
Pension contributions	3 501 060	3 158 492
Relocation costs	3 000	-
	37 483 282	**32 636 219**

Remuneration of municipal manager

Annual Remuneration	482 276	438 170
Travel allowance	120 000	120 000
Performance Bonuses	40 925	32 880
Contributions to UIF, Medical and Pension Funds	88 352	80 409
	731 553	**671 459**

Remuneration of chief finance officer

Annual Remuneration	436 999	401 229
Travel allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 542	3 335
Other	9 793	-
	568 334	**524 564**

Remuneration of manager - corporate services

Annual Remuneration	424 193	371 914
Travel allowance	191 691	191 691
Contributions to UIF, Medical and Pension Funds	21 088	23 452
Other	10 250	-
	647 222	**587 057**

Remuneration of manager - community services

Annual Remuneration	230 230	428 553
Travel allowance	52 000	96 000
Contributions to UIF, Medical and Pension Funds	4 858	13 098
Other	9 039	-
	296 127	**537 651**

Remuneration of manager - infrastructure services

Annual Remuneration	385 205	332 293
Travel allowance	120 000	120 000
Performance Bonuses	32 770	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	70 879	61 352
	608 854	**513 645**

29. Remuneration of councillors

Mayor and councillors	2 275 099	2 024 116

In-kind benefits

The mayor nor councillors received any in-kind benefits.

30. Debt impairment

Contributions to debt impairment provision	6 106 121	6 045 384
Debts impaired	169 691	-
	6 275 812	**6 045 384**

31. Investment revenue

Interest revenue		
Other financial assets	1 479	1 586
Bank	1 013 552	1 045 358
	1 015 031	**1 046 944**

32. Finance costs

Trade and other payables	314	-
Finance leases	269 581	283 922
Interest cost - PRMA liability	870 825	-
	1 140 720	**283 922**

33. Bulk purchases

Electricity	26 467 467	20 477 057
Water	1 151 516	428 063
	27 618 983	**20 905 120**

34. Cash generated from operations

Surplus	21 679 897	17 376 046
Adjustments for:		
Gain on sale of assets and liabilities	2 182 575	-
Finance costs - Finance leases	269 581	283 922
Debt impairment	6 275 812	(6 045 384)
Movements in operating lease assets and accruals	8 426	2 361
Movements in retirement benefit assets and liabilities	1 522 175	-
Changes in working capital:		
Inventories	(371 007)	(543 127)
Trade and other receivables from exchange transactions	(544 785)	(611 315)
Other receivables from non-exchange transactions	(285 679)	135 111
Consumer debtors	(7 956 669)	6 342 628
Trade and other payables from exchange transactions	1 614 879	(3 503 149)
VAT	42 823	(1 089 736)
Unspent conditional grants and receipts	489 051	(1 753 963)
Consumer deposits	244 129	1 105 422

Figures in Rand	2010	2009

34. Cash generated from operations (continued)

	25 171 208	**11 698 816**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	9 179 271	5 709 583

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and grant funding.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	296 437	309 632
- in second to fifth year inclusive	643 533	939 969
	939 970	**1 249 601**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three to five years and rentals. No contingent rent is payable.

36. Contingencies

Matter: Blue Crane Route Municipality vs Vincemus and three others: - The municipality lanched an application to declare four rental agreements entered into to be set aside. The amount claimed approximates R150 000. One of the agreements is underpinned by fraud and the three others were concluded contrary to proper procurement processes. The matter has been set down for hearing of oral evidence whether procurement complied with the Constitution and other governing legislation.

Matter: Corporate finance solutions vs Blue Crane Route Municipality: - The plaintiff has sued for arrear rental payments arising from a ceded agreement. The municipality has counterclaimed for an order declaring the agreement invalid on the basis that the municipal official who entered into the original agreement was not authorised to do so and did not act in term of the peremptory procurement legislation. The amount claimed is R422 000. An application for a trial date has been submitted and a plea to amend the particulars of the claim is being prepared.

Matter: Blue Crane Route vs Claasen and three others: - The municipality has issued a summons for the recovery of monies from the defendants as a result of predjudice suffered by the municipality and benefit derived by the defendants. The amount claimed approximates R4 189 000. The defendants have not pleaded to amended particulars of the claim.

