



Msunduzi - Pietermaritzburg
Municipality

THE MSUNDUZI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 of 58, in terms of Section 126(1) of the Municipal Finance Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Officer Bearer s Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

R Haswell

Date

Acting Municipal Manager



THE MSUNDUZI MUNICIPALITY

CONTENTS

	PAGE
1 STATEMENT OF FINANCIAL POSITION	1
2 STATEMENT OF FINANCIAL PERFORMANCE	2
3 STATEMENT OF CHANGES IN NET ASSETS	3
4 CASH FLOW STATEMENT	4
5 ACCOUNTING POLICIES	5-22
6 NOTES TO THE ANNUAL FINANCIAL STATEMENTS	23-43
7 APPENDICES :	
A. SCHEDULE OF EXTERNAL LOANS	44-46
B. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	47-49
C. SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	50
D. SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	51
E1. ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE)	52
E2. ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)	53
G. SUMMARY CONDITIONAL GRANTS AND RECEIPTS	54
G1. DETAILS OF CONDITIONAL GRANTS AND RECEIPTS	55-57
H. FINANCIAL STATEMENTS - SAFE CITY	58

THE MSUNDUZI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net Assets		427,803,421	360,565,057
Housing Development Fund	1	54,020,358	50,214,760
Capital Replacement Reserve	2	31,749,397	-
Capitalisation Reserve	2	-	-
Government Grant Reserve	2	-	-
Donations and Public Contributions Reserve	2	-	-
Self-Insurance Reserve	2	22,503,153	15,651,259
Revaluation Reserve	2	-	-
Accumulated Surplus		319,530,513	294,699,038
Non-Current Liabilities		825,614,272	816,336,631
Long-Term Liabilities	3	303,353,022	331,623,290
Non-Current Provisions	4	70,410,279	48,410,279
Deferred Income: Government Grant Reserve	4	451,850,971	436,303,062
Current Liabilities		438,946,949	402,921,538
Consumer Deposits	5	28,587,059	26,670,099
Current Provisions	6	1,430,837	1,546,678
Creditors	7	284,060,997	236,523,402
Unspent Conditional Grants and Receipts	8	73,606,196	100,945,469
VAT	9	19,175,333	11,193,300
Current Portion of Long-Term Liabilities	3	32,086,527	26,042,590
Total Net Assets and Liabilities		1,692,364,643	1,579,823,226
ASSETS			
Non-Current Assets		1,156,750,665	1,103,235,132
Property, Plant and Equipment	10	1,140,643,673	1,087,876,913
Intangible Assets	10	1,457,711	3,348,903
Agricultural Assets	10	520,943	481,100
Investments	11	2,097,750	1,908,017
Long-Term Receivables	12	12,030,587	9,620,199
Current Assets		535,613,978	476,588,094
Inventory	13	50,001,367	33,216,513
Consumer Debtors	14	223,117,739	172,067,693
Other Debtors	15	39,918,518	29,223,432
Current Portion of Long-Term Receivables	12	1,625,396	3,946,027
Call Investment Deposits	11	207,602,643	210,605,059
Cash	16	40,731	38,307
Bank	16	13,307,584	27,491,063
Total Assets		1,692,364,643	1,579,823,226

THE MSUNDUZI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

		Actual 2007	Actual 2006
Description	Note	R	R
<u>Revenue</u>			
Property Rates	17	414,466,865	381,428,996
Property Rates - Penalties and Collection Charges		17,001,280	15,055,792
Service Charges	18	694,577,361	647,446,650
Rentals Received		13,989,454	13,792,768
Interest earned - External Investments		22,721,389	10,169,156
Interest Received - Sundry Debtors		239,929	3,345,165
Interest Received - Service Debtors		18,303,833	18,773,089
Fines		13,814,255	10,633,757
Licences & Permits		71,139	88,544
Income for Agency Services		46,752	954,658
Governments Grants & Subsidies	19	192,586,285	250,183,184
Public Contributions & Donations		0	0
Other Income	20	59,260,622	47,640,479
Total Revenue		1,447,079,164	1,399,512,238
<u>Expenditure</u>			
Employee related Costs	22	434,383,262	383,601,897
Remuneration of Councillors	23	15,503,082	10,947,545
Bad Debts		0	15,413,411
Collection Costs		8,861,071	11,550,721
Depreciation		94,719,589	78,449,924
Repairs & Maintenance		55,401,841	49,458,335
Interest Paid	24	50,194,080	43,165,282
Bulk Purchases	25	495,005,176	456,652,301
Grants & Subsidies Paid	26	3,699,167	3,658,668
Contributions to Provisions		20,000,000	9,260,689
General Expenses Other	21	202,970,230	169,265,645
Impairment of Inventory	13	23,602	2,946,206
Total Expenditure		1,380,761,100	1,234,370,624
Operating Surplus/(Deficit)		66,318,065	165,141,614

THE MSUNDUZI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contributions Reserve</u>	<u>Capital Replacement Reserve</u>	<u>Self-Insurance Reserve</u>	<u>Housing Development fund</u>	<u>Unappropriated Surplus</u>	<u>Total</u>
	R	R	R		R	R	R	R
2006								
Balance at 01 July 2005	232,199,168	365,627,274	54,058,424		10,187,588	47,915,257	118,580,678	828,568,389
Correction of Error (Note 36)	-	-	-		-	-	(13,115,785)	(13,115,785)
Restated Balance	232,199,168	365,627,274	54,058,424	-	10,187,588	47,915,257	105,464,893	815,452,604
Accumulated Surplus/(Deficit) for the year							167,644,659	167,644,659
Corrections Other (Note 39)						(203,542)	6,555,281	6,351,739
Transfer to HDF						2,503,045	(2,503,045)	-
Capital Grants used to Purchase PPE		90,816,576	6,579,595				(97,396,171)	-
Transfer to Provision							(208,000,000)	(208,000,000)
Transfer to Creditors (Leave Pay)							(20,000,000)	(20,000,000)
Contribution to Insurance Reserve					12,628,091			12,628,091
Insurance Claims Processed					(7,164,420)			(7,164,420)
Offsetting of Depreciation	(25,079,202)	(20,140,788)	(3,900,260)				49,120,250	-
Balance at 30 June 2006	207,119,966	436,303,062	56,737,759	-	15,651,259	50,214,760	885,867	766,912,673
2007								
Balance at 01 July 2006	207,119,966	436,303,062	56,737,759		15,651,259	50,214,760	885,867	766,912,673
Correction of Error (Note 36)					-	-	29,474,346	29,474,346
Changes in accounting policy	(207,119,966)	(436,303,062)	(56,737,759)				264,338,825	(435,821,962)
Restated Balance	-	-	-	-	15,651,259	50,214,760	294,699,038	360,565,057
Accumulated Surplus/(Deficit) for the year							73,101,072	73,101,072
Transfer to HDF						3,805,598	(3,805,598)	-
Transfer to Capital Replacement Reserve				33,500,000			(33,500,000)	-
Property, Plant and Equipment Purchased/CRR				(1,750,603)			1,750,603	(0)
Capital Grants used to Purchase PPE		-	-				(46,216,427)	(46,216,427)
Donated/Contributed PPE							39,843	39,843
Transfer to/from Provisions							(22,000,000)	(22,000,000)
Transfer to/from Creditors (Leave Pay)							24,793,464	24,793,464
Contribution to Insurance Reserve					32,249,321			32,249,321
Insurance Claims Processed					(25,397,428)			(25,397,428)
Offsetting of Depreciation							30,668,518	30,668,518
Balance at 30 June 2007	-	-	-	31,749,397	22,503,153	54,020,358	319,530,513	427,803,421

Surplus /(Deficit) for the year includes the Housing Development Fund which gets transferred out.

Surplus /(Deficit) for the year includes a transfer to the operating account in respective of the forestry service amounting to R 2 977 410.

