1. BASIS OF PRESENTATION (Continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - issued October 2009
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

The Minister of Finance annouced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but are not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. The reasons for this anticipation is due to the following considerations:

Segment Reporting (GRAP 18 - issued March 2005): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as segmental reporting is not applicable to the municipality.

Related Party Disclosures (Revised) (GRAP 20): IPSAS 20 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 20.

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009): GRAP 21 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 21.

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008): GRAP 23 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 23.

Presentation of Budget Information in Financial Statements (GRAP 24 - issued November 2007): GRAP 24 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 24.

Employee Benefits (GRAP 25 - issued December 2009): IAS 19 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 25.

BASIS OF PRESENTATION (Continued)

1. 1 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009): GRAP 26 principles were used in formulating an appropriate accounting policy and the application of these principles does not significantly differ from GRAP 26.

Heritage Assets (GRAP 103 - issued July 2008): GRAP 103 principles were used in formulating an appropriate accounting policy. GRAP 103 requires all Heritage Assets to be measured, which will result in the increase of the balance disclosed in the Statement of Financial Position. Due to the expert knowledge required to determine the carrying value of these assets, management cannot determine the financial effect until such valuations have been completed.

Financial Instruments (GRAP 104 Financial Instruments - October 2009): The difference between GRAP 104 and IFRS 7 requirements is only minor disclosure requirements and will not impact materially on the Annual Financial Statements.

Transfers between entities under common control (GRAP 105 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such transfers have ever been recorded.

Transfers between entities not under common control (GRAP 106 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such transfers have ever been recorded.

Mergers (GRAP 107 - issued November 2010): Management is of the opinion that this Standard will not impact in the fair presentation of the municipality's annual financial statements as no such mergers have ever been recorded.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Revaluation Reserve

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

2. 2 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

2. 2. 1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.
The following provisions are set for the creation and utilisation of the CRR:
• The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
• Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
• If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.
Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

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

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

Property, plant and equipment are initially recognised at cost on acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located, if such an obligation exists.

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.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

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

Subsequently all property, plant and equipment, excluding land and building and including infrastructure assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Infrastructure assets are stated at the depreciated replacement cost.
Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are done every four years or when there is evidence that the fair value of land and buildings changed significantly, which every occurs first.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3. 2 Subsequent Measurement (Continued)

These changes are recorded as a change in accounting policy in the Statement of Financial Performance.
An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve, in respect of that assets, are transferred to accumulated surplus or deficit.

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

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited useful life. Depreciation on other assets is calculated on the straight line basis to allocate their depreciable amounts over their useful lives. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total value of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is in the condition and location necessary for it to be used in the manner intended by the municipality.

	Years		Years
Infrastructure		***Buildings***	5 - 30
Roads and Paving	10 - 50		
Electricity	10 - 30	***Other***	
Water	10 - 50	Specialist Vehicles	5 -15
Sewerage	10 - 50	Other Vehicles	5 -15
Landfill Sites	10 - 25	Office Equipment	3 - 10
		Furniture and Fittings	3 - 15
Community		Watercraft	10 - 15
Recreational Facilities	5 - 30	Bins and Containers	10 - 15
Security	5 - 30	Specialised Plant and Equipment	3 - 10
		Other Items of Plant and Equipment	3 - 10

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

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

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

3. 6 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment.

3. 7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

4. HERITAGE ASSETS

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.
Subsequent to measurement, heritage assets are carried at cost less impairment losses.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

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

Subsequently all heritage assets are measured at cost, less accumulated impairment losses.

4. HERITAGE ASSETS

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

An intangible asset is a identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. INTANGIBLE ASSETS

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.
Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
Intangible Asset	
Software	3 - 5

Intangible assets are annually tested for impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount of the asset.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5. 3 Derecognition

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

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

6. INVESTMENT PROPERTY (Continued)

6. 1 Initial Recognition (Continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2009). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises. The circumstances surrounding the investment properties is considered annually to establish whether conditions and circumstances changed that may effect the fair value significantly. If such indications are identified, the investment properties are valued to establish the fair value thereof.

