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Maluti-A-Phofung Consolidated
(Municipal demarcation code FS194)
Annual Financial Statements
for the year ended 30 June 2012

General Information

Legal form of entity	Municipality (MFMA)
Mayoral committee	Lefora QW
	Majake M
	Mohlekwa T
	Mokoena M
	Mokotso G
	Mokubung M
	Molefe - Zwane RNH (Deceased)
	Mopeli N
	Mopeli P
	Mosia M
	Motaung S
Speaker	Nthedi M
Chief Whip	Radebe FS (Deceased)
Executive Mayor	Mofumahadi M Mopeli
Councillors	Crockett M
	Hlatswayo T
	Khale SM
	Khambule M
	Khoapa ANMokete K
	Khoaria AM
	Kleynhans LM
	Lebala M
	Lebesa M
	Lebesa MJ
	Lebesana PJ
	Lesole M
	Letawana T
	Letooane S
	Mahlatsi A
	Malefane TB
	Mamoroanyane M
	Mapoho ML
	Mashiane D
	Matjale M
	Mavuso MT
	May TJ
	Mazibuko M
	Mbongo M

General Information

	Mboso D
	Mdakane FH
	Mkhwanazi T
	Moeketsi M
	Mofokeng B
	Mofokeng K
	Mohapi JS
	Mohinya NA
	Mohoaladi ME
	Mojakisane N
	Mokete K
	Mokoena DJ
	Molaba TE
	Moloi L
	Mopeli SM
	Moseme L
	Mosikidi TJ
	Mosikili TS
	Motaung M
	Motaung PM
	Motinyane S
	Motloung M
	Mphakathe M
	Mphonyo MA
	Ntamane VM
	Ramakarane TA
	Ramochela A
	Rantsane J
	Shabalala M
	Thakhuli N
	Thebe T
	Thembinkosi M
	Tolofi M
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Ramulondi TJ
Accounting Officer	Ntombela LMD
Registered office	Cnr Moremoholo & Motloung street Setsing Business Center Phuthaditjhaba 9866
Business address	Cnr Moremoholo & Motloung street

General Information

	Setsing Business Center Phuthaditjhaba 9866
Postal address	Private Bag X805 Witsieshoek 9866
Bankers	First National Bank Ltd
Auditors	The Auditor-General - Free State
Attorneys	Balden Vogel
Legal capacity	Municipality
Municipality demarcation code	FS194

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
IFRS	International Financial Reporting Standards
IFRIC	IFRS Interpretations Committee
EPWPI	Expanded public works program incentive

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is 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 officer 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 were 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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 officer is 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 officer has reviewed the economic entity’s cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's external auditors.

The annual financial statements have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2012 and were signed on its behalf by:

Ntombela LMD
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2012.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year six meetings were held.

Name of Member	Number of meetings attended
Ntsala GA (chairperson)	5
Mohlahlo EM	1
Mothekge MP	4
Tshake MP	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the economic entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the economic entity during the year under review.

____

Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2012.

1. Review of activities

Main business and operations

The economic entity is engaged in local governance activities and operates principally in South Africa.

The operating results for the year were satisfactory. The financial position of the municipality is sound.

Net deficit of the economic entity was R 744 702 609 (2011: surplus R 151 714 901).

2. Going concern

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

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

6. Accounting officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Ntombela LMD

7. Auditors

The The Auditor-General - Free State will continue in office for the next financial period.

Statement of Financial Position

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2012	Restated 2011	2012	Restated 2011
Assets					
Current Assets					
Other financial assets	9	425 687	39 851 756	425 687	39 851 756
Inventories	12	5 554 277	4 451 084	2 342 339	2 111 869
Other receivables from exchange transactions	13	7 031 837	6 115 223	14 803 807	14 152 248
Other receivables from non-exchange transactions	14	-	1 812 491	-	1 812 491
VAT receivable	15	7 454 469	3 278 368	6 800 174	3 813 125
Consumer receivables	16	162 178 704	151 676 710	162 350 830	154 114 410
Cash and cash equivalents	17	17 309 259	18 390 465	12 465 150	9 525 089
Short term portion of long term consumer receivable	18	9 706 207	11 191 435	9 706 207	11 191 435
		209 660 440	**236 767 532**	**208 894 194**	**236 572 423**
Non-Current Assets					
Investment property	6	26 402 452	27 705 697	26 402 452	27 705 697
Property, plnat and equipment	5	3 906 631 661	4 543 342 605	3 901 936 982	4 540 941 322
Intangible assets	7	211 604	286 943	211 604	286 943
Investments in controlled entities	8	-	-	300	300
Other financial assets	9	1 563 924	3 295 397	1 563 924	3 295 397
Long term receivables	18	10 478 684	11 439 560	10 478 684	11 439 560
		3 945 288 325	**4 586 070 202**	**3 940 593 946**	**4 583 669 219**
Total Assets		**4 154 948 765**	**4 822 837 734**	**4 149 488 140**	**4 820 241 642**
Liabilities					
Current Liabilities					
Operating lease liability		-	13 969	-	13 969
Other financial liabilities	19	6 544 268	8 219 606	6 544 268	8 219 606
Finance lease obligation	20	3 930 585	144 153	3 527 472	-
Unspent conditional grants and receipts	21	8 085 543	17 347 285	8 085 543	17 347 285
Payables from exchange transactions	23	238 972 038	200 892 392	195 021 504	163 025 707
Consumer deposits	24	11 516 110	10 816 242	11 516 110	10 816 242
Trade and other payables from non-exchange transactions	25	3 891 681	3 891 681	3 891 681	3 891 681
		272 940 225	**241 325 328**	**228 586 578**	**203 314 490**

Statement of Financial Position

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2012	Restated 2011	2012	Restated 2011
Non-Current Liabilities					
Other financial liabilities	19	14 146 848	12 510 115	14 146 848	12 510 115
Finance lease obligation	20	7 168 130	403 114	7 168 130	-
Retirement benefit obligation	11	9 344 000	8 480 000	9 344 000	8 480 000
Provisions	22	35 028 011	-	35 028 011	-
Long Service Liability	27	11 938 000	11 033 000	11 938 000	11 033 000
		77 624 989	**32 426 229**	**77 624 989**	**32 023 115**
Total Liabilities		**350 565 214**	**273 751 557**	**306 211 567**	**235 337 605**
Net Assets		**3 804 383 551**	**4 549 086 177**	**3 843 276 573**	**4 584 904 037**
Net Assets					
Accumulated surplus		3 804 383 551	4 549 086 159	3 843 276 573	4 584 904 020

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2012	Restated 2011	2012	Restated 2011
Revenue					
Property rates	29	172 028 030	132 112 110	172 500 680	132 112 110
Service charges	30	330 555 183	215 053 133	330 483 771	218 806 678
Rendering of services	31	549 514	567 274	549 514	567 274
Government grants & subsidies	32	613 149 494	481 953 913	613 149 494	481 953 913
Rental income	35	922 252	312 507	922 252	312 507
Other income	36	15 120 040	2 899 154	11 623 248	2 733 047
Interest received - investment	43	2 017 989	7 567 995	2 017 989	7 567 995
Interest received - consumers	34	30 614 449	24 361 235	30 614 449	24 361 235
Fines	33	5 011 368	464 529	5 011 368	464 529
Restatement of assets		87 622 276	260 935 684	87 622 276	260 935 684
Total revenue		**1 257 590 595**	**1 126 227 534**	**1 254 495 041**	**1 129 814 972**
Expenditure					
General expenses	37	(806 780 443)	(54 035 998)	(791 557 803)	(41 959 004)
Personnel cost	39	(235 717 513)	(198 859 325)	(173 578 398)	(148 392 329)
Remuneration of councilors	40	(17 659 134)	(17 507 824)	(17 569 134)	(17 393 108)
Community project expenditure	41	(104 648 939)	(33 731 241)	(104 648 939)	(33 731 241)
Depreciation and amortisation	45	(311 276 064)	(287 715 377)	(308 707 432)	(286 380 460)
Finance costs	47	(8 418 747)	(5 065 797)	(6 956 397)	(3 115 632)
Debt impairment	42	(98 388 448)	(62 104 595)	(96 509 285)	(62 104 595)
Collection costs		(2 556 121)	-	(2 556 121)	-
Repairs and maintenance	46	(54 083 734)	(20 782 608)	(42 663 874)	(7 318 113)
Bulk purchases	52	(318 808 753)	(222 151 514)	(338 513 112)	(237 515 076)
Contracted services	50	(44 446 816)	(72 187 063)	(39 015 548)	(65 148 055)
Grants and subsidies paid	51	-	-	(74 387 000)	(68 499 000)
Loss on disposal of assets		(49 048)	(977 973)	-	(977 973)
Total expenditure		**(2 002 833 760)**	**(975 119 315)**	**(1 996 663 043)**	**(972 534 586)**
Fair value adjustments	44	540 557	606 682	540 557	606 682
(Deficit) surplus for the year		**(744 702 608)**	**151 714 901**	**(741 627 445)**	**157 887 068**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Opening balance as previously reported	711 687 030	711 687 030
Adjustments		
Change in accounting policy	176 953	176 953
Prior year adjustments	3 685 507 275	3 685 507 275
Balance at 01 July 2010 as restated	**4 397 371 258**	**4 397 371 258**
Changes in net assets		
Surplus for the year	151 714 901	151 714 901
Total changes	151 714 901	151 714 901
Opening balance as previously reported	835 650 995	835 650 995
Adjustments		
Change in accounting policy - refer to note 3	176 953	176 953
Prior year adjustments -refer to note 56	3 713 258 212	3 713 258 212
Balance at 01 July 2011 as restated	**4 549 086 160**	**4 549 086 160**
Changes in net assets		
Surplus for the year	(744 702 609)	(744 702 609)
Total changes	(744 702 609)	(744 702 609)
Balance at 30 June 2012	**3 804 383 551**	**3 804 383 551**

Note(s)

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Controlling entity		
Opening balance as previously reported	743 891 009	743 891 009
Adjustments		
Prior year adjustments - refer to note 56	3 683 125 943	3 683 125 943
Balance at 01 July 2010 as restated	**4 427 016 952**	**4 427 016 952**
Surplus for the year	157 887 068	157 887 068
	157 887 068	157 887 068
Balance at 01 July 2011	**4 584 904 019**	**4 584 904 019**
Changes in net assets		
Surplus for the year	(741 627 446)	(741 627 446)
	(741 627 446)	(741 627 446)
Balance at 30 June 2012	**3 843 276 573**	**3 843 276 573**

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2012	Restated 2011	2012	Restated 2011
Cash flows from operating activities					
Receipts					
Sale of goods and services		514 948 196	619 611 924	473 364 928	370 569 061
Grants		603 887 752	487 707 322	590 245 357	487 707 324
Interest income		2 017 989	7 567 995	2 017 989	7 567 995
Other receipts		12 125 125	3 834 245	100 786 331	250 279 230
		1 132 979 062	1 118 721 486	1 166 414 605	1 116 123 610
Payments					
Employee costs		(254 856 821)	(216 367 150)	(192 627 708)	(165 785 439)
Suppliers		(442 429 755)	(407 252 042)	(498 905 903)	(391 511 613)
Finance costs		(8 418 747)	(5 065 797)	(6 956 397)	(3 115 632)
Other payments		(119 259 012)	26 028 823	(157 487 630)	(47 888 859)
		(824 964 335)	(602 656 166)	(855 977 638)	(608 301 543)
Net cash flows from operating activities	53	**308 014 727**	**516 065 320**	**310 436 967**	**507 822 067**
Cash flows from investing activities					
Purchase of property, plnat and equipment	5	(364 629 155)	(519 086 490)	(363 174 281)	(518 111 522)
Proceeds from sale of property, plnat and equipment	5	(1)	-	-	-
Purchase of other intangible assets	7	(28 822)	(287 468)	(28 822)	(287 468)
Proceeds from sale of financial assets		41 698 099	4 714 331	41 698 099	4 714 331
Proceeds from sale of long term receivables		2 446 104	3 368 798	2 446 104	3 368 798
Net cash flows from investing activities		**(320 513 775)**	**(511 290 829)**	**(319 058 900)**	**(510 315 861)**
Cash flows from financing activities					
Repayment of other financial liabilities		(38 605)	(5 760 367)	(38 605)	(5 760 367)
Movement in long service liability		905 000	10 845 000	905 000	10 845 000
Finance lease payments		10 551 448	(490 771)	10 695 602	(545 656)
Net cash flows from financing activities		**11 417 843**	**4 593 862**	**11 561 997**	**4 538 977**

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2012	Restated 2011	2012	Restated 2011
Net increase/(decrease) in cash and cash equivalents		**(1 081 205)**	**9 368 353**	**2 940 064**	**2 045 183**
Cash and cash equivalents at the beginning of the year		18 390 465	9 022 110	9 525 089	7 479 905
Cash and cash equivalents at the end of the year	17	**17 309 260**	**18 390 463**	**12 465 153**	**9 525 088**

Accounting Policies

1. Reporting municipality

Maluti-a-Phofung Local Municipality ("the municipality") is a local government institution in Phuthaditjhaba town in the Thabo Mofutsanyana district, Free State Province. Its principal activities and the address of its principal place of business are disclosed under "General Information" in the annual report.

2. Presentation of annual financial statements

2.1 Statement of compliance

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note 3 Changes in accounting policy

2.2 Going concern assumption

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

2.3 Presentation currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

2.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2.5 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

2.6 Consolidation

Basis of consolidation

Accounting Policies

2.6 Consolidation (continued)

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements of the economic entity incorporate the annual financial statements of the municipality which is the controlling entity, and all its controlled entities.. Controlled entities include municipal controlled entities and special purpose entities.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the Standard of GRAP *Financial Instruments: Recognition and Measurement* from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such.

The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

2.7 Investments in controlled entities

Municipality annual financial statements

In the municipality’s separate annual financial statements, investments in investments in controlled entities are carried at cost. less anyaccumulated impairment.

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

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

2.8 Property, plnat 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 year.

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 or fair value of the item can be measured reliably.

Initial recognition and measurement

Items of property, plant and equipment are initially measured at cost on aquisition date.

Cost includes expenditure that is directly attributable to the acquisition of the asset and to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plnat and equipment is acquired in exchange for a non-monetary asset, a monetary asset or a combination of monetary and non-monetary assets, the cost of the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset 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 or to replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

2.8 Property, plnat and equipment (continued)

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.

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

Subsequent measurement

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

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, depreciated on the straight line basis over their expected useful lives.

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

Item	**Estimated useful life**
Bins and containers	3-5 years
Buildings	5-30 years
Computer software	2-5 years
Community assets	25-30 years
Heritage assets	0 years
Infrastructure assets	
• Electricity	3-80 years
• Sewerage	10-60 years
• Water	5-100 years
• Bridges	10-80 years
• Storm Water	25-100 years
• Roads	3-60 years
• Airpot	10-30 years
• Solid Waste Disposal	5-55 years
• Rail ways	15-30 years
• Gas supplies systems	10-50 years
• Cemetery	25-30 years
IT equipment	3-10 years
Land	Indefinite
Landfill sites	10-55 years
Leased assets	
• Office equipment	Lease term
Motor vehicles	
• Fire engines	5-10 years
• Heavy duty vehicles	5-7 years
• Other	4-20 years
Office equipment	
• Airconditioners	3-5 years
• Office machines	5-7 years

2.8 Property, plnat and equipment (continued)

Other assets

• Audio visual equipment	5-10 years
• Furniture and fittings	3-15 years
• Emergency equipment	5-10 years
• Kitchen equipment	5-10 years
Plant and machinery	1-20 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, plnat and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

The gain or loss arising from the derecognition of an item of property, plnat and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plnat and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

2.9 Intangible assets

An identifiable non-monetary asset without physical substance is identified as an intangible asset when it:

- is capable of being seperated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or seperated from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

2.9 Intangible assets (continued)

Development activities involve a plan or design for the production of new or substantially improved products and processes. An intangible asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment loss

Servitudes created through the exercise of legislation are not recognised as intangible assets and any costs incurred to register these servitudes are expensed. Servitudes, however, that a created through an agreement (contract) are recognised as intangible assets.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	**Useful life**
Computer software, other	2 - 5 years

Where intangible assets are deemed to have an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible asset, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. .

Amortisation methods, useful lives and residual values are reviewed at each financial year-end. If teh expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

Intangible assets are derecognised:

2.9 Intangible assets (continued)

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

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

2.10 Investment property

Investment property is property held either to earn rental income 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 business.

