EKURHULENI DEVELOPMENT COMPANY (PTY) LTD

(REGISTRATION NUMBER 2000/007936/07)
TRADING AS EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Published November 30, 2011

GENERAL INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing management services to Social Housing Companies
DIRECTORS	D Ngoasheng M Mposula T Sithaelo P Ucko
REGISTERED OFFICE	Shop no 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
BUSINESS ADDRESS	Shop no 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
CONTROLLING ENTITY	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	Amalgamated Bank of South Africa Limited
AUDITORS	Auditor General
SECRETARY	D Ngoasheng

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

DIRECTOR'S/ ACCOUNTING OFFICER RESPONSIBILITIES AND APPROVAL

I am the executive director and in terms of the Municipal Finance Management Act (Act 56 of 2003), the designated accounting officer responsible for the preparation of these annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The annual financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the on November 30, 2011 and were signed on its behalf by:

D Ngoasheng
Acting Chief Executive Officer

Wednesday, November 30, 2011

DIRECTOR'S REPORT

The accounting officer submits his report for the year ended June 30, 2011.

1. INCORPORATION

The entity was incorporated on April 26, 2000 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

At the year end June 30, 2011, the entity showed an accumulated surplus of R 47,713 the entity's total assets exceeds its libilities by R 47,813.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer has the resources in place to continue in operation for the foreseeable future.
The existance of the entity is dependant on the continued support of its shareholders and furthermore the entity is dependant on achieving sustainable profitability through charging management fees to Pharoe Park Housing Company and Germiston Phase II Housing company which are rental companies and are letting properties at a social housing rental rate. There is some doubt over the ability of these entities to continue as a going concern due to their inability to collect market related rental and the difficulty of growing their unit numbers in the social housing industry.

3. SUBSEQUENT EVENTS

A decline in the cash collections in Pharoe Park Housing Company and Germiston Phase II Housing Company shortly after year end, may have a negative effect on the ability of the company to collect its management fees.

4. ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

5. CONTRIBUTIONS FROM OWNERS

The entity was incorporated with an authorised share capital or 1,000 ordinary shares of R1 each of which 100 were issued at par value.

There were no changes in the authorised or issued share capital of the entity during the year under review.
Ekurhuleni Metropolitan Municipality held 100% of the ordinary share capital of the entity as at 30 June 2011.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

6. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the entity, nor to its policy regarding its use during the year under review.

7. DIRECTORS

The directors of the entity during the year and to the date of this report is as follows:
D Ngoasheng
M Mposula
T Sithaelo
P Ucko

DIRECTOR'S REPORT

After year end the following directors' term of office ended:
T Sithaelo
P Ucko

The following directors were appointed after year end:
L Vutula - Chairperson
P Masilo
T Matsho
S Ndobe
F Segole

8. CONTROLLING ENTITY

The entity's controlling entity is Ekurhuleni Metropolitan Municipality.

9. BANKERS

Amalgamated Bank of South Africa.

10. AUDITORS

In accordance with Section 92 of the MFMA No 56 of 2003 the Auditor General remains the auditor of the entity. Auditor General will continue as the company's external auditors.

11. DISTRIBUTION TO OWNERS

No distribution to owners were declared or paid to shareholders during the year (2010 - R0)

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

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Company Secretary

Place of Signature

STATEMENT OF FINANCIAL POSITION

	Note(s)	2011 R	2010 R
ASSETS			
CURRENT ASSETS			
Loans to economic entities	4	3,020,846	2,436,103
Current tax receivable		-	5,946
Trade and other receivables from exchange transactions	7	11,070	50,271
Cash and cash equivalents	8	130,873	416,626
		3,162,789	**2,908,946**
NON-CURRENT ASSETS			
Property, plant and equipment	3	248,122	267,463
Deferred tax	6	25,714	18,541
		273,836	**286,004**
Total Assets		**3,436,625**	**3,194,950**
LIABILITIES			
CURRENT LIABILITIES			
Loans from economic entities	4	2,159,243	2,030,595
Current tax payable		29,619	-
Operating lease liability		6,616	6,616
Trade and other payables from exchange transactions	11	787,215	424,667
VAT payable	12	207,613	347,581
Provisions	10	198,506	276,463
		3,388,812	**3,085,922**
Total Liabilities		**3,388,812**	**3,085,922**
Net Assets		**47,813**	**109,028**
NET ASSETS			
Contributions from owners	9&9	100	100
Accumulated surplus		47,713	108,928
Total Net Assets		**47,813**	**109,028**

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2011 R	2010 R
Revenue			
Rendering of services	14	8,551,545	8,125,012
Recoveries	15	2,632	5,000
Other income	15/16	4,610	10,252
Government grants	15	7,476	-
Interest received - investment	19	2,837	5,258
Total Revenue		**8,569,100**	**8,145,522**
Expenditure			
Employee related costs	18	(6,024,281)	(5,228,623)
Depreciation and amortisation	20	(81,684)	(55,734)
Finance costs		(52,262)	(5,526)
Debt impairment		-	(7,594)
Collection costs		-	(2,528)
Repairs and maintenance		(40,963)	(46,459)
General Expenses	17	(2,408,254)	(2,797,527)
Total Expenditure		**(8,607,444)**	**(8,143,991)**
Loss on disposal of assets and liabilities		-	(15,145)
Taxation	21	(22,872)	(9,110)
Deficit for the year		**(61,216)**	**(22,724)**

