

LEJWELEPUTSWA DISTRICT MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2010**

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**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
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1. GENERAL INFORMATION

EXECUTIVE MAYOR

Ms. Nokwanje Selina Leeto

SPEAKER

Mr. T.D Khalipha

MEMBER OF THE MAYORAL COMMITTEE

Mr. K.J Menyatso

Ms. M.E Lande

Ms. M.J Pereko

Mr. S.J Mabitle

Ms. M.H Ntsebeng

Mr. S.E Tshabangu

Mr. A.P Kotzee

Grading of Lejweleputswa District Municipality

Grade 9

Auditors

The Auditor-General

Bankers

ABSA Bank

Registered office

Tempest Road

PO Box 2163

Welkom

9460

Tel. 057 – 353 3094/5/8/9

Fax 057 – 353 3382

Municipal Manager

Ms N.E. Aaron

Chief Financial Officer

Mr J.T.K Bofelo

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2. CONSTITUTION OF THE COUNCIL

<u>LOCAL BODIES</u>	<u>NUMBER OF REPRESENTATIVES</u>
Local Councils	
Masilonyana	2
Matjhabeng	15
Nala	3
Tswelopele	1
Tokologo	1
Directly elected	<u>15</u>
	<u>37</u>

APPROVAL OF FINANCIAL STATEMENTS

The preparation of the annual financial statements set out on pages 9 to 61, is the responsibility of the Municipal Manager in terms of section 126(1) of the Municipal Finance Management Act (MFMA) and the statements are signed on behalf of Lejweleputswa District Municipality.

I certify that salaries, allowances and benefits of Councillors disclosed in note 14 of these annual financial statements are not within the determination of the upper limits of the framework-envisaged 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, however the matter is receiving Council's attention.

Municipal Manager
Ms. N.E Aaron

Date

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3. EXECUTIVE MAYOR'S FOREWORD

I take pleasure and express my gratitude to the constituency of Lejweleputswa District Municipality as we present the 2009/2010 financial statements.

This is a legal requirement contributing towards sound financial management and accounting. It also reinforces the provision of the constitution of the republic of South Africa, (act No. 108 of 1996), Municipal Systems Act (Act No. 32 of 200) and Municipal Finance Management Act (No. 56 of 2003). These are Acts giving effect to the realisation of the mandate contained in the objects of local government, such as:

- To provide for a democratic and accountable government for local Municipalities
- To ensure sustainable provision of services
- To promotes social and economic development
- To promotes a safe and healthy environment in the affairs of local government.

It is through our consideration and adoption of our 2009/2010 IDP and budget; we sought to practically give realization of these important objects of the local government which essence about good governance and service delivery.

We should stress that all the necessary projects and programs emanating from above, are done within the availability of constrained resources. Therefore, we had to our best to accommodate critical areas of service delivery needed by the community. We cannot achieve all of them in financial year. More resources could help to finance infrastructural development and amongst other things, HIV and AIDS, youth development and women empowerment.

These annual financial statements will reflect the extent of our account on finances and their utilisation.

I look forward on behalf of our executive and administrative collectives, to a positive 2010/2011, a financial year that will represent further progress towards perfecting our systems of accounting and service delivery. All this will continue to be done to foster total transformation and change. We will prove ourselves as a perfect partner in service excellence by 2014.

Executive Mayor
Ms. Nokwanje Selina Leeto

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4. CHIEF FINANCIAL OFFICER'S REPORT

4.1 INTRODUCTION

The following report is a concise summary of the financial results of the past year. The prevailing economic climate coupled with the abolishment of levies at 1 July 2006 has a negative effect on council's income. Operating expenses were kept well within the set parameters.

4.2 OPERATING RESULTS

Details of the operating results relating to the classification and type of income or expenditure are reflected in appendices D and E. Revenue summary appear in appendix F. The overall operating results for the year ended 30 June 2010 are as follows:

	ACTUAL 2008/2009	ACTUAL 2009/2010	DIFFERENCE 2009/2010	ESTIMATES 2009/2010	DIFFERENCE ACTUAL / BUDGET
INCOME	R	R	%	R	%
Surplus brought forward	33,556,129	52,723,809	72.02		
Income for the year	87,174,954	94,077,585	7.92	99,655,781	5.60
Prior year adjustment	6,672,287	181,742	(97.28)		
	127,403,370	146,983,136		99,655,781	
EXPENDITURE					
Administrative Costs	69,334,438	76,736,009	10.58	90,136,343	14.24
Projects	5,345,123	6,873,409	28.60	9,519,438	27.79
Closing surplus	52,723,809	63,373,718	20.20		
	127,403,370	146,983,136		99,655,781	

Regional Services Levies were discontinued from 1 July 2006. Total income increased by 7.92% due to increase in the unconditional Government Grants and also due to a higher expenditure in the conditional grants compared to the previous year.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
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4.3 CAPITAL EXPENDITURE AND FINANCING

Total amount of R14 027 990 was made available to local authorities during the year and the amount was applied as follows:

<u>Available amount:</u>	<u>R</u>
Transferred from previous years	-
Amount allotted for the year	
Income	6,700,000
CDF	7,327,990
Total amount available	14,027,990
<u>Expended to provide for:</u>	
Capital charges	2,948,951
Cemetery	49,255
Lejweleputswa Development Agency	1,434,226
Roads	3,432,102
HP sport centre	1,000,000
Total	8,864,534
<u>Unspent monies:</u>	
Forfeited for reallocation	5,163,456
Carried forward to next financial year	-

4.4 EXTERNAL LOANS, INVESTMENTS AND CASH

External loans on 30 June 2010 amounted to R 22 022 716 (R 23 396 557 on 30 June 2009). More details about the external loans are disclosed in appendix A. Whilst the Council holds R 50 008 864 (R 52 407 598 on 30 June 2009) net in cash and investments, R 1 970 604 (R 1 374 840 on 30 June 2009) of these funds will be required to fund the payment of long term liabilities that fall due within the new financial year. The balances of cash and investments are adequate to cover the short -term commitments on 2010.

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4.5 FUNDS, RESERVES AND PROVISIONS

More details about the funds, reserves and provisions are disclosed in the Statement of Changes in Net Assets.

4.6 EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, Municipal Manager, Management and staff for their assistance in the preparation of these annual financial statements.

Mr J. T. K. Bofelo

CHIEF FINANCIAL OFFICER

Date

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
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5. STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	<u>Note</u>	<u>2010</u> <u>R</u>	<u>2009</u> <u>R</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	11	5,008,864	6,407,598
Trade and other receivables from exchange transactions	10	2,250,313	1,893,017
Investments	6	45,000,000	46,000,000
Current portion of receivables	9	-	5,010
VAT receivable	5	2,820,600	2,469,729
<u>Non current assets</u>			
Property, Plant and equipment	7	38,823,550	29,314,871
Intangible assets	8	468,213	247,883
Total assets		<u>94,371,540</u>	<u>86,338,108</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Trade and other payables from exchange transactions	3	8,127,597	6,085,547
Unspent conditional grants and receipts	4	847,509	4,132,195
Current portion of long term liabilities	1	1,361,821	1,186,684
Current portion of finance lease liability	2	608,783	187,156
<u>Non current liabilities</u>			
<u>Long term liabilities</u>			
Non-current borrowings	1	19,891,009	21,252,831
Non-current finance lease liability	2	161,103	769,886
Total liabilities		<u>30,997,822</u>	<u>33,614,299</u>
<u>Net assets</u>		<u>63,373,718</u>	<u>52,723,809</u>
<u>NET ASSETS</u>			
Accumulated surplus		63,373,718	52,723,809
Total net assets		<u>63,373,718</u>	<u>52,723,809</u>

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6. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	<u>Note</u>	<u>2,010</u> <u>R</u>	<u>2,009</u> <u>R</u>
<u>REVENUE</u>		94,077,584	87,174,954
Interest earned - external investments	17	5,075,929	8,092,819
Interest earned - outstanding debtors	17	341,838	374,336
Government grants and subsidies	12	88,138,644	78,620,301
Other income		521,173	87,498
<u>EXPENDITURE</u>		83,609,416	74,679,561
Assets written off		-	144,722
Audit fees	15	2,107,118	1,103,817
Depreciation	7	3,127,657	2,024,540
Amortisation	8	267,630	248,481
Employee related costs	13	35,860,445	29,924,800
Finance charges	16	4,169,341	4,182,231
General expenses	18	21,785,870	21,908,028
Loss on the disposal of Property Plant and Equipment		-	35,885
Remuneration of Councillors	14	7,260,206	6,859,748
Repairs and maintenance		723,514	902,186
Transfer to local municipalities		6,873,409	5,345,123
Transfer to the development agency		1,434,226	2,000,000
<u>SURPLUS FOR THE YEAR</u>		10,468,168	12,495,393