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.
The 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.

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.

Cost model

Investment property is subsequently measured at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the depreciable amount , which is the cost of the asset less its residual value.

The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	5-30 years

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

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

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

Accounting Policies

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity

Classification
The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value
Investments	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
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Class	Category
Trade and other payables	Financial liability measured at amortised cost
Bank overdrafts and borrowings	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and liabilities initially at its fair value.

Accounting Policies

2.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review

The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use an allowance account) for impairment or uncollectibility in the case of a financial asset..

Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

2.11 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankrupcy and default payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, 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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

2.11 Financial instruments (continued)

Where financial assets are impaired through use of allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets
The entity derecognises financial assets using trade date accounting.
The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

2.11 Financial instruments (continued)

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

2.12 Inventories

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.13 Impairment

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

Identification

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

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

2.13 Impairment (continued)

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

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

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

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

2.13 Impairment (continued)

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

Accounting Policies

2.13 Impairment (continued)

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

2.14 Revenue

Revenue from exchange transaction

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised based on consumption, except where a reliable estimate cannot be made after every reasonable effort to gather the appropriate information had been made. In these instances revenue is recognised at the point-of-sale.Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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.

Accounting Policies

(continued)

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

Sale of goods

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

Revenue from non-exchange transactions

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Revenue from non-exchange transactions (continued)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

2.15 Provisions

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

2.15 Provisions (continued)

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the municipality.

A contingent liability:

A possibble obligation that arises from past events and whose exixtence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A present obligation that arises from past events but is not recognised because

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- subject to the second bullet, changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

Accounting Policies

2.15 Provisions (continued)

- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

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

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

2.16 Non-current assets held for sale and disposal groups

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

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the municipality's accounting policies for the individual assets. Subsequently, non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

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

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

Accounting Policies

2.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

2.17 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

2.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

2.17 Employee benefits (continued)

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

2.17 Employee benefits (continued)

	Additional accumulated leave	Monetary award (of annual salary)	Additional accumulated leave	Monetary award (of annual salary)
Less than 5 years' service	5 Days	2%	5 Days	2%
5 - 10 years' service	10 Days	3%	10 Days	3%
10 - 15 years' service	15 Days	4%	15 Days	4%
15 - 20 years' service	15 Days	5%	15 Days	5%
20 - 25 years' service	15 Days	6%	15 Days	6%
25 - 30 years' service	15 Days	6%	15 Days	6%
30 - 35 years' service	15 Days	6%	15 Days	6%
35 - 40 years' service	15 Days	6%	15 Days	6%
40 - 45 years' service	15 Days	6%	15 Days	6%

On termination of service, an employee shall be paid his leave entitlement, including the leave mentioned above, and calculated in terms of the relevant provisions of the Basic Conditions of Employment Act 75 of 1997.

The initial date of appointment of an employee shall be maintained for the purposes of determining the actual service period of the employee and for the calculation of the long service bonus.

The long service leave must be taken within one year of receiving such leave or may be wholly or partially encashed.

Accounting Policies

2.18 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - municipality as lessee

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

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

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

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

Operating leases - municipality as lessee

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

Operating leases - municipality as lessor

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

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

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

Any contingent rents are recognised seperately as revenue in the period in which they are received.

Finance sale and leaseback

Where the sale and leaseback results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not recognised immediately as revenue in the annual financial statements of the seller – lessee. The excess amount is deferred and amortised over the lease term.

Operating sale and leaseback

Where the sale and leaseback results in an operating lease the transaction is accounted for as follows:

- If the transaction is concluded at fair value, any gain or loss is recognised immediately.

Accounting Policies

2.18 Leases (continued)

- If the sale price is below fair value, any gain or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditure for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

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

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

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

2.20 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

At each reporting date

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, are recognised in surplus or deficit in the period in which they arise.

2.20 Translation of foreign currencies (continued)

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

2.21 Unauthorised expenditure

Unauthorised expenditure means

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

All expendture relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.22 Irregular expenditure

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

2.23 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.

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

2.24 Comparative figures

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

2.25 Accounting estimates and judgements

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

Trade receivables, loans and receivables

Accounting Policies

2.25 Accounting estimates and judgements (continued)

The municipality assesses its trade receivables 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, the municipality 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.

Provisions

Provisions were raised and management determined an estimate based on the information availible. Additional disclosures of these estimates of provisions are included in .

Impairment testing

The recoverable service amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, if any, and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with econimic fatcors such as inflation and interest rates.

Critical judgements in applying accounting policies

Depreciation and the carrying value of items of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality uses the goverment bond rate to discount future cash flows.

Allowance for doubtful debts

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

2.26 Impairment of non-cash-generating assets

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

2.26 Impairment of non-cash-generating assets (continued)

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

Accounting Policies

2.27 Budget information

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 62.

Capital Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where the disclosure is required by a specific standard of GRAP

2.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality. We regard all individuals from the level of Municipal Manager, executive directors and council members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the municipality. Only transactions with related parties not at arm's lenght or not in the ordinary course of business are disclosed.

	Economic entity		Controlling entity	
	2012	2011	2012	2011

3. Changes in accounting policy

The municipality has adopted the new GRAP 104: Financial Instruments for the year endding 30 June 2012 (2011: IAS 32, IAS 39 and IFRS 7 were applied)
The early adoption of GRAP 104 does not have a quantative effect on the annual financial statements.
The major change was the categories of financial assets and financial liabilities that have changed under GRAP 104.
Under IFRS the categories for financial assets were:
Financial assets at fair value through profit or loss (either as held for trading or designated)
Available-for-sale financial assets
Loans and receivables
Held-to-maturity investments
Under IFRS the categories for financial liabilities were:
Financial liabilities at fair value through profit or loss (either as held for trading or designated)
Other financial liabilities measured at amortised cost using the effective interest method
Under the new GRAP 104 the categories are as follows:
Financial instruments at fair value
Financial instruments at amortised cost
Financial instruments at cost
Under GRAP 104 the fair value of a short term receivable or payble on initial recognition is the transaction price unless the terms of the arrangement is not market related, therefore GRAP 104 does not require that short term receivables or payables to be discounted on initial recognitition.
The types of financial instruments the municipality have is similar between GRAP 104 and IFRS and the measurement is similar.
Under IFRS the annual financial statements should include a sensitivity analysis but under GRAP 104 this is not a requirement.
The disclosure requirements under GRAP 104 is therefore less onerous.

The effect of the change in accounting policy is in terms of GRAP 3 - Accounting policies, Changes in estimates and Errors

Management changed inventory accounting policy from weighted average costing to first in first out. The policy was chnaged to conform with the parent entity (Maluti-a-Phofung Local Municipality).The comparative statements for 2010/11 have been restated with an amount of R176 953.

The effect of the change in accounting policy is summarized below

Statement of financial position

Property, plnat and equipment				
Increase in inventory	-	176 953	-	-
Increase in opening accumulated loss	-	(176 953)	-	-
	-	-	-	-

4. New standards and interpretations

4.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:
- recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and
- recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:
- a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;
- a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and
- an increase that reflects the passage of time (also referred to as the unwinding of the discount).

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

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

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

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

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

The issues addressed in this Interpretation of the Standards of GRAP are:
- how should a contributor account for its interest in a fund?
- when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 6: Loyalty Programmes

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

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

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

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

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

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

The Interpretation of the Standards of GRAP addresses two issues:

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 9: Distributions of Non-cash Assets to Owners

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

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

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 10: Assets Received from Customers

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

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

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

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

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 13: Operating Leases – Incentives

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

IGRAP 15: Revenue – Barter Transactions Involving Advertising Services

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

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

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

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

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

The economic entity has adopted the interpretation for the first time in the 2012 annual financial statements.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

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

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

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

All amendments to be applied retrospectively.

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

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

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

Acquisitions and disposals of controlled entities and other operating units:
- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

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

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

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

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

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates

Terminology changes:

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

Monetary items:

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

All amendments to be applied retrospectively.

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

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

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

All amendments to be applied retrospectively

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

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

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

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

All amendments to be applied retrospectively

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

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

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

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

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

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

All amendments to be applied retrospectively

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 14 (as revised 2010): Events After the Reporting Date

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

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

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

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

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

Derecognition:
- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

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

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note 3 Changes in Accounting Policy.

GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets

The revision resulted in certain terminology changes.

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

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

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations

The revision resulted in various terminology and definition changes.

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

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

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

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

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

The economic entity has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

GRAP 105: Transfers of functions between entities under common control

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

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

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

The economic entity has adopted the standard for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note 3 Changes in Accounting Policy.

GRAP 105: Transfer of functions between entities under common control

4. New standards and interpretations (continued)

GRAP 105 establishes accounting policies for the acquirer and transferor in a transfer of functions between entities under common control.

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

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

Improvements

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:
- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and
- GRAP 17.

The changes made will have no significant impact, except for the following:
A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).
A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.
Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the assessment of significant use of an investment property has been clarified.
Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The municipality expects to adopt the amendment for the first time in the 2014 financial statementsThe effective date of these standards is for years beginning on or after 1 April 2013.

Interpretations

The list of interpretations are as follows:
- IGRAP 2 – Changes in Existing Decommissioning, Restoration and similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 – Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6 – Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- IGRAP 8 – Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non cash Assets to Owners

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

- IGRAP 10 – Assets Received from Customers
- IGRAP 13 – Operating Leases – Incentives
- IGRAP 14 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 – Revenue – Barter Transactions Involving Advertising Services

The effective date of the standard is for years beginning on or after 1 April 2011.

4.2 Standards and Interpretations early adopted

The provisions of GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers) relating to transfers and subsidies received were adopted in accordance with the allowance made by GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors, paragraphs 7 and 11.

GRAP 23 was approved by the Accounting Standards Board but not yet effective as at 30 June 2010. Adoption of the standard has had no material impact on the results of the municipality.

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

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

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

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

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

The impact of the standard is set out in note 3 Changes in Accounting Policy.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 24: Presentation of Budget Information

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

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

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘statement of comparison of budget and actual amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.
A comparable basis means that the budget and financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
-use the same classification system; and
- are prepared for the same period.
The effective date of the standard is for years beginning on or after 01 April 2012.

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

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 24: Presentation of Budget Information

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

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

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'statement of comparison of budget and actual amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

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

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

GRAP 103: Heritage Assets

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

A heritage asset is recognised as an asset only if:

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

Heritage assets are recognised at cost unless they are acquired through a non-exchange transaction, in which case they are recognised at their fair value as at the date of acquisition.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

The municipality has a choice between the cost and revaluation model as an accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets. The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.
The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The Standard of GRAP also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.
If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.
GRAP 103 states that a heritage asset should not be depreciated but a municipality should assess at each reporting date whether there is an indication that it may be impaired.

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

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit
when the heritage asset is derecognised.
The effective date of the standard is for years beginning on or after 01 April 2011.

The impact of the standard is set out in note 3 Changes in Accounting Policy.

GRAP 21: Impairment of Non-cash-generating Assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

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

The impact of the standard is not material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 26: Impairment of Cash-generating Assets

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

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

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

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

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

The impact of the standard is not 0material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

GRAP 104: Financial Instruments

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

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

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

The impact of the amendment is not material.

GRAP 106: Transfers of functions between entities not under common control

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

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

The effective date of the standard is for years beginning on or after 01 April 2014.

The economic entity has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note 3 Changes in Accounting Policy.

GRAP 107: Mergers

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

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

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

The effective date of the standard is for years beginning on or after 01 April 2014.

The economic entity has early adopted the standard for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note 3 Changes in Accounting Policy.

4.3 Standards issued and not yet effective

The following standards expected to be applicable to the economic entity have been issued, but are not yet effective:

The GRAP standards below will be applied by the economic entity from the effective date determined by the Minister of Finance.

GRAP 18: Segment Reporting

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

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

5. Property, plnat and equipment

Economic entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	586 884 988	-	586 884 988	619 483 988	-	619 483 988
Buildings	562 888 205	(89 699 885)	473 188 320	629 978 605	(62 357 708)	567 620 897
Plant and machinery	6 614 972	(4 517 017)	2 097 955	3 777 349	(3 024 310)	753 039
Infrastructure	2 921 966 812	(650 028 804)	2 271 938 008	3 925 864 216	(916 756 626)	3 009 107 590
Community	-	-	-	12 868 461	(2 024 917)	10 843 544
Other property, plant and equipment	-	-	-	1 610 480	(680 495)	929 985
Asset found	100 603 425	(46 243 629)	54 359 796	83 702 750	(33 099 161)	50 603 589
Heritage	36	(36)	-	92 376	(10 376)	82 000
Housing development fund	518 162 594	-	518 162 594	283 917 973	-	283 917 973
Other property, plant and equipment # 4	1 644 612 804	(1 644 612 804)	-	11	(11)	-
Total	**6 341 733 836**	**(2 435 102 175)**	**3 906 631 661**	**5 561 296 209**	**(1 017 953 604)**	**4 543 342 605**

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Land	586 884 988	-	586 884 988	619 483 988	-	619 483 988
Buildings and land	562 581 283	(89 699 885)	472 881 398	629 679 490	(62 357 708)	567 321 782
Community	-	-	-	12 868 461	(2 024 917)	10 843 544
Heritage	36	(36)	-	92 376	(10 376)	82 000
Infrastructure	2 921 966 812	(650 028 804)	2 271 938 008	3 925 864 216	(916 756 626)	3 009 107 590
Other property, plant and equipment	-	-	-	1 610 480	(680 495)	929 985
Other assets	91 383 412	(39 313 418)	52 069 994	76 482 964	(27 228 504)	49 254 460
Housing development fund	518 162 594	-	518 162 594	283 917 973	-	283 917 973
Total	**4 680 979 125**	**(779 042 143)**	**3 901 936 982**	**5 549 999 948**	**(1 009 058 626)**	**4 540 941 322**

5. Property, plnat and equipment (continued)

Reconciliation of property, plnat and equipment - Economic entity - 2012

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	619 483 988	-	-	-	-	-	(32 599 000)	586 884 988
Buildings	567 620 897	7 807	-	-	-	(32 936 630)	(61 503 754)	473 188 320
Plant and machinery	753 039	79 409	(47 845)	2 817 787	-	(1 504 435)	-	2 097 955
Infrastructure	3 009 107 590	57 815 525	-	-	50 635 321	(256 842 481)	(588 777 947)	2 271 938 008
Community	10 843 544	-	-	-	-	(432 901)	(10 410 643)	-
Landfill site	929 985	-	-	-	-	(107 890)	(822 095)	-
Other assets	50 603 589	21 846 472	(1 203)	638 418	-	(17 811 096)	(916 384)	54 359 796
Heritage	82 000	-	-	-	-	(3 084)	(78 916)	-
Work in progress	283 917 973	284 879 942	-	-	(50 635 321)	-	-	518 162 594
	4 543 342 605	**364 629 155**	**(49 048)**	**3 456 205**	**-**	**(309 638 517)**	**(695 108 739)**	**3 906 631 661**

5. Property, plnat and equipment (continued)

Reconciliation of property, plnat and equipment - Economic entity - 2011

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	619 483 988	-	-	-	-	619 483 988
Buildings	517 683 990	80 125 935	-	-	(30 189 028)	567 620 897
Plant and machinery	389 511	708 655	-	-	(345 127)	753 039
Infrastructure	2 979 267 572	201 384 253	-	74 291 107	(245 835 342)	3 009 107 590
Community	11 275 262	-	-	-	(431 718)	10 843 544
Landfill site	1 040 243	-	-	-	(110 258)	929 985
Other assets	17 403 733	43 678 451	(977 974)	-	(9 500 621)	50 603 589
Heritage	85 076	-	-	-	(3 076)	82 000
Work in progress	165 019 884	193 189 196	-	(74 291 107)	-	283 917 973
	4 311 649 259	**519 086 490**	**(977 974)**	**-**	**(286 415 170)**	**4 543 342 605**

Reconciliation of property, plnat and equipment - Controlling entity - 2012

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	619 483 988	-	-	-	(32 599 000)	586 884 988
Buildings	567 321 782	-	-	(32 936 630)	(61 503 754)	472 881 398
Infrastructure	3 009 107 590	57 815 525	50 635 320	(256 842 481)	(588 777 946)	2 271 938 008
Community	10 843 544	-	-	(432 900)	(10 410 644)	-
Landfill sites	929 985	-	-	(107 891)	(822 094)	-
Other assets	49 254 460	20 478 814	-	(16 746 896)	(916 384)	52 069 994
Heritage	82 000	-	-	(3 084)	(78 916)	-
Work in progress	283 917 973	284 879 942	(50 635 321)	-	-	518 162 594
	4 540 941 322	**363 174 281**	**(1)**	**(307 069 882)**	**(695 108 738)**	**3 901 936 982**

5. Property, plnat and equipment (continued)

Reconciliation of property, plnat and equipment - Controlling entity - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	619 483 988	-	-	-	-	619 483 988
Buildings	517 397 155	80 113 655	-	-	(30 189 028)	567 321 782
Infrastructure	2 979 267 572	201 384 253	-	74 291 107	(245 835 342)	3 009 107 590
Community	11 275 262	-	-	-	(431 718)	10 843 544
Landfill site	1 040 243	-	-	-	(110 258)	929 985
Other assets	15 318 846	43 424 418	(977 974)	-	(8 510 830)	49 254 460
Heritage	85 076	-	-	-	(3 076)	82 000
Work in progress	165 019 884	193 189 196	-	(74 291 107)	-	283 917 973
	4 308 888 026	**518 111 522**	**(977 974)**	**-**	**(285 080 252)**	**4 540 941 322**

Pledged as security

None of the assets have been pledged as security.