STATEMENT OF CHANGES IN NET ASSETS

	Contributions from owners R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	100	257,206	257,306
Adjustments			
Prior period errors	-	(125,554)	(125,554)
Balance at July 01, 2009 as restated	**100**	**131,652**	**131,752**
Changes in net assets			
Surplus (Deficit) for the year	-	(22,724)	(22,724)
Total changes	-	(22,724)	(22,724)
Balance at July 01, 2010	**100**	**108,929**	**109,029**
Changes in net assets			
Surplus for the year	-	(61,216)	(61,216)
Total changes	-	(61,216)	(61,216)
Balance at June 30, 2011	**100**	**47,713**	**47,813**

CASH FLOW STATEMENT

	Note(s)	2011 R	2010 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		8,590,746	8,147,080
Interest income		2,837	5,258
Other receipts		14,717	173,661
		8,608,300	8,325,999
Payments			
Employee costs		(5,703,177)	(5,082,674)
Finance costs		(52,262)	(5,526)
Other payments		(2,620,178)	(2,804,112)
		(8,375,617)	(7,892,312)
Net cash flows from operating activities	24	**232,683**	**433,687**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(62,341)	(71,008)
Proceeds from sale of property, plant and equipment	3	-	3,000
Loans to economic entities repaid		(456,095)	(54,080)
Net cash flows from investing activities		**(518,436)**	**(122,088)**
Net increase/(decrease) in cash and cash equivalents		**(285,753)**	**311,599**
Cash and cash equivalents at the beginning of the year		416,626	105,027
Cash and cash equivalents at the end of the year	8	**130,873**	**416,626**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

1.2 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Average useful life
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	6 years
Computer software	5 years

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

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

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

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

Accounting Policies

1.3 Financial instruments

Classification

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

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

Recognition

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

Measurement

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

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal business considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

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

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

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

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

Loans and receivables

Accounting Policies

1.3 Financial instruments (continued)

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

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

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

Available-for-sale financial assets

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

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

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

Other financial liabilities

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

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

De-recognition

Financial assets

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

Financial liabilities

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

Categorisation

The entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.
A financial asset is any asset that is:

Accounting Policies

1.3 Financial instruments (continued)

- cash;
- a contractual right to receive cash or to receive another financial asset from another entity;
- a contractual right to exchange financial instruments on potentially favourable terms;
- an equity instrument of another entity;
- a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).

The entity has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

• Loans to economic entities
• Trade and other receivables
• Cash and cash equivalents

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

Type of financial asset	Classification in terms of IAS 39.09
Loans to economic entities	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Available for sale

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavourable terms;

The entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

• Loans from economic entities
• Trade and other payables
• Other creditors

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

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

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

Type of financial liability	Classification in terms of IAS 39.09
Loans from economic entities	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Other creditors	Financial liability that is not measured at fair value through profit or loss

Impairment of financial assets

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

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

1.4 Tax

Current tax assets and liabilities

The tax currrently payble is based on taxable income for the year. Taxable income differs from surplus as reported in the Statement of Financial Performance, because it include income and expenses that are taxable or tax deductable in other years and it further excludes items that are never taxable or tax deductable.

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

1.4 Tax (continued)

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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

A deferred tax asset is recognised on differences between the carrying amount of assets and liabilities in the Financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the statement of Financial Position liability method.

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

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

Deferred tax assets and liabilites are offset when there is a legally enforcible right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends to settle its curent tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reveiwed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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

Accounting Policies

1.5 Leases

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

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

Operating leases - The entity as lessor

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

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

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

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

Operating leases – The entity as lessee

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

1.6 Contributions from owners

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

Equity instruments issued by the entity are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the entity are recorded at the proceeds received, net of direct issue costs.

1.7 Employee benefits

Short-term employee benefits

Retirement Funds

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

The entity contributes to defined contribution funds.

Defined Contribution Funds

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

1.8 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

Contingencies are disclosed in note 26.

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

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

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

Accounting Policies

1.9 Revenue from exchange transactions

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

1.10 Presentation of currency

These annual financial statements are presented in South African Rand.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

1.11 Impairment of cash-generating assets (continued)

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Foreign currency future cash flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. The municipality translates the present value using the spot exchange rate at the date of the value in use calculation.

Discount rate

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

Recognition and measurement (individual asset)

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

Accounting Policies

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

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

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

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

Redesignation

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

1.13 Revenue from non-exchange transactions

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

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

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

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

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Accounting Policies

1.14 Unauthorised expenditure

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

1.15 Fruitless and wasteful expenditure

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

1.16 Irregular expenditure

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

1.17 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements.