6. 3 Derecognition

Investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. IMPAIRMENT OF ASSETS (Continued)

7. 1 Impairment of Cash Generating Assets

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

In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:

- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- evidence is available of obsolescence or physical damage of an asset;
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The asset's value in use is determined by calculating the present value of the estimated future cash flows expected to be derived from the continuing use of the asset and from its disposal at the end of its useful life.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

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

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

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

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

7. IMPAIRMENT OF ASSETS (Continued)

7. 2 Impairment of Non-Cash Generating Assets

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

In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:

- cessation, or near cessation, of the demand or need for services provided by the asset;
- significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates;
- evidence is available of physical damage of an asset;
- significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- a decision to halt the construction of the asset before it is complete or in a usable condition; and
- evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The remaining service potential is determined by using the approach (as listed below) which is the most appropriate in measuring the value:

- **Depreciated replacement cost approach**: The present value of the remaining service potential of the asset is determined as the depreciated replacement cost of the asset. The replacement cost of the asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.
- **Restoration cost approach**: This is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- **Service units approach:** The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

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

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

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

7. IMPAIRMENT OF ASSETS (Continued)

7. 2 Impairment of Non-Cash Generating Assets (Continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The redesignation of assets from a cash-generating asset to a non-cashgenerating 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.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

8. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:
Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

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

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

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

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

8. FINANCIAL INSTRUMENTS (Continued)

8. 1 Financial Assets - Classification (Continued)

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

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

▪ Long-term Liabilities	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Certain Other Creditors	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Bank Overdraft	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Consumer Deposits	Financial liabilities at fair value through profit and loss

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:
(i) Fair value through profit or loss; or
(ii) Other financial liabilities (Financial liabilities measured at amortised cost)
(iii) Financial guarantee contract

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

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

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

Financial assets at fair value through profit or loss are initially and subsequently recognised at fair value and changes in fair value recognised directly through profit or loss.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

8. FINANCIAL INSTRUMENTS (Continued)

8. 3 Initial and Subsequent Measurement (Continued)

8. 3. 1 Financial Assets (Continued):

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

8. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.
The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

8. FINANCIAL INSTRUMENTS (Continued)

8. 4 Impairment of Financial Assets

The following observable data is considered by the municipality:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group,

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable besides taking into consideration any dispute.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, 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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

8. FINANCIAL INSTRUMENTS (Continued)

8. 5 Derecognition of Financial Assets

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

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

8. 6 Derecognition of Financial Liabilities

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

The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-refundable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

9. 2 Subsequent Measurement

Consumable stores

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

9. INVENTORIES (Continued)

9. 2 Subsequent Measurement (Continued)

Water inventory

Water is recognised as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average cost method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

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

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

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities’ activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

10. REVENUE RECOGNITION (Continued)

10. 1 General (Continued)

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

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

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10. 2. 3 Finance income

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

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
▪ Interest earned on trust funds is allocated directly to the fund.
▪ Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 Tariff Charges

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

10. REVENUE RECOGNITION (Continued)

10. 2 Revenue from Exchange Transactions (Continued)

10. 2. 5 Income from Agency Services

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

10. 2. 6 Sale of Goods (including Houses)

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

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

10. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance within the substance of the relevant agreement, where applicable.

10. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10. 3. 1 Rates and Taxes

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

10. 3. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management’s best estimate of the probable inflows from the amounts not yet collected.

10. REVENUE RECOGNITION (Continued)

10. 3 Revenue from Non-exchange Transactions (Continued)

10. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

10. 3. 4 Government Grants and receipts

Equitable share allocations are recognised when the municipality has a right to receipt.

Conditional grants and receipts of a capital nature

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

11. PROVISIONS (Continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

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

12. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12. 2. 1 Defined Contribution Plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12. EMPLOYEE BENEFITS (Continued)

12. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

12. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance. Valuations are performed on an annual basis.

12. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 55 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

12. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

12. EMPLOYEE BENEFITS (Continued)

12. 3 Defined Benefit Plans (Continued)

12. 3. 4 Defined benefit pension plans (Continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

13. LEASES (Continued)

13. 1 The Municipality as Lessee (Continued)

Operating leases (Continued)

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts is recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between recognised income and receipts is recognised as an operating lease asset or liability.

13. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 4. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

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

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

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

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Note 46 to the Annual Financial Statements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 45 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. RELATED PARTIES

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

The Municipality furthermore considers related parties within the same sphere of government and will disclose these parties as such only if transactions occurred which were not at arm's length.