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7. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	<u>Appropriations and Other IMFO Reserves</u>	<u>Accumulated Surplus/(Deficit)</u>	<u>Total</u>
	R	R	R
<u>Balance at 1 July 2007</u>	42,368,362	4,079,828	46,448,190
Change in accounting policy	(42,368,362)	36,148,588	(6,219,774)
Restated balance Note 20	-	40,228,416	40,228,416
<u>Balance at 30 June 2008</u>		40,228,416	40,228,416
<u>Surplus for the year</u>		12,495,393	12,495,393
<u>Balance at 30 June 2009</u>	-	52,723,809	52,723,809
Correction of error Note 21		181,741	181,741
<u>Surplus for the year</u>		10,468,168	10,468,168
<u>Balance at 30 June 2010</u>	-	63,373,718	63,373,718

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8. CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010			
	<u>Note</u>	<u>2010</u> R	<u>2009</u> R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from government grants and other		85,375,129	78,620,300
Cash paid to suppliers and employees		(73,503,670)	(69,398,842)
Cash generated from operations		11,871,459	9,221,458
Interest received		4,397,285	8,467,154
Interest paid		(4,169,341)	(4,242,414)
Net cash generated by operating activities	19	12,099,403	13,446,198
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,636,335)	(18,895,248)
Proceeds from the disposal of assets		-	100,466
Investments		1,000,000	2,872,134
Purchase of intangible assets		(487,962)	-
Net cash from investing activities		(12,124,297)	(15,922,648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		(1,186,684)	(1,034,711)
Repayment of finance lease liability		(187,156)	(151,398)
Net cash from financing activities		(1,373,840)	(1,186,109)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,398,734)	(3,662,559)
Cash and cash equivalents at the beginning of the year	11	6,407,598	10,070,157
Cash and cash equivalents at the end of the year	11	5,008,864	6,407,598

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9. ACCOUNTING POLICIES

1. BASIS OF PREPARATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003), directive 4 (Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities) and directive 5 (determining the GRAP Reporting Framework).

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

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

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

GRAP 1	Presentation of financial statements
GRAP 2	Cash-Flow Statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventory
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, Contingent liabilities and Contingent assets
GRAP 100	Non-current Asset Held for Sale and Discontinued Operations.
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
GRAP 25	Employee Benefits

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

GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue from Non-exchange Transactions (taxes and Transfers) issued February 2008
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash Generating Assets issued March 2009
GRAP 104	Financial Instruments

2. CONSOLIDATION OF A MUNICIPAL ENTITY

Lejweleputswa District Municipality decided not to consolidate its municipal entity – Lejweleputswa Development Agency.

3. PRESENTATION CURRENCY

The annual financial statements are presented in South African Rands which is the functional currency of Lejweleputswa District Municipality and are rounded to the nearest Rand.

4. GOING CONCERN ASSUMPTION

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

5. COMPARATIVE INFORMATION

Budget information in accordance with GRAP standards, has been provided in annexures to these financial statements and forms part of the audited annual financial statements.

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

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

Initial Recognition:

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Lejweleputswa District Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by Lejweleputswa District Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets 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. Major spare parts and servicing equipment qualify as property, plant and equipment when Lejweleputswa District Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where Lejweleputswa District Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity for future economic benefits associated with the asset.

Depreciation and Impairment

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

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Asset category	Years	Asset category	Years
Infrastructure		Other	
Roads and paving	30	Buildings	30
Electricity	30	Vehicles	5
Water	20	Office Equipment	5
Sewerage	20	Furniture and equipment	10
Pedestrian malls	20	Plant & Equipment	20
Security measures	5		
Housing	30		
Community			
Recreational facilities	30		

Residual value

Residual value is what the asset would be given currently if it was in the condition it would be at the end of its useful life. Lejweleputswa District Municipality has adopted a nil residual value.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. Lejweleputswa District Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or the recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

De-recognition:

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

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Lejweleputswa District Municipality adopts Directive 4, Transitional Provision for medium and low capacity municipalities issued by the Accounting Standards Board that allows for a three year transitional period to comply with the statement fully. All the classes of assets which have been recognised now have not been measured in term of applicable standard of GRAP at the reporting date and there were no period adjustments made. Lejweleputswa District Municipality is in the process of determining the following:

- Review of the useful life of all items of Property plant and equipment.
- Review of the depreciation method applied to property plant and equipment.
- Review of the residual values of the item of Property plant and equipment.
- Impairment of non-cash generating assets
- Impairment of cash generating assets.
- Determining the useful lives, depreciation and book values for assets included in the asset register.
- Allocating assets into the relevant components.
- The process above is expected to be completed within a period of a year.

7. INTANGIBLE ASSETS

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. Lejweleputswa District Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to Lejweleputswa District Municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by Lejweleputswa District Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

of that asset on the date acquired.

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

Subsequent measurement - cost model

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

Amortisation and impairment

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

Computer software

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

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

Derecognition

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

8. INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost.

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9. PROVISIONS

Provision are recognized when Lejweleputswa District Municipality has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

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

(a) Lejweleputswa District Municipality 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

(b) Lejweleputswa District Municipality 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be immaterial.

Provision are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to

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settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

10. RETIREMENT BENEFITS

Pension, provident and retirement funds

Lejweleputswa District Municipality contributes to various pension and provident funds, which are considered to be defined contribution plans. All the contributions are recognised and are expensed periodically.

Medical Aid: Continued members

Lejweleputswa District Municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of Lejweleputswa District Municipality. According to the rules of the medical aid funds with which Lejweleputswa District Municipality is associated, a member (who is on the current conditions of service) who is on retirement, is entitled to remain a continued member of such medical aid fund, in which case Lejweleputswa District Municipality is liable for a certain portion of the medical aid membership fee. The medical aid contributions are in terms of a defined contribution plan.

11. LEASES

Lejweleputswa District Municipality as lessee

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

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

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

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

12. FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent measurement

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

Investments

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

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

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

Trade payables and borrowings

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

Cash and cash equivalents

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

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

Offsetting of financial assets and liabilities

A financial asset and financial liability are only offset and the net amount presented in the Statement of Financial Performance when and only when-

- Lejweleputswa District Municipality has a legally enforceable right to set off the recognised amount; and
- Lejweleputswa District Municipality intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Derecognition

Financial assets are derecognised when the right to receive cash flows from the investment has expired or has been transferred, and Lejweleputswa District Municipality has transferred virtually all risks and rewards of ownership. Available for sale financial assets and financial assets at fair

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using effective interest method.

Impairment

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Disposal

On disposal of an investment, the difference between the net disposal proceeds and the carrying amounts charged or credited to the statement of Financial Performance.

Hedging

Hedging is not applicable to Lejweleputswa District Municipality.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. It should also be added that interest-bearing borrowings are classified as non-current liabilities.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Interest bearing borrowings are classified as non-current and current liabilities unless Lejweleputswa District Municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings. Lejweleputswa District Municipality inherited borrowings from Development Bank of South Africa (DBSA) are at a fixed rate.

13. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include, grants from other tiers of government and revenue from other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to Lejweleputswa District Municipality and these benefits can be measured reliably.

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

REVENUE FROM EXCHANGE TRANSACTIONS

Interest earned on investments

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on investment.

Donated assets

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by Lejweleputswa District Municipality.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, transfers and donations

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

14. VALUE ADDED TAX

Lejweleputswa District Municipality accounts for value-added tax on the cash basis.

15. GRANTS-IN-AID (EXPENSE)

Lejweleputswa District Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, Lejweleputswa District Municipality does not:-

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

- Expect to be repaid in future;
- Expect a financial return, as would be expected from an investment;
- These transfers are recognised in the Statement of Performance as expenses in the periods that the events giving rise to the transfers occurred.

