Amahlathi Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	Government entity
The following is included in the scope of operation	Municipality
Grading of local authority	Grade 5
Members of the executive committee	
Mayor	M Peter (Chair of the executive committee)
Councillors/ Portfolio Heads	K A Mhambi (Portfolio Head - Finance)
	Z Falo (Portfolio Head - Administration and Human Resources)
	P Qaba (Portfolio Head - Development and Planning)
	P Liwani (Portfolio Head - Service Delivery and Infrastructure)
	N Busika (Portfolio Head - Community Empowerment)
	A Hobo (Portfolio Head - Social Services)
Councillors	NP Mlahleki
	KA Mhambi
	P Qaba
	N Nkunkuma
	P Liwani
	Z Falo
	NA Kato-Manyika
	M Peter
	NR Magwaxaza
	NE Tom
	B Siko
	MH Funani
	M Mjikelo
	B Jama
	ZE Mfulana
	A Mzamo
	M Mani
	ME Hejane
	X Roji
	A Hobo
	NAD Ndlangalavu
	N Busika
	T Pakade
	MN Ngcofe
	BA Lande
	M Jack
	RT Desi
	TP Mpendu
	N Ndodana
	AE Hlalapi
	CT Poni
	S Malawu
	NN Kumbaca
	T Wellem
	N Mkosana
	N Nombamba

General Information

	T Balindlela PG Kyriacos NJ Gxalaba HE Govender
Chief Finance Officer (CFO)	GP Hill
Accounting Officers	V Mbelani (Acting)
Registered office	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor General South Africa

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The reports and statements set out below comprise the annual financial statements presented to the audit committee:

Abbreviations

IFRIC	International Financial Reporting Interpretations Committee
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officers have reviewed the municipality’s cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 49, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

GP Hill
on behalf of Acting Municipal Manager

Amahlathi Local Municipality

(Registration number EC124)
Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	8	1,477,655	132,609
Investments	5	103,558,884	71,806,281
Trade and other receivables from exchange transactions	9	3,931,243	4,227,710
Other receivables from non-exchange transactions	10	384,789	443,381
Cash and cash equivalents	11	6,686,123	5,170,414
		116,038,694	**81,780,395**
Non-Current Assets			
Investment property	3	-	-
Property, plant and equipment	4	36,134,835	19,616,996
Long term receivables	7	846,185	695,253
		36,981,020	**20,312,249**
Total Assets		**153,019,714**	**102,092,644**
Liabilities			
Current Liabilities			
Other financial liabilities	12	13,050	11,107
Trade and other payables from exchange transactions	15	11,833,799	12,912,177
VAT payable	16	2,011,887	170,822
Consumer deposits	17	353,524	353,524
Retirement benefit obligation	6	319,839	306,169
Unspent conditional grants and receipts	13	14,773,532	10,760,856
Provisions	14	1,545,522	1,467,703
		30,851,153	**25,982,358**
Non-Current Liabilities			
Other financial liabilities	12	600,455	614,050
Retirement benefit obligation	6	13,107,879	7,453,549
		13,708,334	**8,067,599**
Total Liabilities		**44,559,487**	**34,049,957**
Net Assets		**108,460,227**	**68,042,687**
Net Assets			
Accumulated surplus		108,460,227	68,042,687

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	19	8,271,479	7,579,219
Rendering of services	20	25,176,527	20,190,345
Rental of facilities and equipment		294,918	241,604
Interest income - debtors		1,692,288	2,257,726
Fines		92,952	52,084
Licences and permits		-	2,284
Government grants & subsidies	21	88,470,153	79,441,661
Motor vehicle registration		2,181,104	1,971,669
Miscellaneous other revenue		439,086	369,003
Other income		170,764	97,528
Reduction in bonus provision		-	128,615
Interest income - investment	26	5,714,970	4,533,342
Total Revenue		**132,504,241**	**116,865,080**
Expenditure			
Personnel	23	37,503,362	28,251,927
Remuneration of councillors	24	8,051,203	8,290,960
Vending management fee		356,731	-
Finance costs	27	857,585	628,258
Debt impairment	25	5,101,784	9,184,316
Leave pay provision		397,643	439,845
Repairs and maintenance		4,913,097	3,319,373
Bulk purchases	29	13,495,863	11,236,967
General expenses	22	22,321,569	18,359,689
Total Expenditure		**92,998,837**	**79,711,335**
Fair value adjustments		912,136	582,926
Surplus for the year		**40,417,540**	**37,736,671**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	**30,192,564**	**30,192,564**
Changes in net assets		
Surplus for the year	37,736,671	37,736,671
Change in accounting policy	113,452	113,452
Total changes	37,850,123	37,850,123
Balance at 01 July 2010	**68,042,687**	**68,042,687**
Changes in net assets		
Surplus for the year	40,417,540	40,417,540
Total changes	40,417,540	40,417,540
Balance at 30 June 2011	**108,460,227**	**108,460,227**
Note(s)	2	

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		33,572,393	36,167,136
Grants		88,470,153	79,441,661
Interest income		5,714,970	4,533,342
		127,757,516	120,142,139
Payments			
Employee costs		(39,808,746)	(36,542,887)
Suppliers		(37,875,079)	(43,385,782)
Finance costs		(124,956)	(140,904)
		(77,808,781)	(80,069,573)
Net cash flows from operating activities	30	**49,948,735**	**40,072,566**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(16,517,839)	(19,616,996)
Purchase of financial assets		(31,752,603)	(20,695,027)
Increase in long term receivables		(150,932)	-
Proceeds from sale of long term receivables		-	589,851
Net cash flows from investing activities		**(48,421,374)**	**(39,722,172)**
Cash flows from financing activities			
Repayment of other financial liabilities		(11,652)	(235,715)
Net cash flows from financing activities		**(11,652)**	**(235,715)**
Net increase/(decrease) in cash and cash equivalents		**1,515,709**	**114,679**
Cash and cash equivalents at the beginning of the year		5,170,414	5,055,734
Cash and cash equivalents at the end of the year	11	**6,686,123**	**5,170,414**

Accounting Policies

1. Preparation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards and have adopted the transitional provisions as applicable and described below and also in terms of the standards and principles contained in Directives 4 and Directive 5 issued by the Accounting Standards Board in March 2009 and have adopted the transitional provisions as applicable and described below.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of non-cash generating assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

The standards prescribed are the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board. The impact of the mentioned directives on the financial statements, specifically Directive 4, is disclosed in the various accounting policies below.