22. EVENTS AFTER THE REPORTING DATE

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

23. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24. COMPARATIVE INFORMATION

24. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and form part of the Annual Financial Statements. The budget has been prepared on a comparable basis. Refer to Note 63.

24. 2 Prior year comparatives

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

24. 3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. Refer to Note 63.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

27 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, where disclosure is required by a spesific standard of GRAP.
▪ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
▪ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
▪ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
▪ Other commitments for contracts are either non-cancellable or only cancellable at significant cost contracts, and should relate to something other than the business of the municipality.

	2012 R	2011 R

1. GENERAL INFORMATION

Emthanjeni Local Municipality (the municipality) is a local government institution in De Aar, Britstown and Hanover, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORY

	2012 R	2011 R
Consumable Stores - at cost	352 077	260 624
Property Stock - at cost	45 713 922	45 713 922
Water - at cost	12 744	11 964
Total Inventory	**46 078 743**	**45 986 510**

Consumables are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R0.61 per kilolitre (2011: R0.56 per kilolitre).

Inventory to the value of R60 870 (2011: R605 257) was written off during the year. The write-off is the result of stock differences identified and the consumables being carried as a no-charge item. The cost of Inventories recognised as an expense during the period was R935 733 (2011: R1 275 211).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2012	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors:	64 648 039	(26 540 892)	38 107 147
Electricity	15 593 583	(4 314 978)	11 278 605
Refuse	7 213 350	(2 912 425)	4 300 924
Sewerage	14 651 557	(5 745 761)	8 905 796
Water	27 189 549	(13 567 728)	13 621 820
Other Debtors	1 768 791	(731 383)	1 037 408
Other Debtors	1 768 791	(731 383)	1 037 408
Total Trade and Other Receivables from Exchange Transactions	**66 416 830**	**(27 272 275)**	**39 144 555**

As at 30 June 2011	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors:	49 952 231	(10 040 725)	39 911 507
Electricity	13 110 276	(1 235 582)	11 874 694
Refuse	5 363 545	(976 802)	4 386 743
Sewerage	11 414 171	(1 825 133)	9 589 038
Water	20 064 239	(6 003 207)	14 061 032
Other Debtors	1 221 061	(301 309)	919 752
Other Debtors	1 221 061	(301 309)	919 752
Total Trade and Other Receivables from Exchange Transactions	**51 173 292**	**(10 342 033)**	**40 831 259**

	2012	2011
	R	R

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Trade and Other Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Trade Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications which it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

At 30 June 2012, the Municipality is owed R1 598 784 (2011: R2 179 356) by National and Provincial Government.

The municipality did not pledge any of its Trade and Other Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables approximate their fair values.

The fair value of Trade and Other Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Trade Receivables as well as the current payment ratio's of the municipality's Trade Receivables.

3.1 Ageing of Trade and Other Receivables from Exchange Transactions

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 Days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	3 941 229	944 747	696 396	10 011 211	15 593 583
Less: Provision for Impairment	(295 365)	(216 568)	(160 923)	(3 642 122)	(4 314 978)
Net Balances	**3 645 864**	**728 179**	**535 473**	**6 369 089**	**11 278 605**
Refuse:					
Gross Balances	295 669	241 304	215 002	6 461 374	7 213 350
Less: Provision for Impairment	47 254	(49 420)	(50 193)	(2 860 066)	(2 912 425)
Net Balances	**342 923**	**191 884**	**164 809**	**3 601 308**	**4 300 924**
Sewerage:					
Gross Balances	550 951	414 772	370 399	13 315 434	14 651 556
Less: Provision for Impairment	63 868	(82 939)	(83 440)	(5 643 249)	(5 745 761)
Net Balances	**614 819**	**331 833**	**286 959**	**7 672 185**	**8 905 796**
Water:					
Gross Balances	1 683 007	787 926	702 827	24 015 788	27 189 549
Less: Provision for Impairment	(245 488)	(314 935)	(324 807)	(12 682 499)	(13 567 728)
Net Balances	**1 437 520**	**472 991**	**378 021**	**11 333 289**	**13 621 820**
Other Debtors:					
Gross Balances	87 187	52 519	125 197	1 503 886	1 768 790
Less: Provision for Impairment	(19 961)	(19 800)	(19 939)	(671 684)	(731 383)
Net Balances	**67 226**	**32 720**	**105 258**	**832 203**	**1 037 407**