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Conditional grants and receipts

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

1.19 Going concern

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

Notes to the Annual Financial Statements

	2011	2010
	R	R

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The following standards and interpretations have been published and are mandatory for the entity’s accounting periods beginning on or after July 01, 2011 or later periods:

IGRAP 2: CHANGES IN EXISTING DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITIES

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

- a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
- a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
- an increase that reflects the passage of time (also referred to as the unwinding of the discount).

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 3: DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 4: RIGHTS TO INTERESTS ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

The issues addressed in this Interpretation of the Standards of GRAP are:

- the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
- a contributor’s right to access the assets is restricted.

A residual interest in a fund that extends beyond a right to reimbursement, such as a right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of the Standard of GRAP on Financial Instruments and is not within the scope of this Interpretation of the Standards of GRAP.

The issues addressed in this Interpretation of the Standards of GRAP are:

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- how should a contributor account for its interest in a fund?
- when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 5: APPLYING THE RESTATEMENT APPROACH UNDER THE STANDARD OF GRAP ON FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

This Interpretation of the Standards of GRAP provides guidance on how to apply the requirements of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010).

The questions addressed in this Interpretation of the Standards of GRAP are:

- how should the requirement '… stated in terms of the measuring unit current at the reporting date' in paragraph .10 of the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (as revised in 2010) be interpreted when an entity applies the Standard of GRAP?
- a contributor's right to access the assets is restricted.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 6: LOYALTY PROGRAMMES

This Interpretation of the Standards of GRAP applies to customer loyalty award credits that:

- an entity grants to its customers as part of a transaction, i.e. a sale of goods, rendering of services, use by a customer of entity assets; and
- subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The issues addressed in this Interpretation of the Standards of GRAP are:

- whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by
  - allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers); or
  - providing for the estimated future costs of supplying the awards; and
- if consideration is allocated to the award credits:
  - how much should be allocated to them;
  - when revenue should be recognised; and
  - if a third party supplies the awards, how revenue should be measured.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 7: THE LIMIT ON A DEFINED BENEFIT ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 8: AGREEMENTS FOR THE CONSTRUCTION OF ASSETS FROM EXCHANGE TRANSACTIONS

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of assets in exchange transactions directly or through subcontractors. The construction of assets entered into by entities where funding to support the construction activity will be provided by an appropriation or similar allocation of general government revenue or by aid or grant funds are excluded from the scope of this Interpretation of the Standards of GRAP.

Agreements in the scope of this Interpretation of the Standards of GRAP are agreements for the construction of assets in exchange transactions. In addition to the construction of assets in exchange transactions, such agreements may include the delivery of other goods or services.

The Interpretation of the Standards of GRAP addresses two issues:

- Is the agreement within the scope of the Standard of GRAP on Construction Contracts (as revised in 2010) or the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010)?
- When should revenue from the construction of assets in exchange transactions be recognised?

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 9: DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS

This Interpretation of the Standards of GRAP applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

- distributions of non-cash assets (e.g. items of property, plant and equipment, entity combinations as defined in the Standard of GRAP on Entity Combinations, ownership interests in another entity or disposal groups as defined in the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations (as revised in 2010)); and
- distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Interpretation of the Standards of GRAP applies only to distributions in which all owners of the same class of residual interests are treated equally.

This Interpretation of the Standards of GRAP does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

This Interpretation of the Standards of GRAP does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. The Standard of GRAP on Entity Combinations states that ‘A group of individuals shall be regarded as controlling an entity when, as a result of binding arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.’ Therefore, for a distribution to be outside the scope of this Interpretation of the Standards of GRAP on the basis that the same parties control the asset both before and after the distribution, a group of individual owners receiving the distribution must have, as a result of binding arrangements, such ultimate collective power over the entity making the distribution.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

This Interpretation of the Standards of GRAP does not apply when an entity distributes some of its ownership interests in a controlled entity but retains control of the controlled entity. The entity making a distribution that results in the entity recognising a minority interest in its controlled entity accounts for the distribution in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements.

This Interpretation of the Standards of GRAP addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by owners who receive such a distribution.

When an entity declares a dividend or similar distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend or similar distribution payable. Consequently, this Interpretation of the Standards of GRAP addresses the following issues:

- When should the entity recognise the dividend or similar distribution payable?
- How should an entity measure the dividend or similar distribution payable?
- When an entity settles the dividend or similar distribution payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend or similar distribution payable?

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 10: ASSETS RECEIVED FROM CUSTOMERS

This Interpretation of the Standards of GRAP applies to the accounting for the receipt of items of property, plant and equipment by entities that receive such assets from their customers.

Agreements within the scope of this Interpretation of the Standards of GRAP are those in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

This Interpretation of the Standards of GRAP does not apply to agreements in which the receipt occurs as part of a non-exchange transaction as defined in the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), or infrastructure used in a public-private partnership agreement (see the Guideline on Accounting for Public-private Partnerships), or assets received in a transfer of functions.

The Interpretation of the Standards of GRAP addresses the following issues:

- Is the definition of an asset met?
- If the definition of an asset is met, how should the received item of property, plant and equipment be measured on initial recognition?
- If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- How should the entity account for a receipt of cash from its customer?