1.1 Significant judgements and sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement medical obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post retirement medical liability.

Other key assumptions for post retirement medical obligations are based on current market conditions. Additional information is disclosed in Note 6.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

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

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

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

Accounting Policies

1.2 Investment property (continued)

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

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

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

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

The cost of self-constructed investment property is the cost at date of completion.
Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
  The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

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

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

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

Transitional provision

Investment property is reported at provisional amounts (Nil value), due to the fact that the initial accounting for Investment property was incomplete by the end of a reporting period in which the Standard became effective.

Investment property was not disclosed in the financial statements for the year ending 30 June 2009 but is disclosed at provisional amounts in the current financial statements. Please refer to the notes to the annual financial statements. No other retrospective adjustments to provisional amounts were recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard

It is expected that the measurement of investment property will be addressed in conjunction with efforts related to Property,

1.2 Investment property (continued)

plant and equipment which are expected to be finalised by 30 June 2012.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

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

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

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

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

Property, plant and equipment are depreciated straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Accounting Policies

1.3 Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Infrastructure	
• Roads and paving	10-50 years
• Cemetries	15-30 years
• Airports	20-25 years
• Sewerage	25 years
• Housing	Not depreciated
Other	
• Buildings	10-30 years
• Plant and machinery	4-15 years
• IT equipment	5 years
• Furniture and fittings	7 years
Community	
• Assets under construction	Not depreciated
• Electricity	10-50 years

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

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

Incomplete Construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as property , plant and equipment controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property plant and equipment

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue. These are included in other income.

Accounting Policies

1.3 Property, plant and equipment (continued)

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Transitional provisions

In terms of directive 4 the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. The Standard of GRAP on Property, Plant and Equipment was initially adopted on 1 July 2009.

Due to the fact that the municipality has taken advantage of the transitional provisions, property, plant and equipment were not recognised and measured in accordance with the Standards of GRAP on: Property, Plant and Equipment, the Presentation of Financial Statements, Effect of Changes in Foreign Exchange Transactions, Leases ,Segment Reporting, and Non-current Assets Held for Sale and Discontinued Operations.

Property, plant and equipment acquired prior to the date of initial adoption of the Standard of GRAP is measured at provisional amounts (Nil value) in line with Directive 4. Additions to property plant and equipment since the Standard of GRAP on Property, Plant and Equipment was initially adopted are recognised at cost. No depreciation is recognised on these assets as all the related elements of the depreciation calculation could not be considered at year end.

No measurement adjustments were made for the year ending 30 June 2011.

Impairment of assets

Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.
If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
An impairment loss of assets carried at cost less any accumulated depreciation is recognised immediately in surplus or deficit.
An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit on a pro rata basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in surplus or deficit.

Impairment of non cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

Accounting Policies

1.3 Property, plant and equipment (continued)

value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.
An impairment loss of assets carried at cost less any accumulated depreciation is recognised immediately in surplus or deficit.
An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit on a pro rata basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.4 Financial instruments

Classification

The classification of financial assets and liabilities into categories, is based on judgement by management.
The municipality classifies financial assets and financial liabilities into the following categories:

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is cash or a contractual right to receive cash or another financial asset or equity. The municipality has the following types of financial assets:
- Investments in fixed deposits (Banking Institutions, etc)
- Long-term receivables
- Consumer debtors
- Certain other debtors
- Short-term Investment deposits
- Bank balances and cash

The Financial Assets of the municipality are classified as follows into the four categories allowed:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term investment deposits – call	Held-to-maturity investments
Bank balances and cash	Cash and cash equivalents
Long-term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Investments in fixed deposits	Held-to-maturity investments

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

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

The municipality categorises cash and cash equivalents as financial assets..

1.4 Financial instruments (continued)

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities:
- Long-term liabilities
- Certain other creditors
- Bank overdraft
- Short-term loans
- Current portion of long-term liabilities
- Consumer deposits

There are two main categories of financial liabilities, the classification determining how they are measured. Financial liabilities may be measured as:
- Fair value through profit or loss; or
- Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

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

Initial recognition and measurement

Regular way purchases of financial assets are accounted for at trade date.

Financial assets

Held-to-maturity Investments and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

Financial liabilities

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in surplus or deficit.

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

Consumer debtors are stated at cost less a provision for impairment. The provision is made whereby the recoverability of consumer debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics.

Accounting Policies

1.4 Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit for the year.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit for the year to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Transitional Provisions

Financial assets and liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Held to maturity Investments

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

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount

1.4 Financial instruments (continued)

and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

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

Derecognition

Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non - recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.5 Leases

The municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

The municipality as a lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Transitional provisions

In terms of Directive 4, the municipality is not required to recognise finance lease assets / liabilities in the financial statements in relation to those property, plant and equipment that has not been recognised as a result of applying the transitional provisions in the Standards of GRAP related to Property, plant and equipment.

The disclosure requirements included in the Standard of GRAP on Leases were applied insofar as the lease assets / liabilities have been identified.

It is anticipated that the requirements of the Standard of GRAP on Leases will be applied in the financial statements for the

Accounting Policies

1.5 Leases (continued)

year ending 30 June 2012 when the transitional provisions in the Standards of GRAP on property, Plant and Equipment expire.

Operating leases - lessor

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

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

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

1.6 Inventories

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of surplus and deficit in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

1.6 Inventories (continued)

Transitional provision

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in note 8. The transitional provision expires on 30 June 2012.