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.

Refer to the note 20 for the disclosures of the finance leases obligation.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

6. Investment property

Economic entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 308 627	(3 906 175)	26 402 452	30 308 627	(2 602 930)	27 705 697

Controlling entit	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 308 627	(3 906 175)	26 402 452	30 308 627	(2 602 930)	27 705 697

6. Investment property (continued)

Reconciliation of investment property - Economic entity - 2012

	Opening balance	Depreciation	Total
Investment property	27 705 697	(1 303 245)	26 402 452

Reconciliation of investment property - Economic entity - 2011

	Opening balance	Depreciation	Total
Investment property	29 005 381	(1 299 684)	27 705 697

Reconciliation of investment property - Controlling entity - 2012

	Opening balance	Depreciation	Total
Investment property	27 705 697	(1 303 245)	26 402 452

Reconciliation of investment property - Controlling entity - 2011

	Opening balance	Depreciation	Total
Investment property	29 005 381	(1 299 684)	27 705 697

Pledged as security

No investment property was pledged as security for loans at year end.

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.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

7. Intangible assets

Economic entity	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	945 770	(734 166)	211 604	916 948	(630 005)	286 943

Controlling entit	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	945 770	(734 166)	211 604	916 948	(630 005)	286 943

7. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	286 943	28 822	(104 161)	211 604

Reconciliation of intangible assets - Economic entity - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	287 468	(525)	286 943

Reconciliation of intangible assets - Controlling entity - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	286 943	28 822	(104 161)	211 604

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

7. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	287 468	(525)	286 943

Pledged as security

None of the intangible assets have been pledged as security.

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.

None of the assets are currently under a finance lease.

8. Investments in controlled entities

Name of company	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Maluti-a-Phofung Water (Pty) Ltd	Maluti-a-Phofung Municipality	100 %	100 %	300	300

The carrying amounts of controlled entities is shown net of impairment losses.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

9. Other financial assets

At fair value				
Listed shares	211 854	163 320	211 854	163 320
Sanlam	331 992	315 027	331 992	315 027
Momentum	1	15 099 318	1	15 099 318
Old Mutual	-	23 925 909	-	23 925 909
	543 847	**39 503 574**	**543 847**	**39 503 574**
At amortised cost				
Sanlam	1 352 069	1 282 562	1 352 069	1 282 562
First National Bank	27 409	835 371	27 409	835 371
ABSA	-	219 907	-	219 907
Standard bank	66 286	63 051	66 286	63 051
Old Mutual	-	1 242 688	-	1 242 688
	1 445 764	**3 643 579**	**1 445 764**	**3 643 579**
Total other financial assets	**1 989 611**	**43 147 153**	**1 989 611**	**43 147 153**
Non-current assets				
At fair value	211 855	770 147	211 855	770 147
At amortised cost	1 352 069	2 525 250	1 352 069	2 525 250
	1 563 924	**3 295 397**	**1 563 924**	**3 295 397**
Current assets				
At fair value	331 992	38 733 427	331 992	38 733 427
At amortised cost	93 695	1 118 329	93 695	1 118 329
	425 687	**39 851 756**	**425 687**	**39 851 756**
	1 989 611	**43 147 153**	**1 989 611**	**43 147 153**

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

9. Other financial assets (continued)

Fair value information

Financial assets at fair value are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value are measured at fair value using quoted market prices:
- Listed shares

Where quoted market prices are not available, valuation techniques are used to determine fair value, as explained below:

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

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.

Financial Asset at amortized cost

Financial assets at amortized cost past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, no accounts were past due.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

10. Financial assets by category

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

Economic entity - 2012

	At amortised cost	At Fair value	Total
Consumer receivables	155 974 564	-	155 974 564
Consumer receivables (long term)	20 184 891	-	20 184 891
Other receivables from exchange transactions	15 071 391	-	15 071 391
Other financial assets (current)	93 695	331 992	425 687
Other financial assets (non-current)	1 352 069	211 855	1 563 924
Cash and cash equivalents	17 309 259	-	17 309 259
	209 985 869	**543 847**	**210 529 716**

Economic entity - 2011

	At amortised cost	At fair value	Total
Consumer receivables	159 716 254	-	159 716 254
Consumer receivables (long term)	22 630 995	-	22 630 995
Other receivables from exchange transactions	14 154 777	-	14 154 777
Other financial assets (current)	368 606	39 483 152	39 851 758
Other financial assets (non-current)	2 525 250	770 147	3 295 397
Cash and cash equivalents	18 390 465	-	18 390 465
	217 786 347	**40 253 299**	**258 039 646**

Controlling entity - 2012

	At amortised cost	At Fair value	Total
Cash and cash equivalents	12 465 150	-	12 465 150
Consumer receivables	237 164 960	-	237 164 960
Other receivables from non-exchange transactions	80	-	80
Other financial assets (non-current)	1 352 069	211 855	1 563 924
Other financial assets (current)	93 695	331 992	425 687
Other receivables from exchange transactions	14 927 141	-	14 927 141
	266 003 095	**543 847**	**266 546 942**

Controlling entity - 2011

	At amortised cost	At fair value	Total
Cash and cash equivalents	9 088 639	-	9 088 639
Consumer receivables	154 114 410	-	154 114 410
Consumer receivables - long term	22 630 995	-	22 630 995
Other financial assets (non-current)	2 525 250	770 147	3 295 397

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2012	Economic entity 2011	Controlling entity 2012	Controlling entity 2011

10. Financial assets by category (continued)

Other financial assets (current)	368 606	39 483 152	39 851 758
Other receivables from non-exchange transactions	4 955 181	-	4 955 181
Other receivables from exchange transactions	35 818 697	-	35 818 697
	229 501 778	**40 253 299**	**269 755 077**

11. Employee benefit obligations

Defined benefit plan

The amounts recognised in the statement of financial position are as follows:

Carrying value				
Present value of the defined benefit obligation-partially or wholly funded	(9 344 000)	(8 480 000)	(9 344 000)	(8 480 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	8 480 000	8 480 000	8 480 000	8 480 000
Benefits paid	(483 000)	-	(483 000)	-
Net expense recognised in the statement of financial performance	1 337 000	-	1 337 000	-
	9 334 000	**8 480 000**	**9 334 000**	**8 480 000**

Net expense recognised in the statement of financial performance

Service cost	102 000	-	102 000	-
Interest cost	701 000	-	701 000	-
Actuarial (gains) losses	534 000	-	534 000	-
	1 337 000	**-**	**1 337 000**	**-**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.35 %	- %	8.35 %	- %
Consumer price inflation	6.40 %	- %	6.40 %	- %
Health care cost inflation	6.85 %	- %	6.85 %	- %
Net discount rate	1.40 %	- %	1.40 %	- %

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

11. Employee benefit obligations (continued)

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values

The assumptions regarding the relative levels of these two rate is our expectation of the long term average.

Accounting standard IAS19 defines the determination of the investment return assumption to be used as the rate that can "be determined by reference to the market yields at the reporting date on high quality corporate bonds. In the countries where there is no deep market in such bonds, the market yields (at the reporting date) on government bonds should be used. The currency and term of the corporate bonds should be consistent with the currency and estimated term of the post employment benefit obligation." As such a discount rate of 8.35% per annum has been used. This was derived from the yield curve, without a tax adjustment, obtained from the Bond Exchange Rate of South Africa after the market closed on 27 June 2012.

The health care cost inflation was taken at a discount of 1.5% to the discount rate of 8.35%

The consumer price inflation of 6.40% p.a is obtained from the differential between the long term market yields on the index-linked bond (the R197 at 2.09%p.a.) consistent with the estimated term of the liabilities and those of nominal bond (the R186 at 8.17% p.a)

Demographic Assumptions

Assumption	Pensioners
Age difference between spouses	Actual ages used
Proportion married	Actual marital status used

In the event of the scheme members having children dependents, we have assumed that the children and orphans will be subsidised until the age of 21. If a child/orphan is currently over the age of 21, we have assumed that the child/orphan will be considered as an adult by the relevant medical scheme. The child over 21 will continue to be subsidised until the age of 23.

Decrement Assumptions

Assumption	Pensioners
Mortality	PA(90)-2

Liability valuation method

- The liability is taken as the present value of the employer's share of continuation member contributions to the medical scheme. Continuation member contributions are projected into each future year using the assumed rate of health care cost inflation and then discounted back using the discount rate.

For each pensioner, the liability stops when the pensioner and any other remaining spouse are assumed to have died.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

11. Employee benefit obligations (continued)

Valuation method

In accordance with the requirements of IAS19, the Projected Unit Credit method of funding has been applied. The assumption underlying the funding method is that the employer's post employment medical scheme costs in respect of a member should be fully recognised by the time that the member reaches fully accrued age.

Although this liability only vests at retirement (or to remaining beneficiaries in the event of earlier death) and is not necessarily affected by the length of service that a member has had with the employer, accounting standards require that the liability for in service members accrue uniformly while in service

The employer's liability is taken as the present value of the obligation to settle post employment health care contributions excluding the portion of contribution funded by the pensioners.

It has been assumed that the total contribution subsidised by the employer will increase in line with health cost inflation. We have made no allowance for volatility in the contributions due to fundamental changes in the underlying demographics of the scheme.

Actuarial valuation has been obtained only for the year ended 30 June 2012. No actuarial valuation was done for the prior year and therefore no comparatives figures have been disclosed.

12. Inventories

Consumable stores	5 222 947	4 298 437	2 254 887	2 066 260
Water materials at cost	143 295	144 570	37 532	37 532
Fuel	191 219	8 077	53 104	8 077
	5 557 461	4 451 084	2 345 523	2 111 869
Inventories (write-downs)	(3 184)	-	(3 184)	-
	5 554 277	**4 451 084**	**2 342 339**	**2 111 869**

The cost of inventories recognised as an expense during the period is R 1,077,824 (2011: R 10,630).

During the year there were no reversal of prior year write downs.

13. Other receivables from exchange transactions

Deposits	1 723 550	1 604 356	1 721 021	1 601 827
Prepaid expenses	138 768	-	-	-
Sundry debtors	126 287	-	-	-
Other receivables	3 773 047	3 688 240	3 773 047	3 688 240
Unallocated deposits	(10)	(10)	(10)	(10)
Insurance paid on behalf of Maluti Water (Pty) Ltd	-	-	8 039 554	8 039 554
Money stolen	1 270 195	822 637	1 270 195	822 637
	7 031 837	**6 115 223**	**14 803 807**	**14 152 248**

13. Other receivables from exchange transactions (continued)

Money stolen: During August 2010 fraud was detected to the amount of R5,539,228. The Free State High Court in Bloemfontein ordered the amount of R4,728,903 to be paid back to Maluti-A-Phofung Local Municipality. An amount of R 447,558 (R 50,000 and R397,558) was stolen during the current year. An amount of R 50,000 was due to fraud that occured and the other amount of R 397,558 was due to a burglary that took place at the municipal premises in June 2012. A refund of R 46,000 (for the fraud) was made to the municipality in July 2012 by the bank. The investigations are still continuing.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

13. Other receivables from exchange transactions (continued)

Credit quality of other receivables

The credit quality of other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Other receivables past due but not impaired

Other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R14,932,623 (2011: R 14 154 777) were past due but not impaired.

14. Other receivables from non-exchange transactions

Prepaid electricity	-	1 812 491	-	1 812 491

Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security.

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions are neither past due nor impaired.

Fair value of other receivables from non-exchange transactions

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The municipality does not hold any collateral as security.

15. VAT receivable

VAT receivable	8 001 563	14 557 307	6 809 639	14 557 307
VAT payable	(547 094)	(11 278 939)	(9 465)	(10 744 182)
	7 454 469	**3 278 368**	**6 800 174**	**3 813 125**

VAT is payable on the payment basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is made and monies received.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

16. Consumer receivables

Gross balances				
Rates	255 480 822	246 477 697	255 480 822	246 477 697
Electricity	66 054 426	58 076 731	66 054 426	58 076 731
Water	127 437 871	98 478 650	127 609 997	100 218 878
Sewerage	55 778 407	46 558 409	55 778 407	46 558 409
Refuse	67 726 103	56 768 236	67 726 103	56 768 236
Sundry receivables	80 463 007	67 626 536	80 463 007	67 626 536
	652 940 636	**573 986 259**	**653 112 762**	**575 726 487**
Less: Provision for debt impairment				
Rates	(174 951 746)	(138 976 329)	(174 951 746)	(138 976 329)
Electricity	(39 044 780)	(39 177 031)	(39 044 780)	(39 177 031)
Water	(121 263 898)	(92 580 551)	(121 263 898)	(92 580 551)
Sewerage	(51 763 719)	(43 364 530)	(51 763 719)	(43 364 530)
Refuse	(66 038 409)	(54 739 879)	(66 038 409)	(54 739 879)
Sundry receivables	(37 699 380)	(53 471 229)	(37 699 380)	(52 773 757)
	(490 761 932)	**(422 309 549)**	**(490 761 932)**	**(421 612 077)**
Net balance				
Rates	80 529 076	107 501 368	80 529 076	107 501 368
Electricity	27 009 646	18 899 700	27 009 646	18 899 700
Water	6 173 973	5 898 099	6 346 099	7 638 327
Sewerage	4 014 688	3 193 879	4 014 688	3 193 879
Refuse	1 687 694	2 028 357	1 687 694	2 028 357
Sundry receivables	42 763 627	14 155 307	42 763 627	14 852 779
	162 178 704	**151 676 710**	**162 350 830**	**154 114 410**
Rates				
Current (0 -30 days)	182 873	14 740 585	182 873	14 740 585
31 - 60 days	9 187 674	10 385 719	9 187 674	10 385 719
61 - 90 days	71 158 529	7 939 954	71 158 529	7 939 954
> 91 days	-	74 435 110	-	74 435 110
	80 529 076	**107 501 368**	**80 529 076**	**107 501 368**
Electricity				
Current (0 -30 days)	21 954 170	8 148 495	21 954 170	8 148 495
31 - 60 days	2 265 329	4 587 691	2 265 329	4 587 691
61 - 90 days	2 419 468	2 077 859	2 419 468	2 077 859
> 91 days	370 679	4 085 655	370 679	4 085 655
	27 009 646	**18 899 700**	**27 009 646**	**18 899 700**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

16. Consumer receivables (continued)

Water				
Current (0 -30 days)	3 926 991	3 035 925	4 099 117	4 776 153
31 - 60 days	1 203 592	3 789 425	1 203 592	3 789 425
61 - 90 days	737 543	4 886 526	737 543	4 886 526
> 91 days	305 847	(5 813 777)	305 847	(5 813 777)
	6 173 973	**5 898 099**	**6 346 099**	**7 638 327**

Sewerage				
Current (0 -30 days)	2 692 454	2 324 359	2 692 454	2 324 359
31 - 60 days	717 578	1 745 765	717 578	1 745 765
61 - 90 days	604 656	1 656 628	604 656	1 656 628
> 91 days	-	(2 532 873)	-	(2 532 873)
	4 014 688	**3 193 879**	**4 014 688**	**3 193 879**

Refuse				
Current (0 -30 days)	1 216 957	1 756 761	1 216 957	1 756 761
31 - 60 days	164 255	1 575 629	164 255	1 575 629
61 - 90 days	158 665	1 469 604	158 665	1 469 604
> 91 days	147 817	(2 773 637)	147 817	(2 773 637)
	1 687 694	**2 028 357**	**1 687 694**	**2 028 357**

Other				
Current (0 -30 days)	6 065 140	4 476 861	6 065 140	4 476 861
31 - 60 days	894 957	1 650 860	894 957	1 650 860
61 - 90 days	699 295	3 204 296	699 295	3 204 296
> 91 days	35 104 235	4 823 290	35 104 235	5 520 762
	42 763 627	**14 155 307**	**42 763 627**	**14 852 779**

Reconciliation of debt impairment provision				
Balance at beginning of the year	(422 309 549)	(378 110 927)	(421 612 077)	(378 110 927)
Allowance for debt impairment	(69 149 855)	(33 952 631)	(69 149 855)	(33 255 159)
Consumer receivables written off / allowance utilised	-	(10 245 991)	-	(10 245 991)
Reversal of allowance for debt impairment	697 472	-	-	-
	(490 761 932)	**(422 309 549)**	**(490 761 932)**	**(421 612 077)**

Consumer receivables pledged as security

None of the consumer receivables were pledged as security.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

16. Consumer receivables (continued)

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer receivables past due but not impaired

VAT on consumer receivables and consumer receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2012, R 78 839 995 (2011: R 33 913 516) were past due but not impaired.