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 13: OPERATING LEASES – INCENTIVES

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 14: EVALUATING THE SUBSTANCE OF TRANSACTIONS INVOLVING THE LEGAL FORM OF A LEASE

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

- how to determine whether a series of transactions is linked and should be accounted for as one transaction;
- whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,
  - whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
  - how the entity should account for other obligations resulting from the arrangement; and
  - how the entity should account for a fee it might receive from an investor.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

IGRAP 15: REVENUE – BARTER TRANSACTIONS INVOLVING ADVERTISING SERVICES

An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.

In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010) and the amount of revenue can be measured reliably in terms of paragraph .20(a) in the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010). This Interpretation of the Standards of GRAP only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010).

The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 1 (AS REVISED 2010): PRESENTATION OF FINANCIAL STATEMENTS

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 2 (AS REVISED 2010): CASH FLOW STATEMENTS

The revision resulted in various terminology and definition changes.

Operating cash flows:

- Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:

- Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:

- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 3 (AS REVISED 2010): ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies

- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies

- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 4 (AS REVISED 2010): THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Terminology changes:

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Where reference has been made to the net realisable values of inventories, current replacement cost has also been included to allow for the appropriate valuation of inventories where they are distributed as part of a non-exchange transaction. Reference to ‘trade’ receivables has been amended to ‘receivables’.

Monetary items:

Paragraph .15 clarifies that child support grants are ‘payables’, and not just ‘obligations’ in terms of the current requirements of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

All amendments to be applied retrospectively.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 9 (AS REVISED 2010): REVENUE FROM EXCHANGE TRANSACTIONS

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 10 (AS REVISED 2010): FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

Certain terminology changes:

- The reference to ‘current cost’ in paragraph .30 has been deleted.
- Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

Net monetary position:
References to ‘surplus’ or ‘deficit’ have been changed, throughout the document, to ‘gain’ or ‘loss’.

Interpretations:
Text included in this Standard of GRAP from IFRIC Interpretation 7 on Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies has been deleted.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 11 (AS REVISED 2010): CONSTRUCTION CONTRACTS

The revision resulted in certain terminology changes:

Other amendments:

- An example has been added to clarify when an entity acts as a contractor in a construction contract arrangement.
- The example in paragraph .11 has been deleted as it is inappropriate for the South African public sector.
- The explanatory text relating to ‘contractors’ has been amended to clarify that an entity can be a contractor if it performs construction related activities itself or through subcontractors.

All amendments to be applied retrospectively

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 12 (AS REVISED 2010): INVENTORIES

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 13 (AS REVISED 2010): LEASES

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 14 (AS REVISED 2010): EVENTS AFTER THE REPORTING DATE

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Existence of a liability for dividends or similar distributions:
Paragraph .13 of GRAP 14 was amended to clarify that no liability exists at the reporting date for dividends or similar distributions declared after the reporting date.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 16 (AS REVISED 2010): INVESTMENT PROPERTY

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:
Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:
- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 17 (AS REVISED 2010): PROPERTY, PLANT AND EQUIPMENT

The revision resulted in various terminology and definition changes.

Scope:
- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:
- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:

- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 19 (AS REVISED 2010): PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are ‘payables’, as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board’s decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 100 (AS REVISED 2010): NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .07 has been added to clarify the application of other Standards of GRAP to assets classified as non-current assets (or disposal groups) held for sale.

Plan to sell the controlling interest in a controlled entity:

- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control in a controlled entity shall classify all the assets and liabilities of that controlled entity as held for sale when the required criteria are met.
- The Standard has been amended to clarify that an entity that is committed to a sales plan involving loss of control of a controlled entity shall disclose the information required when the controlled entity is a disposal group that meets the definition of a discontinued operation.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Examples included in Appendix:
An additional example has been included regarding sale expected to be completed within one year.

Amendments to be applied as follow:
Paragraphs .13 and .42 were added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply the amendments earlier, it shall disclose this fact.

- Any other amendments to the Standards of GRAP shall be applied retrospectively.

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

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 105: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard has not yet been set. .

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 106: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard has not yet been set.

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 107: MERGERS

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The effective date of the standard has not yet been set.

The entity does not envisage the adoption of the standard / interpretation until such time as it becomes applicable to its operations.

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

GRAP 18: SEGMENT REPORTING

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

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

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

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

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

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

The effective date of the standard has not yet been set.

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

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

GRAP 23: REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

The effective date of the standard is for years beginning on or after July 01, 2012.

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

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

GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after July 01, 2012.

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

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

GRAP 103: HERITAGE ASSETS

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

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

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

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

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

The effective date of the standard is for years beginning on or after July 01, 2012.

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

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

GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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

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

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

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

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

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

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

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The effective date of the standard is for years beginning on or after July 01, 2012.

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

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

GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after July 01, 2012.

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

It is unlikely that the standard will have a material impact on the entity's '.

GRAP 25: EMPLOYEE BENEFITS

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

GRAP25 defines, amongst others, the following:

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

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

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

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

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

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

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

The standard prescribes recognition and measurement for:

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

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

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

The effective date of the standard has not yet been set.