Matter: Blue Crane Route vs Autumn star trading and seven others: - The municipality has sued for the recovery of monies from the first defendant, directors and shareholders of the first defendant and the municipality's former municipal manager. The claim is based on the service provider not providing intended works and Council being mislead by the former municipal manager.The amount claimed approximates R1 661 000. Pleadings have been closed and an application for a trial date has been submitted.

Matter: Vincemus vs Blue Crane Route Municipality: - The plaintiff has sued for the payment of arrears in terms of four agreements. The agreements in question are those which the municipality seeks to have declared invalid in the Vincemus case above. The amount claimed approximates R2 005 100. Appearance to defend has been entered into and a plea will be prepared.

Matter: Blue Crane Route vs Van Rensburg: - The municipality has sued for the recovery of money representing a fraudulent inflated mark-up of disbursements charged by the defendant to the municipality. The defendant has also been reported to the Cape Law Society. The amount claimed approximates R68 000. Default judgment was applied for and the defendant has since entered an appearance to defend.

The outcome of all of the above matters cannot be estimated with certainty.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

37. Related parties

Relationships

Controlled entities - Blue Crane Development Agency	Refer to note 7	

Related party transactions

	2010	2009
Internet expenses		
Blue Crane Route Development Agency	1 020	-
Employee costs		
Blue Crane Development Agency	88 563	87 478
Audit fees		
Blue Crane Development Agency	298 405	-

38. Comparative figures

The municipality have adopted the standards of GRAP and consequently certain comparative figures have been re-stated and reclassified.

Refer to note 2, Changes in Accounting Policy, for an analysis of the effect on the comparative figures.

39. Risk management

Liquidity risk

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

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

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

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

Financial instrument	2010	2009
Short term deposits	16 337 526	10 034 041
Finance leases	(2 122 073)	(2 937 050)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and so constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but is all dependant on the political will for execution to control the credit risk. Large consumers may have to produce large guarantees and / or deposits to minimise the credit risk.

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

Financial instrument	2010	2009
Short term deposits	16 337 526	10 034 041
Consumer debtors	7 272 124	620 120
Trade and other receivables	1 661 492	482 922

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

40. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding from various spheres of Government for the ongoing operations for the municipality.

41. Events after the reporting date

There are no events after the reporting date to report on.

42. Fruitless and wasteful expenditure

	2010	2009
Fruitless and wasteful expenditure	1 635	88 800

43. Irregular expenditure

	2010	2009
Irregular Expenditure - current year	-	538 849

44. In-kind donations and assistance

Cacadu District Municipality donated certain fire equipment to the value of R406 000.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2010	2009
Current year subscription	258 200	112 284
Amount paid - current year	(258 200)	(112 284)
	-	-

Material losses through criminal conduct

None.

Audit fees

	2010	2009
Current year fee	1 787 755	1 179 568
Amount paid - current year	(1 787 755)	(1 179 568)
	-	-

PAYE and UIF

	2010	2009
Current year deductions	3 885 215	3 459 291
Amount paid - current year	(3 885 215)	(3 459 291)
	-	-

Pension and Medical Aid Deductions

	2010	2009
Current year deductions	6 986 323	6 215 419
Amount paid - current year	(6 986 323)	(6 215 419)
	-	-

VAT

Figures in Rand	2010	2009

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT receivable	1 046 913	1 089 736

VAT output payables and VAT input receivables are shown in note 14.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had any arrear consumer accounts during the year.

Supply chain management regulations

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

Incident		
Infrastructure vehicle purchase	1 203 176	-
VAM system purchase and implementation	180 000	-
	1 383 176	**-**

46. Actual operating expenditure versus budgeted operating expenditure

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

47. Actual capital expenditure versus budgeted capital expenditure

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

48. Reconciliation between budget and statement of financial performance

Net profit per statement of financial performance	21 679 897	-
Grant expenditure	(25 666 123)	-
Debt impairment	3 359 412	-
Finance costs	322 724	-
Provision for depreciation	(12 012 064)	-
Bulk purchases	(884 716)	-
Income not realised - grants	8 707 503	-
Net profit per budget	**(4 493 367)**	**-**

BLUE CRANE ROUTE MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
30 June 2010

EXTERNAL LOANS	Effective Rate	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010
			R	R	R	R
LEASE LIABILITY						
Fleet Amasondo			373,200	-		373,200
Absa Finance Lease - Tazz			13,137	-	13,137	-
Absa Finance Lease	Prime less 2%		180,804	-	77,662	103,142
Fleet Absa	Prime less 2%		2,369,910	-	724,179	1,645,731
TOTAL EXTERNAL LOANS			**2,937,050**	**-**	**814,978**	**2,122,073**