16. UNAUTHORISED EXPENDITURE

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

17. IRREGULAR EXPENDITURE

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

18. FRUITLESS AND WASTEFUL EXPENDITURE

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

19. TAXATION

Lejweleputswa District Municipality is exempt from tax in terms of section 10(1)cB(i)(ff) of the Income tax Act.

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20. IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, Lejweleputswa District Municipality also:

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

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

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

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

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

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2010**

21. ESTIMATES

The preparation of financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Lejweleputswa District Municipality accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the financial statements are disclosed in the notes to the financial statements where applicable.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2010**

NOTES TO THE FINANCIAL STATEMENTS

	<u>2010</u> R	<u>2009</u> R
1 <u>BORROWINGS</u>		
Annuity Loans	21,252,830	22,439,515
Less: Current portion	<u>(1,361,821)</u>	<u>(1,186,684)</u>
	<u>19,891,009</u>	<u>21,252,831</u>

The loans were raised from the DBSA for the purpose of the development of infrastructure assets such as Sewer Networks, Water Reticulation and the loans are redeemable from 2013 to 2020

2 <u>FINANCE LEASE LIABILITY</u>			
<u>2010</u>	Minimum Lease Payment	Future Finance Charges	Present value of the Minimum Lease Payment
Amounts payable under finance lease			
Within one year	1,041,379	432,596	608,783
Within two to five years	<u>177,420</u>	<u>16,317</u>	<u>161,103</u>
	<u>1,218,799</u>	<u>448,913</u>	769,886
Less: Amount due for settlement in 12 months			<u>(608,783)</u>
			<u>161,103</u>
 <u>2009</u>	 Minimum Lease Payment	 Future Finance Charges	 Present value of the Minimum Lease Payment
Amounts payable under finance lease			
Within one year	909,719	722,563	187,156
Within two to five years	<u>1,218,799</u>	<u>448,913</u>	<u>769,886</u>
	<u>2,128,518</u>	<u>1,171,476</u>	957,042
Less: Amount due for settlement in 12 months			<u>(187,156)</u>
			<u>769,886</u>

The average lease term is 3 years and the average effective borrowing rate is 80%.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2010**

**3 TRADE AND OTHER PAYABLES FROM
EXCHANGE TRANSACTIONS**

	<u>2010</u>	<u>2009</u>
	R	R
Trade creditors	4,861,761	3,261,429
Retention creditors	280,279	68,000
Staff leave accrual	2,978,997	2,723,556
Insurance paid in advance	-	4,847
Other creditors	6,560	27,715
	<u>8,127,597</u>	<u>6,085,547</u>

**4 UNSPENT CONDITIONAL GRANTS AND
RECEIPTS**

Financial Management Grant (refer to note 12.3)	212,484	911,665
DSR (refer to note 12.4)	573,784	1,099,511
MIG (refer to note 12.5)	-	1,188,825
MSIG (refer to note 12.6)	1,336	45,834
DWAF (refer to note 12.7)	-	751,883
DAC (refer to note 12.8)	59,905	134,477
Total Conditional Grants and Receipts	<u>847,509</u>	<u>4,132,195</u>

See Note 12 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

5 VAT RECEIVABLE

Output VAT	-	(4)
Input VAT	2,820,600	2,469,733
VAT Accounts receivable	<u>2,820,600</u>	<u>2,469,729</u>

VAT is receivable from the South African Revenue Services (SARS) and all returns were submitted

6 INVESTMENTS

Fixed Deposits	<u>45,000,000</u>	<u>46,000,000</u>
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**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2010**

7 PROPERTY, PLANT AND EQUIPMENT

The Municipality did not review the useful life or the depreciation method used on the asset recognised in the annual financial statement for the 2008/2009 financial year due to transitional provisions granted in terms of Directive 4.

Due to the non performance of the process of identifying asset for componentisation, valuation, and impairment, the Land and Buildings have been separated and no valuation and impairment of assets was performed for the financial year therefore LEJWELEPUTSWA DISTRICT MUNICIPALITY adopts the transitional provisions granted in terms of Directive 4.

7.1 Reconciliation of Carrying Value	Land and Buildings R	Emergency Equipment R	Furniture and Fittings R	Motor Vehicles R	Office Equipment R	Property and Plant R	Other R	Financial Investments R
as at 1 July 2009	10,589,380	70,161	1,257,156	2,008,204	1,412,461	13,215,644	12,014.75	1,000,000
Cost/Revaluation	11,803,113	87,701	2,486,600	2,253,611	3,205,305	14,128,903	13,962.86	1,000,000
Correction of error								
Change in accounting policy								
Accumulated depreciation and impairment losses	1,213,734	17,540	1,229,443	245,407	1,792,844	913,259	1,948.11	-
Acquisitions								
Acquisitions Capital under Construction	9,108,761	639	141,536	2,587,036	489,617	266,325	42,421.23	-
Depreciation	288,820	17,540	195,372	467,681	493,021	1,312,827	6,310.98	-
Carrying value of disposals								
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated	-	-	-	-	-	-	-	-

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2010**

depreciation and impairment losses	-					-	-	
Impairment loss/Reversal of impairment loss								
Transfers	-	-	-	-	-	-	-	
Other movements*	-	-	-	-	-	-	-	
as at 30 June 2010	19,409,321	53,259.48	1,203,320.49	4,127,559.12	1,409,056.69	12,169,142.03	48,125.00	
Cost/Revaluation Accumulated depreciation and impairment losses	20,911,875	88,339.80	2,628,135.38	4,840,647.17	3,694,921.47	14,395,227.96	56,384.09	1,000,000.00
	1,502,553.72	35,080.32	1,424,814.89	713,088.05	2,285,864.78	2,226,085.93	8,259.09	0.00

*Other movements consist of tool box and security material.

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

7.2 Reconciliation of Carrying Value	Buildings	Emergency Equipment	Furniture and Fittings	Motor Vehicles	Office Equipment	Property and Plant	Other	Fin leas
	R	R	R	R	R	R	R	R
as at 1 July 2008								
Cost/Revaluation	8,664,598.80	87,700.80	2,177,267.32	1,092,406.65	3,384,262.80	635,806.95	1,815.00	8,000,000.00
Correction of error								
Change in accounting policy								
Accumulated depreciation and impairment losses	924,913.80		1,074,720.68	190,071.25	1,912,245.84	275,677.90	1,815.00	4,000,000.00

Acquisitions

Acquisitions	-	-	332,996.17	1,266,248.18	580,875.78	13,564,464.84	12,147.86	1,000,000.00
Capital under Construction	3,138,514.50	-						
Depreciation	288,819.96	17,540.16	173,492.88	131,756.80	392,942.92	657,453.52	133.11	0.00

Carrying value of disposals

Cost/Revaluation Accumulated	23,663.95	-	23,663.95	105,043.86	759,834.01	71,368.86		1,000,000.00
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**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2010**

depreciation and impairment losses			18,770.26	76,420.80	512,345.11	19,872.09		
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2009								
Carrying value	10,589,379.54	70,160.64	1,257,156.24	2,008,203.72	1,412,460.92	13,215,643.60	12,014.75	
Cost/Revaluation	11,803,113.30	87,700.80	2,486,599.54	2,253,610.97	3,205,304.57	14,128,902.93	13,962.86	1,000,000.00
Accumulated depreciation and impairment losses	1,213,733.76	17,540.16	1,229,443.30	245,407.25	1,792,843.65	913,259.33	1,948.11	2,000,000.00

*Other movements consist of tool box and security material.
Refer to Appendix B for more detail on property, plant and equipment

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010**

8 INTANGIBLE ASSETS	<u>2010</u>	<u>2009</u>
	R	R
8.1 Reconciliation of carrying value		
2010		
Computer Software		
Carrying amount	247,883	496,365
Cost	1,242,409	1,242,409
Accumulated amortisation and impairment losses	(994,526)	(746,044)
Acquisitions	487,962	-
Amortisation	(267,631)	(248,482)
Carrying amount	468,213	247,883
Cost	1,730,370	1,242,409
Accumulated amortisation and impairment losses	(1,262,157)	(994,526)

Intangibles are amortised over a 5 year period on a straight line basis.