	2012	2011
	R	R

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2012 Trade and Other Receivables of R32 720 426 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:				
Gross Balances	2 441 269	2 109 822	55 307 693	59 858 783
Less: Provision for Impairment	(683 662)	(639 302)	(25 499 619)	(26 822 583)
Net Balances	**1 757 606**	**1 470 520**	**29 808 074**	**33 036 200**

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	3 552 095	970 228	667 216	7 920 737	13 110 276
Less: Provision for Impairment	(65 368)	(63 154)	(60 106)	(1 046 954)	(1 235 582)
Net Balances	**3 486 727**	**907 074**	**607 110**	**6 873 783**	**11 874 694**
Refuse:					
Gross Balances	479 616	340 633	310 963	4 232 332	5 363 545
Less: Provision for Impairment	(98 485)	(74 312)	(53 076)	(750 928)	(976 802)
Net Balances	**381 131**	**266 321**	**257 887**	**3 481 404**	**4 386 743**
Sewerage:					
Gross Balances	849 479	588 390	540 035	9 436 267	11 414 171
Less: Provision for Impairment	(117 575)	(114 007)	(107 849)	(1 485 701)	(1 825 133)
Net Balances	**731 904**	**474 383**	**432 186**	**7 950 565**	**9 589 038**
Water:					
Gross Balances	1 578 177	791 658	682 549	17 011 856	20 064 239
Less: Provision for Impairment	(202 924)	(234 193)	(203 277)	(5 362 813)	(6 003 207)
Net Balances	**1 375 252**	**557 465**	**479 272**	**11 649 043**	**14 061 032**
Other Debtors:					
Gross Balances	60 902	54 248	21 716	1 084 195	1 221 061
Less: Provision for Impairment	(7 262)	(13 144)	(6 176)	(274 727)	(301 309)
Net Balances	**53 639**	**41 104**	**15 541**	**809 468**	**919 752**

As at 30 June 2011 Trade and Other Receivables of R2 881 918 were past due but not impaired. The age analysis of these Trade and Other Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:				
Gross Balances	2 745 157	2 222 480	39 685 386	44 653 023
Less: Provision for Impairment	(498 811)	(430 484)	(8 921 123)	(9 850 418)
Net Balances	**2 246 346**	**1 791 996**	**30 764 263**	**34 802 605**

	2012	2011
	R	R

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
Current:				
0 - 30 days	4 810 184	1 468 171	279 688	-
Past Due:				
31 - 60 Days	1 834 620	436 464	170 185	-
61 - 90 Days	1 660 779	362 456	86 587	-
+ 90 Days	50 556 581	3 684 893	1 062 324	3 895
Sub-total	58 862 164	5 951 983	1 598 784	3 895
Less: Provision for Impairment	(25 690 072)	(1 582 202)	-	-
Total Trade Receivables by Customer Classification	**33 172 092**	**4 369 781**	**1 598 784**	**3 895**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
Current:				
0 - 30 days	4 493 730	1 514 894	473 384	36 022
Past Due:				
31 - 60 Days	1 984 267	534 664	206 258	19 968
61 - 90 Days	1 696 974	372 590	135 183	17 733
+ 90 Days	34 174 838	3 814 540	1 364 532	333 716
Sub-total	42 349 809	6 236 688	2 179 356	407 439
Less: Provision for Impairment	(10 314 521)	(27 512)	-	-
Total Trade Receivables by Customer Classification	**32 035 288**	**6 209 176**	**2 179 356**	**407 439**

3.3 Reconciliation of the Provision for Impairment

	2012	2011
Balance at beginning of year	(10 342 033)	(25 760 219)
Impairment Losses recognised	(16 930 242)	
Impairment Losses reversed	-	15 418 186
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	**(27 272 275)**	**(10 342 033)**

In determining the recoverability of a Trade or Other Receivable, the municipality considers any change in the credit quality of the Trade or Other Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

The impairment is the result of the municipality's evaluation of the outstanding debt that may possibly not be recovered. The decrease (reversal) recognised in the current year is due to more detail and reliable information being available in respect to the risk pertaining the individually debtors, in comparison to that of the previous year.