BLUE CRANE ROUTE MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 June 2010

	Cost / Revaluation					Accumulated Depreciation							
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land and Buildings	44,249,149	1,852,897	(1,589,450)		44,512,596								44,512,596
Landfill Sites	8,016,870				8,016,870					-			8,016,870
	52,266,019	1,852,897	(1,589,450)	-	52,529,466	-	-	-	-	-	-	-	52,529,466
Infrastructure													
Infrastructure: Other	53,127,669	9,360,327	(1,102,228)		61,385,768						(307,090)		61,078,678
Electricity Mains	80,139,704	1,066,479			81,206,183								81,206,183
Reservoirs/Tanks/Pumps	32,315,871	442,664			32,758,535								32,758,535
Taxi Ranks	408,003				408,003								408,003
Refuse	362,427	298,500			660,927								660,927
Sewerage	21,687,559	31,899			21,719,458								21,719,458
Airfield	3,234,459	150,200			3,384,659								3,384,659
	191,275,692	11,350,069	(1,102,228)	-	201,523,533	-	-	-	-	-	(307,090)	-	201,216,443
Community Assets													
Nature Reserve	452,527				452,527								452,527
Libraries	384,712				384,712								384,712
					-								-
	837,239	-	-	-	837,239	-	-	-	-	-	-	-	837,239
Other Assets													
Office Equipment	176,055	391,329			567,384								567,384
Plant and Equipment	222,789				222,789								222,789
Motor vehicles	4,454,221	1,501,676			5,955,897								5,955,897
Specialised vehicles	2,810,000				2,810,000								2,810,000
Computer Equipment	1,655,158	270,181			1,925,339								1,925,339
Intangible Assets	254,104				254,104								254,104
	9,572,327	2,163,186	-	-	11,735,513	-	-	-	-	-	-	-	11,735,513
Total	253,951,278	15,366,151	(2,691,678)	-	266,625,751	-	-	-	-	-	(307,090)	-	266,318,661

BLUE CRANE ROUTE MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 June 2010

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Disposals	Additions	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Other movements	Carrying value
	R	R	R	R	R	R	R	R	R	R	R
					-		-	-	-		-
Council's General Expenses	34,004				34,004		-	-	-		34,004
Estates and Properties	44,249,149	(1,589,450)	1,852,897		44,512,596		-	-	-		44,512,596
Municipal Manager	104,113		270,181		374,294		-	-	-		374,294
Financial Services	1,121,778		280,535		1,402,313		-	-	-		1,402,313
Human Resources	418,285		110,794		529,079		-	-	-		529,079
Infrastructure Other	70,527,197	(1,102,228)	9,072,633	(307,090)	78,190,512				-		78,190,512
Community Services	2,737,087		934,740		3,671,826				-		3,671,826
Refuse Removal Services	362,427		298,500		660,927				-		660,927
Sewerage Services	21,687,559		31,899		21,719,458				-		21,719,458
Electricity Services	80,139,704		1,066,479		81,206,183				-		81,206,183
Water Services	32,315,871		1,447,494		33,763,365				-		33,763,365
Intangible Asset	254,104				254,104				-		254,104
					-				-		-
					-				-		-
	253,951,278	(2,691,678)	15,366,151	(307,090)	266,318,661	-	-	-	-	-	266,318,661

BLUE CRANE ROUTE MUNCIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
30 June 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus / (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Surplus / (Deficit)
R	R	R		R	R	R
493,000	2,495,626	(2,002,626)	Executive & Council	588,396	2,871,720	(2,283,324)
1,034,676	3,960,785	(2,926,109)	Accounting Officer	902,737	4,215,190	(3,312,453)
26,445,575	11,499,052	14,946,524	Budget and Treasury	28,040,987	15,493,967	12,547,020
38,693,409	26,037,790	12,655,620	Technical Services: Electricity	51,026,555	35,388,857	15,637,699
9,902,623	7,499,466	2,403,158	Technical Services: Water	9,339,120	8,435,657	903,463
4,842,208	3,881,703	960,505	Tech Services: Waste Management	5,090,321	4,857,091	233,230
14,249,788	14,309,939	(60,151)	Technical Services: Other	17,064,019	10,936,874	6,127,145
10,887,990	15,644,921	(4,756,931)	Community & Social Services	14,850,252	19,225,100	(4,374,849)
155,600	3,999,544	(3,843,944)	Corporate Services	45,176	3,843,212	(3,798,036)
						-
		-				-
		-				-
-	-	-				-
106,704,870	**89,328,825**	**17,376,045**		**126,947,563**	**105,267,668**	**21,679,895**
-	-	-	Less: Inter-Department Charges	-	-	-
106,704,870	**89,328,825**	**17,376,045**	Total	**126,947,563**	**105,267,668**	**21,679,895**