THE MSUNDUZI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH GENERATED BY OPERATING ACTIVITIES			
Cash Receipts from Ratepayers, Government and Other		1,447,079,163	1,444,891,493
Cash Paid to Suppliers and Employees		(1,291,568,498)	(1,236,326,998)
Cash Generated from Operations	28	155,510,665	208,564,495
Interest Received		22,721,389	32,287,410
Interest Paid		(50,194,080)	(43,165,282)
NET CASH FROM OPERATING ACTIVITIES		128,037,974	197,686,623
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(145,841,581)	(187,412,703)
Disposal of assets		10,667,345	8,712
(Increase)/Decrease in Non-Current Receivables		(89,757)	(3,578,220)
Increase in Investments		(189,732)	
NET CASH FROM INVESTING ACTIVITIES		(135,453,725)	(190,982,211)
CASH FLOW FROM FINANCING ACTIVITIES			
Net New Loans Raised		(22,226,332)	60,802,702
Increase/(Decrease) in Consumer Deposits		1,916,960	(698,803)
Non-operating Income Receipted in Provisions/Reserves		(30,109,400)	12,628,091
Non-operating Expenditure Charged against Provisions/Reserves		40,651,052	(7,164,420)
Changes in Accounting Policy			6,351,740
NET CASH FROM FINANCING ACTIVITIES		(9,767,720)	71,919,309
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17,183,471)	78,623,721
Cash and cash equivalents at the beginning of the year	29	238,134,429	159,513,447
Cash and cash equivalents at the end of the year	29	220,950,958	238,137,168
		(17,183,471)	78,623,721

THE MSUNDUZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1 HOUSING DEVELOPMENT FUND	2007 R	2006 R
Housing Development Fund	54,020,358	50,214,760
Unappropriated Surplus	19,763,466	15,957,868
Loans extinguished by Government on 1 April 1998	34,256,892	34,256,892

The Housing Development Fund is represented by the following assets and liabilities:

Property, plant and equipment	194,830	194,830
Housing selling scheme loans	5,860,450	5,765,421
Housing Rental Debtors	4,776,025	2,951,309
Loans extinguished by Government on 1 April 1998	34,256,892	34,256,892
Bank and cash	8,940,640	7,059,679
Sub-total	54,028,836	50,228,131
Internal Advances	-	-
Creditors	-8,478	-13,372
	54,020,358	50,214,759

2 RESERVES

Capital Replacement Reserve	31,749,397	-
Capitalisation Reserve	-	-
Government Grant Reserve	-	-
Donations and Public Contributions Reserve	-	-
Self-Insurance Reserve	22,503,153	15,651,259
Total Reserves	54,252,549	15,651,259

The Capital Replacement Reserve and Self-Insurance Reserves are fully invested in financial investment instruments.

Note : In terms of GRAP 1 - The Capitalisation Reserve & Donations and Public Contributions Reserve have been transferred to the accumulated surplus.

In terms of IAS 20 - The Government Grant Reserve have been transferred to Deferred Income - Government Grants (Non-Current Liabilities).

DEFERRED INCOME - GOVERNMENT GRANTS

Transferred from previous Government Grant Reserve net of capital acquisitions from grants and off-set depreciation transferred.

451,850,971	436,303,062
-------------	-------------

In terms of the exemptions granted in Gazette 30013 dated 29 June 2007 the spent portion of the conditional government grant must be transferred to a revenue account and then be transferred from the statement of changes to the deferred income account.

3 LONG-TERM LIABILITIES

Annuity Loans	315,516,600	337,237,750
Capitalised Lease Liability	19,922,949	20,428,130
SUB-TOTAL	335,439,549	357,665,880
Less: Current Portion Transferred To Current Liabilities	32,086,527	26,042,590
Local Registered Stock Loans	-	-
Annuity Loans	25,938,565	19,603,038
Capitalised Lease Liability	6,147,962	6,439,552
TOTAL EXTERNAL LOANS	303,353,022	331,623,290

Refer Appendix A For More Detail On Long-Term Liabilities.

The Capitalised Lease Liability Is Secured Over The Item Of Plant Leased.

THE MSUNDUZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

4 NON-CURRENT PROVISIONS

Quarry Rehabilitation Fund	410,279	410,279
Landfill Rehab Provision	25,000,000	3,000,000
Stated Benefits Provision	45,000,000	45,000,000
Total Non-Current Provisions	70,410,279	48,410,279

	STATED BENEFITS PROVISION	LANDFILL REHAB PROVISION	QUARRY REHABILITATION FUND
THE MOVEMENT IN THE PROVISIONS IS RECONCILED AS FOLLOWS:-			
Balance At Beginning Of Year	45,000,000	3,000,000	410,279
Contributions - Surplus	(45,000,000)	(3,000,000)	-
Other Income			-
Expenditure Incurred		-	-
Increase Due To Discounting		-	-
Transfer To Current Provisions	45,000,000	25,000,000	-
BALANCE AT END OF YEAR	45,000,000	25,000,000	410,279

By making use of the exemption on employee benefits in terms of Gazette 30013 of 29 June 2007 no provision for Post Employee Benefit - Medical aid Contributions were made.

5 CONSUMER DEPOSITS

Refuse	989,604	906,618
Electricity	20,513,073	19,273,173
Water	5,193,577	4,758,059
Sewer	1,890,806	1,732,248
Total Consumer Deposits	28,587,059	26,670,099

Interest Is Accrued On Consumer Deposits For Service Charges

Guarantees in lieu of electricity and water deposits	5,130,347	1,673,757
---	------------------	------------------

6 CURRENT PROVISIONS

Performance bonus	1,430,837	1,546,678
	-	-
TOTAL CURRENT PROVISIONS	1,430,837	1,546,678

Performance bonuses are paid to executive and process managers subject to their performance. The provision is an estimation of the payment at the reporting date.

Performance bonuses are paid in arrear as per Council policy, in October each year.

THE MOVEMENT IN THE CURRENT PROVISION IS RECONCILED AS FOLLOWS:-

Balance At Beginning Of Year		1,546,678	-
Transfer From Non-Current Provisions	-	-	-
Contributions	-	1,430,837	1,546,678
Expenditure Incurred		(1,546,678)	-
BALANCE AT END OF YEAR	-	1,430,837	1,546,678

THE MSUNDUZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

7 CREDITORS

Trade Creditors	43,196,205	40,570,338
Retention	6,742,079	5,563,345
Other Deposits	2,016,966	2,561,201
Other Creditors	205,526,428	132,226,975
Leave pay	26,579,319	55,601,543
TOTAL CREDITORS	284,060,997	236,523,402

Note: Other Creditors balance on 1 July 2006 was restated by R 26 916 630 See note 36

In terms of the exemptions granted in Gazette 30013 dated 29 June 2007 creditors were accounted for at nominal value and no discounting was performed

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

CONDITIONAL GRANTS FROM GOVERNMENT	68,161,660	95,731,669
National Grants	62,750,823	88,653,104
Provincial Grants And Subsidies	5,410,837	7,078,565
Other Conditional Receipts	5,444,536	5,213,801
TOTAL CONDITIONAL GRANTS AND SUBSIDIES	73,606,196	100,945,469

Unspent Conditional Grants and Subsidies are fully invested in financial instruments

9 VAT

Vat Payable	19,175,333	11,193,300
-------------	------------	------------

Vat is paid to SARS on the receipts basis, the above amount represents the Vat raised on Service Charges that is outstanding.

Note: All Vat returns have been submitted by the due date throughout the year.
The balance at 1 July 2006 was restated with an amount of R 2 615 373 see note 36.