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.8 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of surplus and deficit as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the statement of suplus and deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Accounting Policies

1.9 Provisions

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

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the surplus or deficit for the year as a finance cost as it occurs.

Transitional provision

In terms of Directive 4, the municipality is not required to recognise provisions (which form part of the cost of an asset) as a result of applying the transitional provisions in the Standards of GRAP on property, plant and equipment. The disclosure requirements about the provisions related to the assets is however disclosed in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets.

The provision for landfill sites was not recognised in the financial statements for the year ending 30 June 2010 and 2011 but was disclosed in the notes to the financial statements.

Except for the provision for landfill site no other provisions were affected by the transitional provisions set out in Directive 4 and no other measurement adjustments were made for the year ending 30 June 2010 and 2011.

1.10 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service benefit will flow to the municipality and when specific criteria have been met for each of the municipality's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Revenue from non-exchange transactions refers to transactions where the municipality 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.

1.11 Revenue from exchange transactions

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These

Accounting Policies

1.11 Revenue from exchange transactions (continued)

adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Tariff charges

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

Income from agency services

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

Sale of goods

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.12 Revenue from non-exchange transactions

Measurement

Rates, including collection charges and penalty interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Fines

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

Public contributions

Revenue from public contributions is recognised 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 are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

Other Donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of surplus and deficit in the year in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the statement of surplus and deficit.

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007.

The municipality accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 4.

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.

Other grants and donations

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of surplus or deficit as expenses in the period that the events giving rise to the transfer occurred.

1.13 Borrowing costs

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

1.14 VAT

The Municipality accounts for Value Added Tax on the payments basis.

Accounting Policies

1.15 Comparative figures

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.17 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality’s or Municipal Entities’ supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of surplus or deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.19 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 surplus and deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.20 Presentation of currency

The Annual Financial Statements are presented in South African Rand (rounded off to the nearest Rand) which is the municipality's functional currency.

1.21 Offsetting

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

1.22 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. The municipality continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2010 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Accounting Policies

1.22 Changes in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. The municipality continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.25 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available

1.26 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.27 Conditional grants and receipts

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

1.28 Going concern

The Annual Financial Statements have been prepared on a going concern basis.

1.29 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 26 Impairment of cash generating assets
- GRAP 25 Employee benefits
- GRAP 21 Impairment of non cash generating assets
- GRAP 20 Related parties

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

1.29 Standards, amendments to standards and interpretations issued but not yet effective (continued)

The following standards , amendments to standards and interpretations have been issued but not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009 .

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Figures in Rand	2011	2010

2. Changes in accounting policy

Accounting Policies have been consistently applied, except as indicated below:
The municipality changes an accounting policy only if the change:
a) is required by a Standard of GRAP; or
b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

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

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the recognition of items as required for the disclosure of GRAP compliant annual financial statements:

Statement of financial position

	2011	2010
Long term debtors		
Previously stated	-	(113,452)
Adjustment to accumulated surplus / (deficit)	-	113,452
	-	**-**
Accumulated surplus / deficit		
Transfer from Long term debtors	-	113,452

3. Investment property

	2011			2010		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	-	-	-	-	-	-

Transitional provisions

The municipality has elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provisions, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012. Refer to note 4 with respect to the progress of the municipality being fully compliant with GRAP 17.

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Buildings	411,190	-	411,190	408,311	-	408,311
Plant and machinery	1,327,861	-	1,327,861	1,259,905	-	1,259,905
Furniture and fixtures	953,586	-	953,586	873,733	-	873,733
Motor vehicles	1,106,354	-	1,106,354	191,541	-	191,541
IT equipment	231,473	-	231,473	149,651	-	149,651
Infrastructure	32,057,996	-	32,057,996	16,687,480	-	16,687,480
Community	46,375	-	46,375	46,375	-	46,375
Total	**36,134,835**	**-**	**36,134,835**	**19,616,996**	**-**	**19,616,996**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Total
Buildings	408,311	2,879	411,190
Plant and machinery	1,259,905	67,956	1,327,861
Furniture and fixtures	873,733	79,853	953,586
Motor vehicles	191,541	914,813	1,106,354
IT equipment	149,651	81,822	231,473
Infrastructure	16,687,480	15,370,516	32,057,996
Community	46,375	-	46,375
	19,616,996	**16,517,839**	**36,134,835**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Buildings	-	408,311	408,311
Plant and machinery	-	1,259,905	1,259,905
Furniture and fixtures	-	873,733	873,733
Motor vehicles	-	191,541	191,541
IT equipment	-	149,651	149,651
Infrastructure	-	16,687,480	16,687,480
Community	-	46,375	46,375
	-	**19,616,996**	**19,616,996**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

The following progress has been achieved with regards to the development of an asset register:

Desk top exercise

A desk top exercise was performed to understand what data and information is available and to collect, collate and consolidate that data into workstream specific repositories. This enabled the identification of what data is not available per workstream.

The final stage was the apportionment of globular figures in preparation for unbundling of “loans redeemed and other capital receipts” account and recording the asset classes individually in the fixed asset register.

Verification and conditional assessment of assets

This stage entailed the identifying, recording, verification and bar-code labelling of all movable assets and the linking of these to a location. Immovable assets was then identified, recorded and verified.

The 80/20 principal of physical verification of land, buildings and infrastructure assets based on highest values assets was utilised.

A high level financial condition assessment was conducted while the assets were physically verified.

Impairment of assets was considered when physically verifying assets, this will be done as a desk top exercise at the end of the project.

Data uploading

A standard link and balance principles was used (i.e. direct link where assets then meets all the criteria of a one-to-one

4. Property, plant and equipment (continued)

relationship and pro-rata link where cost is to be allocated to assets based on replacement value of asset).

The various PIDs was updated with the financial information and changes in useful life and asset groups was reported on separately.

The municipality envisages that full compliance with GRAP 17 Property, plant and equipment will be achieved by 30 June 2012.