Provision for impairment of Trade and Other Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type.

	2012 R	2011 R

3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Included in the municipality's Trade and Other Receivables balance are debtors with a carrying amount of R32 720 426 (2011: R2 881 918) which are past due at the reporting date for which the municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits (see Note 14), which are not covering the total outstanding debt. The average age of these receivables is 318 days (2011: 282 days).

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Trade and Other Receivables from Exchange Transactions

	2012 R	2011 R
Current:		
0 - 30 Days	(449 691)	(491 615)
Past Due:		
31 - 60 Days	(683 662)	(498 811)
61 - 90 Days	(639 302)	(430 484)
+ 90 Days	(25 499 619)	(8 921 123)
Total	**(27 272 274)**	**(10 342 033)**

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2012	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	8 689 198	(2 370 718)	6 318 480
Sundry Deposits	109 610	-	109 610
Sundry Debtors	1 360 673	-	1 360 673
Total Trade and Other Receivables from Non-exchange Transactions	**10 159 481**	**(2 370 718)**	**7 788 763**

As at 30 June 2011	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	6 141 520	(668 180)	5 473 340
Sundry Deposits	89 000	-	89 000
Sundry Debtors	1 630 105	-	1 630 105
Total Trade and Other Receivables from Non-exchange Transactions	**7 860 625**	**(668 180)**	**7 192 445**

Sundry Deposits are in respect of cash deposits amounting to R59 610 (2011: R39 000) made to fuel station for the supply of fuel and R50 000 (2011: R50 000) made to the S.A. Post Office for postal services.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

	2012	2011
	R	R

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

The average credit period for Trade and Other Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Trade and Other Receivables.

The municipality does not hold deposits or other security for its Trade and Other Receivables.

None of the Trade and Other Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables approximate their fair values.

4.1 Ageing of Trade and Other Receivables from Non-exchange Transactions

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	628 456	193 265	162 003	7 705 473	8 689 198
Less: Provision for Impairment	(74 855)	(54 007)	(49 907)	(2 191 949)	(2 370 718)
Net Balances	**553 601**	**139 258**	**112 097**	**5 513 524**	**6 318 480**
Sundry Deposits:					
Gross Balances	-	-	-	109 610	109 610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**109 610**	**109 610**
Sundry Debtors:					
Gross Balances	1 360 673	-	-	-	1 360 673
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**1 360 673**	**-**	**-**	**-**	**1 360 673**

As at 30 June 2012 Trade and Other Receivables of R5 874 425 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Other Trade Receivables:				
Gross Balances	193 265	162 003	7 815 083	8 170 352
Less: Provision for Impairment	(54 007)	(49 907)	(2 191 949)	(2 295 863)
Net Balances	**139 258**	**112 097**	**5 623 134**	**5 874 489**

	2012	2011
	R	R

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	668 176	217 211	162 188	5 093 945	6 141 520
Less: Provision for Impairment	(186 013)	(162 166)	(129 639)	(190 363)	(668 180)
Net Balances	**482 163**	**55 045**	**32 549**	**4 903 582**	**5 473 340**
Sundry Deposits:					
Gross Balances	-	-	-	89 000	89 000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**89 000**	**89 000**
Sundry Debtors:					
Gross Balances	403 747	341 494	704 833	180 030	1 630 104
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**403 747**	**341 494**	**704 833**	**180 030**	**1 630 104**

As at 30 June 2011 Trade and Other Receivables of R1 861 597 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Other Trade Receivables:				
Gross Balances	558 705	867 021	5 362 975	6 788 701
Less: Provision for Impairment	(162 166)	(129 639)	(190 363)	(482 167)
Net Balances	**396 539**	**737 382**	**5 172 612**	**6 306 534**

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>*Current:*</u>				
0 - 30 days	565 226	59 576	3 654	-
<u>*Past Due:*</u>				
31 - 60 Days	184 373	5 239	3 652	-
61 - 90 Days	153 118	5 233	3 652	-
+ 90 Days	7 110 987	388 078	206 409	-
Sub-total	8 013 703	458 126	217 368	-
Less: Provision for Impairment	(2 295 606)	(75 176)	-	-
Total Rates Debtors by Customer Classification	**5 718 097**	**382 951**	**217 368**	**-**