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

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

GRAP 104: FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after July 01, 2012.

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

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

Notes to the Annual Financial Statements

	2011 R	2010 R

3. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	212,000	(89,429)	122,571	212,000	(68,230)	143,770
Motor vehicles	117,957	(93,351)	24,606	117,957	(78,607)	39,350
Office equipment	5,647	(3,493)	2,154	4,647	(2,498)	2,149
IT equipment	230,509	(131,737)	98,772	169,168	(109,187)	59,981
Computer software	133,284	(133,265)	19	133,284	(111,071)	22,213
Total	**699,397**	**(451,275)**	**248,122**	**637,056**	**(369,593)**	**267,463**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2011

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	143,770	-	(21,199)	122,571
Motor vehicles	39,350	-	(14,744)	24,606
Office equipment	2,149	1,000	(995)	2,154
IT equipment	59,981	61,341	(22,550)	98,772
Computer software	22,213	-	(22,194)	19
	267,463	**62,341**	**(81,682)**	**248,122**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	134,326	30,117	-	(20,673)	143,770
Motor vehicles	31,707	-	(13,329)	20,972	39,350
Office equipment	3,079	-	-	(930)	2,149
IT equipment	56,812	40,891	(4,816)	(32,906)	59,981
Computer software	44,410	-	-	(22,197)	22,213
	270,334	**71,008**	**(18,145)**	**(55,734)**	**267,463**

There were no impairments of property, plant and equipment during the financial year under review (2010 - R0)

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

Notes to the Annual Financial Statements

	2011 R	2010 R

4. LOANS TO/FROM ECONOMIC ENTITIES

ASSOCIATES

	2011 R	2010 R
Pharoe Park Housing Company Inter company loan	892,200	854,885
Germiston Phase II Housing Company Inter company loan	(2,159,243)	(2,030,595)
Lethabong Housing Institution Inter company loan	2,128,646	1,581,218
	861,603	**405,508**

Inter company loans are unsecured, interest free with no specific repayment terms.

All the receivable balances are recoverable in full from the related parties and no impairment provision has been raised on the outstanding balances as at 30 June 2011 (2010 - R0).

	2011 R	2010 R
Current assets	3,020,846	2,436,103
Current liabilities	(2,159,243)	(2,030,595)
	861,603	**405,508**

5. FINANCIAL ASSETS BY CATEGORY

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

2011

	Loans and receivables	Available-for-sale	Total
Loans to economic entities	3,020,846	-	3,020,846
Trade and other receivables	11,070	-	11,070
Cash and cash equivalents	-	130,873	130,873
	3,031,916	**130,873**	**3,162,789**

2010

	Loans and receivables	Available-for-sale	Total
Loans to economic entities	2,436,103	-	2,436,103
Trade and other receivables	50,271	-	50,271
Cash and cash equivalents	-	416,626	416,626
Tax receivable	5,946	-	5,946
	2,492,320	**416,626**	**2,908,946**

6. DEFERRED TAX

DEFERRED TAX ASSET

	2011 R	2010 R
Property, Plant and Equipment & Intangibles	(29,868)	(58,869)
Leave pay provision	55,582	77,410
	25,714	**18,541**

7. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2011 R	2010 R
Deposits	11,070	11,070
Other receivables	-	39,201
	11,070	**50,271**

	2011	2010
	R	R

7. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS PAST DUE BUT NOT IMPAIRED

There was no impairment of trade and other receivables raised at 30 June 2011 (2010 - R0). The directors of the entity have assesed individual and collective impairment of trade and other receivables and the balance is fully recoverable at the end of 2011 and 2010, therefore no impairment on trade and other receivables has been raised.

Notes to the Annual Financial Statements

	2011 R	2010 R

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2011 R	2010 R
Cash on hand	1,000	1,000
Bank balances	129,873	415,626
	130,873	**416,626**

Cash and cash equivalents earn interest at floating rates based on the daily bank deposit rates. The fair value of cash and short term deposits is R130,873 (2010 - R416,626)

The entity banks with the Amalgamated Bank of South Africa Limited.

THE ENTITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2011	June 30, 2010	June 30, 2009
ABSA Current account - 4055919492	129,873	422,121	104,027	129,873	415,626	104,027

9. CONTRIBUTIONS FROM OWNERS

AUTHORISED

	2011 R	2010 R
1000 Ordinary shares of R1each	1,000	1,000

ISSUED

	2011 R	2010 R
Ordinary	100	100

10. PROVISIONS

RECONCILIATION OF PROVISIONS - 2011

	Opening Balance	Movements	Total
Leave Pay provision	149,918	48,588	198,506
Bonus provision	126,545	(126,545)	-
	276,463	**(77,957)**	**198,506**

RECONCILIATION OF PROVISIONS - 2010

	Opening Balance	Movements	Total
Leave provision	130,514	19,404	149,918
Bonus provision	-	126,545	126,545
	130,514	**145,949**	**276,463**

A provision for leave and bonus pay is recognised for leave due to employees at year end. The provision for leave is calculated by multiplying the number of leave days due to each employee by a daily rate based on the total cost to company. The provision is expected to realise within the following financial year when employees request leave to be paid out or is used.