5. Investments

At fair value through surplus or deficit - designated		
Investec investments	53,345,379	42,541,418
First National Bank- 62063171351	206,528	201,236
First National Bank- 61381739619	1,599,814	4,438,865
First National Bank- 74213214708	3,857,194	6,628,342
First National Bank- 74200629770	1,002,800	947,384
First National Bank- 74188016669	2,668,481	2,521,017
First National Bank- 74193195797	357,843	338,068
First National Bank- 74263885682	15,019,979	14,189,951
First National Bank -74273914207	25,500,866	-
The average rate of return on the investments was 5.7% (2010: 7%). Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with Approved Banking Institutions. There are no fixed maturity dates and investments are reinvested once they have matured.		
	103,558,884	**71,806,281**

Current assets		
At fair value through surplus or deficit	103,558,884	71,806,281

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

Fair values of loans and receivables

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Retirement benefits

Post retirement medical aid

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, La Health and Samwu.Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Deloitte carried out a statutory valuation on 30 June 2011 (PricewaterhouseCoopers Actuarial Services - 2010).

Carrying value

Present value of the defined benefit obligation at the beginning of the year	(7,759,718)	(7,018,288)
Service costs	(737,000)	(373,126)
Interest cost	(412,000)	(680,838)
Net actuarial gains / (losses)	(4,850,000)	15,614
Benefits paid	331,000	296,920
	(13,427,718)	**(7,759,718)**

Non-current liabilities	(13,107,879)	(7,453,549)
Current liabilities	(319,839)	(306,169)
	(13,427,718)	**(7,759,718)**

Movements for the year

Opening balance	7,759,718	7,018,288
Net expense recognised in the statement of financial performance	5,668,000	741,430
	13,427,718	**7,759,718**

Net expense recognised in the statement of financial performance

Current service cost	737,000	373,126
Interest cost	412,000	680,838
Actuarial (gains) / losses	4,850,000	(15,614)
Benefits paid	(331,000)	(296,920)
	5,668,000	**741,430**

Key assumptions used

Assumptions used on last valuation on 30 June 2011.

Discount rates used	- %	9.50 %
Assumed medical inflation	- %	7.60 %
Net discount rate	1.00 %	1.90 %

The discount rate assumed for the current year is the Zero-coupon South African Bond Yield Curve as at 30 June 2011 and a medical inflation of 1% p.a lower than the discount rate.

Other assumptions	**2011**	**2010**
Pre retirement	SA 85-90L	SA 85-90
Post retirement	PA (90)	PA(90) - 1
Normal retirement age	60 years	60 years
Spouse age differences	Husbands are three years older than their spouses.	
AIDS	Not allowed for.	

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

7. Long term receivables

Long term receivables comprise of the following amounts:		
Cost of HT lines	842,549	691,616
Long term housing debtors	421,891	444,587
Other long term receivables	3,636	3,636
Less: Provision for bad debts for long term housing debtors	(421,891)	(444,586)
	846,185	**695,253**

Cost of HT lines comprise of trade debtors and interest is charged at 6% per annum.

The long term housing debtors were raised in the current year, however it is felt that the chance of recoverability is less than probable and thus have been impaired accordingly.

8. Inventories

Water	5,937	5,937
Electricity	1,443,528	99,568
Rates and general	28,190	27,104
	1,477,655	**132,609**

9. Trade and other receivables from exchange transactions

Trade debtors	30,118,409	25,082,019
Trade debtors impairment	(27,396,552)	(22,403,107)
Prepayments	92,983	83,040
Integrated Development Plan	-	123,401
Other debtors	1,116,403	1,342,357
	3,931,243	**4,227,710**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings :

Trade receivables

Counterparties with external credit rating		
A (Government)	871,684	
B(Business)	1,181,884	
C(Domestic and other)	668,287	
	2,721,855	

Analysis of table:
A - The debtors are of good credit quality and no default in payment is expected.
B - The debtors are usual good payers, but there is a possibility that the debtor may not be able to pay on time
C - These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than one month past due are not considered to be impaired. At 30 June 2011, R 2,721,857 (2010: R 2,678,912) were past due but not impaired.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

9. Trade and other receivables from exchange transactions (continued)

The ageing of amounts past due but not impaired is as follows:

1 month past due	1,850,679	1,445,392
2 months past due	457,072	679,259
3 months past due	414,106	554,261

Reconciliation of provision for impairment of trade and other receivables

Opening balance	22,403,107	16,494,782
Provision for impairment	4,993,446	5,908,325
	27,396,553	**22,403,107**

10. Other receivables from non-exchange transactions

Assessment rates	11,532,045	11,606,937
Debt Impairment	(11,147,256)	(11,163,556)
	384,789	**443,381**

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than one month past due are not considered to be impaired. At 30 June 2011, R 384,789 (2010: R 443,381) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	261,630	274,528
2 months past due	64,616	168,853
3 months past due	58,543	-