	2012	2011
	R	R

4. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
Current:				
0 - 30 days	505 015	129 683	22 740	10 738
Past Due:				
31 - 60 Days	153 906	36 935	25 330	1 041
61 - 90 Days	119 734	20 092	21 451	912
+ 90 Days	3 358 343	499 568	358 486	877 547
Sub-total	4 136 997	686 278	428 007	890 238
Less: Provision for Impairment	(668 180)	-	-	-
Total Rates Debtors by Customer Classification	**3 468 817**	**686 278**	**428 007**	**890 238**

4.3 Reconciliation of Provision for Impairment

	2012	2011
Balance at beginning of year	(668 180)	(3 548 565)
Impairment Losses recognised	(1 702 538)	-
Impairment Losses reversed	-	2 880 385
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	**(2 370 718)**	**(668 180)**

The Provision for Impairment on Trade and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The impairment is the result of the municipality's evaluation of the outstanding debt that may possibly not be recovered. The decrease (reversal) recognised in the current year is due to more detail and reliable information being available in respect to the risk pertaining the individually debtors, in comparison to that of the previous year.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Other Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following loans and receivables are included in the total amount of the Provision for Impairment:

	2012	2011
Sundry Debtors	-	-
Rates Assessment Debtors	2 370 718	668 180
Total Provision for Impairment on Trade and Other Receivables	**2 370 718**	**668 180**

	2012 R	2011 R

5. BANK, CASH AND CASH EQUIVALENTS

	2012 R	2011 R
Bank, Cash and Cash Equivalents	14 379 346	9 160 618
Bank Overdraft	(5 154 118)	(4 020 092)
Total Bank, Cash and Cash Equivalents	**9 225 228**	**5 140 526**

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

5.1 Current Investment Deposits

	2012 R	2011 R
Call Deposits	8 062 686	207 287
Notice Deposits	6 284 366	8 891 958
Total Current Investment Deposits	**14 347 052**	**9 099 245**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,90 % to 5,50 % (2010: 6,20% to 8,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,40 % to 6,53 % (2010: 6,35 % to 7,48 %)per annum.

Deposits of R11 954 426 (2011: R2 325 390) are ring-fenced and attributable to Unspent Conditional Grants.

	2012 R	2011 R
Deposits attributable to Unspent Conditional Grants	11 954 426	2 325 390
Total Deposits attributable to Commitments of the Municipality	**11 954 426**	**2 325 390**

5.2 Bank Accounts

	2012 R	2011 R
Cash in Bank	31 134	60 213
Overdraft	(5 154 118)	(4 020 092)
Total Bank Accounts	**(5 122 984)**	**(3 959 879)**

The Municipality has the following bank accounts:

Primary Bank Account

	2012 R	2011 R
ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081		
Cash book balance at beginning of year	(4 020 092)	(1 728 280)
Cash book balance at end of year	(5 154 118)	(4 020 092)
Bank statement balance at beginning of year	176 498	4 442 406
Bank statement balance at end of year	4 271 207	176 498
Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007		
Cash book balance at beginning of year	870	2 925
Cash book balance at end of year	2 216	870
Bank statement balance at beginning of year	1 061	2 925
Bank statement balance at end of year	2 216	1 061
ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162		
Cash book balance at beginning of year	59 343	27 154
Cash book balance at end of year	28 918	59 343
Bank statement balance at beginning of year	59 343	27 154
Bank statement balance at end of year	28 918	59 343