BLUE CRANE ROUTE MUNICIPALITY

APPENDIX E1

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2010

	Actual 2010	Budget 2010	Variance	Variance %	Explanation of Significant Variances Greater than 10% versus Budget
	R	R	R		
REVENUE					
Property Rates	5,531,510	5,523,100	8,410	0%	
Service charges	56,763,416	63,210,743	(6,447,327)	-10%	
Rental of Facilities and equipment	58,882	320,848	(261,966)	-82%	The MIG projects did not materialise, and there for the Municipality could not do any works for MIG
Interest received (trading)	1,705,984	1,900,000	(194,016)	-10%	
Income from agency services	575,285	664,592	(89,307)	-13%	
Fines	59,588	291,600	(232,012)	-80%	The Traffic Dept was under staffed and there for they did not issue any fines
Licences and permits	1,206,432	1,000,000	206,432	21%	The Traffic Dept was utilised their services in issue permits and licences
Government grants	45,106,435	53,813,938	(8,707,503)	-16%	The Government Grant for housing did not materialise to the value of R5milj and the money for the water tanks were not for the Municipality but for the residence.
Miscellaneous other revenue	6,301,532	6,951,147	(649,615)	-9%	
Other income	1,060,212	4,587,423	(3,527,211)	-77%	
Interest received - investment	1,015,031	1,130,000	(114,969)	-10%	
Total Income	**119,384,307**	**139,393,391**	**(20,009,084)**	**-14%**	
EXPENDITURE					
Employee related costs	37,483,282	38,195,197	(711,915)	-2%	
Remuneration of Councillors	2,275,099	1,747,223	527,876	30%	During the financial year the Municipality realised that they over paid the councillors. The Councillors are paying the money back and there for the big variance on their remuneration.
Debt impairment	6,275,812	2,916,400	3,359,412	115%	The Municipality has only know used a more scientific method in preparing the Prov. For Bad Debts.
Depreciation	-		-		
Finance costs	1,140,720	817,996	322,724	39%	The Municipality implemented GRAP for the first time this year and with IMFO the leases were only operating and it was not part of redemption
Collection costs	2,542	30,000	(27,458)	-92%	
Repairs and maintenance	4,012,044	5,590,411	(1,578,367)	-28%	The Municipality bought new vehicles and there for did not utilise the whole vehicle budget
Bulk purchases	27,618,983	29,028,682	(1,409,699)	-5%	
Operating grant expenditure	2,247,607	27,913,730	(25,666,123)	-92%	The Municipality has shown all the grants as recharges to trust fund and they were all capital expenditure and there for not allocated to the Operating Budget compelled to
General expenses	16,648,321	28,660,385	(12,012,064)	-42%	Provision for Depreciation was made, but because the Municipality took Directive 4 they did not need to Depreciate.
Total Expenditure	**97,704,410**	**134,900,024**	**(37,195,614)**	**-28%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**21,679,897**	**4,493,367**	**17,186,530**	382%	The surplus is because of the Capital Expenditure