THE MSUNDUZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

10 PROPERTY, PLANT AND EQUIPMENT

30 June 2007

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying Values at 1 July 2006	105,087,349	542,277,324	118,937,249	321,574,991	1,087,876,913
Cost	124,353,774	1,087,872,548	154,890,218	520,729,351	1,887,845,891
Revaluation	-	-	-	-	-
Accumulated Depreciation	(19,266,425)	(545,595,224)	(35,952,969)	(199,154,360)	(799,968,978)
- Cost	(19,266,425)	(545,595,224)	(35,952,969)	(199,154,360)	(799,968,978)
- Revaluation	-	-	-	-	-
Acquisitions	5,914,216	79,849,107	16,179,126	25,627,380	127,569,830
Capital Under Construction	493,704	1,754,274	125,145	15,772,291	18,145,415
Depreciation	(2,896,851)	(57,175,195)	(5,961,175)	(26,584,977)	(92,618,199)
- Based on Cost	(2,896,851)	(57,175,195)	(5,961,175)	(26,584,977)	(92,618,199)
- Based on Revaluation	-	-	-	-	-
Carrying Value of Disposals	(208,054)	-	-	(384,406)	(592,460)
Cost	(208,054)	-	-	(253,317)	(461,371)
Accumulated Depreciation	-	-	-	(131,089)	(131,089)
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2007	108,390,364	566,705,511	129,280,345	336,267,453	1,140,643,673
Cost	130,553,640	1,169,475,930	171,194,489	561,875,702	2,033,099,762
Revaluation	-	-	-	-	-
Accumulated Depreciation	(22,163,276)	(602,770,419)	(41,914,144)	(225,608,249)	(892,456,088)
- Cost	(22,163,276)	(602,770,419)	(41,914,144)	(225,608,249)	(892,456,088)
- Revaluation	-	-	-	-	-

30 June 2006

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying Values at 1 July 2005	105,022,995	486,102,611	104,269,925	286,876,214	982,271,746
Cost	121,417,596	979,554,897	134,930,268	475,251,892	1,711,154,653
Revaluation	-	-	-	-	-
Accumulated Depreciation	(16,394,601)	(493,452,286)	(30,660,343)	(188,375,677)	(728,882,907)
- Cost	(16,394,601)	(493,452,286)	(30,660,343)	(188,375,677)	(728,882,907)
- Revaluation	-	-	-	-	-
Acquisitions	1,914,817	50,743,662	10,600,117	29,442,119	92,700,716
Capital Under Construction	757,115	54,504,608	10,704,030	28,746,234	94,711,987
Depreciation	(2,871,824)	(51,736,731)	(5,292,626)	(18,548,743)	(78,449,924)
- Based on Cost	(2,871,824)	(51,736,731)	(5,292,626)	(18,548,743)	(78,449,924)
- Based on Revaluation	-	-	-	-	-
Carrying Value of Disposals	-	-	-	-	-
Cost	-	-	-	(19,234)	(19,234)
Accumulated Depreciation	-	-	-	10,522	10,522
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2006	104,823,104	539,614,149	120,281,446	326,507,113	1,091,225,813
Cost	124,089,529	1,084,803,167	156,234,415	533,421,011	1,898,548,122
Revaluation	-	-	-	-	-
Accumulated Depreciation	(19,266,425)	(545,189,017)	(35,952,969)	(206,913,898)	(807,322,309)
- Cost	(19,266,425)	(545,189,017)	(35,952,969)	(206,913,898)	(807,322,309)
- Revaluation	-	-	-	-	-

Carrying value at as 30 June 2006 and carry value 1 July 2006 differ because of the separation in the the note of Intangible and Agricultural Assets to separate disclosures

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

10 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Msunduzi Municipality are adhering to National Treasury's Guidelines as per MFMA Circular No. 18 dated 23 June 2005, which states that it is paramount to prepare a process map to obtain infrastructure asset information over a number of years. Msunduzi Municipality appointed a service provider to develop a detailed roadmap to enable the successful implementation of processes to identify, record, value and manage infrastructure assets during the next 3 years.

At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. In terms of the exemptions granted in Gazette 30013 dated 29 June 2007 Msunduzi Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2006/07 financial year due to the exemption granted in Gazette 30013.

Included in land and buildings above are items that may meet the definition of investment property but has been included as PPE because the municipality had not realised the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified.

INTANGIBLE ASSETS

30 June 2007

Reconciliation of Carrying Value	Computer software R	R	R	R	Total R
Carrying Values at 01 July 2006	3,348,903	-	-	-	3,348,903
Cost	10,702,232				10,702,232
Accumulated Amortisation	(7,353,330)				(7,353,330)
Acquisitions	126,336				126,336
Amortisation	(2,017,528)				(2,017,528)
Carrying Value of Disposals	-	-	-	-	-
- Cost	-	-	-	-	-
- Accumulated Amortisation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2007	1,457,711				1,457,711
Cost	10,828,569	-	-	-	10,828,569
Accumulated Amortisation	(9,370,857)				(9,370,857)

The municipality did not recognise any intangible assets in the previous financial year and has not recognised any other intangible assets than software in 2006/07 due to the exemption that was granted allowing the municipality to only account for any software and website costs for the 2006/07 financial year.

AGRICULTURAL ASSETS

30 June 2007

Reconciliation of Carrying Value	Biological assets R	R	R	R	Total R
Values at 01 July 2006	481,100	-	-	-	481,100
Valuation	481,100				481,100
Valuation increase / decrease	39,843				39,843
Values at 30 June 2007	520,943	-	-	-	520,943
Valuation	520,943	-	-	-	520,943

Valuations are done at each financial year end and differences are adjusted to accumulated surplus.

THE MSUNDUZI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
11 INVESTMENTS		
<u>FINANCIAL INSTRUMENTS</u>		
Fixed Deposits - Long-Term	2,097,750	1,908,017
Total Financial Instruments	<u>2,097,750</u>	<u>1,908,017</u>
<u>CALL INVESTMENT DEPOSITS</u>		
Other Deposits - Short-Term	207,602,643	210,605,059
Call Account Deposits	-	-
Total Call Investment Deposits	<u>207,602,643</u>	<u>210,605,059</u>
TOTAL INVESTMENTS	<u>209,700,393</u>	<u>212,513,077</u>
Average Rate Of Return On Investments	9.02%	7.34%

12 LONG-TERM RECEIVABLES

Housing	12,947,551	12,801,558
Loans To Education Facilities And Sporting Bodies.	510,846	574,699
Staff Loans	197,586	189,969
	<u>13,655,983</u>	<u>13,566,226</u>
Less: Current Portion Transferred To Current Assets	1,625,396	3,946,027
Total Long-Term Receivables	<u>12,030,587</u>	<u>9,620,199</u>

Comparative balance were restated by an amount of R 3 112 416

The outstanding amounts relected above relate to loans granted for housing, also in respect of council's motor scheme to employees and loans to education and sporting bodies prior to the implementation of the MFMA section 164.

Since the 1st July 2004 no new loans have been issued

13 INVENTORY

Consumable store	21,195,071	12,227,806
Workshop store	674,401	674,579
Diesel & petrol	195,277	313,027
Unused water	466,976	443,304
Forestry	30,439,448	22,504,002
	<u>52,971,174</u>	<u>36,162,718</u>
Less: Valuation Adjustment for obsolescence	(2,969,807)	(2,946,206)
Total Inventory	<u>50,001,367</u>	<u>33,216,513</u>

Stock to the value of R 23 602 was deemed to be redundant or obsolete and was written of during 2006/07.