Notes to the Annual Financial Statements

	2011 R	2010 R

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2011 R	2010 R
Trade payables	55,362	48,246
Salary creditors	250,875	311,733
Other Creditors	479,642	57,212
Ekurhuleni Metropolitan Municipality	1,336	7,476
	787,215	**424,667**

Trade payables are non-interest bearing and are normally settled on 30-90 day terms. All other payables are non-interest bearing and have an average term of three months.

12. VAT PAYABLE

	2011 R	2010 R
VAT payable	207,613	347,581

13. FINANCIAL LIABILITIES BY CATEGORY

At 30 June 2011, the carrying values of cash and cash equivalents, trade and other receivables, loans to economic entities, trade and other payables and loans from economic entities approximate their values due to short term maturities of these assets and liabilities as diclosed below.

2011

	Financial liabilities at amortised cost	Total
Loans from economic entities	2,159,243	2,159,243
Other financial liabilities	6,616	6,616
Trade and other payables	1,024,447	1,024,447
	3,190,306	**3,190,306**

2010

	Financial liabilities at amortised cost	Total
Loans from economic entities	2,030,595	2,030,595
Other financial liabilities	6,616	6,616
Trade and other payables	772,248	772,248
	2,809,459	**2,809,459**

14. REVENUE

	2011 R	2010 R
Rendering of services	8,551,545	8,125,012

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

	2011 R	2010 R
Rendering of services	8,551,545	8,125,012

Notes to the Annual Financial Statements

	2011 R	2010 R

15. OTHER REVENUE

Insurance recoveries	2,632	5,000
Sundry income	4,610	10,252
Government grants	7,476	-
	14,718	**15,252**

THE AMOUNT INCLUDED IN OTHER REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Insurance recoveries	2,632	5,000
Sundry income	4,610	10,263
Discount received	-	(11)
	7,242	**15,252**

THE AMOUNT INCLUDED IN OTHER REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:
GOVERNMENT GRANTS

Government grants	7,476	-

16. OTHER INCOME

Sundry income	4,610	603
Tenders	-	9,649
	4,610	**10,252**

Notes to the Annual Financial Statements

	2011 R	2010 R

17. GENERAL EXPENSES

Advertising	53,677	42,781
Auditors remuneration	224,842	196,147
Bank charges	25,252	23,051
Cleaning	5,450	3,280
Computer expenses	181,843	173,557
Consulting and professional fees	545,089	1,070,368
Insurance	39,466	32,988
Conferences and seminars	3,737	76,571
Lease rentals on operating lease	361,345	348,843
Fleet	8,344	11,825
Horticulture	5,979	3,389
Magazines, books and periodicals	1,230	25,918
Pest control	-	2,442
Printing and stationery	69,636	103,067
Security (Guarding of municipal property)	13,619	5,628
Software expenses	129,751	70,421
Staff welfare	78,925	92,953
Telephone and fax	305,467	279,456
Training	169,796	84,678
Travel - local	96,439	100,176
Electricity	18,191	30,123
Tax penalty	70,176	19,865
	2,408,254	**2,797,527**

Notes to the Annual Financial Statements

	2011 R	2010 R

18. EMPLOYEE RELATED COSTS

Basic	4,866,241	3,948,093
Medical aid - company contributions	215,885	181,943
UIF	26,444	25,341
SDL	52,333	39,871
Leave pay provision charge	198,634	96,861
Pension - Defined contribution plan	216,743	191,846
	5,576,280	**4,483,955**

REMUNERATION OF CHIEF EXECUTIVE OFFICER - INCLUDED IN TOTAL ABOVE

Annual Remuneration	564,969	494,647
Car Allowance	110,000	76,000
Contributions to UIF, Medical and Pension Funds	67,353	62,353
	742,322	**633,000**

REMUNERATION OF FINANCE MANAGER - INCLUDED IN TOTAL ABOVE

Annual Remuneration	377,676	352,665
Car Allowance	49,000	95,200
Contributions to UIF, Medical and Pension Funds	56,959	11,033
	483,635	**458,898**

REMUNERATION OF BUSINESS DEVELOPMENT MANAGER - INCLUDED IN TOTAL ABOVE

Annual Remuneration	265,431	149,008
Car Allowance	28,800	-
Contributions to UIF, Medical and Pension Funds	26,084	56,124
	320,315	**205,132**

REMUNERATION OF NON EXECUTIVE DIRECTORS

D Ngoasheng	-	208,000
C Ucko	128,000	106,667
T Sethaelo	170,666	234,667
M Mposula	149,335	195,334
	448,001	**744,668**

Notes to the Annual Financial Statements

	2011 R	2010 R

19. INVESTMENT REVENUE

INTEREST REVENUE		
Interest earened on investments	2,837	5,258

The amount included in Investment revenue arising from exchange transactions amounted to R -.