**9 NON CURRENT ASSET
RECEIVABLES**

Housing loans	-	5,010
<u>Less : Current portion transferred to current receivables</u>	-	5,010
Total	-	-

10 <u>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</u>	Gross Balances	Provision for Bad Debts	Net balances
2010	R	R	R
Sundry debtors	9,755,096	7,509,483	2,245,613
Deposits at creditors	4,700	-	4,700
Total	<u>9,759,796</u>	<u>7,509,483</u>	<u>2,250,313</u>

No debtors were written off during the year ended 30 June 2010.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010**

Ageing

Current (0 – 30 days)	565,756	1,808,774
31 - 60 Days	290,411	22,025
61 - 90 Days	90,775	-
91-120 Days	-	1,148
+ 120 Days	<u>8,812,854</u>	<u>7,570,789</u>
Total	<u><u>9,759,796</u></u>	<u><u>9,402,736</u></u>

**TRADE AND OTHER RECEIVABLES
FROM EXCHANGE TRANSACTIONS**

	Gross Balances	Provision for Bad Debts	Net balances
	R	R	R
Sundry debtors	9,397,800	7,509,483	1,888,317
Deposits at creditors	<u>4,700</u>	<u>-</u>	<u>4,700</u>
Total	<u><u>9,402,500</u></u>	<u><u>7,509,483</u></u>	<u><u>1,893,017</u></u>

No debtors were written off during the year ended 30 June 2009.

	<u>2010</u>	<u>2009</u>
	R	R
<u>Ageing</u>		
Current (0 – 30 days)	565,756	1,808,774
31 - 60 Days	290,411	22,025
61 - 90 Days	90,775	-
91-120 Days	-	1,148
+ 120 Days	<u>8,812,854</u>	<u>7,570,789</u>
Total	<u><u>9,759,796</u></u>	<u><u>9,402,736</u></u>

**Reconciliation of the Bad Debt
Provision**

Balance at beginning of the year	7,509,483	7,070,597
Contribution to provision	<u>-</u>	<u>438,886</u>
Balance at end of year	<u><u>7,509,483</u></u>	<u><u>7,509,483</u></u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010**

11	<u>CASH AND CASH EQUIVALENTS</u>	<u>2010</u>	<u>2009</u>
		R	R

Cash and cash equivalents consist of the following:

Cash on hand	2,200	1,200
Cash at bank	6,664	406,398
Short term investments	5,000,000	6,000,000
	<u>5,008,864</u>	<u>6,407,598</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

**ABSA Bank Limited – Welkom Branch: Account
Number: 134 0000 117**

Cash book balance at beginning of year	<u>407,598</u>	<u>2,070,157</u>
Cash book balance at end of year	<u>6,664</u>	<u>406,398</u>
Bank statement balance at beginning of year	<u>1,499,948</u>	<u>3,857,209</u>
Bank statement balance at end of year	<u>294,668</u>	<u>1,499,948</u>

CALL DEPOSITS

**NEDBANK – Welkom Branch: Account Number
03/7662020096/00003**

Cash book balance at beginning of year	<u>-</u>	<u>-</u>
Cash book balance at end of year	<u>5,000,000</u>	<u>-</u>
Bank statement balance at beginning of year	<u>-</u>	<u>-</u>
Bank statement balance at end of year	<u>5,000,000</u>	<u>-</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010**

**ABSA BANK - Welkom Branch: Account
Number 2068927749**

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	3,000,000
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	3,000,000

AFRICAN BANK – Welkom Branch: Account Number 2009-036c

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	3,000,000
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	3,000,000

Cash on hand

Petty cash	2,000	1,000
Cashier Floats	200	200
	<u>2,200</u>	<u>1,200</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010**

12 GOVERNMENT GRANTS

GRANTS AND SUBSIDIES

Equitable Share	15, 883, 000	12, 433, 000
Transitional grant	67, 694, 891	63, 405, 383
Conditional Grants	4, 560, 753	2, 781, 918
FMG	1, 449, 183	638, 300
DSR	525, 727	-
MIG	1, 188, 825	545, 829
MSIG	544, 498	934, 627
DWAF	751, 883	-
IDP Review Grant	-	21, 039
DAC Reserve	74, 572	147, 998
LGWSeta	26, 065	494, 125

Total Government Grant and Subsidies

88,138,644

78,620,301

12.1 Equitable Share

15,883,000

12,433,000

12.2 Transitional grant

67,694,891

63,405,383

12.3 Financial Management Grant

Balance unspent at beginning of year

911,667

1,049,966

Current year receipts

750,000

500,000

Conditions met - transferred to revenue

(1,449,183)

(638,301)

212,484

911,665

This grant was used to promote and support reforms to financial management practices, the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the MFMA.

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12.4 DSR	<u>2010</u>	<u>2009</u>
	R	R
Balance unspent at beginning of year	1,099,511	80,190
Current year receipts - included in 23056_vote	-	1,000,000
Write back: Creditor not paid	-	19,321
Conditions met - transferred to revenue	<u>(525,727)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (see note 4)	<u>573,784</u>	<u>1,099,511</u>

This grant was used for promotion of sport and recreation in disadvantaged communities through upgrading and construction of new facilities. The grant received during 2008/2009 is intended for the Winnie Mandela museum in Masilonyana.

12.5 MIG		
Balance unspent at beginning of year	1,188,825	1,734,654
Conditions met - transferred to revenue	<u>(1,188,825)</u>	<u>(545,829)</u>
Conditions still to be met - transferred to liabilities (see note 4)	<u>-</u>	<u>1,188,825</u>

12.6 MSIG		
Balance unspent at beginning of year	45,834	245,461
Current year receipts - included in 23056_vote	500,000	735,000
Conditions met - transferred to revenue	<u>(544,498)</u>	<u>(934,627)</u>
Conditions still to be met – transferred to liabilities (see not 4)	<u>1,336</u>	<u>45,834</u>

This grant was used to assist in building capacity in the district and local municipalities to ensure that the new development system of local government is fully implemented.

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12.7 DWAF	<u>2010</u>	<u>2009</u>
	R	R
Balance unspent at beginning of year	751,883	751,883
Conditions met - transferred to revenue	<u>(751,883)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (see note 4)	<u>-</u>	<u>751,883</u>

This grant was used to fund the bucket eradication programme.

12.8 IDP Review

Balance unspent at beginning of year	-	21,038
Conditions met - transferred to revenue	<u>-</u>	<u>(21,038)</u>
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

12.9 DAC

Balance unspent at beginning of year	134,477	282,475
Conditions met - transferred to revenue	<u>(74,572)</u>	<u>(147,998)</u>
Conditions still to be met - transferred to liabilities (see note 4)	<u>59,905</u>	<u>134,477</u>

The grant was used for HIV and Aids awareness.

12.10 LGW Seta

Balance unspent at beginning of year	-	-
Current year receipts	26,065	494,125
Conditions met - transferred to revenue	<u>(26,065)</u>	<u>(494,125)</u>
Conditions still to be met – transferred to liabilities	<u>-</u>	<u>-</u>

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	<u>2010</u>	<u>2009</u>
13 <u>EMPLOYEE RELATED COSTS</u>	R	R
Employee related costs - Salaries and Wages	24,510,026	20, 145, 573
Employee related costs - Contributions for UIF, pension and medical aid	5,238,740	4, 284, 721
Travel, motor car, accommodation, subsistence and other allowances	4,039,410	3, 416, 052
Housing benefits and allowances	272,539	382, 758
Overtime payments	158,460	146, 075
Bonus	1,587,710	1, 326, 372
Acting allowance	53,560	223, 249
Total Employee Related Costs	<u>35,860,445</u>	<u>29, 924, 800</u>

There were no advances to employees.