Valuation Adjustment		
Balance 1st July	2,946,206	-
Write on		2,946,206
Write off	23,602	
Balance 30 June	2,969,808	2,946,206

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R	
14 CONSUMER DEBTORS			
	GROSS BALANCES	PROVISION FOR BAD DEBTS	
AS AT 30 JUNE 2007		NET BALANCE	
Service debtors	430,135,683	(207,017,944)	
Rates	143,172,709	(68,906,908)	
Cleansing	22,879,816	(11,011,717)	
Electricity	187,232,895	(90,112,424)	
Sewerage	11,438,326	(5,505,097)	
Water	65,411,937	(31,481,798)	
Housing rentals	-	-	
TOTAL	430,135,683	(207,017,944)	
		223,117,739	
AS AT 30 JUNE 2006			
Service debtors	356,325,523	(184,257,830)	
Rates	174,596,130	(54,360,398)	
Cleansing	25,892,899	(16,674,604)	
Electricity	71,233,849	(79,624,247)	
Sewerage	13,538,779	(10,728,764)	
Water	71,063,866	(22,869,817)	
Housing rentals	-	-	
TOTAL	356,325,523	(184,257,830)	
		172,067,693	
	2007 R	2006 R	
RATES: AGEING			
Current (0 - 30 Days)	35,732,481	3,837,071	
31 - 60 Days	6,805,687	5,979,705	
61 - 90 Days	5,361,521	5,561,792	
91 - 120 Days	4,716,471	4,809,572	
121 - 365 Days	5,378,036	4,445,402	
+ 365 Days	85,178,512	149,962,588	
Adjustment for corrections	-	-	
TOTAL	143,172,708	174,596,130	
ELECTRICITY, REFUSE, SEWERAGE & WATER: AGEING			
Current (0 - 30 Days)	121,475,240	32,343,391	
31 - 60 Days	13,343,814	14,119,506	
61 - 90 Days	12,331,051	9,277,776	
91 - 120 Days	9,947,166	9,666,488	
121 - 365 Days	11,445,536	9,493,869	
+ 365 Days	118,420,167	99,844,275	
Adjustment for corrections	-	-	
TOTAL	286,962,974	174,745,305	
SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION	CONSUMERS	INDUSTRIAL/ COMMERCIAL	NATIONAL AND PROVINCIAL GOV
30 JUNE 2007	R	R	R
Current (0 - 30 Days)	55,375,225	51,142,038	12,400,107
31 - 60 Days	10,648,874	3,562,417	6,410,455
61 - 90 Days	10,189,751	2,902,902	4,858,059
91 - 120 Days	8,992,785	2,237,208	4,074,318
121 - 365 Days	9,629,863	2,922,222	4,016,469
+ 365 Days	150,610,635	37,459,430	52,702,924
SUB-TOTAL	245,447,133	100,226,217	84,462,333
Less: Provision For Bad Debts	(175,008,616)	(32,009,328)	-
TOTAL DEBTORS BY CUSTOMER CLASSIFICATION	70,438,517	68,216,889	84,462,333

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
	R	R	R
30 JUNE 2006			
Current (0 - 30 Days)	16,116,755	16,955,638	3,108,069
31 - 60 Days	8,778,973	7,448,094	3,872,144
61 - 90 Days	8,386,413	3,048,413	3,404,742
91 - 120 Days	8,501,066	2,965,673	3,009,321
121 - 365 Days	8,787,074	2,463,541	2,688,656
+ 365 Days	148,428,694	89,188,998	40,682,467
Adjustment for corrections	-	-	-
SUB-TOTAL	198,998,975	122,070,357	56,765,399
Less: Provision For Bad Debts	-	-	-
TOTAL DEBTORS BY CUSTOMER CLASSIFICATION	198,998,975	122,070,357	56,765,399

BAD DEBT PROVISION

Balance at beginning of year		184,257,830	170,000,011
Contributions		20,000,000	438,619,978
Transfers		2,760,114	
Bad debts written off		-	(424,362,159)
Balance at the end of the year		207,017,944	184,257,830

Debtors were disclosed at nominal value net of provision for bad debts and no discounting was performed in terms of the exemption granted in Gazette 30013.

15 OTHER DEBTORS

Sundry debtors		39,918,518	29,223,432
Less: Provision for bad debts - Sundry debtors		39,918,518	29,223,432
Total other debtors		39,918,518	29,223,432

Debtors were disclosed at nominal value net of provision for bad debts and no discounting was performed in terms of the exemption granted in Gazette 30013.

Note: Included in the balance at 1 July 2006 an amount of R 54 920 was restated see note 36

16 BANK, CASH AND OVERDRAFT BALANCES

The municipality has the following bank accounts with - First National Bank :

CURRENT ACCOUNT (PRIMARY BANK ACCOUNT)

Account number: 5094187782

Cashbook balance at the beginning of the year	(15,133,522)	(19,867,869)
Cashbook balance at the end of the year	(16,650,128)	(15,133,522)
Bank statement balance at the beginning of the year	14,708,526	11,956,081
Bank statement balance at the end of the year	11,871,254	14,708,526

CURRENT ACCOUNT - POST OFFICE

Account number: 62006041157

Cashbook balance at the beginning of the year	1,289,470	671,824
Cashbook balance at the end of the year	1,618,218	1,289,470
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
16 BANK, CASH AND OVERDRAFT BALANCES - CONTINUED		
<u>CURRENT ACCOUNT - ELECTRONIC TRANSFERS</u>		
Account number: 5090058750		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	5,127	-
Bank statement balance at the end of the year	4,426	5,127
<u>CURRENT ACCOUNT - UNPAID CHEQUE ACCOUNT</u>		
Account number: 5094187774		
Cashbook balance at the beginning of the year	-	(87,249)
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	(166,291)	(87,249)
Bank statement balance at the end of the year	(60,196)	(166,291)
<u>Balance as per ledger</u>	16,429,200	18,142,455
Note: included in the Ledger balance is an amount of (R 31 511 055) that relates to Creditors, also is an amount of R 60 196 that relates to un-paid cheques. Included in the above balance is an amount of R 10 251 that relates to the Ashburton take-on balance.		
<u>CURRENT ACCOUNT - SLUM CLEARANCE</u>		
Account number: 62058007264		
Cashbook balance at the beginning of the year	8,537,378	9,944,153
Cashbook balance at the end of the year	6,882,062	8,537,378
Bank statement balance at the beginning of the year	8,537,378	9,898,633
Bank statement balance at the end of the year	6,839,061	8,537,378
<u>Balance as per ledger</u>	6,882,062	8,577,404
Note: The Cash Book balance includes a interest portion of R 43 001		
<u>CURRENT ACCOUNT - LIBRARY EXTENSION</u>		
ACCOUNT NUMBER: 62065528930		
Cashbook balance at the beginning of the year	6,191,981	8,431,194
Cashbook balance at the end of the year	85,935	6,191,981
Bank statement balance at the beginning of the year	6,191,981	8,392,642
Bank statement balance at the end of the year	85,101	6,191,981
<u>Balance as per ledger</u>	85,935	6 220 508
Note: The Cash Book balance includes a interest portion of R 834		
<u>CURRENT ACCOUNT - RESTRUCTURING GRANT</u>		
ACCOUNT NUMBER: 62052319756		
Cashbook balance at the beginning of the year	6,968,479	33,315
Cashbook balance at the end of the year	7,162,613	6,968,479
Bank statement balance at the beginning of the year	6,968,478	33,315
Bank statement balance at the end of the year	7,162,613	6,968,478
<u>Balance as per ledger</u>	7,162,613	6,968,479

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
16 BANK, CASH AND OVERDRAFT BALANCES - CONTINUED		
<u>CURRENT ACCOUNT - TRAFFIC FINES</u>		
Account number: 62045272143		
Cashbook balance at the beginning of the year	838,503	-
Cashbook balance at the end of the year	-	838,503
Bank statement balance at the beginning of the year	838,503	-
Bank statement balance at the end of the year	29,250	838,503
Balance as per ledger	29,250	838,503
<u>CURRENT ACCOUNT - MARKET ACCOUNT</u>		
Account number: 50941840627		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	993,933	(51,712)
Bank statement balance at the end of the year	1,866,045	993,933
Balance as per ledger	1,248,563	376,452
<u>CURRENT ACCOUNT - ORIBI AIRPORT</u>		
Account number: 62069378539		
Cashbook balance at the beginning of the year	(193,911)	-
Cashbook balance at the end of the year	(266,959)	(193,911)
Bank statement balance at the beginning of the year	220,670	111,878
Bank statement balance at the end of the year	43,489	220,670
Balance as per ledger	(223,374)	(193,816)
<u>CURRENT ACCOUNT - FORESTRY ACCOUNT</u>		
First National Bank Limited		
Account number: 50930082248		
Cashbook balance at the beginning of the year	439,105	239,915
Cashbook balance at the end of the year	439,105	439,105
Bank statement balance at the beginning of the year	206,060	6,413
Bank statement balance at the end of the year	186,113	206,060
<u>CALL ACCOUNT - FORESTRY ACCOUNT</u>		
Absa Bank Limited		
Account number: 9076022706		
Cashbook balance at the beginning of the year	880,103	78,186
Cashbook balance at the end of the year	1,018,285	880,103
Bank statement balance at the beginning of the year	880,103	78,186
Bank statement balance at the end of the year	1,018,285	880,103
Balance as per ledger	638,624	1,319,208
<u>CURRENT ACCOUNT</u>		
Forestry service operations		
Cashbook balance at the beginning of the year	(14,755,392)	(14,755,405)
Cashbook balance at the end of the year	(18,945,289)	(14,755,392)
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
Balance as per ledger	(18,945,289)	(14,755,392)
Total ledger balances for bank accounts	13,307,584	27,491,063