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

Current (0-30 days)	22 328 543	3 702 034	22 328 543	3 702 034
31 - 60 days	56 511 452	2 190 025	56 511 452	2 190 025
>60 days	-	28 021 457	-	28 021 457
	78 839 995	**33 913 516**	**78 839 995**	**33 913 516**

Consumer receivables impaired

The amount of the allowance for debt impairment R 490 761 932 as of 30 June 2012 (2011: R 421 612 077).

The ageing of these receivables is as follows:

0 - 90 days	49 656 625	83 308 507	49 656 625	83 308 507
Over 90 days	441 105 307	338 303 570	441 105 307	338 303 570
	490 761 932	**421 612 077**	**490 761 932**	**421 612 077**

The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The economic entity does not hold any collateral as security.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 372	11 463	5 021	4 466
Bank balances	15 399 718	18 141 019	10 564 960	9 282 664
Other cash and cash equivalents	1 895 169	237 983	1 895 169	237 959
	17 309 259	**18 390 465**	**12 465 150**	**9 525 089**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
First National Bank - Current	23 041 068	8 410 317	11 193 927	10 564 960	9 282 664	12 783 432
First National Bank - Savings	1 895 168	237 959	572 247	1 895 169	237 959	572 247
First National Bank - Current	5 349 792	9 912 482	1 553 293	4 834 758	8 858 355	1 537 723
Total	**30 286 028**	**18 560 758**	**13 319 467**	**17 294 887**	**18 378 978**	**14 893 402**

18. Long term receivables

Consumer receivables (non-current portion)	10 478 684	11 439 560	10 478 684	11 439 560
Consumer receivables (current portion)	9 706 207	11 191 435	9 706 207	11 191 435
	20 184 891	**22 630 995**	**20 184 891**	**22 630 995**

The long term receivables consist of consumer accounts with arrangements. These accounts bear no interest and is repayable in monthly installments of R200 if the debt was less than R15,000 and R250 if the debt was over R15,000. The repayment period is dependant on the balance of the account when the arrangement is made.

The credit quality of long term receivables are neither past due nor impaired.

None of the long term receivables were pledged as security.

None of the long term receivables that are fully performing have been renegotiated in the last year.

The maximum exposure to credit risk at the reporting date is the carrying value of long term receivable mentioned above. The municipality does not hold any collateral as security.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

19. Other financial liabilities

Measured at amortised cost

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011
19. Other financial liabilities (continued)				
Annuity loans	17 258 819	10 824 998	17 258 819	10 824 998

All annuity loans are from the Development Bank of South Africa and repayments are made on a six monthly basis.

13768/102
Interest rate 15.6%
Redemption date 31/12/2020
Amount R 110,850

11078/202
Interest rate 15.0%
Redemption date 30/06/2018
Amount R 138,800

13768/202
Interest rate 15.6%
Redemption date 31/12/2020
Amount R 96,865

11084/103
Interest rate 15.0%
Redemption date 31/12/2015
Amount R 332,270

13766/302
Interest rate 15.6%
Redemption date 31/12/2021
Amount R 124,679

11019/105
Interest rate 15.0%
Redemption date 31/12/2015
Amount R 135,069

11018/103
Interest rate 15.0%
Redemption date 31/12/2012
Amount R 253,141

11021/102
Interest rate 15.0%
Redemption date 31/12/2015
Amount R 35,050

11076/103
Interest rate 15.0%

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

19. Other financial liabilities (continued)

Redemption date 30/06/2018
Amount R 134,793

The DBSA loan (9004934) bears an interest rate of 10.8% and the repayment amounts are not fixed due to the fact that the municipality has not yet received the full amount of R 114 000 000. The municipality is currently paying for the accrued interest on the amount received to date. Refer to the appendix A for the redeemable dates.

First National Bank Intabazwe Corridor The loan is unsecured, bears interest at 11.45% per annum and repayable in bi-annual installments of R3,538,176.	3 432 297	9 904 723	3 432 297	9 904 723
	20 691 116	**20 729 721**	**20 691 116**	**20 729 721**

Refer to Appendix A for more detail on other financial liabilities.

The municipality did not default on any principal or interest repayments during the period for loans payable. No terms were renegotiated before the financial statements were authorised for issue.

A new loan was received from DBSA and the terms are that the municipality should submit the costs incurred on certain projects and to date the municipality has incurred R 9 million.

Non-current liabilities				
At amortised cost	14 146 848	12 510 115	14 146 848	12 510 115
Current liabilities				
At amortised cost	6 544 268	8 219 606	6 544 268	8 219 606
	20 691 116	**20 729 721**	**20 691 116**	**20 729 721**

The fair values of the financial liabilities approximates their carrying amounts.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

20. Finance lease obligation

Minimum lease payments due				
- within one year	5 529 234	1 606 504	4 801 787	-
- within 5 years	7 808 849	724 010	8 315 173	-
	13 338 083	2 330 514	13 116 960	-
less: future finance charges	(2 239 368)	(1 783 247)	1 914 957	-
Present value of minimum lease payments	**11 098 715**	**547 267**	**15 031 917**	**-**
Present value of minimum lease payments due				
- within one year	4 155 189	144 153	3 752 154	-
- within 5 years	6 943 526	403 114	7 449 847	-
	11 098 715	**547 267**	**11 202 001**	**-**
Non-current liabilities	7 168 130	403 114	7 168 130	-
Current liabilities	3 930 585	144 153	3 527 472	-
	11 098 715	**547 267**	**10 695 602**	**-**

A contract was entered into by the municipality on 01 February 2012 with Bytes Document Solutions (PTY) Ltd for 27 printers/fax/scancopier machines. The period of the contract is 36 months ending March 2014. The monthly rental amounts to R 54,121 excluding VAT with a 8% escalation charge per annum as calculated from the commencement date February 2012.

The interest rate implicit to the lease is calculated between 21% - 23% per annum

Another contract has been entered into with Solar Spectrum on 31 December 2012 for the installation of energy efficient lights. The period of the lease is 3 years ending on 31 December 2015. The monthly rentals varies from one phase to the next, however the average rental per quater is R 636,698. The rental amounts are payable quarterly in advance with no escalation throughout the lease period.

The interest rate implicit is determined as 7.55%

The economic entity's obligations under finance leases were secured by the lessor's charge over the leased assets. Refer to Appendix A for more detail on borrowings.

The municipality did not default on any of the principal or interest repayments during the period of the lease agreements. No terms were renegotiated before the financial statements were authorised.

A contract was entered into by the entity on 1 December 2009 for the rental of 41 colour printers and 6 digital copier machines. The period of the contract is 36 months ending 30 November 2012. The monthly rental amounts to R107 047 excluding VAT with a 15% escalation charge per annum as calculated from the commencement date of 1 December 2009.
The interest rate implicit to the lease is calculated at 275.32% per annum. The entity did not default on any of the principal or interest repayments during the period of the lease agreements. No terms were renegotiated before the financial statements were authorised.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
EPWPI Grant	1 160 170	6 553 850	1 160 170	6 553 850
Finance Management Grant	-	170	-	170
RDP House	3 765 329	3 886 416	3 765 329	3 886 416
Sterkfontein (Regional Bulk Infrastructure)	-	2 433 261	-	2 433 261
Dwaf Grant (WSOSG)	(3)	-	(3)	-
Municipal Infrastructure Grant	2 008 785	29 831	2 008 785	29 831
Municipal Systems Improvement Grant	623	623	623	623
INEP (Eskom)	1 903	-	1 903	-
Operation Hlasela Projects	450 000	450 000	450 000	450 000
Installation and Maintenance of Security Equipment	698 736	3 993 134	698 736	3 993 134
	8 085 543	**17 347 285**	**8 085 543**	**17 347 285**

Movement during the year

Balance at the beginning of the year	17 347 285	11 593 876	17 347 285	11 593 876
Received during the year	298 434 750	218 858 956	298 434 750	218 858 956
Income recognition during the year	(307 792 690)	(196 714 879)	(307 792 690)	(196 714 879)
Adjustments	96 19	(16 390 66	96 19	(16 390 66
	8 085 543	**17 347 285**	**8 085 543**	**17 347 285**

See note 32 for the reconciliation of grants from National/Provincial Government.

22. Provisions

Reconciliation of provisions - Economic entity - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	-	35 028 011	35 028 011

The rehabilitation cost provision is for the rehabilitation of the landfill sites of the municipality. It is required from the municipality to execute an environmental management programme to restore the landfill site after its useful life. Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at 30 June 2017 for the Phuthaditjhaba landfill site and 30 June 2024 for the Harrismith landfill site. The discount rate used for the present value calculation amounts to 6%

23. Payables from exchange transactions

Payments received in advanced - contract in process	2	-	5	-
Accrued bonus	4 729 798	4 701 124	4 729 798	4 701 124
Accrued leave pay	22 089 351	18 687 450	12 120 624	12 499 083
Accrued overtime	523 081	-	-	-
Purchases accrual	109 159	-	-	-
Deposits received	125 814	112 191	125 814	112 191
Payments received in advance	10 553 579	10 047 579	10 553 579	10 047 579
Payroll control	2 218 684	2 349 882	-	-
Stale cheques	-	893 969	-	893 969
Sundry payables	127 601 103	100 898 254	125 073 742	96 206 364
Trade payables	71 021 467	63 201 943	42 417 942	38 565 397
	238 972 038	**200 892 392**	**195 021 504**	**163 025 707**

Fair value of trade and other payables

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

23. Payables from exchange transactions (continued)

The terms were not renegotiated before the financial statements were authorised for issue.

24. Consumer deposits

Rates and electricity	11 516 110	10 816 242	11 516 110	10 816 242
Guarantees held in lieu of electricity and water deposits	74 600	74 600	74 600	74 600

No interest accrues on the balance of the consumer deposits held by the mnicipality.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

25. Trade and other payables from non-exchange transactions

National revenue fund	3 855 234	3 855 234	3 855 234	3 855 234
SARS (employee tax)	36 447	36 447	36 447	36 447
	3 891 681	**3 891 681**	**3 891 681**	**3 891 681**

26. Financial liabilities by category

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

Economic entity - 2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	20 691 116	20 691 116
Trade and other payables	238 972 038	238 972 038
Trade payables (non-exchange)	3 891 681	3 891 681
Finance lease obligation	11 098 715	11 098 715
Consumer deposits	11 516 110	11 516 110
	286 169 660	**286 169 660**

Economic entity - 2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	20 729 718	20 729 718
Trade and other payables	195 021 504	195 021 504
Trade payables (non-exchange)	3 891 681	3 891 681
Finance lease	547 267	547 267
Consumer deposits	10 816 242	10 816 242
	231 006 412	**231 006 412**

Controlling entity - 2012

	Financial liabilities at amortised cost	Total
Other financial liabilities	20 691 116	20 691 116
Finance lease obligation	10 695 602	10 695 602
Trade and other payables from exchange transactions	178 539 685	178 539 685
Trade and other payables from non-exchange transactions	3 891 681	3 891 681
Consumer deposits	11 516 110	11 516 110
	225 334 194	**225 334 194**

26. Financial liabilities by category (continued)

Controlling entity - 2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	20 729 718	20 729 718
Trade and other payables from exchange transactions	193 125 443	193 125 443
Trade and other payables from non-exchange transactions	3 891 681	3 891 681
Consumer deposits	10 816 242	10 816 242
	228 563 084	**228 563 084**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

27. Long Service Liability

Amounts included in the statement of financial performance				
Service Cost	1 757 000	-	1 757 000	-
Interest paid	871 000	-	871 000	-
Acturial Loss	2 022 121	-	2 022 121	-
	4 650 121	-	4 650 121	-

Long Service Bonus Liability

Amounts included in the non - current liabilities	11 750 000	11 033 000	11 750 000	11 033 000

The long service bonus awards are a function of accumulated leave days and a percentage of annual salary. The portion of the long service bonus awards that is a function of annual leave days is convertible into cash in the year the employee attains the service eligible for an award. As a result this portion the award is also function of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 250 days.

We have based the projection of MAP's liability on the assumption that the employee salaries will increase by 7.00% p.a. this equates to an annual increase of consumer Price Inflation plus 1.00% p.a.

The consumer price inflation of 6.00% p.a., rounded to the nearest 0.25% is obtained from the differential between the long term market yields on the index-linked bond (the R197 at 2.09% p.a.) consistent with the estimated term of the liabilities and those of nominal bond (the R186 at 8.17% p.a).

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than nominal values.

Accounting standard IAS19 defines the determination of the investment return assumption to be used as the rate that can "be determined by reference to market yields at the reporting date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the reporting date) on the government bonds should be used. The currency and term of the corporate bonds of government bonds should be consistent with the currency and estimated term of the post-employment benefit obligation.'' As such a discount rate of 8.25% p.a has been used. This was derived from the yield curve, without a tax adjustment, obtained from the Bond Exchange of South Africa after the market closed 27 June 2012.

The following key assumptions used in the valuation are summarised below

Discount rates	8.25%
Consumer Price	6.00%
Salary inflation	7.00%
Net Discount rates	1.17%
Mortality	SA85-90
Normal retirement age	63

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

The following early retirement assumptions were applicable over the 30 June 2012 financial year end

Age group	**Number of resignations per 1,000 members**:
20-24	100
25-29	100
30-34	50
35-39	50
40-44	25
45+	0

The following early reitirements assumptions were applicable over the 30 June 2012 financial year

Age-group	Number of resignations per 1,000 members
20-24	0.1
25-29	0.1
30-34	0.1
35-39	0.1
40-44	1.7
45-49	2.5
50-54	3.7
55-59	7.5
60-62	11.2

Liability Valuation Method

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on the servicea ccrued to the valuation date and award projected to retirement date.

In determinig these liabilities, due allowance has been made for future awards increase.

For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rate of withdrawal, early retirement and death.