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	11,163,556	8,550,815
Provision for impairment	-	2,612,741
Unused amounts reversed	(16,300)	-
	11,147,256	**11,163,556**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,016	5,016
Bank balances	6,681,107	5,165,398
	6,686,123	**5,170,414**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	**30 June 2010**	**30 June 2009**	**30 June 2011**	**30 June 2010**	**30 June 2009**
Account No: 53813535227	2,140,841	2,131,897	267,288	1,900,967	2,041,271	37,292
Current Account: 62116156987	2,384,102	388,352	838,631	1,750,799	(2,332,567)	795,129
Call Account: 62135193770	3,029,340	5,456,694	4,268,133	3,029,340	5,456,694	4,218,297
Total	**7,554,283**	**7,976,943**	**5,374,052**	**6,681,106**	**5,165,398**	**5,050,718**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
12. Other financial liabilities		
At fair value through surplus or deficit		
Bank loan	613,505	625,157
Loans held by the Development Bank of South Africa bear an interest between 10.25% and 16.033% per annum and are repayable over periods between five and thirty years. All loans will be repaid by 2025.		
Non-current liabilities		
Fair value through surplus or deficit	600,455	614,050
Current liabilities		
Fair value through surplus or deficit	13,050	11,107
	613,505	**625,157**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2011	2010
Unspent conditional grants and receipts		
Vuna Awards	-	(1,727)
Vuna Awards Phase 2	60,430	182,245
Municipal systems improvement	538,384	20,277
Performance enhancement	41,730	41,730
LED Promotions	2,326,622	-
Keep Amathole clean	64,174	100,000
Crafters	1,600	1,600
Recycling centre	1,989	-
Road Maintenance	30,000	-
Capacity of Municipality	1,000,000	-
Survey of Stanhope	98,845	98,845
Survey of Freshwater	8,563	8,563
Transitional grant	433,882	433,882
Spatial development framework	84,526	84,526
Land survey Ndakana - Phase 2	18,888	18,888
Survey of Cwengcwe	211,104	211,104
Zoning scheme- Stutterheim	28,920	28,920
Survey of Ndakana	46,760	46,760
Staff training	143,978	253,699
Town planning - Ndakana	30,267	30,267
Suvey of Tembeni	163,191	163,191
Planning of Kologha	10,644	10,644
Finance management programme	1,626,630	1,284,384
Drought relief	80,472	80,472
Survey/plan Upper Zeleni	151,515	151,515
Survey of Mxhalanga	139,591	139,591
Survey of Mlungisi	28,540	28,540
Heckel Disaster fund	2,264	2,264
Sub division of farms - Sandile	8,294	8,294
Establish ward committees	34,112	34,112
Quizini Agricultural project	151,993	212,207
Managment support programme	-	(23,192)
Survey of Kologha	136,750	136,750
MIG funding	7,056,128	6,972,505
LED Intern	12,746	-
	14,773,532	**10,760,856**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

13. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	10,760,856	14,648,471
Income recognition during the year	4,012,676	(3,887,615)
	14,773,532	**10,760,856**

See note 21 for reconciliation of grants from National/Provincial Government.

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

14. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Bonuses	1,467,703	77,819	1,545,522
Provision for landfill sites	-	-	-
	1,467,703	**77,819**	**1,545,522**

Reconciliation of provisions - 2010

	Opening Balance	Utilised during the year	Reversed during the year	Total
Bonuses	1,897,488	(301,170)	(128,615)	1,467,703
Provision for landfill sites	(500,000)	-	500,000	-
	1,397,488	**(301,170)**	**371,385**	**1,467,703**

Provision for Landfill site rehabilitation

The municipality has an obligation to restore 2 landfill sites, situated in Stutterheim, erf 80. The site is currently licensed and is used for general waste disposal (non hazardous) purposes. As at 31 August 2011 no estimation was available on which the provision to restore the landfill sites could be based (i.e estimated useful life, annual rehabilitation costs, estimated costs for closure, etc.).

Transitional provisions

Provisions recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, the Provision for Landfill site rehabilitation was recognised at provisional amounts.

15. Trade and other payables from exchange transactions

Trade payables	1,919,457	2,195,235
Payments received in advanced	-	33,997
Other payables	7,332,961	8,329,936
Deposits received	148,049	50,783
Accrual for leave gratuity	2,295,092	2,302,226
Other payables	138,240	-
	11,833,799	**12,912,177**

16. VAT payable

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

16. VAT payable (continued)

Tax refunds payables	2,011,887	170,822

17. Consumer deposits

Electricity	353,524	353,524

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Revenue

Property rates	8,271,479	7,579,219
Service charges	25,176,527	20,190,345
Rental of facilities & equipment	294,918	241,604
Fines	92,952	52,084
Licences and permits	-	2,284
Government grants & subsidies	88,470,153	79,441,661
Motor vehicle registrations	2,181,104	1,971,669
Miscellaneous other revenue	439,086	369,003
	124,926,219	**109,847,869**

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

Service charges	25,176,527	20,190,345
Rental of facilities & equipment	294,918	241,604
Licences and permits	-	2,284
Miscellaneous other revenue	439,086	369,003
	25,910,531	**20,803,236**

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

Property rates	8,271,479	7,579,219
Fines	92,952	52,084
Government grants & subsidies	88,470,153	79,441,661
Motor vehicle registrations	2,181,104	1,971,669
	99,015,688	**89,044,633**

19. Property rates

Rates received

Property rates	8,271,479	7,579,219

Valuations

Residential	637,869,755	639,826,255
Commercial	286,013,640	288,235,640
State	258,230,885	260,942,585
Municipal	40,950,100	40,569,600
Small holdings and farms	655,464,596	650,319,896
Public benefit organisations	18,274,500	17,439,500
Property rates 2	19,808,500	19,808,500
Vacant land	60,867,635	60,598,335
	1,977,479,611	**1,977,740,311**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009 . Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.0064 (2010: 0,006) is applied to property valuations to determine assessment rates. Rebates of R908,646.11 (2010: R434,731)are granted according to Council's Policy.

Rates are levied on an monthly basis. Interest is charged at prime plus 1% per annum.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

20. Service charges

Sale of electricity	19,654,184	15,289,067
Refuse removal	5,339,211	4,819,350
Other service charges	183,132	81,928
	25,176,527	**20,190,345**

21. Government grants and subsidies

Equitable share	69,461,014	57,030,361
Health subsidy	1,027,232	2,124,914
MIG grant (operating)	951,350	853,600
Utilised capital grants	2,371,900	3,428,200
Library Grant	1,583,000	1,500,000
Utilised capital grants	13,075,657	14,504,586
	88,470,153	**79,441,661**

Vuna awards

Balance unspent at beginning of year	(1,727)	81,701
Current-year expenditure	1,727	(129,802)
Current-year receipts	-	46,374
	-	**(1,727)**

The grant was received from the Department of Local Government and Housing (see note 13).

The grant was mainly used for the development and review of municipal performance management system.