13.1 Remuneration of the Municipal Manager

Annual Remuneration	712,029	591937
Acting allowance	69,227	-
Bonus	46,500	-
Car allowance	134,731	244338
Contributions to UIF, Medical and Pension Funds	29,866	-
Total	<u>992,353</u>	<u>836,275</u>

13.2 Remuneration of the Chief Financial Manager

Annual Remuneration	445,201	420,058
Car Allowance	178,725	169,324
Contributions to UIF, Medical and Pension Funds	72,628	-
Total	<u>696,554</u>	<u>589,382</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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13.3	<u>Remuneration of Corporate Services Strategic Executives</u>	<u>2010</u>	<u>2009</u>
		R	R
	Annual Remuneration	287,004	424, 985
	Acting Allowance	57,584	21, 972
	Housing Allowance	6,130	-
	Car Allowance	134,366	143, 517
	Contributions to UIF, Medical and Pension Funds	70,382	86, 745
	Total	<u>555,466</u>	<u>677, 219</u>
13.4	<u>Remuneration of the Social Services Strategic Executive</u>		
	Annual Remuneration	244,529	353, 396
	Acting Allowance	130,076	54, 292
	Housing Allowance	5,596	-
	Car Allowance	118,446	116, 544
	Contributions to UIF, Medical and Pension Funds	57,416	19, 424
	Total	<u>556,063</u>	<u>543, 656</u>
13.5	<u>Remuneration of the Municipal Support Executive</u>		
	Annual Remuneration	398,281	205, 867
	Car Allowance	177,590	78, 674
	Housing Allowance	6,624	-
	Contributions to UIF, Medical and Pension Funds	87,915	31, 038
	Total	<u>670,410</u>	<u>315, 579</u>
13.6	<u>Remuneration of the Economic Development Strategic Executive</u>		
	Annual Remuneration	440,914	379,309
	Car Allowance	129,284	119,715
	Contributions to UIF, Medical and Pension Funds	84,834	77,221
	Total	<u>655,032</u>	<u>576,245</u>

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14	<u>REMUNERATION OF COUNCILLORS</u>	<u>2010</u>	<u>2009</u>
		R	R
	Executive Mayor	722,685	701,821
	Speaker	386,169	350,911
	Executive Members	5,736,901	3,570,527
	Other councillors	2,366,345	2,236,489
		<u>7,260,205</u>	<u>6,859,748</u>

The Salaries, allowance and benefits paid to all councilors are not within the Remuneration of Public Office Bearers Act: Determination of upper limits salaries, allowances and benefits of different members of municipal councils are not within section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act, however, this matter is receiving attention.

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at Council's cost. The Executive Mayor has the use of a Council owned vehicle for official duties as well as two drivers.

15	<u>AUDIT FEES</u>		
	Opening Balance	-	-
	Current year audit fees – External	1,756,040	1,103,817
	Current year audit fees – Internal	351,078	-
	Amount paid current year	(2,107,118)	(1,103,817)
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

16	<u>INTEREST PAID</u>		
	External loans	3,446,778	3, 598, 751
	Finance lease	722,563	583, 480
	Total Interest on External Borrowings	<u>4,169,341</u>	<u>4, 182, 231</u>

17	<u>INTEREST RECEIVED</u>		
	External investments	5,075,929	8,092,819
	Internal debtors	341,838	374,335
		<u>5,417,767</u>	<u>8,467,154</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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18 <u>GENERAL EXPENSES</u>	<u>2010</u>	<u>2009</u>
	R	R
Included in general expenses are the following:		
Branding internal	1,624,809	411,334
MIG expenditure	1,188,825	-
Tourism awareness	1,181,511	1,455,218
Seminars / training courses / congresses	1,117,226	1 512 058
Financial management reforms	1,103,087	309,412
Fan parks SWC	963,285	-
Poverty alleviation	958,944	742,019
Led development	766,717	747,000
DWAF expenditure	751,883	-
Campaigns	627,340	813,202
Environmental development	618,301	488,629
Telephone	585,430	824,067
Capacity development programmes	544,198	934,627
Department of Sport and Recreation	525 727	-
OR Tambo games	502,396	515,880
Insurance	448,094	235,373
Bursaries	420,695	327,530
Entertainment	420,070	351,460
Legal services	365,611	214,830
Policy development	350,800	-
Levy skills development	338,660	307,437
Stationery costs	334,229	546,721
Disaster relief fund	299,574	408,864
Cellular phone charges	284,758	328,100
Advertisements	275,181	320,402
Cleaning services	275,015	258,526
Consultant fees	274,422	815,424
Communication	270,420	-
Youth development	266,533	275,688
Training	242,238	239,652
Other	3,859,889	8,524,574
Total	<u>21,785,870</u>	<u>21,908,028</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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19	<u>CASH GENERATED BY OPERATIONS</u>	<u>2010</u> R	<u>2009</u> R
	Surplus/(Deficit) for the year	10,468,168	12,495,393
	Adjustment for non cash items		
	Depreciation	3,127,657	2,024,540
	Amortisation	267,631	248,482
	Increase in bad debt provision	-	438,885
	Increase in leave pay provision	255,441	860,516
	Assets written off	-	144,722
	Loss on disposal of property, plant and equipment	-	35,885
	Prior year adjustment	154,244	-
	Interest paid	4,169,341	4,182,231
	Interest Received	<u>(4,397,285)</u>	<u>(8,460,356)</u>
	Operating surplus before working capital changes:	14,045,196	11,970,297
	(Increase) in accounts receivable	(703,157)	(1,702,177)
	Increase(Decrease) in accounts payable	(1,242,636)	3,178,078
	Cash generated by operating activities	<u>12,099,403</u>	<u>13,446,198</u>

20 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

20.1 Statutory Funds

Balance previously reported: -

Loan Redemption	-	(1,034,712)
Loans redeemed and other capital receipts	<u>-</u>	<u>35,436,642</u>
Total	<u>-</u>	<u>34,401,930</u>

Implementation of GRAP

Transferred to Accumulated Surplus/(Deficit) (see 20.7 below)

	<u>-</u>	<u>34,401,930</u>
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**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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	<u>2010</u>	<u>2009</u>
	R	R
20.2 Provisions and Reserves		
Balance previously reported		
Prepaid Grants	-	(22,439,515)
Total	<u>-</u>	<u>(22,439,515)</u>
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 20.7 below)	<u>-</u>	<u>(22,439,515)</u>
20.3 Finance Leases		
Balance previously reported	-	-
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 20.7 below)	-	350,225
Total	<u>-</u>	<u>350,225</u>
20.4 Non-current provisions		
Balance previously reported -	-	29,371,236
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 20.7 below)	-	29,371,236
Total	<u>-</u>	<u>29,371,236</u>
20.5 Property, plant and equipment		
Balance previously reported		-
Implementation of GRAP		
Finance leases previously not recorded credited to Accumulated Surplus/(Deficit) (see 20.7 below)	<u>-</u>	<u>(403,035)</u>
Total	<u>-</u>	<u>(403,035)</u>

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	<u>2010</u>	<u>2009</u>
	R	R
20.6 Accumulated Depreciation		
Balance previously reported -		
Implementation of GRAP		
Backlog depreciation: Land and buildings	-	(924,914)
Backlog depreciation: Furniture and Office Equipments	-	(2,986,967)
Backlog depreciation: Vehicles	-	(190,071)
Backlog depreciation: Other	-	(1,030,301)
Total (debited to Accumulated Surplus/(Deficit)) (see 20.7 below)	<u>-</u>	<u>(5,132,253)</u>
20.7 Accumulated Surplus/(Deficit)	-	4,079,828
Implementation of GRAP		
Adjustments to Finance Leases (see 20.3 above)	-	350,225
Excessive provisions and reserves no longer permitted (see 20.2 above)	-	(22,439,515)
Non-current provisions previously not recognised (see 20.4 above)	-	29,371,236
Transferred from statutory funds (see 20.1 above)	-	34,401,930
Fair value of Property, Plant and Equipment previously not recorded (see 20.5 above)	-	(403,035)
Backlog depreciation (see 20.6 above)	-	(5,132,253)
Total	<u>-</u>	<u>40,228,416</u>
21 CORRECTION OF ERROR		
During the year ended 30 June 2010, accounts payable were erroneously raised: -		
Amount involved is as follows:		
Accounts payable wrongly accrued	181,741	-
Net effect on surplus/(deficit) for the year	<u>181,741</u>	<u>-</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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22	<u>CAPITAL COMMITMENTS</u>	<u>2010</u>	<u>2009</u>
		R	R
	Commitments in respect of capital expenditure:		
	- Approved and contracted for		
	<i>Other assets – Buildings</i>	7,153,367	6,494,825
	Total	<u>7,153,367</u>	<u>6,494,825</u>
	 This expenditure will be financed from:		
	- Own funds	7,153,367	6,494,825
		<u>7,153,367</u>	<u>6,494,825</u>
23	<u>COMPARISON WITH THE BUDGET</u>		
	The comparison of Lejweleputswa District Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).		
24	<u>CONTIGENT LIABILITY</u>		
	<u>24.1 Employee Costs</u>		
	CCMA cases involving one current and one former employees	708,128	693,218
	Reinstatement of three former employees dismissed	334,670	-
	<u>24.2 Creditors</u>		
	Legal case between Lehlasedi Technology and Council	-	44,660
	Dispute between Fixtrade and Council relating to Monyaneng Roads	228,899	-
	Business Zone 36 CC relating to Matjhabeng Indoor sports centre	460,908	1,300,000
	Big Bravo-Relating to Retention from MIG projects	161,810	-
		<u>1,894,415</u>	<u>2,037,878</u>
25	<u>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</u>		
25.1	<u>FRUITLESS EXPENSES</u>		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	260,015	637,704
	Current year fruitless and wasteful expenditure	-	184,015
	Condoned by Council - 25 March 2009	-	(561,704)
	Awaiting Council condonement	<u>260,015</u>	<u>260,015</u>

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Incident

- Penalty for non utilisation of reserved hotel services.
- Condonation of sick leave for late employee.