5. BANK, CASH AND CASH EQUIVALENTS (Continued)

	2012 R	2011 R
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 052 997 314		
Cash book balance at beginning of year	7 784	7 436
Cash book balance at end of year	7 784	7 784
Bank statement balance at beginning of year	7 784	7 436
Bank statement balance at end of year	7 784	7 784
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 817		
Cash book balance at beginning of year	2 607 670	2 436 847
Cash book balance at end of year	-	2 607 670
Bank statement balance at beginning of year	2 607 670	2 436 847
Bank statement balance at end of year	-	2 607 670
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906		
Cash book balance at beginning of year	6 070 801	5 673 116
Cash book balance at end of year	6 070 801	6 070 801
Bank statement balance at beginning of year	6 070 801	5 673 116
Bank statement balance at end of year	6 070 801	6 070 801
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 199 059		
Cash book balance at beginning of year	203 339	190 019
Cash book balance at end of year	203 339	203 339
Bank statement balance at beginning of year	203 339	190 019
Bank statement balance at end of year	203 339	203 339
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239		
Cash book balance at beginning of year	2 364	2 274
Cash book balance at end of year	2 442	2 364
Bank statement balance at beginning of year	2 364	2 274
Bank statement balance at end of year	2 442	2 364
ABSA Bank Limited - De Aar Branch - Call Account Number 9 118 567 212		
Cash book balance at beginning of year	1 024	1 000
Cash book balance at end of year	1 014	1 024
Bank statement balance at beginning of year	1 024	1 000
Bank statement balance at end of year	1 014	1 024
ABSA Bank Limited - De Aar Branch - Call Account Number 9 168 828 440		
Cash book balance at beginning of year	9 875	1 590 501
Cash book balance at end of year	10 237	9 875
Bank statement balance at beginning of year	9 875	1 590 501
Bank statement balance at end of year	10 237	9 875
ABSA Bank Limited - De Aar Branch - Call Account Number 9 187 848 328		
Cash book balance at beginning of year	1 089	1 000
Cash book balance at end of year	1 000	1 089
Bank statement balance at beginning of year	1 089	1 000
Bank statement balance at end of year	1 000	1 089

5. BANK, CASH AND CASH EQUIVALENTS (Continued)

	2012 R	2011 R
ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 814 279		
Cash book balance at beginning of year	53 342	51 899
Cash book balance at end of year	54 859	53 342
Bank statement balance at beginning of year	53 342	51 899
Bank statement balance at end of year	54 859	53 342
ABSA Bank Limited - De Aar Branch - Call Account Number 9 207 882 270		
Cash book balance at beginning of year	1 021	2 793
Cash book balance at end of year	1 002	1 021
Bank statement balance at beginning of year	1 021	2 793
Bank statement balance at end of year	1 002	1 021
ABSA Bank Limited - De Aar Branch - Call Account Number 9 223 682 147		
Cash book balance at beginning of year	135 856	288 186
Cash book balance at end of year	1 000	135 856
Bank statement balance at beginning of year	135 856	288 186
Bank statement balance at end of year	1 000	135 856
ABSA Bank Limited - De Aar Branch - Call Account Number 9 228 175 838		
Cash book balance at beginning of year	2 772	722 539
Cash book balance at end of year	1 007	2 772
Bank statement balance at beginning of year	2 772	722 539
Bank statement balance at end of year	1 007	2 772
ABSA Bank Limited - De Aar Branch - Call Account Number 9 233 114 081		
Cash book balance at beginning of year	-	648 796
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	648 796
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 222 035 197		
Cash book balance at beginning of year	-	1 000
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1 000
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 813 663		
Cash book balance at beginning of year	-	135 993
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	135 993
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 199 813 620		
Cash book balance at beginning of year	-	1 000
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1 000
Bank statement balance at end of year	-	-

5. BANK, CASH AND CASH EQUIVALENTS (Continued)

	2012 R	2011 R
ABSA Bank Limited - De Aar Branch - Call Account Number 9 197 808 413		
Cash book balance at beginning of year	-	2 024
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	2 024
Bank statement balance at end of year	-	-
Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001		
Cash book balance at beginning of year	2 308	-
Cash book balance at end of year	2 673 620	2 308
Bank statement balance at beginning of year	2 308	-
Bank statement balance at end of year	2 673 620	2 308
First National Bank - De Aar Branch - Call Account Number 62338612105 / 808		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	96 720	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	96 720	-
Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	5 222 226	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	5 222 226	-

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

	2012 R	2011 R
Cash Floats and Advances	1 160	1 160
Total Cash on hand in Cash Floats, Advances and Equivalents	**1 160**	**1 160**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

	2012 R	2011 R

6. OPERATING LEASE ASSETS

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

	2012 R	2011 R
Balance at beginning of year	243 733	256 286
Operating Lease Revenue recorded	(44 179)	(12 553)
Operating Lease Revenue effected	-	-
Total Operating Lease Assets	**199 554**	**243 733**
Less: Amounts due for settlement within 12 months (Current Portion)	(78 931)	(43 480)
Total Operating Lease Assets	**120 623**	**200 253**

6.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 5 to 11 years (2011: 5 to 11 years), with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

6.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

	2012 R	2011 R
Up to 1 year	389 581	362 959
2 to 5 years	503 042	832 703
More than 5 years	143 236	208 344
Total Operating Lease Arrangements	**1 035 859**	**1 404 005**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease in current year income of R44 179 (2011: R12 533).