Vuna awards- phase 2

Balance unspent at beginning of year	182,244	267,068
Conditions met - transferred to revenue	(121,814)	(84,824)
	60,430	**182,244**

The grant was received from the Department of Local Government and Housing (see note 13).

The grant was mainly used for the development and review of municipal performance management system.

Municipal systems improvement

Balance unspent at beginning of year	20,277	329,957
Current - year expenditure	(231,893)	(441,259)
Current - year receipts	750,000	131,579
	538,384	**20,277**

The grant was received from the Department of Provincial Government (see note 13).

The grant was used for the ward committee training and the valuation roll.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Government grants and subsidies (continued)

Performance enhancement

Balance unspent at beginning of year	41,730	41,730

The grant was received from the Department of Local Government and Housing (see note 13).

The grant obtained will be used for management performance.

Keep Amathole clean

Balance unspent at beginning of year	100,000	100,000
Current-year expenditure	(35,826)	-
	64,174	**100,000**

The grant was received from the Amathole District Municipality (see note 13).

The grant was used for the clean up campaign.

Crafters

Balance unspent at beginning of year	1,600	36,000
Current - year expenditure	-	(34,400)
	1,600	**1,600**

The grant was received from the Amatole District Municipality (see note 13).

The grant was received to support the local crafters.

Survey of Stanhope

Balance unspent at beginning of year	98,845	98,845

The grant was received from the Department of Local Government and Housing (see note 13).

The grant will be used for the performance of a survey.

Survey of Freshwater

Balance unspent at beginning of year	8,563	8,563

The grant was received from the Department of local government and housing (see note 13.)

The grant will be used for the performance of a survey.

Transitional grant

Balance unspent at beginning of year	433,882	433,882

The grant was received from the Department of Local Government and Housing (see note 13).

The grant was a gazetted grant and a payment for the transitional changes in the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Government grants and subsidies (continued)

Spatial development framework

Balance unspent at beginning of year	84,526	84,526

The grant was received from the Department of Local Government and Housing and will be used for the development of a framework (see note 13).

Land survey Ndakana

Balance unspent at beginning of year	18,888	18,888

The grant was obtained from the Department of Local Government and Housing and will be used for the finance of the surveys performed on the land (see note 13).

Survey of Cwengcwe

Balance unspent at beginning of year	211,104	211,104

The grant was obtained from the Department of Local Government and Housing and will be used to finance the surveys (see note 13).

Zoning scheme- Stutterheim

Balance unspent at beginning of year	28,920	28,920

The grant was obtained from the Department of Local Government and Housing and will be used to finance for the zoning scheme of Stutterheim (see note 13)

Survey of Ndakana

Balance unspent at beginning of year	46,760	46,760

The grant was received from the Department of Local Government and Housing and will be used for the performance of a survey (see note 13).

Staff training

Balance unspent at beginning of year	253,699	269,612
Current - year expenditure	(188,703)	(107,608)
Current-year receipts	78,982	91,695
	143,978	**253,699**

The grant was received from the Sectorial Education Training Authority (SETA) for the training of staff (see note 13).

Town planning - Ndakana

Balance unspent at beginning of year	30,267	30,267

The grant was obtained from the Department of Local Government and Housing for the assistance of town planning (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Government grants and subsidies (continued)

Survey of Tembeni

Balance unspent at beginning of year	163,191	163,191

The grant was obtained from the Department of Local Government and Housing and the grant will be used for surveys performed (see note 13).

Planning of Kologha

Balance unspent at beginning of year	10,644	10,644

The grant was received from the Department of Local Government and Housing and will be used for planning of Kologha housing (see note 13).

Finance management programme

Balance unspent at beginning of year	1,284,384	1,544,166
Current - year expenditure	(907,754)	(1,759,782)
Current-year receipts	1,250,000	1,500,000
	1,626,630	**1,284,384**

The grant was received from National Tresury and was mainly used for budget reforms and financial management reforms. (see note 13)

Drought relief

Balance unspent at beginning of year	80,472	80,472

The grant was received from the Department of Local Government and Housing and will be used for relief for drought conditions (see note 13).

Survey/plan Upper Zeleni

Balance unspent at beginning of year	151,515	151,515

The grant was obtained from the Department of Local Government and Housing and will be used for the conduct of surveys and plans for the Upper Zeleni section (see note 13).

Survey of Mxhalanga

Balance unspent at beginning of year	139,591	139,591

The grant was obtained from the Department of Local Government and Housing and will be used for the conduct of a survey (see note 13).

Survey of Mlungisi

Balance unspent at beginning of year	28,540	28,540

The grant was obtained from the Department of Local Government and Housing and will be used for the conduct of a survey (see note 13).

Figures in Rand	2011	2010

21. Government grants and subsidies (continued)

Heckel Disaster fund

Balance unspent at beginning of year	2,264	2,264

The grant was received from the Department of Local Government and Housing and will be used to provide relief from the cause of a fire (see note 13).

Sub division of farms

Balance unspent at beginning of year	8,294	8,294

The grant was obtained from the Department of Local Government and Housing and will be used for the subdivision of the land as per the land claim received (see note 13).

Establish ward committees

Balance unspent at beginning of year	34,112	34,112

The grant was received from the Department of Local Government and Housing and will be used for support for the ward committees.(see note 13)

Quizini Agricultural project

Balance unspent at beginning of year	212,207	212,207
Current - year expenditure	(60,214)	-
	151,993	**212,207**

The above grant was received from the Department of Local Government and Housing and will be used mainly for farming purposes (see note 13).

Management support programme

Balance unspent at beginning of year	(23,192)	1,014,485
Current - year expenditure	23,192	(1,063,913)
Other	-	26,236
	-	**(23,192)**

The grant was provided by the Department of Local Government and Housing and was used to support management functions of the municipality (see note 13).

Survey of Kologha

Balance unspent at beginning of year	136,750	136,750

The grant was obtained from the Department of Local Government and Housing and will be used for the conduct of surveys (see note 13.)