Action being taken

Council has appointed a committee to investigate the incidents above and recommend appropriate action

25.2 <u>IRREGULAR EXPENSES</u>	<u>2010</u>	<u>2009</u>
	R	R
Reconciliation of irregular expenditure		
Opening balance	4, 403, 902	11,100,862
Current year irregular expenditure	1,068,606	2, 960, 445
Condoned by Council - 27 November 2008	-	(4,178,274)
Condoned by Council - 25 March 2009	-	(5,479,131)
Awaiting Council condonement	<u>5,472,508</u>	<u>4, 403, 902</u>

Incident

- Councillors were paid allowances which are not in line with legislation.
- Supply chain processes were not followed in the acquisition of goods and services.

Action being taken

Council has appointed a committee to investigate the incidents above and recommend appropriate action.

25.3 UNAUTHORISED EXPENSES

Reconciliation of unauthorised expenditure		
Opening balance	1,140,100	2,187,959
Current year unauthorised expenditure	-	258, 218
Condoned by Council - 25 March 2009	-	(1,306,077)
Awaiting Council condonement	<u>1,140,100</u>	<u>1,140,100</u>

Incident

Expenditure exceeding budget by departments.

Action being taken

Council has appointed a committee to investigate the incidents above and recommend appropriate action

26 RETIREMENT BENEFITS

Defined contribution plan

The following are defined contribution plans: National Fund for Municipal Workers, SAMWU Provident Fund, Free State Provident Fund and SALA. These contributions have been expensed.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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An amount of R3,196,191 (2009 : R1,264,350) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

	<u>2010</u>	<u>2009</u>
	R	R
27 <u>EVENT AFTER BALANCE SHEET</u>		
There were no events after year end to report on.		
28 <u>PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deduction	6,747,842	6,159,574
Amount paid - current year	<u>(6,747,842)</u>	<u>(6,159,574)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
29 <u>Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and council contributions	796,992	6,189,199
Amount paid – current year	<u>(796,992)</u>	<u>(6,189,199)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
30 <u>Lejweleputswa Development Agency (Pty) Ltd</u>		
Lejweleputswa District Municipality owns 100% of the 100 issued shares of the above mentioned Agency.		
Amount paid – current year included in general expenditure	<u>1,434,226</u>	<u>2,000,000</u>
	<u>1,434,226</u>	<u>2,000,000</u>
31 <u>Contribution to organised local government</u>		
Council subscriptions		
Amount paid – current year	197,844	157,925
Amount paid – in respect of previous years	-	169,527
Amount paid – current year	<u>(197,844)</u>	<u>(327,452)</u>
Balance unpaid (including in creditors)	<u>-</u>	<u>-</u>

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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32 Risk Management	<u>2010</u>	<u>2009</u>
	R	R
Financial assets exposed to credit risk at year end were as follows		
Bank	8,864	407,598
Short term investments	52,000,000	56,872,134
Trade and other receivables	<u>2,250,314</u>	<u>1,893,017</u>
These balances represent the maximum exposure to credit risk.	<u><u>54,259,178</u></u>	<u><u>59,172,749</u></u>

32.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. Lejweleputswa District 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 evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

32.2 Liquidity risk

Lejweleputswa District Municipality's risk to liquidity is a result of the funds available to cover future commitments. Lejweleputswa District 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

The table below analyses Lejweleputswa District Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>2010</u>	<u>2009</u>
Gross finance lease obligations	1,218,799	2,128,518
Trade and other payables	<u>8,975,106</u>	<u>10,217,742</u>
	<u><u>10,193,905</u></u>	<u><u>12,346,260</u></u>

32.3 Interest rate risk

As Lejweleputswa District Municipality has no significant interest-bearing assets, Lejweleputswa District Municipality's income and operating cash flows are substantially independent of changes in market interest rates.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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Lejweleputswa District Municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose Lejweleputswa District Municipality to fair value interest rate risk. Lejweleputswa District Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

	<u>2010</u>	<u>2009</u>
	R	R
At year end, financial instruments exposed to interest rate risk were as follows:		
Development Bank of South Africa loan	21,252,830	22,439,515
	<u>21,252,830</u>	<u>22,439,515</u>

33 Related Parties

Relationships

Shareholder / 100% Owned Entity
Lejweleputswa Development Agency

Related party transaction

Subsidies given to related party		
Lejweleputswa Development Agency	<u>1,434,226</u>	<u>2,000,000</u>

34 NON-COMPLIANCE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT

34.1 Chapter 4, Section 17 (3)

Lejweleputswa Development Agency (Pty) Ltd, budget not submitted with the annual budget and the entity's board members and senior employee's salaries, allowances and benefits not submitted.

34.2 Chapter 4, Section 32 (2)

No recovery of irregular, unauthorised, fruitless and wasteful expenditures.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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34.3 Chapter 7, Section 53 (3)

Revenue and Expenditure projections were not made public within 14 days after the SDBIP's approval. Performance agreements not send to the MEC for Corporate Governance, Traditional Affairs and Human Settlement.

34.4 Chapter 8, Section 65 (2)(e)

Not all creditor payments made within 30 days of the receipt of invoices.

34.5 Chapter 8, Section 72 (1)

Lejweleputswa Development Agency (Pty) Ltd, not taken into account in the mid-year budget and performance assessment of Lejweleputswa District Municipality.

34.6 Chapter 8, Section 75 (1)

Not all necessary information required by the above section published on the website of Lejweleputswa District Municipality.

34.7 Chapter 10, Section 101 (1)

The required cash flow reports relating to the Lejweleputswa Development Agency (Pty) Ltd, was not tabled at a council meeting.

34.8 Chapter 12, Section 132 (2)

Annual and oversight reports of Lejweleputswa District Municipality and the Lejweleputswa Development Agency (Pty) Ltd, not timely submitted to the provincial legislature.

34.9 Chapter 14, Section 166 (1) and (2)

The audit Committee was not effectively functioning during the 2009/2010 financial year.

**LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
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LEJWELEPUTSWA DISTRICT MUNICIPALITY

Appendix A

Schedule of long-term liabilities

		<u>Interest Rate</u>	<u>Redeemable</u>	<u>Loan No.</u>	<u>Balance as at 30-June-09</u>	<u>Received or written off during the year</u>	<u>Balance as at 30-June-10</u>
<u>External Loans</u>	<u>Loans Raised</u>						
DBSA	1993 9,249	10%	2013	1	1,504,433	323,090	1,181,343
DBSA	1999 10,942	15%	2019	2(a)	3,039,670	177,104	2,862,566
DBSA	1999 10,893	15%	2019	2(b)	593,605	34,586	559,019
DBSA	1999 10,891	15%	2019	2(c)	452,562	23,910	428,652
DBSA	1999 10,892	15%	2019	2(d)	115,296	6,718	108,578
DBSA	1999 10,894	15%	2019	2(e)	1,159,227	61,244	1,097,983
DBSA	1999 13,403	16.50%	2020	3(a)	10,479,339	382,643	10,096,696
DBSA	1999 13,619	15.75%	2020	3(b)	2,884,760	1,00,430	2,784,330
DBSA	1999 13,620	15.75%	2020	3(c)	2,210,623	76,960	2,133,663
Total					22,439,515	1,186,685	21,252,830