BLUE CRANE ROUTE MUNICIPALITY
APPENDIX E2
ACTUAL VERSUS BUDGET: ACQUISITION OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under construction	2010 Total additions	2010 Budget	Variance	Variance %	Explanation of Significant Variances Greater than 5% versus Budget
	R	R	R	R	R		
Land							
Land and Buildings	1,852,897		1,852,897	4,255,263	(2,402,366)	-56%	
Landfill Sites	-	-	-		-		
	1,852,897	-	1,852,897	4,255,263	-2,402,366		
Infrastructure					-		
Infrastructure: Other	9,360,327		9,360,327	15,060,222	(5,699,895)	-38%	Housing project of R5 milj did not materialize
Electricity Mains	1,066,479		1,066,479	3,755,263	(2,688,784)	-72%	The Electricity Project of R5milj was not completed during the year, because of capacity.
Reservoirs/Tanks/Pumps	442,664		442,664	5,396,593	(4,953,929)	-92%	A donation of R4milj for water tanks were not donated to the Municipality but to the residence
Taxi Ranks	-		-		-		
Refuse	31,899		31,899		31,899	-100%	
Sewerage	298,500		298,500	316,759	(18,259)	-6%	
Airfield	150,200		150,200	150,200	-	0%	
	11,350,069	-	11,350,069	24,679,037	-13,328,969	-198%	
	-	-	-			-	
Community Assets	-	-	-			-	
Nature Reserve	-	-	-		-		
Libraries	-	-	-		-	-	
	-	-	-	-	-	0%	
Other Assets							
Office Equipment	391,329		391,329	502,685	(111,356)	-22%	
Plant and Equipment	-		-		-		
Motor vehicles	1,501,676		1,501,676	4,240,737	(2,739,061)	-65%	The loan of R3,5 milj was only approved in June 2010, and therefore the tenders were not sumitted in time to aquire the vehicles.
Specialised vehicles	-		-		-		
Computer Equipment	270,181		270,181	327,070	(56,889)	-17%	
Intangible Assets			-		-		
	2,163,186	-	2,163,186	5,070,492	-2,907,306	-104%	
TOTAL	**15,366,151**	-	**15,366,151**	**34,004,792**	**(18,638,641)**	-186%	

BLUE CRANE ROUTE MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBISDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2010

Grant Description	Unspent balance 30 June 2009	Contributions	Transfers	Vat Own Funds Circular 51	Operating expenditure during the year transferred to revenue	Capital expenditure during the year transferred to revenue	Unspent balance at 30 June 2010	Complied with conditions
	R	R	R	R	R	R	R	
Dr. WH Craib Fund	15,015				-2,000		13,015	Yes
LED Zama Fund	63,158				-63,158		-	Yes
Integrated Development Plan	151,426	140,086		400	-45,975		245,937	Yes
Zoning Map Fund	30,843						30,843	Yes
Pearston Small Farmers Association	1,763		-1,763				-	Yes
Cookhouse 313 Houses	71,679		-71,679				-	Yes
Perimeter Fence - Lake Bertie	379,175					-379,175	-	Yes
Environmental Impact Study Fund	63,000						63,000	Yes
Spatial Development Framework	174,090				-144,140		29,950	Yes
MIG - Revolving Fund	4,342,065	8,330,756	137,210	-1,271,382	-526,711	-9,173,717	1,838,220	Yes
Project Consolidate - IT Project	26,310						26,310	Yes
MSIG Funds	88,627	735,000		-87,370	-736,257		-0	Yes
Fire Management	-						-	Yes
Library Grant - Cacadu	28,233						28,233	Yes
Library Grant - Cacadu		43,829			-43,829		-	Yes
Carwash - Cacadu		104,110					104,110	Yes
Pearston Clinic - Cacadu		286,780			-19,143	-267,637	0	Yes
Electricity - Cacadu		5,018,060		-203,585		-1,454,179	3,360,296	Yes
Project Consolidate - Mentoring	66,071						66,071	Yes
Water Services Fund	100,000						100,000	Yes
NER Trust Fund	103,706				-16,873		86,833	Yes
FMG Grant	-	1,000,000		-63,114	-496,608	-440,278	0	Yes
CMIP - Trust Funds	151,861						151,861	Yes
Pearston 300 Houses	86,784		-86,784				-	Yes
Free Basic Services Grant	41,779				-29,833		11,946	Yes
LED Trust Fund	-	485,556		-485,556			-	Yes
Housing Funds 1	83,732		-83,732				-	Yes
Housing Funds 2	436,166	260,909	244,818		-712,187		229,706	Yes
CIP Funds	169,487						169,487	Yes
Computer Project - Cacadu	-						-	Yes
HIV Drugs	60,000				-41,616		18,384	Yes
CBP Ward Implementation Plan	4,543	-			-2,300		2,243	Yes
DWAF	224,455	600,000					824,455	Yes
Aeroville Cemetery Grant	94,425				-47,882		46,543	Yes
Arts and Craft - Cacadu		100,000					100,000	Yes
TOTAL	**7,058,393**	**17,105,086**	**138,070**	**-2,110,607**	**-2,928,512**	**-11,714,986**	**7,547,444**	