Note: Included in the balance at 1 July 2006 an amount of R 2 738 was restated see note 36

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
Petty Cash at hand	40,731	38,307
<u>MEMORANDUM ACCOUNTS</u>		
<u>CURRENT ACCOUNT - METRO TRANSPORT FUND</u>		
Account number: 50941849512		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	13,813	348,018
Bank statement balance at the end of the year	765,771	13,813
<u>CURRENT ACCOUNT - SALARIES ACCOUNT</u>		
Account number: 50941847029		
Cashbook balance at the beginning of the year	331,343	211,375
Cashbook balance at the end of the year	(265,022)	331,343
Bank statement balance at the beginning of the year	446,675	555,141
Bank statement balance at the end of the year	(26,611)	446,675
<u>CURRENT ACCOUNT - SALARIES PACS ACCOUNT No: 1</u>		
Account number: 62003432846		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	4,333	-
Bank statement balance at the end of the year	-	4,333
<u>CURRENT ACCOUNT - SALARIES PACS ACCOUNT No: 2</u>		
Account number: 62003433414		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	121,426	38,390
Bank statement balance at the end of the year	161,519	121,426
17 PROPERTY RATES		
<u>Actual</u>		
Residential	205,240,559	136,098,664
Commercial	143,921,190	133,662,076
State	48,289,793	38,682,995
Vacant Land	19,896,322	-
Municipal	-	-
Total Assessment Rates	417,347,864	308,443,735
Less : Adjustments processed	(2,880,999)	-
	414,466,865	308,443,735
<u>Valuations</u>		
Residential	7,928,152,800	8,028,403,457
Commercial	5,116,191,500	5,201,139,300
State	2,111,566,300	2,088,999,778
Vacant Land	269,575,318	-
Municipal	-	-
Total Property Valuations	15,425,485,918	15,318,542,535

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
18 SERVICE CHARGES		
Sale of Electricity	622,515,295	570,817,811
Sale of Water	187,488,118	170,810,652
Sewerage	68,718,633	65,212,075
Refuse	44,633,940	40,321,117
Other	-	-
Total Service Charges	<u>923,355,986</u>	<u>847,161,655</u>
Less: Forgone Income	<u>(228,778,626)</u>	<u>(199,715,005)</u>
	694,577,361	647,446,650
19 GOVERNMENT GRANTS AND SUBSIDIES		
<u>GOVERNMENT GRANTS</u>		
Conditional Grants - Income	10,125,299	16,424,513
Grants - Other	4,258,640	37,156,950
Grants & Subsidies / Capital	47,844,353	80,197,518
RSG - Income	-	-
National Electricity Programme	-	4,009,006
Equitable Share	119,512,385	101,800,113
Total Government Grants	<u><u>181,740,677</u></u>	<u><u>239,588,100</u></u>
<u>PROVINCIAL SUBSIDIES</u>		
Natal Provincial Administration	-	-
Natal Provincial Administration - Subsidy	10,820,543	10,496,039
Provincial Subsidy - Environmental Health	25,065	99,000
	-	-
	-	-
Total Provincial Subsidies	<u><u>10,845,608</u></u>	<u><u>10,595,039</u></u>
Total Government Grants & Subsidies Received And Allocated As Income	<u><u>192,586,285</u></u>	<u><u>250,183,140</u></u>

Equitable Share

In terms of the constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Other Grants And Subsidies

All other funds received in the income account were reimbursements for expenditure incurred.

National/Provincial Government Grant & Other Funding (expenditure reimbursement)

Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all non-capital expenditure is expensed through the income and expenditure account. Reimbursements for met conditions, including capital spending, to the income account are journalised against the Conditional Grant Creditor accounts.

Refer note 8, appendix G and for more detail on the conditional grant and subsidy balances and transaction movements for 2006/07.

Conditions on the funding were complied with and no funds were withheld.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
20 OTHER- INCOME		
Airport	1,947,200	2,328,212
Forestry	11,241,898	8,689,149
Market	12,422,705	12,454,164
Burials & Cremations	1,393,866	1,730,831
Buildings	2,361,780	2,161,879
Re-connections	7,114,320	5,874,737
Training Levy Recoveries	1,307,014	3,089,930
Discount Received	738,148	601,205
Sundry Income	10,215,584	10,710,372
Other Income	181,045	-
Other Income - Gains - Sale Of Assets	2,772	-
Other Income - Gains - Land Sales	10,334,290	-
Total Other Income	59,260,622	47,640,479

21 GENERAL EXPENSES - OTHER

Distribution - Wages	36,436,385	32,002,692
Leave/sick Pay - Downtime	12,036,950	11,874,604
Extraordinary	4,838,244	4,172,367
Discounts To Bulk Consumers	* 113,827,191	85,955,804
Other Rebates	* 21,543,315	22,555,156
Poor Relief/Indigents	* 93,408,120	91,204,045
Pensions Payable	8,358,758	6,733,619
Insurance	15,231,606	13,428,749
Mayoral Projects	5,053,520	4,691,765
Telephones	8,118,252	7,675,141
Government Grant Expenditure	8,707,309	10,605,130
External Services	11,039,057	11,847,848
Contracted Services	9,295,572	7,892,148
Airport	6,929,617	6,524,689
Forestry	8,760,293	7,818,630
Market	12,964,775	11,474,927
Other	55,199,893	32,523,338
	431,748,856	368,980,651
Less: Forgone Expenses	(228,778,626)	(199,715,005)
Total General Expenses - Other	202,970,230	169,265,646

Reconciliation : Total General Expenses - Other

Total General Expenses	431,748,856	368,980,651
Less: Income Foregone	228,778,626	199,715,005
Discounts	* 113,827,191	85,955,804
Poor Relief	* 93,408,120	91,204,045
Other Rebates	* 21,543,315	22,555,156
General Expenses - Other	202,970,230	169,265,646

Impairment of inventory - refer to note 13

	23,602	-
--	---------------	----------

22 EMPLOYEE RELATED COSTS

Salaries & Wages	297,326,862	269,472,099
Contributions for UIF, Pensions & medical Aid	72,603,361	62,063,716
Travel, Motor car, accommodation, subsistence & other allowances	18,485,808	12,539,034
Housing benefits & allowances	4,178,283	3,970,917
Overtime payments	32,307,079	26,811,097
Long service awards	9,481,869	8,745,034
Less: Employee costs capitalised to Property, Plant & Equipment	-	-
Less: Employee costs included in other expenses	-	-
Less: Employee Costs Capitalised to PPE	-	-
	434,383,262	383,601,897

Remuneration of the City Manager

Annual Remuneration	276,397	627,561
Performance Bonuses	101,162	91,312
Car Allowance	47,314	113,553
Contributions for UIF, Medical & Pension Funds	583	-
Total	425,456	832,426

The above remuneration for 2006/2007 only represents only 5 months remuneration due to the resignation of the City Manager.
Performance bonus was paid in arrears for 2005/2006

Remuneration of the Chief Financial Officer

Annual Remuneration	89,597	522,486
Performance Bonuses	91,403	93,537
Car Allowance	12,560	115,788
Contributions for UIF, Medical & Pension Funds	4,745	25,587
Total	198,305	757,398