LEJWELEPUTSWA DISTRICT MUNICIPALITY

Appendix B

Analysis of property plant and equipment

	<u>Opening Balance 01/07/2009</u>	<u>Additions</u>	<u>Dispos als</u>	<u>Closing Balance 30/06/2010</u>	<u>Opening Balance 01/07/2009</u>	<u>Depreciation 2010</u>	<u>Accumulated Depreciation June 2020</u>	<u>Carrying Value</u>
<u>Land and building</u>								
Land								
Buildings	8,664,599	2,224,104	-	10,888,703	1,213,734	288,820	1,502,554	9,386,149
Building under construction	3,138,515	6,884,657	-	10,023,172	-	-	-	10,023,172
<u>Infrastructure</u>								
<u>Other Assets</u>								
Emergency equipment	87,701	639	-	88,340	17,540	17,560	35,100	53,240
Furniture & fittings	2,486,602	141,536	-	2,628,137	1229,443	195,352	1,424,795	1,203,342
Motor vehicles	2,253,611	2,587,036	-	4,840,647	245,407	467,684	713,091	4127,556
Office equipment	3,205,305	489,617	-	3,694,921	1,792,844	493,021	2,285,865	1,409,057
Plant and equipment	14,128,903	266 325	-	14,395,228	913,259	1,312,827	2,226,086	12,169,142
Security material	12,148	42,421	-	54,569	133	6,311	6,444	48,125
Tools	1,815			1,815	1,815			
Finance Lease Assets								
Office Equipment	1,038,256			1,038,256	288,404	346,085	634,490	403766
TOTAL	35,017,454	12,636,335	-	47,653,789	5,702,580	3,127,659	8,830,239	38,823,550

LEJWELEPUTSWA DISTRICT MUNICIPALITY

Appendix C

Segmental analysis of property, plant and equipment

	<u>Opening Balance 01/07/2009</u>	<u>Additions</u>	<u>Closing Balance 30/06/2010</u>	<u>Opening Balance 01/07/2010</u>	<u>additions</u>	<u>Closing Balance</u>	<u>Carrying Amount 2010</u>
Information Technology	104,289	500,737	605,026	-	25,172	25,172	579,854
Corporate Services	2,090,302	77,119	2,167,421	628,873	505,211	1,134,084	1,033,337
Council general	408,521	5,858,648	6,267,170	677,665	74,274	751,939	5,515,230
Disaster management	923,807	3 874,908	4,798,714	112,015	50,152	162,166	4,636,548
Environmental health	346,721	925	347 646	112,684	105,855	218,539	129,107
Executive mayor	1,397,585	31,472	1,429,057	475,471	231,971	707,443	721,614
Financial department	2,257,105	235,687	2,492,792	912,029	566,406	1,478,434	1,014,357
LED	226,417	-	226,417	114,520	41,703	156,223	70,194
Municipal manager	462,530	2 013 591	2,476,121	616,295	47,042	663,337	1,812,784
Property	12,152,480	9,153	12,161,633	1,206,260	312,338	1,518,598	10,643,035
Rural roads	14,105,341	-	14,105,341	437,844	1,088,264	1,526,108	12,579,233
Social services	170,838	12,649	183,487	70,958	28,851	99,809	83,678
Speaker	371,515	21,446	392,961	337,966	50,418	388,384	4,577
TOTAL	35,017,451	12,636,335	47,653,786	5,702,580	3,127,657	8,830,238	38,823,548

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010						
ANNEXURE D						
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
22,11,4073	17,993,869	4,120,204	Executive & Council General	20,306,124	20,306,124	-
7,785,223	7,283,535	501,688	Executive & Council Executive Mayor	12,118,103	12,118,103	-
2,213,921	2,213,921	-	Executive & Council Speaker	2,765,84	2,604,977	160,707
4,843,136	4,843,136	-	Executive & Council Mayoral Committee	5,404,598	5,106,143	298,455
3,796,805	3,796,805	-	Executive & Municipal Manager	5,266,472	4,792,712	473,760
450,000	5550925	(5,100,925)	Finance & Admin Corporate Services	5,184,083	3,745,405	1 438,678
1,035,313	1,035,313	-	Finance & Admin Human Resources	1,187,800	752,484	435,316
1,197,209	1,197,209	-	Finance & Admin Information Technology	1,845,113	1281,160	563,953
1,584,674	1,584,674	-	Finance & Admin Property	2177,065	1,695,587	481,478
9,411,600	6,467,193	2,944,407	Finance & Admin Finance	3,499,183	1,977,569	1,521,614
452,852	452,852	-	Finance & Admin Municipal Support	1,316,049	1,000,265	315,784
333,510	333,510	-	Finance & Admin Skills Development	764,038	746,270	17,768
1156,259	1,156,259	-	Finance & Admin Finance Technical Support	1,218,515	954,954	263,561
2,275,784	2,275,784	-	Community & Social Services Social Services	7,989,421	8,070,545	(81,124)
2,121,435	2,121,435	-	Community & Social Services Disaster Management	2,286,893	2,060,527	226,366
162,929	162,929	-	Community & Social Services Community Services	-	-	-
7,591,054	7,591,054	-	Health Environment	9,609,468	8,581,675	1,027,793
392,011	392,011	-	Public Safety: Fire Services	-	-	-
1,455,218	1,455,218	-	Other Tourism	1,200,000	1,181,511	18,489
1,578,027	1,578,027	-	Planning and Development: Technical Services	1,611,321	1,211,727	399,594
14,410,921	1,410,921	13,000,000	Planning and Development: Rural Roads	4,030,407	1,375,178	2,655,229
813,000	3,782,981	(2,969,981)	Planning and Development: Led & Planning	4,297,247	4,046,501	250,746
87,174,954	74,679,561	12,495,393	Total	94,077,584	83 609 417	10,468,167

APPENDIX E(1)

LEJWELEPUTSWA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010</u> Actual R	<u>2010</u> Budget R	<u>2010</u> Variance R	<u>2010</u> Variance %	<u>Explanation of Significant Variances</u> Greater than 10% versus Budget
REVENUE					
Interest Earned	5,075,929	4,800,000	275,929	6	The budgeted interest rate was less than the actual rate.
Interest Earn from Debtors	341,838	240,120	101,718	42	Debtors not paying
Operating Grants & Subsidies	88,138,644	86,528,000	1,610,644	2	Variances within acceptable parameters
Other income	521,173	27,500	493,673	1,795	Tourism income not budgeted for
TOTAL INCOME	94,077,584	91,595,620	(2,481,965)	3	
EXPENDITURE					
Executive & Council	44 845 846	43 378 991	(1 466 855)	(3)	Variances within acceptable parameters Budget drafted in terms of IMFO, whereas annual financial statements were prepared in terms of GRAP. In terms of IMFO contribution to capital expenses were budgeted whereas this is not required to be budgeted for in terms of GRAP. Not all budgeted vacant positions were filled, performance bonuses were not paid as budgeted and this contributed to material savings. Another thing which contributed to savings was repairs and maintenance and travelling and subsistence which was not completely utilised.
Finance & Admin	18 328 883	21 682 084	3 353 201	15	Budget drafted in terms of IMFO, whereas annual financial statements were prepared in terms of GRAP. In terms of IMFO contribution to capital expenses were budgeted whereas this is not required to be budgeted for in terms of GRAP. Not all budgeted vacant positions were filled, performance bonuses were not paid as budgeted and this contributed to material savings. Another thing which contributed to savings was repairs and maintenance and travelling and subsistence which was not completely utilised.
Community & Social	4 038 096	5 786 076	1 747 980	30	

Health	8 581 675	9 609 468	1 027 793	11	Budget drafted in terms of IMFO, whereas annual financial statements were prepared in terms of GRAP. In terms of IMFO contribution to capital expenses were budgeted whereas this is not required to be budgeted for in terms of GRAP. Not all budgeted vacant positions were filled, performance bonuses were not paid as budgeted and this contributed to material savings. Another thing which contributed to savings was repairs and maintainace and travelling and subsistence which was not completely utilised.
Planning & Development	6 633 406	9 938 975	3 305 569	33	Budget drafted in terms of IMFO, whereas annual financial statements were prepared in terms of GRAP. In terms of IMFO contribution to capital expenses were budgeted whereas this is not required to be budgeted for in terms of GRAP. Not all budgeted vacant positions were filled, performance bonuses were not paid as budgeted and this contributed to material savings. Another thing which contributed to savings was repairs and maintainace and travelling and subsistence which was not completely utilised.
Tourism	1 181 511	1 200 000	18 489	2	Variances within acceptable parameters
Total Expenditure	83 609 416	91 595 594	7 986 177	9	
NET SURPLUS/(DEFICIT) FOR THE YEAR	10 468 167	26	10,468	(0.11)	