MIG funding

Balance unspent at beginning of year	6,972,505	9,023,615
Current - year expenditure	(13,960,670)	(13,067,863)
Conditions met - transferred to revenue	14,027,000	11,016,753
	7,038,835	**6,972,505**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Government grants and subsidies (continued)

The above grant was financed by National Revenue Fund and was used to finance the capital infrastructure (see note 13).

LED Promotions		
Current - year expenditure	(1,097,378)	-
Current - year receipts	3,424,000	-
	2,326,622	**-**

The above grant was received from the Department Economic Development and Environmental Affairs.

LED Intern		
Current - year receipts	53,000	-
Current - year expenditure	(40,254)	-
	12,746	**-**

The above grant was received from the Department Economic Development and Environmental Affairs.

Capacity of municipality		
Current - year receipts	1,000,000	-

The grant was obtained from the Department of Local Government and Housing.

Recycling centre		
Current - year receipts	16,829	-
Current - year expenditure	(14,840)	-
	1,989	**-**

Road maintenance		
Current - year receipts	30,000	-

The grant was obtained from the Department of Local Government and Housing.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act …of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. General expenses

Advertising	88,653	53,424
Auditors remuneration	2,344,511	1,143,389
Bank charges	164,578	160,826
Computer expenses	47,867	44,441
Consulting and professional fees	924,072	2,671,849
Consumables	219,857	134,486
Entertainment	169,117	123,909
Insurance	1,745,790	1,681,174
Community development and training	101,904	98,436
Lease rentals on operating lease	209,715	186,981
Medical expenses	547	42,385
Motor vehicle expenses	259,083	110,587
IDP process plan	190,256	-
Fuel and oil	1,465,237	1,065,889
Postage and courier	137,840	95,982
Printing and stationery	482,306	397,057
Promotions of LED	688,239	426,834
Project maintenance costs	661,658	434,789
Vehicle license fees	106,549	86,479
Security (Guarding of municipal property)	281,086	137,830
Staff welfare	12,914	38,217
Subscriptions and membership fees	245,978	290,587
Telephone and fax	670,932	693,284
Training	1,161,356	1,017,550
Refuse	31,621	18,809
Assets expensed	922,819	750,766
Electricity	634,676	632,506
Uniforms	111,855	104,291
Revolving Fund	-	10,000
Capital expenses	9,882	18,210
Rates rebate	908,646	814,991
Remissions	2,130,478	2,165,754
Free basic electricity	4,947,895	2,409,223
Contingency expenses	(9,984)	57,592
Skills development levy	233,858	219,585
Other expenses	19,778	21,577
	22,321,569	**18,359,689**

23. Employee related costs

Basic	22,303,529	19,166,565
Bonus	2,152,768	1,758,144
Medical aid - company contributions	1,478,409	1,372,897
UIF	230,832	213,323
Post-employment benefits - defined contribution plan	5,668,000	741,430
Overtime payments	452,826	298,186
Travel allowances	1,250,139	1,222,159
Housing benefits and allowances	28,325	33,301
Other	3,938,534	3,445,922
	37,503,362	**28,251,927**

Refer to Note 6: Retirement benefits, for the analysis of the post employment medical benefit expense for the year.

The amounts disclosed below are included in the total for employee costs above.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

23. Employee related costs (continued)

Remuneration of municipal manager

Annual Remuneration	406,255	474,381
Car Allowance	178,765	212,892
Performance Bonuses	98,574	144,137
Contributions to UIF, Medical and Pension Funds	85,972	97,324
Cellphone Allowance	10,000	12,000
	779,566	**940,734**

The contract for the employment of the Municipal Manager ended on 30 May 2011.

Remuneration of chief finance officer

Annual Remuneration	547,128	530,047
Car Allowance	125,438	124,487
Performance Bonuses	108,126	139,922
Contributions to UIF, Medical and Pension Funds	125,202	117,795
Cellphone Allowance	8,400	8,400
	914,294	**920,651**

Remuneration of administration manager

Annual Remuneration	483,132	468,741
Car Allowance	118,272	117,376
Performance Bonuses	98,296	127,202
Contributions to UIF, Medical and Pension Funds	123,976	116,000
Cellphone Allowance	8,400	8,400
	832,076	**837,719**

Remuneration of engineering services manager

Annual Remuneration	506,828	491,711
Car Allowance	127,432	126,458
Performance Bonuses	103,356	133,749
Contributions to UIF, Medical and Pension Funds	128,387	120,086
Long Service Bonus	-	14,660
Cellphone Allowance	8,400	8,400
	874,403	**895,064**

Remuneration of strategic manager

Annual Remuneration	481,752	470,787
Car Allowance	110,735	109,896
Performance Bonuses	98,296	127,202
Contributions to UIF, Medical and Pension Funds	132,893	121,649
Cellphone allowance	8,400	8,400
	832,076	**837,934**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

24. Remuneration of councillors

Mayor	518,705	505,920
Speaker	454,797	406,934
Councillors	6,381,505	6,462,831
Contributions to Medical and Pension Funds	696,194	915,275
	8,051,201	**8,290,960**

25. Debt impairment

Debt impairment	5,101,784	9,184,316

26. Investment revenue

Interest Income		
Bank	5,714,970	4,533,342

27. Finance costs

Current borrowings	124,596	140,904
Fair value adjustments on payables	732,989	487,354
	857,585	**628,258**

28. Auditors' remuneration

Fees	2,344,511	1,143,389

29. Bulk purchases

Electricity	13,495,863	11,236,967

30. Cash generated from operations

Surplus	40,417,540	37,736,671
Adjustments for:		
Fair value adjustments	(912,136)	(582,926)
Debt impairment	5,101,784	9,184,316
Movements in retirement benefit assets and liabilities	5,668,000	741,430
Movements in provisions	77,819	80,215
Movement in interest expense for fair value adjustment	912,136	582,926
Non cash adjustments directly to equity	-	113,452
Changes in working capital:		
Inventories	(1,345,046)	25,512
Trade and other receivables from exchange transactions	296,467	3,080,218
Other receivables from non exchange transactions	58,592	83,390
Debt Impairment	(5,101,784)	(9,184,316)
Trade and other payables from exchange transactions	(1,078,378)	2,132,773
VAT	1,841,065	(43,160)
Unspent conditional grants and receipts	4,012,676	(3,887,615)
Consumer deposits	-	9,680
	49,948,735	**40,072,566**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

31. Events after the reporting date

The municipality is not aware of any matter or circumstance arising since the end of the financial year.