20. DEPRECIATION AND AMORTISATION

Property, plant and equipment	81,684	55,734

21. TAXATION

MAJOR COMPONENTS OF THE TAX EXPENSE

CURRENT		
Local income tax - current period	22,905	6,429
Underporvision - prior years	7,140	-
	30,045	**6,429**
DEFERRED		
Originating and reversing temporary differences	(7,175)	2,681
	22,870	**9,110**

Notes to the Annual Financial Statements

	2011 R	2010 R

22. AUDITORS' REMUNERATION

Fees	224,842	196,147

23. OPERATING LEASE

The EDC entered into a 5 year operating lease agreement with Gestetner for the rental of a Photo copier.

Lease period : 29/06/2007- 29/06/2012, 5 year lease term.
Rental including VAT is R4 250 pm with no escalation.

	2011	**2010**
Payments per month	R4 218	R4 250
Within a month	R4 218	R4 250
Paid	R50 742	R172 250
Within a year	R50 616	R51 000
1-5 years	R0	R31 750

The machine is financed through Gestetner Finance.

The EDC entered into a 5 year operating lease with Samsung for the rental of a Telephone system.

Lease period 09/05/2008-09/05/2013, a 5 year lease term
Rental including VAT started at R3 416.50 with a 15% escalation.

	2011	**2010**
Payments per month	R4 083	R3 446
Within a month	R4 083	R3 962
Paid	R43 963	R41 864
Within a year	R50 225	R48 144
1-5 years	R46 959	R113 009

The lease has been straight lined and the accraul was raised.
The straight lined amount per month amounts to R4129.39

24. CASH GENERATED FROM OPERATIONS

Deficit	(61,216)	(22,724)
ADJUSTMENTS FOR:		
Depreciation and amortisation	81,684	55,734
(Gain)/Loss on sale of assets	-	15,145
Debt impairment	-	7,594
Movements in operating lease assets and accruals	-	(5,467)
Movements in provisions	(77,957)	145,949
Taxation expense	30,045	6,428
Annual charge for deferred tax	(7,175)	2,681
Other non-cash items	5,520	25,154
CHANGES IN WORKING CAPITAL:		
Trade and other receivables from exchange transactions	39,201	(31,376)
Consumer debtors	-	(7,594)
Trade and other payables from exchange transactions	362,549	45,127
VAT control	(139,968)	197,036
	232,683	**433,687**

Notes to the Annual Financial Statements

	2011 R	2010 R

25. TAX REFUNDED

	2011 R	2010 R
Balance at beginning of the year	5,946	12,374
Tax ecognised in surplus or deficit	(30,045)	(6,429)
Interest on late payments	(5,520)	-
Balance at end of the year	29,619	(5,945)
	-	-

26. CONTINGENCIES

CONTINGENT LIABILITIES OF JOINT VENTURES

EDC entered into contracts of performance with Xihangu & Aquacor and these companies indicated that they reserve their rights after the contracts were cancelled
SA 1 Consulting disputed the cancellation of its contract and indicated its intent on taking legal action for the amount of R 857 280 being the amount that would have been payable for the remainder of the cancelled contract.
R Docrat's contracts were also cancelled before the end date. An invoice to the amount of R5 716 was submitted and which is still in dispute.

Due to the fact that the company's last 3 financial years' AGM's were held late there is a possibility that the Registrar of Companies may fine the company R3000. The probablility of this and that the payment will be made is remote.

27. RELATED PARTIES

Relationships	
Controlling entity	Ekurhuleni Metropolitan Municipality
Associates	Refer to note 4

During the year the entity entered in to various related party transactions with its controlling entity and other entities in the EMM group. All transactions are concluded at arm's length.

RELATED PARTY BALANCES

	2011 R	2010 R
LOAN ACCOUNTS - OWING (TO) BY RELATED PARTIES		
Pharoe Park Housing Company	892,200	854,885
Germiston Phase II Housing Company	(2,159,243)	(2,030,595)
Lethabong Housing Institution	2,128,645	1,581,218
AMOUNTS INCLUDED IN TRADE RECEIVABLE (TRADE PAYABLE) REGARDING RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	(1,336)	(7,476)

RELATED PARTY TRANSACTIONS

	2011 R	2010 R
PURCHASE OF ELECTRICITY FROM RELATED PARTY		
Ekurhuleni Metropolitan Municipality	18,190	30,123
ADMINISTRATION FEES PAID TO (RECEIVED FROM) RELATED PARTIES (VAT EXCLUDED)		
Pharoe Park Housing Company	(4,145,965)	(3,173,588)
Germiston Phase II Housing Company	(4,211,871)	(3,242,404)
Lethabong Housing Institution	(193,709)	(1,709,020)

Inter company loans are interest free with no specified repayment period.

28. PRIOR PERIOD ERRORS

Penalties and interest on SARS regarding PAYE and VAT.

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

	2011 R	2010 R

28. PRIOR PERIOD ERRORS (continued)

STATEMENT OF FINANCIAL POSITION		
Trade and other payables from exchange transactions	(60,967)	-
VAT payable	(89,740)	-
Opening Accumulated Surplus	125,554	-
STATEMENT OF FINANCIAL PERFORMANCE		
Finance cost	5,289	-
General expenses	19,864	-

Notes to the Annual Financial Statements

	2011 R	2010 R

29. COMPARATIVE FIGURES

Comparative figures have been presented.

30. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

LIQUIDITY RISK

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

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

INTEREST RATE RISK

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

CREDIT RISK

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

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

Notes to the Annual Financial Statements

	2011 R	2010 R

31. GOING CONCERN

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

32. FRUITLESS AND WASTEFUL EXPENDITURE

	2011 R	2010 R
Opening balance	150,706	125,553
SARS Penalties and interest - VAT	28,414	16,686
SARS Penalties and interest - PAYE	66,038	8,467
SARS Interest - Income tax	5,519	-
Interest levied by Auditor-General	7	-
Interest levied by Ekurhuleni Metropolitan Municipality (Conrolling entity)	54	-
Interest levied by Bankers: ABSA	120	-
Overtime payments	13,682	-
	264,540	**150,706**

The SARS penalties and interest have been occurred between March 2007 and June 2011.

The above amounts are unlikely to be recovered and will be presented to the board for condonation after year end.

33. IRREGULAR EXPENDITURE

	2011 R	2010 R
Opening balance	909,684	-
Irregular Expenditure	439,318	909,684
	1,349,002	**909,684**
		-

DETAILS OF IRREGULAR EXPENDITURE

	2011 R	2010 R
R Docrat - HR Services (Deviation from SCM policy)	-	153,400
SA 1 Consulting (Deviation from SCM policy)	-	396,990
S Maluleka (Deviation from SCM policy)	-	348,350
Rebahale Consulting Services (Deviation from SCM policy)	-	10,944
Malherbe (Deviation from SCM policy)	439,318	-
	439,318	**909,684**

Please refer to note 35.

34. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

AUDIT FEES

	2011 R	2010 R
Current year subscription / fee	224,842	196,147
Amount paid - current year	(224,842)	(196,147)
	-	**-**

PAYE AND UIF

	2011 R	2010 R
Current year payroll deductions	1,172,190	871,804
Amount paid - current year	(1,068,388)	(871,804)
	103,802	**-**

PENSION AND MEDICAL AID DEDUCTIONS

	2011 R	2010 R

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

Current year payroll deductions	956,390	373,789
Amount paid - current year	(942,195)	(373,789)
	14,195	**-**

35. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Incident: Arose on legal advise sought to clarify issues arising from an agreement i.r.o. the financing for and development of social housing in Ekurhuleni between Xihangu and the entity. The advice was expected to be concluded quickly, however, the complexity of the agreement required substantial additional input from the legal advisor. The supply chain processes were deviated from in terms of Section 36 (1) of the Municipal Supply Chain Management regulations and were presented to the Board of Directors.

Notes to the Annual Financial Statements

Figures in Rand

36. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
FINANCIAL PERFORMANCE							
Investment revenue	8,000	8,000	8,000	2,837	5,163	35 %	35 %
Transfers recognised - operational	-	-	-	7,476	(7,476)	DIV/0 %	DIV/0 %
Other own revenue	9,758,000	9,691,000	9,691,000	8,558,787	1,132,213	88 %	88 %
Total revenue (excluding capital transfers and contributions)	**9,766,000**	**9,699,000**	**9,699,000**	**8,569,100**	**1,129,900**	**88 %**	**88 %**
Employee costs	(6,451,000)	(6,451,000)	(6,451,000)	(6,024,281)	(426,719)	93 %	93 %
Depreciation and asset impairment	(183,000)	(183,000)	(183,000)	(81,684)	(101,316)	45 %	45 %
Finance charges	-	-	-	(52,262)	52,262	DIV/0 %	DIV/0 %
Other expenditure	(2,911,000)	(2,911,000)	(2,911,000)	(2,449,217)	(461,783)	84 %	84 %
Total expenditure	**(9,545,000)**	**(9,545,000)**	**(9,545,000)**	**(8,607,444)**	**(937,556)**	**90 %**	**90 %**
Surplus/(Deficit)	**221,000**	**154,000**	**154,000**	**(38,344)**	**192,344**	**(25)%**	**(17)%**

Notes to the Annual Financial Statements

Figures in Rand

36. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Taxation	-	-	-	(22,872)	22,872	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**221,000**	**154,000**	**154,000**	**(61,216)**	**215,216**	**(40)%**	**(28)%**

Notes to the Annual Financial Statements

Figures in Rand

36. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
CAPITAL EXPENDITURE AND FUNDS SOURCES							
CASH FLOWS							
Net cash from (used) operating	404,000	404,000	404,000	232,683	171,317	58 %	58 %
Net cash from (used) investing	(404,000)	(404,000)	(404,000)	(518,436)	114,436	128 %	128 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**(285,753)**	**285,753**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	416,000	416,000	416,000	416,626	(626)	100 %	100 %
Cash and cash equivalents at year end	**416,000**	**416,000**	**416,000**	**130,873**	**285,127**	**31 %**	**31 %**