APPENDIX E(2)

LEJWELEPUTSWA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Corporate Services	77,119	95,000	17,881	18.82	Estimate higher than the actual
Council General: Infrastructure	5240,962	6,910,000	1,669,038	24.15	Project to be completed in the next financial year 2010/2011
Council General: Furniture & equipment	1,105,686	1,035,000	(70,686)	-6.83	Impact of value added tax on a new mayoral vehicle
Disaster Management: Infrastructure	3,867,799	5,759,900	1,892,101	32.85	Project to be completed in the next financial year 2010/2011
Disaster Management: Furniture & equipment	7,070	-	(7,070)		Savings on infrastructure, split to distinguish between infrastructure and furniture and equipment
Environmental Health	925	10,000	9,075	90.75	Still utilising Matjhabeng local municipality office furniture and equipment
Executive Mayor	15,482	20,000	4,518	22.59	Balance of budget insufficient to buy required capital equipment
Financial Department	95,724	9,000	(86,724)	(963.6)	Partly financed by FMG grant
Financial Technical support	-	5,000	5,000	100.00	Budget insufficient to buy required assets
Fire services	-	700,000	700,000	100.00	Tender above available funds
Human Resources	11,398	30,000	18,602	620.01	Vacancies and Human Resource manager resigned
Information Technology	12,776	15,039	2,263	0.45	
LED	-	40,000	40,000	100.00	Equipment of LDA utilised by LED
Mayoral Committee	15,990	20,000	4,010	20.05	Balance of budget insufficient to buy required capital equipment
Municipal Manager	16,867	20,000	3,133	15.67	Balance of budget insufficient to buy required capital equipment
Property	9,153	5,000	(4,153)	(83.06)	Savings from other departments in the same directorate

					were utilised
Rural Roads: Vehicles	1,898,080	2,000,000	101,920	5.10	Estimate higher than the actual
Rural Roads: Furniture & equipment	98,644	175,000	76,356	43.63	Estimate higher than the actual
Municipal Support		5,000	5,000	100.00	Budget insufficient to buy required assets
Technical Services	128,565	32,000	(96,565)	-301.77	Savings in departments in the same directorate were utilised.
Skills Development Facilitator	-	2,000	2,000	100.00	Budget insufficient to buy required assets
Social Services	12,649	415,000	402,351	96.95	Project relating to Community Policing Vehicle did not materialise
Speaker	21,446	25,000	3,554	14.22	Balance of budget insufficient to buy required capital equipment
Total	12,636,335	17,327,939	4,691,604		

APPENDIX F

Lejweleputswa District Municipality Disclosers of grants and Subsidies in terms of section 123 of MFMA of 2003

Name of Grants	Name of organ of state or Municipal entity	Quantity Receipts				Grants Balances			Did your Municipality comply with the grants conditions in terms of grants framework	Reason for non-compliance
		Sept	Dec	March	Total Receipts	Grants Balance unspent beginning of the year	Grants for which conditions were met and transferred	Grants balance unspent the end of the financial year		
Equitable share	National	6,617,910	5,294,324	3,970,766	15,883,000	-	15,883,000	-	Yes	None
FMG	National	750,000	-	-	750,000	911,667	1,449,183	212,484	Yes	None
Transitional DSR	National	28,206,219	22,564,961	16,923,711	67,694,891	-	67 694 891	-	Yes	None
MSIG	Provincial	-	-	-	-	1,099,511	525,727	573,784	Yes	None
LGWETA	National	500,000	-	-	500,000	45,834	544,498	1,336	Yes	None
DWARF	Provincial	26,065	-	-	26,065	-	26,065	-	Yes	None
NPF Treasury	National	-	-	-	-	751,883	751,883	-	Yes	None
MIG	National	-	-	-	-	-	-	-	Yes	None
DAC Reserve	National	-	-	-	-	1,188,825	1,188,825	-	Yes	None
		-	-	-	-	134,477	74,572	59,905	Yes	None
		36,100,194	27,859,285	20,894,477	84,853,956	4,132,197	88,138,644	847,509		

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7 PROPERTY, PLANT AND EQUIPMENT

The Municipality did not review the useful life or the depreciation method used on the asset recognised in the annual financial statements for the 2008/2009 financial year due to transitional provisions granted in terms of Directive 4.

Due to the non performance of the process of identifying asset for componentisation, valuation, and impairment, the Land and Buildings have not been separated and no valuation and impairment of assets was performed for the financial year therefore LDM adopts the transitional provisions granted in terms of Directive 4.

7.1 Reconciliation of Carrying Value	Land and Buildings R	Emergency Equipment R	Furniture and Fittings R	Motor Vehicles R	Office Equipment R	Property and Plant R	Other R	Finance lease assets R	Total R
Carrying amount as at 1 July 2009	10,589,380	70,161	1,257,156	2,008,204	1,412,461	13,215,644	12,015	749,852	29,314,871
Cost/Revaluation	11,803,113	87,701	2,486,600	2,253,611	3,205,305	14,128,903	13,963	1,038,256	35,017,451
Correction of error									-
Change in accounting policy									-
Accumulated depreciation and impairment losses	(1,213,734)	(17,540)	(1,229,443)	(245,407)	(1,792,844)	(913,259)	(1,948)	(288,404)	(5,702,580)
									-
Acquisitions									-
Acquisitions	9,108,761	639	141,536	2,587,036	489,617	266,325	42,421	-	12,636,335
Capital under Construction									-
Depreciation	(288,820)	(17,540)	(195,372)	(467,681)	(493,021)	(1,312,827)	(6,311)	(346,085)	(3,127,657)
Carrying amount as at 30 June 2010	19,409,321	53,259	1,203,320	4,127,559	1,409,057	12,169,142	48,125.00	403,766.23	38,823,550
Cost/Revaluation	20,911,875	88,340	2,628,135	4,840,647	3,694,921	14,395,228	56,384	1,038,256	47,653,786
Accumulated depreciation and impairment losses	(1,502,554)	(35,080)	(1,424,815)	(713,088)	(2,285,865)	(2,226,086)	(8,259)	(634,489)	(8,830,237)

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

7.2	Reconciliation of Carrying Value	Land and Buildings R	Emergency Equipment R	Furniture and Fittings R	Motor Vehicles R	Office Equipment R	Property and Plant R	Other R	Finance lease assets R	Total R
	Carrying amount as at 1 July 2008									
	Cost/Revaluation	8,664,599	87,701	2,177,267	1,092,407	3,384,262.80	635,807	1,815	894,443	16,938,302
	Correction of error									-
	Change in accounting policy									-
	Accumulated depreciation and impairment losses	(924,914)		(1,074,721)	(190,071)	(1,912,2460)	(275,678)	(1,815)	(403,035)	(94,782,480)
	Acquisitions	3,138,515		332,996	1,266,249	580,876	13,564,465	12,148	1,268,375	20,163,623
	Acquisitions	-	-	332,996	1,266,249	580,876	13,564,465	12,148	1,268,375	17,025,108
	Capital under Construction	3,138,515	-							3,138,515
	Depreciation	(288,820)	(17,540)	173,493	131,757	392,943	657,454	133	362,400	2,024,540
	Carrying value of disposals			(4,894)	(28,623)	(247,489)	(51,497)		(647,531)	(980,034)
	Cost/Revaluation			(23,664)	(105,044)	(759,834)	(71,369)		(1,124,562)	(2,084,473)
	Accumulated depreciation and impairment losses		-	18,770	76,421	512,345	19,872		477,031	1,104,439

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**Carrying value as at
30 June 2009**

	10,589,380	70,161	1,257,156	2,008,204	1,412,461	13,215,644	12,015	749,852	29,314,871
Cost/Revaluation Accumulated depreciation and impairment losses	11,803,113	87,701	2,486,600	2,253,611	3,205,305	14,128,903	13,969	1,038,256	35,017,451
	(1,213,734)	(17,540)	(1,229,443)	(245,407)	(1,792,844)	(913,259)	(1,948)	(288,404)	(5,702,580)

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