The above remuneration for 2006/2007 only represents only 2 months remuneration due to the resignation of the Chief Financial Officer.
Performance bonus was paid in arrears for 2005/2006

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
Remuneration of the Executive Manager of Internal Audit		
Annual Remuneration	275,984	445,148
Performance Bonuses	61,627	58,861
Car Allowance	27,857	48,000
Contributions for UIF, Medical & Pension Funds	13,004	19,602
Total	378,473	571,611
Remuneration of the Executive Manager of Community Services & Social Equity		
Annual Remuneration	507,386	476,112
Performance Bonuses	75,242	77,061
Car Allowance	149,340	149,340
Contributions for UIF, Medical & Pension Funds	1,435	-
Total	733,403	702,513
Remuneration of the Executive Manager of Sound Governance & Human Resources		
Annual Remuneration	589,657	511,905
Acting Allowance	86,677	-
Performance Bonuses	0	91,578
Car Allowance	60,000	113,553
Contributions for UIF, Medical & Pension Funds	1,435	-
Total	737,770	717,036
Remuneration of the Executive Manager of Corporate Strategic Planning		
Annual Remuneration	534,059	433,813
Performance Bonuses	88,211	80,646
Car Allowance	113,553	113,553
Contributions for UIF, Medical & Pension Funds	1,435	-
Total	737,259	628,012
Remuneration of the Executive Manager of Infrastructure, Services & Facilities		
Annual Remuneration	605,120	565,452
Acting Allowance	90,896	-
Performance Bonuses	60,000	87,814
Car Allowance	52,914	60,000
Contributions for UIF, Medical & Pension Funds	1,435	-
Total	810,365	713,266
Remuneration of the Executive Manager of Economic Development & Growth		
Annual Remuneration	492,502	419,108
Acting Allowance	61,073	-
Performance Bonuses	85,785	75,269
Car Allowance	61,512	77,553
Contributions for UIF, Medical & Pension Funds	139,231	93,511
Total	840,104	665,441

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
23 REMUNERATION OF COUNCILLORS		
Mayor	545,771	409,790
Deputy Mayor	444,921	338,019
Speaker	449,362	338,019
Executive Committee Members	3,704,392	2,560,610
Councillors	9,002,469	6,494,685
Councillors' Pension and Medical Contribution	1,293,408	806,422
Other	62,760	-
Total Councillors' Remuneration	15,503,082	10,947,545
 (Note: The large variance in other is a result of the new upper limits of salaries, allowances and benefits of Councillor's as per SALGA's circular 14/2006.)		
In-Kind Benefits		
The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members (Exco) are full-time. Each is provided with an office and secretarial support at the cost of Council.		
The Mayor and Deputy Mayor has use of a Council owned vehicle for official duties.		
The Mayor and Deputy Mayor has security and an official driver at the cost of Council.		
24 INTEREST PAID		
Annuity & Finance Loans	44,319,973	43,165,282
Other	5,874,107	-
Total Interest on External Borrowings	50,194,080	43,165,282
25 BULK PURCHASES		
Electricity	307,241,378	279,073,166
Water	187,763,798	177,579,136
Total Bulk Purchases	495,005,176	456,652,301
26 GRANTS AND SUBSIDIES PAID		
Community Bodies	920,124	1,066,078
Arts and culture	308,695	244,390
Safe City Project *	2,462,148	2,340,000
Mayors grants	8,200	8,200
Total Grants and Subsidies Paid	3,699,167	3,658,668
* This grant includes vat		
27 CONTRIBUTIONS TO/(FROM) PROVISIONS		
Surplus Contribution - Bad Debt Provision	20,000,000	160,000,000
Surplus Contribution - Stated Benefits Provision	-	45,000,000
Surplus Contribution - Landfill Rehabilitation Provision	22,000,000	3,000,000
	-	-
Total Contributions To/(From) Provisions	42,000,000	208,000,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
28 CASH GENERATED BY OPERATIONS		
Net Surplus for the year	66,318,062	167,644,659
Adjustment for:		
Previous years	-	-
Transfer to Housing Dev Fund	-	-
Contribution to Provision	-	262,442
Depreciation	94,635,729	78,449,924
Forestry write back	2,977,411	-
Gain on sale of assets	(10,337,062)	-
Investment Income	(22,721,389)	(32,287,410)
Interest Paid	50,194,080	43,165,282
Operating Surplus Before Working Capital Changes:	181,066,831	257,234,897
(Increase)/Decrease in Inventories	(16,808,456)	(19,330,067)
(Increase)/Decrease in Provision for obsolete inventory	23,602	-
(Increase)/Decrease in Service Debtors	(74,036,557)	(36,916,648)
(Increase)/Decrease in Provision for Bad Debts	22,760,114	-
(Increase)/Decrease in Other Debtors	(10,468,688)	33,514,233
Decrease in Conditional Grants & Receipts	(27,339,274)	(51,580,102)
Increase/(Decrease) in Creditors	72,331,059	41,649,386
Increase/(Decrease) in VAT	7,982,034	(16,007,204)
Working Capital Changes	(25,556,166)	(48,670,402)
Cash Generated from Operations	155,510,665	208,564,495

29 CASH AND CASH EQUIVALENTS

Cash	40,731	38,307
Bank Balances	13,307,584	27,491,063
Call & Short Term Deposits	207,602,643	210,605,059
Net Increase in Cash and Cash Equivalents	220,950,958	238,134,429

30 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-Term Liabilities (Refer Appendix A)	5,995,417	85,782,257
Used to Finance Property, Plant and Equipment	(5,995,417)	(85,782,257)
Used to Finance Property, Plant and Equipment previous years	-	-
Reinstatement of Loans Erroneously Written Off	-	-
Balance of long-term liabilities unspent	-	-
Cash Invested for Repayment of External Loans	-	-

A loan of R 90m was negotiated with DBSA to fund 2006/2007 capital expenditure that has been provisionally funded from internal cashflow. The loan proceeds will be received in the 2007/2008 financial year.

All long term loans are raised to finance capital budget only. No operating expenditure is financed from long term loan funding. All purchases against the capital budget are analysed and reconciled to individual asset values. This eliminates any contravention of the MFMA, which stipulates that loan funding cannot finance operating activities.

31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to SALGA

Opening Balance	-	-
Council Subscriptions	216,065	299,652
Amount Paid - Current Year	(216,065)	(299,652)
Amount Paid - Previous Years	-	-
Balance Unpaid	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<u>Audit Fees</u>		
Opening Balance	4,877	245,535
Over Provision Written Back	13,465	1,704,877
Audit Fee invoiced	(1,375,048)	(1,748,132)
Amount Paid - Current Year	-	(197,403)
Amount Paid - Previous Years	1,375,048	-
Balance Unpaid	18,342	4,877

PAYE and UIF

Opening Balance	(32,915)	(19,054)
Current Year Payroll Deductions	64,195,400	48,709,189
Amount Paid - Current Year	(64,195,400)	(48,723,050)
Amount Paid - Previous Years	-	-
Balance	(32,915)	(32,915)

Note: The difference represents PAYE & UIF deducted from the employees salaries, however payroll will have to be adjusted

Pension and Medical Aid Deductions

Opening Balance	-	-
Current Year Payroll Deductions and Council Contributions	119,908,164	101,312,488
Amount Paid - Current Year	(119,908,164)	(101,312,488)
Amount Paid - Previous Years	-	-
Balance Unpaid	-	-

Councillor's Arrear Consumer Accounts

Note: There are no reportable items

32 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and Contracted for		
Infrastructure	10,615,987	10,394,382
Community	-	9,428,508
Heritage	-	-
Other	-	-
Total Commitments	10,615,987	19,822,890

This expenditure will be financed from :

- External Loans	10,615,987	-
- Government Grants	-	17,835,479
- Other	-	1,987,411
	10,615,987	19,822,890

33 CONTINGENT LIABILITIES/ASSETS

The Scorpions special investigating unit is currently investigating procurement procedures and practices of the past. This investigation is on going and might result in the recovery of losses due to Council.