32. Commitments

Authorised capital expenditure

	2011	2010
Already contracted for but not provided for		
• Property, plant and equipment	3,349,418	5,416,472
Not yet contracted for and authorised by accounting officers		
• Property, plant and equipment	-	3,619,237

This committed expenditure relates to property and will be financed by MIG.

33. Contingencies

There is a claim for personal damages by M Schwulst against Amahlathi Municipality.The claim is for personal damages resulting from an open manhole area. The lawyers estimate of financial exposure is set at R75 000.

There is a claim from the previous municipal manager for the payment of a pro- rata performance bonus for the period 1 July 2010 to 31 May 2011 amounting to R 118,289.36.

34. Related parties

Relationships	
Close family member of key management	GP Hill

The main member of Domoney Bros. an entity that supplies uniforms to the municipality is a family member of the CFO, Mr GP Hill. Payments to the amount of R87,098.20 were made to the aforementioned entity during the year. All transactions were above board and all supply chain management regulations were adhered to.

Key management information

Refer to Note 22 for the disclosure of remuneration of key management.

35. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

	2011	2010
Statement of financial position		
Consumer debtors	-	(3,122,294)
Trade and other receivables from exchange transactions	-	2,678,913
Other receivables from non exchange transactions	-	443,381

36. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Risk management is carried out by the financial department with the assistance of operating divisions. Risk management is carried out under policies approved by the

36. Risk management (continued)
accounting officer.

Market risk: Currency risk

The municipality is not exposed to currency risk as no transactions are negotiated in foreign currency.

Interest rate risk

The municipality's interest bearing assets are included under cash and cash equivalents. The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

At year-end financial assets exposed to interest rate risk were for the DBSA loan of R 613 505 (2010: R625 157)

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with the South African Prime rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

Trade debtors in arrears linked to South African prime rate plus one percent.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer Note 4.

At year end, financial liabilities exposed to interest rate risk were as follows:
DBSA loan of R613 505 linked to the South African prime rate.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis for one year to the next.

	2011	**2010**
The estimated increase rates		
The estimated increase in basis points	100	100
Effect on Net Surplus	(8 461)	(6 952)

Market risk: other price risk

The Municipality's financial assets do not include equity investments that will expose it to price risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the municipality. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any particular counter-party. Trade receivables comprise a widespread customer base. Credit exposure is controlled by the application of the municipality's credit control and

36. Risk management (continued)

debt collection policies. Adequate provision has been made for anticipated doubtful debts.

The carrying amount of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets.

The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk:

	2010/11	**2009/10**
Investments	R 103 558 884	R 71 806 281
Trade and other receivables from exchange transactions	R 3 931 243	R 4 227 710
Other receivables from non exchange transactions	R 384 789	R 443 381
Long term receivables	R 846 185	R 695 253

Credit quality

The following represents information on the credit quality of trade receivables that are neither past due nor impaired:

	2011	**2010**
A	11%	9%
B	10%	14%
C	79%	77%

Analysis of table:

A The debtors are of good credit quality and no default in payment is expected.
B The debtors are usual good payers, but there is a possibility that the debtor may not be able to pay on time
C These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

Refer to the receivables note for an analysis of the impaired receivables.

Liquidity risk

The municipality's risk relates to funds available that will cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and projected grant receipts. Cash flow forecasts are prepared and adequate managed borrowing facilities are continually monitored.

37. Unauthorised expenditure

No unauthorised expenditure had been incurred during the year.

38. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure had been incurred during the year.

39. Irregular expenditure

No irregular expenditure had been incurred during the year.

Figures in Rand	2011	2010

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	233,588	240,648
Amount paid - current year	(233,588)	(240,648)
	-	-

Material losses

The electricity distribution losses amounted to 3 047 384 kwh with a value of R 785 616 (2009/10 - 4 624 334 kwh - R 870 369)

Audit fees

Current year fee	2,344,511	1,143,389

UIF and PAYE

Current year expenditure	4,881,483	4,268,503
Amount paid - current year	(4,881,483)	(4,268,503)
	-	-

Pension and Medical Aid Deductions

Current year expenditure	5,270,406	4,681,862
Amount paid - current year	(5,270,406)	(4,681,862)
	-	-

VAT

VAT payable	2,011,887	170,822

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

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

Councillors' arrear consumer accounts

Arrear rates and service charges owed by counicllors and were outstanding for more than 90 days at 30 June 2011 (2010: NIL)

30 June 2011	**Outstanding more than 90 days R**	**Total R**
Cllr NP Mhlahleki	6,866	6,866
Cllr T Wellem	6,860	6,860
	13,726	**13,726**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. No expenses were incurred that were not condoned in terms of section 36 of the Municipal Supply Chain Management Regulations.

APPENDIX A
June 2011

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand

Supplementary Information

Appendix B: Analysis of property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Cost/Revaluation													Accumulated depreciation			
Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Dis
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Accumulated Depreciation

Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment deficit	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals	Clas held
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

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APPENDIX E(1) for the ended 30 June 2011

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2010 Act. Bal. R'000	Current year 2010 Bud. Amt R'000	Variance R'000	Var	Prior Year # 1 2009 Forecast Amt R'000	Variance R'000	Var

Prior Year # 1 2009 Act. Bal. R'000	Prior Year # 1 2009 Bud. Amt R'000	Variance R'000	Var	Current year 2010 Forecast Amt R'000	Variance R'000	Var	Budget Remaining R'000	Current year 2010 Bud. Amt R'000

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2011
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	