In accordance with the requirement of IAS19, the projected Unit Credit method of funding has been applied.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

28. Revenue

Rendering of services	549 514	567 274	549 514	567 274
Property rates	172 028 030	132 112 110	172 500 680	132 112 110
Service charges	330 555 183	215 053 133	330 483 771	218 806 678
Rental of facilities and equipment	922 252	312 507	922 252	312 507
Interest received – trading	30 614 449	24 361 235	30 614 449	24 361 235
Dividends received	87 622 276	260 935 684	87 622 276	260 935 684
Fines	5 011 368	464 529	5 011 368	464 529
Government grants and subsidies	613 149 494	481 953 913	613 149 494	481 953 913
	1 240 452 566	**1 115 760 385**	**1 240 853 804**	**1 119 513 930**

The amount included in revenue arising from rendering of services are as follows:

Rendering of services	549 514	567 274	549 514	567 274
Service charges	330 555 183	215 053 133	330 483 771	218 806 678
Rental of facilities and equipment	922 252	312 507	922 252	312 507
Interest received – trading	30 614 449	24 361 235	30 614 449	24 361 235
Restatement of asset	87 622 276	260 935 684	87 622 276	260 935 684
	450 263 674	**501 229 833**	**450 192 262**	**504 983 378**

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

Taxation revenue				
Property rates	172 028 030	132 112 110	172 500 680	132 112 110
Fines	5 011 368	464 529	5 011 368	464 529
Transfer revenue				
Goverment grants and subsidies	613 149 494	481 953 913	613 149 494	481 953 913
	790 188 892	**614 530 552**	**790 661 542**	**614 530 552**

Rendering of services

Admission fees	197 487	157 284	197 487	157 284
Fees earned	121	994	121	994
Cemetery fees	258 087	285 737	258 087	285 737
Private sector support/ sponsorships in kind	93 819	123 259	93 819	123 259
	549 514	**567 274**	**549 514**	**567 274**

29. Property rates

Rates received

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

29. Property rates (continued)

Industrial / commercial / residential	21 334 297	27 126 491	21 806 947	27 126 491
State	150 693 733	104 985 619	150 693 733	104 985 619
	172 028 030	**132 112 110**	**172 500 680**	**132 112 110**

Valuations

Residential	2 717 304 005	31 554 753	2 717 304 005	2 881 554 753
Commercial	1 386 966 424	33 400 295	1 386 966 424	933 400 295
State	24 593 754 793	99 454 635	4 593 754 793	1 199 454 635
Municipal	226 457 882	33 819 400	226 457 882	33 819 400
	28 924 483 104	**48 229 083**	**8 924 483 104**	**5 048 229 083**

Valuations on which property rates are based are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on a bi-annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0076 (2011: R 0.03802) is applied to the value of residential properties. R0.0380 (2011: R0.7604) is applied to the value of business and industrial properties. R0.0951 (2011: R0.0951) is applied to the value of state owned, agricultural land, public benefit organisation is R0 (2011:R0) and R 0,30420 (2011: R0.30420) was used for mining to determine assessment rates. Rebates of 90% (2011: 90%) are granted on agricultural land and undeveloped properties, excluding rural state owned properties. Rebates of 98% (2011: 98%) are granted on residential developed properties and 95% on other developed properties. No rebates are granted for state owned properties. Pensioners, indigents and public benefit organisations receive a 100% rebate.

30. Service charges

Sale of electricity	230 917 421	148 777 822	230 917 421	148 777 822
Sale of water	39 124 801	13 133 596	52 537 147	26 388 935
Sewerage and sanitation charges	39 614 068	34 260 928	26 130 310	24 759 134
Refuse removal	20 898 893	18 880 787	20 898 893	18 880 787
	330 555 183	**215 053 133**	**330 483 771**	**218 806 678**

31. Rendering of services

Admission fees	197 487	157 284	197 487	157 284
Fees earned	121	994	121	994
Cemetary fees	258 087	285 737	258 087	285 737
Private sector support/ sponsorships in kind	93 819	123 259	93 819	123 259
	549 514	**567 274**	**549 514**	**567 274**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

32. Government grants and subsidies

E.P.W.P.I Projects	13 642 680	570 950	13 642 680	570 950
Equitable Share	305 453 000	267 074 545	305 453 000	267 074 545
Financial Management Grant	1 450 170	1 199 830	1 450 170	1 199 830
Social grant/ operation Hlasela	-	1 000 000	-	1 000 000
Installation and maintenance of security Equipment	3 294 399	18 006 981	3 294 399	18 006 981
Integrated National Electrification (DME) grant	39 598 097	9 370 000	39 598 097	9 370 000
Municipal Infrastructure Grant	169 357 046	119 636 169	169 357 046	119 636 169
Municipal Systems Improvement Grant (MSIG)	790 000	749 377	790 000	749 377
RDP Houses grant	121 087	90 216	121 087	90 216
Regional Bulk Infrastructure Grant	71 782 012	53 311 845	71 782 012	53 311 845
Water Services Operating Subsidy (DWAF) grant	7 661 003	10 944 000	7 661 003	10 944 000
	613 149 494	**481 953 913**	**613 149 494**	**481 953 913**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is credited to their accounts (6kl of free water and 50kW electricity)

Expanded Public Works Programme Incentive Grant for Municipalities

Balance unspent at beginning of year	6 553 850	-	6 553 850	-
Current-year receipts	8 249 000	6 553 850	8 249 000	6 553 850
Conditions met - transferred to revenue	(13 642 680)	-	(13 642 680)	-
	1 160 170	**6 553 850**	**1 160 170**	**6 553 850**

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Included in the unspent MIG Grant there is retention monies and surety withheld from various projects financed by MIG.

Conditions still to be met - remain liabilities (see note 21)

Financial Management Grant (FMG)

Balance unspent at beginning of year	170	-	170	-
Current-year receipts	1 450 000	1 200 000	1 450 000	1 200 000

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

32. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1 450 170)	(1 199 830)	(1 450 170)	(1 199 830)
	-	**170**	**-**	**170**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA).

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

32. Government grants and subsidies (continued)

DBSA ICT Strategy Grant

The purpose of the grant is to implement the Enterprise Resource Plan in line with the ICT strategy.

RDP Houses Grant

Balance unspent at beginning of year	3 886 416	3 976 632	3 886 416	3 976 632
Conditions met - transferred to revenue	(121 087)	(90 216)	(121 087)	(90 216)
	3 765 329	**3 886 416**	**3 765 329**	**3 886 416**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is for the construction of low cost housing in the municipal area.

Sterkfontein (Regional Bulk Infrastructure)

Balance unspent at beginning of year	2 433 261	-	2 433 261	-
Current-year receipts	69 348 750	11 656 685	69 348 750	11 656 685
Conditions met - transferred to revenue	(71 782 011)	-	(71 782 011)	-
Adjustment	-	(9 223 424)	-	(9 223 424)
	-	**2 433 261**	**-**	**2 433 261**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is for the social component of regional bulk water and sanitation services to Harrismith, Kestel and Qwa-qwa.

A contractor has been appointed by Bid 03/2010/2011 for installation of the water pipeline.

Water Services Operating Subsidy Grant (DWAF)

Current-year receipts	7 661 000	42 958 131	7 661 000	42 958 131
Conditions met - transferred to revenue	(7 661 003)	(42 958 131)	(7 661 003)	(42 958 131)
	(3)	**-**	**(3)**	**-**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is to fund bulk, connector and internal infrastructure of water services at a basic level of service. The grant is transferred to Maluti-a-Phofung Water (Pty) Ltd for operations of water and sanitation purposes.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

32. Government grants and subsidies (continued)

Regional Bulk Infrastructure Grant

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment works at resource development and link such water resource development with the local bulk and local distribution networks on a regional basis cutting across several local municipal boundaries. In the case of sanitation regional bulk collection as well as regional waste water treatment works.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	29 831	-	29 831	-
Current-year receipts	171 336 000	119 666 000	171 336 000	119 666 000
Conditions met - transferred to revenue	(169 357 046)	(119 636 169)	(169 357 046)	(119 636 169)
	2 008 785	**29 831**	**2 008 785**	**29 831**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is to fund bulk, connector and internal infrastructure of water services at a basic level of service. The grant is transferred to Maluti-a-Phofung Water (Pty) Ltd.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	623	-	623	-
Current-year receipts	790 000	750 000	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(749 377)	(790 000)	(749 377)
	623	**623**	**623**	**623**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government: Municipal Systems Act 32 of 2000.

Integrated National Electrification Programme (Municipal) Grant

Current-year receipts	39 600 000	10 000 000	39 600 000	10 000 000
Conditions met - transferred to revenue	(39 598 097)	(10 000 000)	(39 598 097)	(10 000 000)
	1 903	**-**	**1 903**	**-**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is for the municipality to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

32. Government grants and subsidies (continued)

Operation Hlasela Projects

Balance unspent at beginning of year	450 000	1 450 000	450 000	1 450 000
Adjustments	-	(1 000 000)	-	(1 000 000)
	450 000	**450 000**	**450 000**	**450 000**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is to capacitate local businesses through training and transformation.

Installation and Maintenance of Security Equipment

Balance unspent at beginning of year	3 993 134	6 167 244	3 993 134	6 167 244
Current-year receipts	-	14 000 000	-	14 000 000
Conditions met - transferred to revenue	(3 294 398)	(10 006 866)	(3 294 398)	(10 006 866)
Adjustments	-	(6 167 244)	-	(6 167 244)
	698 736	**3 993 134**	**698 736**	**3 993 134**

Conditions still to be met - remain liabilities (see note 21)

The purpose of the grant is for the installation and maintenance of security around the Lesotho and Maluti-a-Phofung border.

33. Fines

Fines	5 011 368	464 529	5 011 368	464 529

The amounts above consists of the monies collected from the road users for their traffic misconducts.

34. Interest received - consumers

Interest received	30 614 449	18 444 498	30 614 449	18 444 498
Fair value adjustment on consumer receivables	-	5 916 737	-	5 916 737
	30 614 449	**24 361 235**	**30 614 449**	**24 361 235**

Interest received from consumer receivables are interest charged on overdue accounts.

35. Rental income

Rental of:				
Facilities and equipment	113 742	155 498	113 742	155 498
Theatre hire	54 612	69 104	54 612	69 104
Premises	753 898	87 905	753 898	87 905
	922 252	**312 507**	**922 252**	**312 507**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

36. Other income

Advertising income	47 497	55 508	47 497	55 508
Other income	18 311	26 794	18 311	26 794
Commissions salary deductions	251 525	156 330	251 525	156 330
Conservancy services	20 625	232 233	20 625	232 233
Escorting - vehicles	20 154	13 384	20 154	13 384
Income from valuations	50 415	39 345	50 415	39 345
New connections	188 102	192 411	188 102	192 411
Donations	70 000	-	70 000	-
Revaluation of R1 assets	3 456 205	-	-	-
Private work	5 191	1 549	5 191	1 549
Reconnections - non payment	366 906	180 313	366 906	180 313
Sale of erven	1 184 200	516 300	1 184 200	516 300
Sale of tender documents	280 922	214 753	280 922	214 753
Searching fees	21 915	19 055	21 915	19 055
Sundry income	8 266 680	669 404	8 226 093	609 777
Training income	871 392	581 775	871 392	475 295
	15 120 040	**2 899 154**	**11 623 248**	**2 733 047**

Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2012	2011	2012	2011

37. General expenses

Accounting fees		183 943	235 103	-	-
Advertising		716 384	315 956	542 123	270 053
Auditors remuneration		5 846 503	5 780 496	4 454 069	3 781 784
Bank charges		1 733 522	1 297 380	1 691 507	1 256 488
Capacity building		189 673	92 986	189 673	92 986
Chemicals		10 531	11 191	10 531	11 191
Cleaning		520 771	1 018 169	270 260	313 270
Community development and training		44 646	75 042	-	-
Computer expenses		-	33 788	-	-
Impairment		695 226 984	-	695 108 738	-
Consulting and professional fees		26 216 567	10 299 421	25 365 345	9 407 667
Consumables		1 069 346	253 678	1 069 346	191 132
Entertainment		71 944	35 319	-	-
Electricity		10 184 749	1 467 192	10 657 399	1 467 192
Flowers		243 953	152 625	-	-
Entertainment		943 723	408 612	943 723	408 612
Title deed search fees		-	25 384	-	25 384
Fines and penalties		6 053	83 659	-	-
Fuel and oil		6 232 899	4 914 573	5 984 214	4 900 995
Hire		102 040	-	-	-
Horticulture		639 792	-	-	-
IDP expenses		-	1 862	-	1 862
IT expenses		4 339 667	2 522 823	568 148	595 235
Indigent subsidy		6 149 258	-	6 149 258	-
Insurance		1 620 430	1 786 641	-	-
Lease rentals on operating lease	49	747 610	424 025	741 037	202 234
Levies		479 379	-	-	-
Local economic development projects		38 620	-	38 620	-
MSIG expenditure		1 042 175	749 377	1 042 175	749 377
Magazines, books and periodicals		90 823	167 712	17 900	18 475
Mayoral fund		190 570	541 443	190 570	541 443
Motor vehicle expenses		950 163	211 598	406 592	211 598
Other expenses		20 367 389	3 639 109	20 243 803	3 639 109
Packaging		47 738	11 981	-	-
Pest control		1 156	1 661	-	-
Placement fees		(161 545)	883 252	-	-
Postage and courier		2 114 128	1 932 838	2 114 128	1 932 838
Printing and stationery		293 537	183 625	-	-
Promotions		572 990	731 498	368 493	731 498
Promotions and sponsorships		81 049	146 888	-	-
Protective clothing		2 341 782	31 665	2 341 782	31 665
Research and development costs		20 374	9 742	-	-
Restructuring		-	(3 698 669)	-	(3 698 669)
Security (guarding of municipal property)		713 999	2 229 114	110 021	2 229 534
Staff welfare		9 044	-	9 044	-
Subscriptions and membership fees		575 765	2 076 446	575 765	2 077 144
Telephone and fax		4 499 806	4 574 366	2 784 308	2 820 724

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

37. General expenses (continued)

Training	1 828 525	1 370 534	981 031	1 204 366
Transport and freight	692 360	-	-	-
Travel - local	61 755	338 417	-	-
Uniforms	299 673	123 659	-	-
Valuation costs	3 234 520	3 464 563	3 234 520	3 464 563
Venue expenses	3 353 680	3 079 254	3 353 680	3 079 254
	806 780 443	**54 035 998**	**791 557 803**	**41 959 004**

38. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting inter alia for the following:

Operating lease charges

Premises				
• Contractual amounts	(1 245)	221 791	-	-
Motor vehicles				
• Contractual amounts	528 016	180 238	528 016	180 238
Equipment				
• Contractual amounts	220 839	21 996	213 021	21 996
	747 610	**424 025**	**741 037**	**202 234**

Loss on sale of property, plnat and equipment	(49 049)	(977 973)	(1)	(977 973)
Depreciation and amortisation on property, plant and equipment	311 276 064	287 715 377	308 707 432	286 380 460
Employee costs	253 376 647	216 367 149	191 147 532	165 785 437
Research and development	20 374	9 742	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

39. Personnel costs

Acting allowances	7 004	31 486	7 004	31 486
Bargaining council contribution	49 169	47 531	49 169	47 531
Basic salary	147 584 189	125 613 078	113 679 983	96 103 049
Bonus	15 306 495	10 085 147	8 679 202	7 763 792
Car allowance	2 875 629	2 897 784	2 875 629	2 897 784
Group insurance	186 099	95 851	186 099	95 851
Housing benefits and allowances	516 129	459 918	516 129	459 918
Leave pay	1 084 939	2 510 537	1 084 939	2 510 537
Long-service awards	58 025	-	58 025	-
Long service bonus	(58 025)	-	(58 025)	-
Medical aid - company contributions	14 759 698	13 355 320	5 878 556	5 500 611
Other short term costs	-	390	-	-
Overtime payments	16 778 079	11 401 354	10 098 078	5 929 115
Post-employment benefits - (pension - defined contribution plan)	18 146 112	15 727 684	18 146 112	15 727 684
SDL	1 852 116	1 449 716	1 380 177	1 088 717
Standby allowance	899 758	579 269	899 758	579 269
Telephone / cellphone allowance	267 529	200 700	267 400	198 700
Tool allowance	720	720	720	720
Travel, motor car, accommodation, subsistence and other allowances	7 291 278	6 963 739	1 716 873	2 018 464
UIF	1 097 526	904 637	1 097 526	904 637
	228 702 469	**192 324 861**	**166 563 354**	**141 857 865**

Remuneration of Municipal Manager - Kau RS

Annual remuneration	585 746	479 174	585 746	479 174
Allowances	212 565	295 367	212 565	295 367
Contributions to UIF, medical and pension Funds	144 920	115 430	144 920	115 430
	943 231	**889 971**	**943 231**	**889 971**

.