Contingent VAT revenue amounting to R 8 657 387.91 has arisen due to changes on property rates which is zero rated.

The recovery of an amount R 197 586 which owing to Council is uncertain due to a possible insolvent estate

Jewitt v Msunduzi Municipality: Damage claim: Devaluation of property: Alleged failure to remove informal settlers: R 10 million: pending before court. Solicitors: Messers Hawthorn Cameron.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007
R

2006
R

34 RETIREMENT BENEFIT INFORMATION

The Employees Of The Council As Well As The Council As Employer, Contribute To Municipal Pension, Retirement And Various Provident Funds As Listed Below:

- Natal Joint Pension Fund
- Natal Joint Provident Fund
- Government Employees Pension Fund
- AIPF
- SALA Pension Fund
- Councillors Pension Fund
- PMB Provident Fund

35 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

In kind donations - cash R 23 241.09

In kind donations - 170 T-shirts/music

National Treasury appointed a financial advisor during the financial year for a period of two years.

36 CORRECTION OF ERROR

During the year ended 30 June 2007 transactions in respect of the year ended 30 June 2006 have been restated as follows:

Transactions affecting Creditors	-	(26,916,630)
Transactions affecting Inventory	-	-
Transactions affecting Consumer Debtors	-	-
Transactions affecting Other Debtors	-	54,920
Transactions affecting Provisions	-	-
Transactions affecting Bank	-	2,738
Transaction affecting VAT	-	(2,615,373)
Transaction affecting Long Term Liabilities	-	-
Net Effect on Accumulated Surplus	-	<u>(29,474,346)</u>

37 MUNICIPAL ENTITIES

Note: The Safe City Project PMB was declared a Municipal Entity in terms of the MFMA and was incorporated as a Section 21 Company and was initiated in partnership with the business sector to create a safer CBD.

Msunduzi Municipality is taking full advantage of the exemption in Gazette 30013 dated 29 June 2007 and not producing consolidated statements for 2006/2007

Refer to annexure H for the financial statements of Safe City

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
38 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		

None to report on

39 CHANGE IN ACCOUNTING POLICY

The exemptions granted in Gazette 30013 of 29 June 2007 had the following effect on the accounting

Policy no 6 Property, Plant and Equipment

Reviewing of estimated lifecycles and depreciation methods were not applied.

No testing for impairment was performed.

Investment properties were not separately identified.

Comparative information has not been reclassified and may therefore, not be consistent with the current

Leases - no accounting policy were presented in the 2005/06 financial year.

Leases and rentals are recognised on the basis of the cash flows in the lease or rental agreements.

The exemption does not effect the recognition in the 2005/06 financial year.

Policy 5.1 Capitalisation Reserve.

In the 2005/06 financial year this Reserve was disclosed as part of the net assets and was transferred

This change was performed prospectively.

Policy 5.2 Government Grant Reserve.

In the 2005/06 financial year this Reserve was disclosed as part of the net assets and was transferred

This change was done prospectively.

Policy 5.3 Government Grant Reserve.

In the 2005/06 financial year this Reserve was disclosed as part of the net assets and was transferred

This change was done prospectively.

Impairment of assets. - the only specific reference to impairment in the 2005/06 financial year

No impairment testing was done for the 2005/06 and 2006/07 financial years.

Policy 8 Inventories

Disclosure of assets for sale is not affected as inventory but as property, plant and equipment.

IFRS 5 were not applied during the 2005/06 financial year.

40 EXEMPTIONS GRANTED IN GAZETTE 30013 DATED 29 JUNE 2007

The Msunduzi Municipality is making full use of the exemptions.

Due to taking advantage of the exemptions granted the 2005/06 comparatives may not be consistent with the accounting policies applied and information presented and disclosed in the 2006/07 year.

The Msunduzi Municipality is in the process of drawing up an implementation plan to facilitate full compliance to the standards.

To achieve full compliance the information in the annual statements will have to be adjusted to make provision for:

- Presenting assets and liabilities at fair value.
- Providing for all obligations.
- Recapitalise the value of all infrastructure and property assets.
- Straight lining leases and rental income and payments.
- Identify and account for Investment assets.
- Identify and account for Intangible assets.
- Determination of risk (credit and interest).
- Impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
--	-----------	-----------

41 PRE-PAID ELECTRICITY

41.1 Commissions

Commissions are calculated on sales from prepaid electricity sales made by vendors on behalf of the Municipality. Previously, commissions were calculated on upfront deposits from vendors. This basis of calculation of commission has changed within 2006/07 financial year to a calculation that is based on sales.

Two vendors had defaulted with regards to proper collection and depositing of money received from the sale of prepaid sales. This matter is being dealt with the legal department. As a result of this, no commission had been paid to these vendors.

They are Sweetwaters and Phayiphini which had also ceased trading in January 2007 and October 2006 respectively.

Effect on Statement of Performance

Sweetwaters

8,160

8,473

Phayiphini

5,645

10,177

13,805

18,650

The Statement of Performance is overstated by R 15 737 (2006 : R 18 650).

41.2 Outstanding liability of vendors

Two vendors had defaulted with regards to depositing money received from prepaid sales.

These vendors are Sweetwaters and Phayiphini Office.

The matter is being dealt with by the legal division.

The amounts outstanding for the 2005/06 financial year was deemed irrecoverable. The debt owing to the Municipality for the 2006/07 financial year is recorded as outstanding debtors in the Statement of Financial Position.

Total Liability: Sweetwaters

69,703

55,723

Phayiphini

91,567

75,896

161,270

131,619

The total liability for 2007 includes the balance brought forward from 2006. The Statement of Financial Position does not include the balances brought forward from 2006 as these amounts were deemed irrecoverable and were being dealt with by the legal division.

Liability included in Statement of Financial Position: Sweetwaters

13,980

-

Phayiphini

15,671

-

29,651

-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
42 EVENTS ARISING AFTER REPORTING DATE		
Refer to note 30 for loan monies to be received		
43 RELATED PARTIES DISCLOSURE		
NCT Forestry		
The Natal Co-operative Timber (NCT) Company manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to 5% management fee based on net profit for the year - R 136 846 based on nett profit : R 2 736 927.		
Safe City		
This entity has been formed as a partnership with the business community to combat crime in the City. Council allocated a grant in aid to the entity for R 2 462 148 (2006/2007) year and R 2 340 000 (2005/2006) year.		
44 OPERATING LEASES		
<u>BUILDINGS</u>		
Fedsure - leased for 2 years from 15.04.2003 to 30.04.2005		
further extended from 01.05.2005 to 30.04.2006		
further extended from 01.05.2006 to 30.04.2007		
Rental for leased period - 15.04.2003 to 30.04.2003	222,163	12 months
Rental for leased period - 01.05.2004 to 30.04.2005	242,158	12 months
Rental for leased period - 01.05.2005 to 30.04.2006	268,795	12 months
Rental for leased period - 01.06.2006 to 30.04.2007	287,698	12 months
	1,020,814	
Compen - leased for 3 years from 10.06.2007 to 31.05.2010		
Rental for leased period - 01.06.2007 to 30.11.2007	689,130	6 months
Rental for leased period - 01.12.2007 to 31.05.2008	754,247	6 months
Rental for leased period - 01.06.2008 to 31.05.2009	1,629,173	12 months
Rental for leased period - 01.06.2009 to 31.05.2010	1,759,507	12 months
	4,832,057	
<u>COPIERS AND FAX MACHINES</u>		
Leased for 3 years from 27.05.2005 to 28.05.2008		
Rental for leased period - 27.05.2005 to 26.05.2006	1,356,616	12 months
Rental for leased period - 27.05.2006 to 26.05.2007	1,412,282	12 months
Rental for leased period - 27.05.2007 to 26.05.2008	1,412,282	12 months
	4,181,180	

THE MSUNDUZI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT YEAR ENDED 30 JUNE 2007