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

7. CURRENT PORTION OF LONG-TERM RECEIVABLES

	2012 R	2011 R
Sale of Property	-	13 438
	-	**13 438**

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture & Fittings	Machinery & Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2011	**184 052 828**	**871 892 309**	**1 288 554**	**3 167 043**	**7 480 894**	**7 197 611**	**40 708**	**1 075 119 945**
Cost	281 305 363	1 833 369 667	1 877 473	4 513 098	9 036 695	7 880 563	148 736	2 138 131 596
- *Completed Assets*	*280 599 366*	*1 826 135 605*	*1 877 473*	*4 513 098*	*9 036 695*	*7 880 563*	*148 736*	*2 130 191 537*
- *Under Construction*	*705 997*	*7 234 062*	-	-	-	-	-	*7 940 059*
Accumulated Impairment Losses	(1 765 894)	-	-	-	-	-	-	(1 765 894)
Accumulated Depreciation:	(95 486 642)	(961 477 358)	(588 920)	(1 346 055)	(1 555 801)	(682 953)	(108 029)	(1 061 245 757)
- *Cost/ Revalued Amount*	*(95 486 642)*	*(961 477 358)*	*(588 920)*	*(1 346 055)*	*(1 555 801)*	*(682 953)*	*(108 029)*	*(1 061 245 757)*
Acquisitions	59 945	310 713	197 378	3 708 221	304 860	683 768	-	5 264 885
Capital under Construction - Additions:	-	13 252 107	-	-	-	-	-	13 252 107
- *Cost*	-	*13 252 107*	-	-	-	-	-	*13 252 107*
Additions	-	*13 252 107*	-	-	-	-	-	*13 252 107*
Impairment Losses	-	-	(868)	(14 371)	(1 870)	(68 088)	-	(85 196)
Depreciation:	(11 163 324)	(52 996 982)	(529 898)	(1 063 943)	(1 375 333)	(923 408)	(23 262)	(68 076 150)
- *Based on Cost/ Revalued Amount*	*(11 163 324)*	*(52 996 982)*	*(529 898)*	*(1 063 943)*	*(1 375 333)*	*(923 408)*	*(23 262)*	*(68 076 150)*
Carrying value of Disposals:	-	-	(19 364)	(9 456)	(17 321)	-	-	(46 141)
- Cost	-	-	(146 488)	(28 945)	(49 861)	-	-	(225 295)
- Accumulated Depreciation	-	-	127 125	19 489	32 540	-	-	179 154
- *Based on Cost/ Revalued Amount*	-	-	*127 125*	*19 489*	*32 540*	-	-	*179 154*
Carrying values at 30 June 2012	**172 949 448**	**832 458 146**	**935 801**	**5 787 494**	**6 391 230**	**6 889 883**	**17 446**	**1 025 429 449**
Cost	281 365 308	1 846 932 487	1 928 362	8 192 374	9 291 693	8 564 332	148 736	2 156 423 292
- *Completed Assets*	*281 365 308*	*1 826 446 318*	*1 928 362*	*8 192 374*	*9 291 693*	*8 564 332*	*148 736*	*2 135 937 124*
- *Under Construction*	-	*20 486 168*	-	-	-	-	-	*20 486 168*
Accumulated Impairment Losses	(1 765 894)	-	(868)	(14 371)	(1 870)	(68 088)	-	(1 851 090)
Accumulated Depreciation:	(106 649 966)	(1 014 474 340)	(991 693)	(2 390 509)	(2 898 593)	(1 606 360)	(131 290)	(1 129 142 753)
- *Cost/ Revalued Amount*	*(106 649 966)*	*(1 014 474 340)*	*(991 693)*	*(2 390 509)*	*(2 898 593)*	*(1 606 360)*	*(131 290)*	*(1 129 142 753)*