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

39. Personnel costs (continued)

Remuneration of Chief Finance Officer - Ramalondi TJ

Annual remuneration	483 083	464 818	483 083	464 818
Allowances	229 843	231 951	229 843	231 951
Contributions to UIF, medical and pension funds	131 247	125 091	131 247	125 091
	844 173	**821 860**	**844 173**	**821 860**

Remuneration of Director: Municipal Infrastructure - Ungerer BH

Annual remuneration	547 905	451 818	547 905	451 818
Allowances	140 929	196 300	140 929	196 300
Contributions to UIF, medical and pension funds	42 284	44 712	42 284	44 712
	731 118	**692 830**	**731 118**	**692 830**

Remuneration of Director of Local economic development - Mohlombi S

Annual remuneration	725 373	680 703	725 373	680 703
Allowances	138 000	138 000	138 000	138 000
Contributions to UIF, medical and pension funds	15 196	9 494	15 916	9 494
	879 289	**828 197**	**879 289**	**828 197**

Remuneration of Director: Public Safety - Matjele MW

Annual remuneration	563 846	424 665	563 846	424 665
Allowances	152 882	145 124	152 882	145 124
Contributions to UIF, medical and pension funds	122 639	108 338	122 639	108 338
	839 367	**678 127**	**839 367**	**678 127**

Remuneration of Director: Corporate Services - Matshila VJ

Annual remuneration	488 923	462 252	488 923	462 252
Allowances	148 293	139 856	148 293	139 856
Contributions to UIF, medical and pension funds	7 516	7 249	7 516	7 249
	644 732	**609 357**	**644 732**	**609 357**

Remuneration of Director: Parks, Sports, Recreation, Arts and Culture - Mohlombi S

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2012	Economic entity 2011	Controlling entity 2012	Controlling entity 2011

39. Personnel costs (continued)

Annual remuneration	527 266	481 965	527 266	481 965
Allowances	116 772	146 431	116 772	146 431
Contributions to UIF, medical and pension funds	36 852	38 885	36 852	38 885
	680 890	**667 281**	**680 890**	**667 281**

Remuneration of Director: Community - Selepe PP

Annual remuneration	542 225	439 963	542 225	439 963
Allowances	133 445	161 454	133 445	161 454
Contributions to UIF, medical and pension funds	86 551	79 910	86 551	79 910
	762 221	**681 327**	**762 221**	**681 327**

Remuneration of Director: Spatial Development - Hleli PH

Annual remuneration	433 900	405 841	433 900	405 841
Allowances	169 989	171 412	169 989	171 412
Contributions to UIF, medical and pension funds	94 934	88 265	94 934	88 265
	698 823	**665 518**	**698 823**	**665 518**

Remuneration of Director: Spatial development -Hleli PH

Annual remuneration	433 900	405 842	433 900	405 842
Allowances	169 989	171 412	169 989	171 412
Contributions to UIF, Medical and Pension Funds	94 934	88 264	94 934	88 264
	698 823	**665 518**	**698 823**	**665 518**

40. Remuneration of councilors

Councillors	11 075 377	10 498 237	11 075 377	10 498 237
Executive Mayor	767 968	874 497	677 968	759 781
Mayoral Committee Members	5 055 513	5 582 620	5 055 513	5 582 620
Speaker	760 276	552 470	760 276	552 470
	17 659 134	**17 507 824**	**17 569 134**	**17 393 108**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The Executive Mayor has use of a council owned vehicle for official duties.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

41. Community project expenditure

Administration and management fees - third party	243 634 224	276 035 596	243 634 224	276 035 596
Less: Assets capitalised	(138 985 285)	(242 304 355)	(138 985 285)	(242 304 355)
	104 648 939	**33 731 241**	**104 648 939**	**33 731 241**

42. Reversal of allowance for bad debt

(Reversal) / allowance bad-debts	69 149 854	33 255 159	69 149 854	33 255 159
Debts written-off	29 238 594	28 849 436	27 359 431	28 849 436
	98 388 448	**62 104 595**	**96 509 285**	**62 104 595**

43. Investment revenue

Interest revenue

Interest on investment	2 017 989	7 567 995	2 017 989	7 567 995

The amount included in investment revenue arising from exchange transactions amounted to R 1 690 242 (2011: R2,207,574).

44. Fair value adjustments

Other financial assets				
• At fair value	540 557	606 682	540 557	606 682

45. Depreciation

Property, plant and equipment	311 276 064	287 715 377	308 707 432	286 380 460

46. Repairs and maintenance

General	11 608 284	15 658 359	188 424	2 193 864
Land and buildings	924 675	552 197	924 675	552 197
Motors and pumps	41 719	115 992	41 719	115 992
Network reticulation	3 247 249	2 370 580	3 247 249	2 370 580
Office equipment, machinery and computers	575 364	148 906	575 364	148 906
Roads	26 801 684	(6 746 216)	26 801 684	(6 746 216)
Street lights, names, signs and stormwaters	7 499 754	6 500 152	7 499 754	6 500 152
Substations	580 253	101 818	580 253	101 818
Vehicles	2 804 752	2 080 820	2 804 752	2 080 820
	54 083 734	**20 782 608**	**42 663 874**	**7 318 113**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

47. Finance costs

Financial institutions	6 956 397	3 115 632	6 956 397	3 115 632
Fair value adjustments on payables	-	498 320	-	-
Other interest paid	1 462 350	1 451 845	-	-
	8 418 747	**5 065 797**	**6 956 397**	**3 115 632**

48. Auditors' remuneration

Fees	5 846 503	5 780 496	4 454 069	3 781 784

49. Operating lease

Lessor

The council leases various fixed properties under non-cancellable operating leases to various parties. The lease agreements have escalations of 10% or 12% per year with the agreements varying from 5 years to 9 years and 11 months. Rental income, for these agreements, to the value of R155,931 (2011:R140,403) has been recognised in the Statement of financial performance during the year.

Lessee

The municipality has various operating leases for printers, copiers and fax machines, which are on a month to month basis.

Future minimum lease payments received (Lessor)				
Receivable within 1 year	113 212	155 498	113 212	155 498
Receivable within 1 to 5 years	148 862	-	148 862	-
	262 074	**155 498**	**262 074**	**155 498**

Operating lease payments (lessee)				
Minimum lease payments due	160 272	683 050	-	202 234

50. Contracted services

Information technology services	1 373 527	3 677 475	1 373 527	3 677 475
Fleet services	33 274 682	19 176 182	33 274 682	19 176 182
Operating leases	1 718 519	1 412 756	1 510 791	1 412 756
Other contractors	4 106 102	5 685 118	2 615 253	3 830 793
Specialist services	3 973 986	42 235 532	241 295	37 050 849
	44 446 816	**72 187 063**	**39 015 548**	**65 148 055**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

51. Grants and subsidies paid

Other subsidies				
DWAF subsidy to Maluti-a-Phofung Water (Pty) Ltd	-	-	7 661 000	10 944 000
Equitable share to Maluti-a-Phofung Water (Pty) Ltd	-	-	66 726 000	57 555 000
	-	**-**	**74 387 000**	**68 499 000**

52. Bulk purchases

Electricity	306 533 963	211 283 711	299 513 433	205 332 047
Water	12 274 790	10 867 803	38 999 679	32 183 029
	318 808 753	**222 151 514**	**338 513 112**	**237 515 076**

53. Cash generated from operations

(Deficit) surplus	(744 702 609)	151 714 901	(741 627 446)	157 887 068
Adjustments for:				
Depreciation and amortisation	311 276 064	287 715 377	308 707 432	286 380 460
Loss on sale of assets	49 049	977 973	1	977 973
Fair value adjustments	(540 557)	(606 682)	(540 557)	(606 682)
Impairment loss	695 108 738	-	695 108 738	-
Allowance for debt impairment	98 388 448	62 104 595	96 509 285	62 104 595
Movements in operating lease assets and accruals	(13 969)	(1 970)	(13 969)	(1 970)
Movements in retirement benefit assets and liabilities	864 000	(4 548 226)	864 000	(4 548 226)
Movements in provisions and other liabilities	35 028 011	-	35 028 011	-
Revaluation of R1 assets	(3 456 204)	-	-	-
Other non-cash items	(230 156)	(8 367 737)	(230 154)	(8 367 737)
Changes in working capital:				
Inventories	(1 103 193)	1 168 890	(230 470)	611 619
Other receivables from exchange transactions	(916 614)	69 376 983	(651 559)	61 337 458
Other receivables from non-exchange transactions	1 812 491	(1 812 411)	1 812 491	(1 812 411)
Consumer receivables	(108 890 442)	22 386 645	(104 745 705)	411 394
Payables from exchange transactions	38 079 644	(65 143 322)	31 995 792	(48 464 124)
VAT	(4 176 100)	(6 031 844)	(2 987 049)	(5 219 498)
Taxes and transfers payable (non exchange)	-	36 447	-	36 447
Unspent conditional grants and receipts	(9 261 742)	5 753 409	(9 261 742)	5 753 409
Consumer deposits	699 868	1 342 292	699 868	1 342 292
	308 014 727	**516 065 320**	**310 436 967**	**507 822 067**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

54. Contingencies

Management can not reliably estimate the financial effect of the claims due to uncertainties relating to when the cases will be resolved and management are not able to reliably determine the amount payable. The amounts disclosed, where applicable, reflects the claim against the council.

There is no reimbursement from any third parties for potential obligations of the municipality.

All the claims are being contested based on legal advice.

Litigations in the process against the council relating to civil claims include the following:

1. Claim by council for overpayment to supplier and contra claim by supplier for alleged breach of contract:	-	-		
1.1 Claims for alleged breach of contract	16 827 744	13 000 000	16 827 744	13 000 000
1.2 Claim by council for overpayment to supplier	4 551 777	(304 106)	4 551 777	(304 106)
1.3 Claim by supplier for expropriation of land to council	-	4 415 495	-	4 415 495
2. Claims for services rendered	-	9 494 329	-	9 494 329
3. Claim by individuals for damages	2 312 128	1 208 529	2 432 128	1 208 529
4. Claims on arrear payments	53 478 833	4 196 443	962 505	4 196 443
5. Additional from lawyer confirmation	-	-	54 884	-
	77 170 482	**32 010 690**	**24 829 038**	**32 010 690**

55. Related parties

Relationships	
Controlled entity	Refer to note 8
Entity controlled by council member's spouse	Mayihlome Tyres
Close family member of key management	Tshedza Guest Lodge

Related party transactions

Amounts included in the trade (payables)/receivables		
Maluti-a-Phofung Water (Pty) Ltd	(42 376 103)	(33 592 405)
Maluti-a-Phofung Water (Pty) Ltd (Insurance)	8 039 590	8 039 590
Amounts included in the consumer receivables		
Maluti-a-Phofung Water (Pty) Ltd	472 650	-
Amounts included in grants and subsidies paid		
Maluti-a-Phofung Water (Pty) Ltd	74 387 000	68 499 000
Amounts included in the bulk purchases		
Maluti-a-Phofung Water (Pty) Ltd	38 999 679	32 183 029

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011
55. Related parties (continued)				
Amounts included in the general expenses				
Maluti-a-Phofung Water (Pty) Ltd			-	(1 091 126)
Amounts included in the repairs and maintanance				
Mayihlome Tyres			-	2 719 860
Amounts included in capital expenditure				
Mayihlome Tyres			-	4 144
Amounts included in accomodation and lodging paid				
Tshedza Guest Lodge			-	44 550

No related parties have been pledges as security.

No guarantees have been given or received on any related party balance.

No provision of impairment has been recognised against any related party balance.

No bad debt has been written off in the current year or previous year.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

56. Prior period errors

Long Service Bonus

The valuation of the long service bonus was only recognised in the current year through the accumulated surpus. The valuation of the prior year was not performed. This has resulted in a net decrease of R11,204,055 on equity and an increase of the same amount on the non-current liabilities.

A provision for long service bonus, included in payables in note 23 that was made in the 2011 financial year was also reversed due to the fact that the actuarial valuation was made and we therefore have restated our 2011 financial year figures. The impact of the transaction was that our liabilities decreased with an amount of R4,548,226. The long service bonus line item in note 39: Personnel cost has decreased with R4,548,268 as a result of this change. The employee cost per statement of financial performance also decreased with the same amount. The long service liability was recognized.

Medical aid Liability

Valuation was obtained from One Pangaea Financial for the 2012 financial year. No valuation was obtained for 2010 or 2011 financial year. The closing balance of R7,605,000 provided in the report was also accounted for against the opening accumulated surplus of 2011 financial year. Therefore the liabilities of 2011 increased with R7,605,000 and opening accumulated surplus of 2011 decreased with R7,605,000.

Employee cost

The municipality received written approval to clear suspense accounts in the 2012 financial year. This resulted in the overall employee cost to decrease in total with R4,539,744. The Personnel cost in the statement of financial performance decreased with R6,764,636 and Remuneration of councilors increased with R2,224,892.
The following notes to financial statements were changed as results of this:
Note 38: Operating (deficit)/surplus
Employee cost decreased with R4,539,744
Note 39: Personnel cost
The basic salaries decreased with R2,140826. Skills development levies decreased with R74,017, UIF decreased with R1,525 and long service bonus decreased with R4,548,268.
Note 40: Remuneration of councilors
The councilors increased with R1,860,009, Executive Mayor increased with R35,106, the Mayoral Committee Members increased with R262,705 and the speaker increased with R67,072.

Investments

During the year a total of seven investments were redeemed from Old Mutual. One of the seven investments was excluded from the 2011 financial statements as investment. We have therefore restated the 2011 figures to include the investment for an amount of R 749,725. The impact was that the investments were understated by R749,725 and the accumulated surplus was also understated by the same amount.

Conditional Grants

Grants utilised in the 2011 financial year were recognized as revenue excluding the VAT Portion and therefore the liability equal to the VAT remained as liability. Circular 58 of the MFMA, allows the municipality to recognize the VAT paid as part of the expenditure on the conditional grants. These resulted in an overstatement of the conditional grants liability and an understatement of income from conditional grants. The 2011 financial year figures were restated to include a net amount for R 16 390 668 as revenue.

56. Prior period errors (continued)

Other Matters

In the 2011 financial year, insurance premiums to the value of R1,812,411 were recognized as expense. This amount paid relates to insurance premium for the 2012 financial year. Therefore the amount should have been disclosed as prepaid expense and not recognized as expense in 2011. The municipality has restated the 2011 financial statements to reflect the amount as prepaid expense. The impact is insurance expenses to decrease by R1,812,411 and Prepaid expenses to increase by the same amount. Note 50 decreased with R1,812,411 for contracted services as a result of this.

In the 2011 financial year prepaid electricity was not properly accounted for as required by GRAP 9 par 20. The municipality has calculated the prepaid electricity for 2011 financial year. The 2011 financial statements have been restated to account for the prepaid electricity revenue. As a result of the restatement Revenue in 2011 financial year decreased by R3,482,418 and Accrued income increased with R3,482,418. Service charges in note 28: Revenue decreased with R3,482,418.

Operating lease payments from TGIS for contract entered into on the 1 April 2009 was not straight lined as required by GRAP 13 for the 2011 financial year. The impact is that operating lease liability increased by R13,969, rental expenses increased by R2,125 and accumulated surplus decreased by R13,969 for the restated 2011 financial year.

The municipality discovered that VAT was incorrectly calculated by the system in 2009. An amount of R107,456 for VAT was not accounted for properly in the book of the municipality. We have therefore restated the prior year figure to include the transaction. This has resulted in an increase in the input VAT and a decrease in the profit and loss. Accumulated surplus decreased with R107,456, VAT receivable (note 15) increased with R2,337 and VAT Payable(note 15) decreased with R105,119.

The municipality discovered that remote deposits were incorrectly allocated. An amount of R249,239 for remote deposit was also restated due to the fact that these deposits were not properly accounted for in the 2011 financial year. In the 2011 financial statements it was included in the statement of financial position, but it should have been included in the statement of financial performance. The result is that the liabilities have decreased with the amount and the profit and loss have increased with the same amount.

Repairs and maintenance

The municipality received written approval to clear suspense accounts in the 2012 financial year. The municipality cleared the suspense accounts to the extent that it relates to identified classes of transactions. The repairs and maintenance increased with R272,643 in the statement of financial performance and the note of repairs and maintenance (note 46) changed as follows:
General increased with R267,632 and Vehicles increased with R5,011. Total increase in the note is R272,643.
For the clearing of the suspense accounts refer to Debtors and Payables sections below.

Community expenses

The municipality received written approval to clear suspense accounts in the 2012 financial year. The municipality cleared the suspense accounts to the extent that it relates to identified classes of transactions. The Community project expenditure increased with R52,169 in the statement of financial performance and the note of Community project expenditure (note 41) changed as follows:
Capital expenditure acquired during the year increased with R52,169.

56. Prior period errors (continued)

For the clearing of the suspense accounts refer to Debtors and Payables sections below.

General expenses

The municipality received written approval to clear suspense accounts in the 2012 financial year. The municipality cleared the suspense accounts to the extent that it relates to identified classes of transactions. The general expenses decreased with R3,648,441 in the statement of financial performance and the note of general expenses (note 37) changed as follows:
Consulting and professional fees increased with R23,241; electricity increased with R2,033; fuel and oil decreased with R36,290; motor vehicle expenses decreased with R3,816; restructuring decreased with R3,698,669 and training increased with R65,060.
For the clearing of the suspense accounts refer to Debtors and Payables sections below.

Debtors

The municipality received written approval to clear suspense accounts in the 2012 financial year. A total amount of R21,666,449 for the suspense accounts that was included as part of the receivables in note 13 was cleared against the accumulated surplus. The 2011 financial statements are restated to reflect this. The impact is that the payables decreased with the amount and the accumulated surplus increased with the same amount. The line items in note 13 that decreased were other receivables, R3,788,117 and unallocated receipts, R17,87,449.
A total amount of R1,330,279 for the suspense accounts that was included as part of Other Receivables from non-exchange transactions were cleared against accumulated surplus.

Payables

Trade debtors of R899,999 incorrectly re-classified as trade and other payables. The impact was that trade and other receivables and trade and other payables increased by R899,999. These debtors were all reclassified as accounts payable vote (payments received in advance).
The municipality confirmed that the closing balance at 30 June 2011 as per the consumer statement on the system had a debit balance at year end and therefore should have never been reclassified as a payable.

The municipality received written approval to clear suspense accounts in the 2012 financial year. A total amount of R22,069,053 for the suspense accounts that was included as part of the payables in note 23, was cleared against the accumulated surplus. We are therefore also restating our prior year's figures. The impact is that the payables decreased with the amount and the accumulated surplus increased with the same amount. The line item in note 23 that was affected was Sundry Payables, R1,074,087 and unidentified deposits, R20,994,966.

The above changes resulted in the Note 26: Financial liabilities by category to change as follows:
Trade and other payables from exchange transactions to increase with R4,381,518.

Inventory

The municipality discovered that in the 2011 financial year inventory adjustments were incorrectly made to the balance sheet account. We are therefore restating the 2011 financial year figures. The effect will that there will be an increase in inventory and an increase in general expenses with an amount of R24,412.
Cash and cash equivalents

56. Prior period errors (continued)

Numerous payments made in 2012 financial year relates to invoices dated before 1 July 2011. Investigation indicated that these invoices were not provided for as accruals during 2011. As a result 2011 was restated to account for these expenditure in the correct financial year. We are therefore restating the 2011 financial year figure to include these transactions. The effect will be that the cash and cash equivalents will decrease with an amount of R424,892 and general expenses will increase with the same amount.

Long outstanding items on the bank reconciliation were followed up and cancelled. Transactions relating to 2011 were reversed against accumulated surplus and subsequently 2011 were restated to account for these reversals.
We have therefore restated the 2011 financial year figures to include this and the effect is that the bank will increase with an amount of R859,618 and the general expenses will decrease with the same amount.

The cash float was never brought into the accounts of the municipality. We have therefore brought an amount of R1,650 into account and restated the 2011 financial year figures. The effect will be that the cash and cash equivalents will increase with the amount and the accumulated surplus will also increase with the same amount.

Assets

The municipality underwent a rigorous exercise to ensure that assets are completely accounted for in the fixed assets register and the exercise resulted in an increase of R3,705,820,814 in the value of assets. The municipality appointed an external firm to locate, tag and value the items of property, plant and equipment as well as investment property. The changes are discussed below.

The exercise resulted in the following changes in the cost of assets in note 5 of the financial statements.
Land increased with R619,483,988; buildings increased with R529,971,123;Infrastruscture assets increased with R2,814,193,082; other assets decreased with R15,008 and work in progress increased with R205,347,207.

The following changes due to the restatement in accumulated depreciation in note 5. Buildings increased with R59,104,814; community assets increased with R3,209; heritage assets increased with R84; infrastructure assets increased with R432,155,325, landfill sites decreased with R1,370 and other assets decreased with R496,797.

The disclosure of Carry value in note 5 changed as a result of the restatement as follows. Land increased with R619,483,938; buildings increased with R470,866,309; community assets decreased with R3,209; heritage assets decreased with R84; infrastructure assets increased with R2,382,037,757; landfill sites increased with R1,370, other assets increased with R481,789 and work in progress increased with R205,347,207.

The disclosure of Carry value – opening balance in note 5 changed as a result of the restatement as follows. Land increased with R619,483,938; buildings increased with R470,866,309; community assets decreased with R3,209; heritage assets decreased with R84; infrastructure assets increased with R2,565,087,952; landfill sites increased with R1,372; other assets increased with R1,912,477 and work in progress increased with R15,547,133.

The disclosure of additions in note 5 changed as a result of the restatement as follows. Buildings increased with R29,916,245; infrastructure assets decreased with R41,350,830; other assets increased with R8,122,411 and work in progress increased with R263,991,181.

The disclosure of revaluations in note 5 changed as a result of the restatement as follows. Other assets decreased with R8,122,977.

The disclosure of disposals in note 5 changed as a result of the restatement as follows. Other assets decreased with

56. Prior period errors (continued)

R977,974 as result of the disposals. This has resulted in the statement of financial performance to change with R977,974 for the loss on sale of property, plant and equipment. The disclosure in note 38:Operating(deficit) surplus changed with the same amount.

The disclosure of transfers in note 5 changed as a result of the restatement as follows. Infrastructure assets increased with R74,291,107 and work in progress decreased with R74,291,107.

The disclosure of depreciation in note 5 changed as a result of the restatement as follows. Infrastructure assets increased with R215,990,472; buildings increased with R29,513,251 and other assets increased with R452,148.
The disclosure of depreciation in note 6 changed as a result of the restatement to R1,299,684.
The total depreciation charge per the statement of financial performance changed with R247,255,556.

The disclosure of accumulating depreciation in note 5 changed as a result of the restatement as follows. Land increased with R619,483,938; buildings increased with R470,866,309; community assets decreased with R12,209; heritage assets decreased with R84; infrastructure assets increased with R2,382,037,757; landfill sites increased with R1,370; other assets increased with R481,789 and work in progress increased with R205,247,207.

The change resulted in a reclassification from property, plant and equipment to investment property. Investment property per note 6. The cost increased with R30,308,627, accumulating depreciation increased with R2,602,930. The change in the net carrying amount is therefore R27,705,697. This decreased the cost of property, plant and equipment with R27,705,69.

Inventory and retained earnings were overstated and this was a result of 53 items of inventory to the value of R189 199 were previously valued at zero, the items were purchased prior 2010/11 year end.

Accruals to the value of R864,918 has been restated due to the fact they were raised in prior years without valid supporting documentation.

Trade and other receivables to the value of R1,660,963 were restated, this was due to certain opening balance adjustments for 2010 and 2011 not effected in the trade and other receivable accounts.

Contributions for pension fund for the year ending June 2010 amounting to R 2 274 were incorrectly recorded. A journal was processed and the difference of R 2 274 resulted in decrease in salaries control(payables) and accumulated deficit

Telkom invoices for June 2011 were incorrectly captured in July 2011 as an expense. No accrual was raised in 2011 for these outstanding invoices. This error has been corrected by recording the invoices 2010/11 financial year as well as raising an accrual for that year. This resulted in an increase in creditors by 23 388, expenditure by R 20 516 and VAT input by R 2 872.
The correction of the errors resulted in adjustments as follows:

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

56. Prior period errors (continued)

Statement of financial position

Decrease in trade and other payables - exchange transactions		41 231 754		22 069 053
Decrease in consumer receivables		(1 131 894)		-
Increase in operating lease liability		(13 969)		(16 094)
Increase in other financial asset		749 725		749 725
Increase in property, plant and equipment		3 678 115 129		3 678 115 117
Increase in accumulated surplus		(3 684 529 289)		(3 683 125 943)
Increase in investment property		27 705 697		27 705 697
Decrease in unspent conditional grants and receipts		16 390 667		16 390 667
Increase in long service liability		(11 033 000)		(11 204 055)
Increase in prepaid electricity		-		(3 482 418)
Increase in medical aid liability		(8 480 000)		(7 605 000)
Decrease in other receivables from exchange transactions		(29 703 474)		(21 666 449)
Increase in VAT receivable		110 328		107 456
Decrease in deposit liability		-		249 239
Increase in cash and cash equivalents		436 450		434 450
Decrease in provision for long service bonus		-		4 548 268
Increase in prepaid insurance		-		1 812 411
Decrease in other receivables from non-exchange transactions		(1 332 808)		899 999
Increase in other payables		-		899 999
Increase in inventory		213 611		24 412
		28 728 927		**26 906 534**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

56. Prior period errors (continued)

Statement of Financial Performance				
Increase in the loss on the sale of assets		977 973		977 973
Increase in property rates	-	3 482 418		3 482 418
Decrease in service charges		(1 456 257)		-
Increase in restatements of assets		(260 935 684)		(252 556 029)
Decrease in fair value adjustments		8 379 655		-
Decrease in bulk purchases		(864 919)		-
Decrease in contracted service		(1 812 411)		(1 812 411)
Increase in remuneration of councilors		2 224 892		2 224 892
Increase in repairs and maintenance		272 643		272 643
Increase in government grants and subsidies		(16 390 668)		(16 390 668)
Increase in community project expenditure	-	52 169		52 169
Decrease in personnel cost		(6 764 636)		(6 764 636)
Increase in depreciation		247 255 556		247 255 556
Decrease in general expenses		(3 149 641)		(3 648 441)
		(28 728 910)		**(26 906 534)**

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

57. Comparative figures

Certain comparative figures have been reclassified.

Investments were incorrectly classified as non-current investments and should have been classified as current investments. This was corrected based on maturity date.

The short term portion of long term receivables was incorrectly included in the non current balance of long term receivables.

Contracted service for reading of meters were incorrectly classified as repairs and maintanance

The effects of the reclassification are as follows:

Statement of financial position				
Non-current investments	-	(19 866 525)	-	(19 866 525)
Current investments	-	19 866 525	-	19 866 525
Statement of Financial Performance				
Decrease in repairs and maintenance	-	(1 854 325)	-	-
Increase in contracted services	-	1 854 325	-	-

58. Risk management

Financial risk management

The municipality has exposure to the following risks from its use of financial instruments:
- Liquidity risk
- Market risk
- Credit risk

This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout the annual financial statements.

Credit risk

Credit risk is managed on a group basis.

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

58. Risk management (continued)

Trade and other receivables (current and non-current portion)

The municipality's trade receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as water, sanitation and rates levied. Consumer receivables constitute approximately 95% of the municipality's total exposure to maximum credit risk. The municipality's exposure and credit ratings of its customers are continuously monitored. The municipality establishes an allowance for debt impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

Trade and other payables

Payables to the municipality's subsidiary Maluti-a-Phofung Water Pty Ltd accounts for 12% of the maximum credit risk exposure for the municipality. The account payable originated in accordance with the sale of business agreement for the purchase of the water service by Maluti-a-Phofung Water. No trade and other payables have been pledged as security. When loans become irrecoverable they are written off. No conditions or terms of the loans have been re-negotiated with counterparties.

Cash and cash equivalents

The municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 1990 (Act No. 94 of 1990) operating in South Africa. No cash and cash equivalents have been pledged as security. No terms or conditions were required to be re-negotiated with the bank and no cash was defaulted on by the bank holding the municipality's cash. There were no restriction with regards to the use of cash, barring the municipality's compliance with the Municipal Finance Management Act requirement regarding cash management.

Controlling entity

Maximum exposure to credit risk at reporting date was:				
Investments at amortised cost	-	-	300	300
Cash and cash equivalents	17 309 259	18 390 465	12 465 150	9 525 089
	17 309 259	**18 390 465**	**12 465 450**	**9 525 389**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

58. Risk management (continued)

Maximum exposure to credit risk at reporting date for loans and receivables as per counter parties was:

Consumer receivables (current)	650 354 663	582 025 803	641 396 604	575 726 487
Long term consumer receivables	20 184 891	22 630 995	20 184 891	22 630 995
Other receivables from exchange transactions	14 932 623	14 154 777	14 803 807	14 152 248
Other receivables from non-exchange transactions	-	1 812 491	-	1 812 491
Other financial assets (current)	425 687	39 851 756	425 687	39 851 756
Other financial assets (non-current)	1 563 924	3 295 397	1 563 924	3 295 397
	687 461 788	**663 771 219**	**678 374 913**	**657 469 374**

Impairment losses

The municipality's consumer receivables (current) have been reviewed for indicators of impairment. Certain receivables were found to be impaired and an allowance has been recorded accordingly. The impaired trade receivables are due from consumers defaulting on service costs levied by the municipality.

Unimpaired consumer receivables				
Current (0 - 30 days)	65 472 841	3 702 034	22 328 543	3 702 034
31 - 60 days	56 511 452	2 190 025	56 511 452	2 190 025
61 - 90 days	-	28 021 457	-	28 021 457
	121 984 293	**33 913 516**	**78 839 995**	**33 913 516**

Impaired consumer receivables				
Current (0 - 30 days)	2 166 010	32 521 180	2 166 010	32 521 180
31 - 60 days	(42 078 067)	21 545 064	(42 078 067)	21 545 064
61 - 90 days	75 778 156	(6 786 590)	75 778 156	(6 786 590)
90 days +	35 928 578	72 921 240	35 928 578	72 921 240
	71 794 677	**120 200 894**	**71 794 677**	**120 200 894**

Liquidity risk

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

58. Risk management (continued)

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

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Economic entity

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	6 544 268	14 146 848	-	-
Trade and other payables	213 386 281	-	-	-
Finance lease obligations	4 155 189	6 943 526	-	-

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	9 148 480	-	-	-
Trade and other payables	216 948 102	-	-	-
Finance lease obligations	144 153	403 114	-	-

Controlling entity

At 30 June 2012	Less than 1 year	Between 1 and 5 years	Between 2 and 5 years	Over 5 years
Borrowings	6 544 268	14 146 848	-	-
Trade and other payables	181 897 171	-	-	-
Finance lease	3 752 154	7 449 847	-	-

At 30 June 2011	Less than 1 year	Between 1 and 5 years	Between 2 and 5 years	Over 5 years
Borrowings	9 148 480	-	-	-
Trade and other payables	166 917 388	-	-	-

Market risk

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

There has been no change, since the previous financial year, to the municipality’s exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

58. Risk management (continued)

The municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term loans.

59. Going concern

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

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

60. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure - current year	4 036 708	730 567	3 382 962	326 948

The fruitless expenditure relates to interest on Eskom overdue accounts and the interest for payments that were not made on time to other institutions.

Fruitless and wasteful expenditure (interest and penalties) relates to interest and penalties that was charged for late payments to defined contribution plan suppliers amounting to R19 383 and late submission of returns to SARS of R6,053.

The payment made by Maluti-a-Phofung Water (Pty) Ltd was allocated in incorrect bank account and part of the money could not be recovered.

The fruitless and wasteful expenditure is to be laid before the board of directors for write-off.

61. Irregular expenditure

Opening balance	11 985 697	3 459 534	4 314 791	-
Irregular Expenditure - current year	4 244 160	8 526 160	-	4 314 791
Amounts condoned or written off by Council	(4 314 791)	-	(4 314 791)	-
	11 915 066	**11 985 694**	**-**	**4 314 791**

Details of irregular expenditure – current year

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

61. Irregular expenditure (continued)

	Disciplinary steps taken/criminal proceedings	
The Supply Chain Management policy and the Municipal Regulations were not followed.	Management is still in the process of condoning the expenditure	3 459 534
The Supply Chain Management policy and theMunicipal Regulations were not followed.	Management is still in the process of condoning the expenditure	4 468 087
Fruitless and wasteful expenditure (inflated prices for leases) relates to the difference in cost between a leased asset and a asset purchased for cash.	Management is still in the process of condoningthe expenditure	3 003 463
Lease contracts were not cancelled in time and expenses are paid for old machines use on a month to month basis.	Management is still in the process of condoning the expenditure	593 645
		11 524 729

62. Presentation of budget information

62.1 Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	Economic entity 2012	Economic entity 2011	Controlling entity 2012	Controlling entity 2011
Net (deficit) surplus per the statement of financial performance	(744 653 560)	152 692 874	(741 627 445)	158 865 041
Adjusted for:				
Fair value adjustments	540 557	606 682	540 557	606 682
Over budget on revenue	-	-	(225 276 976)	-
(Over) or underspending - operating expenses	(199 291 355)	264 131 737	966 568 043	264 131 737
(Over) or under spending - capital expenditure	130 722 897	(142 082 277)	-	(142 082 277)
Net (deficit) surplus per approved budget	**(812 681 461)**	**275 349 016**	**204 179**	**281 521 183**

63. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	Economic entity 2012	Economic entity 2011	Controlling entity 2012	Controlling entity 2011
Opening balance	12 219	-	-	-
Current year subscription / fee	1 922 312	1 403 243	1 770 111	1 267 826
Amount paid - current year	(152 201)	(1 391 024)	-	(1 267 826)
Amount paid - previous years	(12 219)	-	-	-
	1 770 111	**12 219**	**1 770 111**	**-**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

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

Audit fees

Current year fee	6 068 106	5 180 496	4 454 069	3 181 784
Amount paid - current year	(6 068 106)	(5 180 496)	(4 454 069)	(3 181 784)
	-	-	-	-

PAYE and UIF

Opening balance	2 060 110	1 157 254	1 608 711	1 157 254
Current year fee	26 961 979	34 618 808	20 817 771	20 317 720
Amount paid - current year	(25 273 298)	(32 558 698)	(19 129 090)	(18 709 009)
Amount paid - previous years	(2 060 110)	(1 157 254)	(1 608 711)	(1 157 254)
	1 688 681	**2 060 110**	**1 688 681**	**1 608 711**

Pension and medical aid deductions

Opening balance	2 978 272	2 624 063	2 978 272	2 624 063
Current year fee	44 124 688	41 330 927	35 641 070	33 798 569
Amount paid - current year	(40 637 983)	(38 352 655)	(32 528 539)	(30 820 297)
Amount paid - previous years	(2 978 272)	(2 624 063)	(2 978 272)	(2 624 063)
	3 486 705	**2 978 272**	**3 112 531**	**2 978 272**

VAT

VAT receivable	8 001 563	14 557 307	6 809 639	14 557 307
VAT payable	547 094	11 278 938	(9 465)	(10 744 182)
	8 548 657	**25 836 245**	**6 800 174**	**3 813 125**

VAT payables and VAT receivables are shown in note 15.

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

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

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Moeketsi M	553	1 258	1 811
Mositi M	3 362	2 651	6 013
Mahlambi T	971	1 485	2 456
Komako M	2 235	35 314	37 549
Tsotesti J	137	42	179
Thebe T	371	-	371
Motinyane S	268	-	268
Crokett M	2 114	7 397	9 511
Mohlekwa T	152	-	152
Lefora Q	228	-	228
Mavuso TM	774	3 266	4 040
Mopeli N	854	12 131	12 985
Motaung PM	918	734	1 652
Khoapa NA	551	-	551
Mpakathe M	1 798	22 598	24 396
Letooane S	146	-	146
Ntamane VM	1 228	22 149	23 377
Mokidi TJ	912	2 798	3 710
	17 572	**111 823**	**129 395**

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
A Komako	1 946	28 447	30 393
MC Mositi	1 497	1 104	2 601
MT Mavuso	326	175	501
MT Mavuso	-	1 277	1 277
N Mopeli	456	10 249	10 705
SN Mojakisane	2	141	143
TJ Mosikidi	638	2 829	3 467
TR Mohlekwa	1 025	-	1 025
TS Mpakathe	966	18 102	19 068
TS Mpakathe	-	255	255
VM Ntanmane	775	8 468	9 243
VM Ntamane	-	10 675	10 675
QW Lefora	321	-	321
	7 952	**81 722**	**89 674**

	Economic entity		Controlling entity	
Figures in Rand	2012	2011	2012	2011

64. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	20 691 116	20 729 721	20 691 116	20 729 721

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

65. Actual operating expenditure versus budgeted operating expenditure

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

66. Actual capital expenditure versus budgeted capital expenditure

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

67. Deviation from supply chain management regulations

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

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

Summary of deviations	**Quantity**	**Amount**	**Quantity**	**Amount**
Emergency	74	14 460 148	74	14 460 148
Sole supplier	40	2 001 488	40	2 001 488
	114	**16 461 636**	**114**	**16 461 636**

68. Contingent asset

Subsequent to irregular expenditure disclosed in note 61, legal proceedings have commenced against the employee concerned to recover an amount. The lawyers of the entity confirmed that the employee will be liable to pay R 150 000 should the case be in favour of the entity.

Maluti-A-Phofung Consolidated
Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Structured loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Funding facility								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Maluti-A-Phofung Consolidated
Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Bonds								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Other loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Lease liability								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Annuity loans								
			-	-	-	-	-	-
			-	-	-	-	-	-

Maluti-A-Phofung Consolidated
Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Government loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**

Maluti-A-Phofung Consolidated
Maluti-A-Phofung Consolidated
Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	5 017 836 710	845 687 972	3 179 368 592	-	(249 251 069)	-	**8 793 642 205**	2 127 835 149)	3 179 368 592	-	(307 069 872)	-	**744 463 571**	9 538 105 776
	5 017 836 710	**845 687 972**	**3 179 368 592**	**-**	**(249 251 069)**	**-**	**8 793 642 205**	**2 127 835 149)**	**3 179 368 592**	**-**	**(307 069 872)**	**-**	**744 463 571**	**9 538 105 776**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Maluti-A-Phofung Consolidated
Maluti-A-Phofung Consolidated
Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	5 017 836 710	845 687 972	3 179 368 592	-	(249 251 069)	-	**8 793 642 205**	2 127 835 149)	3 179 368 592	-	(307 069 872)	-	**744 463 571**	9 538 105 776
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5 017 836 710	**845 687 972**	**3 179 368 592**	**-**	**(249 251 069)**	**-**	**8 793 642 205**	**2 127 835 149)**	**3 179 368 592**	**-**	**(307 069 872)**	**-**	**744 463 571**	**9 538 105 776**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	916 948	28 822	211 603	-	-	-	**1 157 373**	(630 005)	211 603	-	-	-	**(418 402)**	738 971
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	916 948	**28 822**	**211 603**	**-**	**-**	**-**	**1 157 373**	**(630 005)**	**211 603**	**-**	**-**	**-**	**(418 402)**	**738 971**
Investment properties														
Investment property	30 308 627	-	26 402 452	-	-	-	**56 711 079**	-	26 402 452	-	(3 906 175)	-	**22 496 277**	79 207 356
	30 308 627	**-**	**26 402 452**	**-**	**-**	**-**	**56 711 079**	**-**	**26 402 452**	**-**	**(3 906 175)**	**-**	**22 496 277**	**79 207 356**
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	5 017 836 710	845 687 972	3 179 368 592	-	(249 251 069)	-	**8 793 642 205**	2 127 835 149)	3 179 368 592	-	(307 069 872)	-	**744 463 571**	9 538 105 776
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	916 948	28 822	211 603	-	-	-	**1 157 373**	(630 005)	211 603	-	-	-	**(418 402)**	738 971
Investment properties	30 308 627	-	26 402 452	-	-	-	**56 711 079**	-	26 402 452	-	(3 906 175)	-	**22 496 277**	79 207 356
	5 049 062 285	**845 716 794**	**3 205 982 647**	**-**	**(249 251 069)**	**-**	**8 851 510 657**	**2 128 465 154)**	**3 205 982 647**	**-**	**(310 976 047)**	**-**	**766 541 446**	**9 618 052 103**

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Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	4 425 020 676	509 989 122	3 923 756 932	-	6 700 738	-	**8 865 467 468**	(732 873 355)	3 923 756 932	-	(285 080 250)	-	**2 905 803 327**	1 771 270 795
	4 425 020 676	**509 989 122**	**3 923 756 932**	**-**	**6 700 738**	**-**	**8 865 467 468**	**(732 873 355)**	**3 923 756 932**	**-**	**(285 080 250)**	**-**	**2 905 803 327**	**1 771 270 795**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Infrastructure	4 425 020 676	509 989 122	3 923 756 932	-	6 700 738	**-**	**8 865 467 468**	(732 873 355)	3 923 756 932	-	(285 080 250)	-	**2 905 803 327**	1 771 270 795
Community Assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Heritage assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	4 425 020 676	**509 989 122**	**3 923 756 932**	**-**	**6 700 738**	**-**	**8 865 467 468**	**(732 873 355)**	**3 923 756 932**	**-**	**(285 080 250)**	**-**	**2 905 803 327**	**1 771 270 795**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	629 481	287 467	286 943	-	-	**-**	**1 203 891**	(629 480)	286 943	-	-	-	**(342 537)**	861 354
Other	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	629 481	**287 467**	**286 943**	**-**	**-**	**-**	**1 203 891**	**(629 480)**	**286 943**	**-**	**-**	**-**	**(342 537)**	**861 354**
Investment properties														
Investment property	30 308 627	-	27 705 697	-	-	**-**	**58 014 324**	-	27 705 697	-	(2 602 930)	-	**25 102 767**	83 117 091
	30 308 627	**-**	**27 705 697**	**-**	**-**	**-**	**58 014 324**	**-**	**27 705 697**	**-**	**(2 602 930)**	**-**	**25 102 767**	**83 117 091**
Total														
Land and buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Infrastructure	4 425 020 676	509 989 122	3 923 756 932	-	6 700 738	**-**	**8 865 467 468**	(732 873 355)	3 923 756 932	-	(285 080 250)	-	**2 905 803 327**	1 771 270 795
Community Assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Heritage assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Agricultural/Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Intangible assets	629 481	287 467	286 943	-	-	**-**	**1 203 891**	(629 480)	286 943	-	-	-	**(342 537)**	861 354
Investment properties	30 308 627	-	27 705 697	-	-	**-**	**58 014 324**	-	27 705 697	-	(2 602 930)	-	**25 102 767**	83 117 091
	4 455 958 784	**510 276 589**	**3 951 749 572**	**-**	**6 700 738**	**-**	**8 924 685 683**	**(733 502 835)**	**3 951 749 572**	**-**	**(287 683 180)**	**-**	**2 930 563 557**	**1 855 249 240**

Maluti-A-Phofung Consolidated
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	93 067	-	-	**-**	**93 067**	-	93 067	-	-	-	**93 067**	186 134
Finance & Admin/Finance	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Planning and Development/Economic Development/Plan	-	-	14 457	-	-	**-**	**14 457**	-	14 457	-	-	-	**14 457**	28 914
Health/Clinics	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Comm. & Social/Libraries and archives	-	-	16 269	-	-	**-**	**16 269**	-	16 269	-	-	-	**16 269**	32 538
Housing	-	-	23 875	-	-	**-**	**23 875**	-	23 875	-	-	-	**23 875**	47 750
Public Safety/Police	-	-	35 891	-	-	**-**	**35 891**	-	35 891	-	-	-	**35 891**	71 782
Sport and Recreation	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Environmental Protection/Pollution Control	-	-	1 373	-	-	**-**	**1 373**	-	1 373	-	-	-	**1 373**	2 746
Waste Water Management/Sewerage	-	-	9 079	-	-	**-**	**9 079**	-	9 079	-	-	-	**9 079**	18 158
Road Transport/Roads	-	-	21 327	-	-	**-**	**21 327**	-	21 327	-	-	-	**21 327**	42 654
Water/Water Distribution	-	-	20 557	-	-	**-**	**20 557**	-	20 557	-	-	-	**20 557**	41 114
Electricity /Electricity Distribution	-	-	(49 625)	-	-	**-**	**(49 625)**	-	(49 625)	-	-	-	**(49 625)**	(99 250)
Other/Air Transport	5 132 448	845 717	669 635	-	(249 251)	**-**	**6 398 549**	(2 117 215)	669 635	-	(307 070)	-	**(1 754 650)**	4 643 899
	5 132 448	**845 717**	**855 905**	**-**	**(249 251)**	**-**	**6 584 819**	**(2 117 215)**	**855 905**	**-**	**(307 070)**	**-**	**(1 568 380)**	**5 016 439**
Municipal Owned Entities														
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
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Total														
Municipality	5 132 448	845 717	855 905	-	(249 251)	**-**	**6 584 819**	(2 117 215)	855 905	-	(307 070)	-	**(1 568 380)**	5 016 439
Municipal Owned Entities	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
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Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 132 448	**845 717**	**855 905**	**-**	**(249 251)**	**-**	**6 584 819**	**(2 117 215)**	**855 905**	**-**	**(307 070)**	**-**	**(1 568 380)**	**5 016 439**

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Appendix D

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
			Municipality			
-	69 949 191	(69 949 191)	Executive & Council/Mayor and Council	-	93 067 024	(93 067 024)
-	-	-	Finance & Admin/Finance	-	-	-
671 144	(31 532 091)	32 203 235	Planning and Development/Economic Development/Plan	967 789	15 424 566	(14 456 777)
-	-	-	Health/Clinics	-	-	-
19 290 300	35 439 004	(16 148 704)	Comm. & Social/Libraries and archives	20 916 486	37 185 596	(16 269 110)
649 461	19 459 924	(18 810 463)	Housing	962 566	24 837 533	(23 874 967)
663 295	34 435 773	(33 772 478)	Public Safety/Police	5 389 942	41 281 339	(35 891 397)
-	-	-	Sport and Recreation	-	-	-
-	2 357 490	(2 357 490)	Environmental Protection/Pollution Control	-	1 373 191	(1 373 191)
-	10 315 765	(10 315 765)	Waste Water Management/Sewerage	-	9 079 288	(9 079 288)
495 588	18 947 391	(18 451 803)	Road Transport/Roads	1 172 433	22 499 120	(21 326 687)
464 963 251	440 262 463	24 700 788	Water/Water Distribution	533 312 093	553 869 324	(20 557 231)
392 855 639	375 620 372	17 235 267	Electricity /Electricity Distribution	604 622 012	554 996 742	49 625 270
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
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-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
879 588 678	**975 255 282**	**(95 666 604)**		**167 343 321**	**353 613 723**	**(186 270 402)**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
879 588 678	975 255 282	(95 666 604)	Municipality	167 343 321	353 613 723	(186 270 402)
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Maluti-A-Phofung Consolidated
Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
879 588 678	**975 255 282**	**(95 666 604)**	**Total**	**167 343 321**	**353 613 723**	**(186 270 402)**

Maluti-A-Phofung Consolidated
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	549 515	-	549 515	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	172 500 680	-	172 500 680	-	
Service charges	369 554 861	-	369 554 861	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	922 252	-	922 252	-	
Interest received (trading)	30 614 449	-	30 614 449	-	
Dividends received	87 622 276	-	87 622 276	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	5 011 368	-	5 011 368	-	
Licences and permits	-	-	-	-	
Government grants & subsidies	687 536 494	-	687 536 494	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	15 120 038	-	15 120 038	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	2 017 989	-	2 017 989	-	

Maluti-A-Phofung Consolidated
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	371 449 922	-	371 449 922	-	
Expenses					
Personnel	(235 711 654)	-	(235 711 654)	-	
Manufacturing - Employee costs	(5 858)	-	(5 858)	-	
Remuneration of councillors	(17 659 135)	-	(17 659 135)	-	
Administration	(104 648 939)	-	(104 648 939)	-	
Transfer payments	-	-	-	-	
Depreciation	(311 276 065)	-	(311 276 065)	-	
Impairment	-	-	-	-	
Amortisation	-	-	-	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	(8 418 748)	-	(8 418 748)	-	
Debt impairment	(98 388 447)	-	(98 388 447)	-	
Collection costs	(2 556 121)	-	(2 556 121)	-	
Repairs and maintenance - Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	(54 083 732)	-	(54 083 732)	-	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(357 808 431)	-	(357 808 431)	-	
Contracted Services	(44 446 816)	-	(44 446 816)	-	
Grants and subsidies paid	(74 387 000)	-	(74 387 000)	-	
Cost of housing sold	-	-	-	-	
General Expenses	(807 253 090)	-	(807 253 090)	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	116 644 036)	-	116 644 036)	-	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(49 049)	-	(49 049)	-	
Gain or loss on exchange differences	-	-	-	-	
Fair value adjustments	540 557	-	540 557	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
Income from equity accounted investments	-	-	-	-	

Maluti-A-Phofung Consolidated
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-	
Taxation	-	-	-	-	
Discontinued operations	-	-	-	-	
	491 508	-	491 508	-	
Net surplus/ (deficit) for the year	(744 702 606)	-	(744 702 606)	-	

Maluti-A-Phofung Consolidated
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

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	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Maluti-A-Phofung Consolidated
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

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	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Maluti-A-Phofung Consolidated
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

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	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.