<u>EXTERNAL LOANS</u>	<u>ACCOUNT NO</u>	<u>Loan Number</u>	<u>Redeemable</u>	<u>Balance at 30/06/06</u>	<u>Received during the period</u>	<u>Redeemed written off during the period</u>	<u>Balance at 30/06/07</u>
				R	R	R	R
LONG-TERM LOANS							
DBSA - 15.5%	PMB8108710930	11158	27/08/2019	12,185,731	0	359,910	11,825,821
DBSA - 15.5%	PMB8108710930	11159	27/08/2019	14,944,003	0	404,400	14,539,603
DBSA - 15.5%	PMB8108710930	11160	09/12/2018	12,736,107	0	344,652	12,391,455
DBSA - 16.5%	PMB8108710930	13446	12/12/2021	23,176,904	0	486,985	22,689,919
DBSA - 16.5%	PMB8108710930	13447	21/12/2020	9,879,406	0	207,582	9,671,824
DBSA - 16.5%	PMB8108710930	13448	04/02/2020	14,627,780	0	307,354	14,320,426
DBSA - 14.27%	PMB8108710930	14039/101	09/09/2023	51,887,462	0	3,556,264	48,331,198
DBSA - 14.27%	PMB8108710930	14039/102	27/08/2023	1,434,690	0	115,930	1,318,760
DBSA - 14.27%	PMB8108710930	102091	02/11/2020	5,265,000	0	0	5,265,000
DBSA - 14.27%	PMB8108710930	102416	28/06/2021	50,000,000	0	900,002	49,099,998
DBSA - 10.75%	PMB7878719598	11649	01/07/2006	36,143	0	3,691	32,452
DBSA - 9.31%	PMB8108710930	101922	01/07/2013	24,735,000	0	458,178	24,276,822
DBSA Total				220,908,226	0	7,144,947	213,763,279
RMB/INCA - 16.35%	PMB8108710929	Piet-00-0001	31/12/2010	50,168,615	0	7,441,159	42,727,456
RMB/INCA - 13.39%	PMB8108710929	Msun-00-0001	31/12/2010	26,317,433	0	3,136,294	23,181,139
INCA - 11.65%	PMB8108710929	Msun-00-0001	31/12/2013	25,416,641	0	2,279,201	23,137,441
RMB/INCA Total				101,902,690	0	12,856,653	89,046,036
INCA - 11.75%	PMB8108710997	PMB107XA-S	01/11/2007	1,400,000	0	0	1,400,000
INCA - 14.50%	PMB81087 0996	PMB107XB-S	01/11/2007	4,000,000	0	0	4,000,000
RMB/HULETTTS - 8.71%	PMB8108710931	Sub-station	30/06/2013	7,918,646	0	617,367	7,301,279
RMB/HULETTTS Total				13,318,646	0	617,367	12,701,279
Metro Transport Fund - 5.5%	PMB8108710906			1,086,500	0	1,086,500	0
Eastwood Library				0	0	0	0
DSB	PMB7878719599	Plessislaer	2008	15,763	0	10,437	5,326
DSB	PMB7878719598	Plessislaer	2008	5,926	0	5,246	680
DSB		Ashburton	2008	0	0	0	0
Other loans total				1,108,189	0	1,102,183	6,006
Total Long-term Loans				337,237,750	0	21,721,150	315,516,600

THE MSUNDUZI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT YEAR ENDED 30 JUNE 2007

<u>EXTERNAL LOANS</u>	<u>ACCOUNT NO</u>	<u>Loan Number</u>	<u>Redeemable</u>	<u>Balance at 30/06/06</u>	<u>Received during the period</u>	<u>Redeemed written off during the period</u>	<u>Balance at 30/06/07</u>
LEASE LIABILITY							
Standard Bank - 10.90%	PMB8108710947	Stannic 6	31/03/2009	2,197,621	0	682,951	1,514,670
Standard Bank - 10.91%	PMB8108710949	Stannic 7	10/07/2005	1,117,759	0	315,757	802,002
Standard Bank - 11.02%	PMB8108710950	Stannic 8	31/05/2009	908,849	0	215,652	693,197
Standard Bank - 10.82%	PMB8108710951	Stannic 9	31/08/2009	323,172	0	74,865	248,307
Standard Bank - 11.03%	PMB8108710952	Stannic 10	28/02/2010	87,012	0	20,095	66,917
Standard Bank - 11.03%	PMB8108710953	Stannic 11	31/03/2010	87,013	0	20,094	66,919
Standard Bank - 11.02%	PMB8108710954	Stannic 12	31/03/2010	946,124	0	212,831	733,293
Standard Bank - 10.80%	PMB8108710955	Stannic 13	23/03/2010	459,838	0	103,788	356,049
Standard Bank - 10.37%	PMB81 8710956	Stannic 14	30/04/2010	200,397	0	45,178	155,218
Standard Bank - 10.83%	PMB8108710957	Stannic 15	30/04/2010	292,365	0	65,956	226,408
Standard Bank - 10.79%	PMB8108710958	Stannic 16	21/04/2010	593,802	0	130,625	463,177
Standard Bank - 10.76%	PMB8108710959	Stannic 17	30/04/2010	1,451,433	0	311,402	1,140,032
Standard Bank - 10.85%	PMB8108710960	Stannic 18	31/05/2010	255,492	0	52,089	203,403
Standard Bank - 10.88%	PMB8108710961	Stannic 19	30/06/2010	206,457	0	42,074	164,383
Standard Bank - 10.77%	PMB8108710962	Stannic 20	31/08/2010	1,198,912	0	244,778	954,134
Standard Bank - 10.76%	PMB8108710963	Stannic 21	31/08/2010	2,247,027	0	447,872	1,799,155
Standard Bank - 10.79%	PMB8108710964	Stannic 22	31/08/2010	909,310	0	157,865	751,445
Standard Bank Total				13,482,580	0	3,143,871	10,338,709

THE MSUNDUZI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT YEAR ENDED 30 JUNE 2007

<u>EXTERNAL LOANS</u>	<u>ACCOUNT NO</u>	<u>Loan Number</u>	<u>Redeemable</u>	<u>Balance at 30/06/06</u>	<u>Received during the period</u>	<u>Redeemed written off during the period</u>	<u>Balance at 30/06/07</u>
Nedbank -10.50%	PMB8108710965	Nedbank 1	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710966	Nedbank 2	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710967	Nedbank 3	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710968	Nedbank 4	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710969	Nedbank 5	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710970	Nedbank 6	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710971	Nedbank 7	24/12/2011	0	154,902	10,091	144,812
Nedbank -10.50%	PMB8108710972	Nedbank 8	24/12/2011	0	160,461	10,453	150,009
Nedbank -10.50%	PMB8108710973	Nedbank 9	24/12/2011	0	160,637	10,464	150,173
Nedbank -10.50%	PMB8108710974	Nedbank 10	24/12/2014	0	493,960	16,468	477,492
Nedbank -10.50%	PMB8108710975	Nedbank 11	24/12/2014	0	493,960	16,468	477,492
Nedbank -10.50%	PMB8108710976	Nedbank 12	24/12/2017	0	1,977,253	0	1,977,253
Nedbank -10.50%	PMB81 8710977	Nedbank 13	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710978	Nedbank 14	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710979	Nedbank 15	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710980	Nedbank 16	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710981	Nedbank 17	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710982	Nedbank 18	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710983	Nedbank 19	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710984	Nedbank 20	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710985	Nedbank 21	12/06/2012	0	162,483	0	162,483
Nedbank -10.50%	PMB8108710986	Nedbank 22	12/06/2012	0	162,483	0	162,483
Nedbank Total				0	5,995,417	124,487	5,870,931
ABSA - 10.60%	PMB8108710939	Absa 1	31/08/2007	2,071,697	0	1,724,908	346,789
ABSA - 10.81%	PMB8108710942	Absa 2	31/05/2009	4,751,617	0	1,468,484	3,283,133
ABSA - 12.17%	PMB8108710948	Absa 3	01/04/2009	122,236	0	38,848	83,387
ABSA Total				6,945,549	0	3,232,240	3,713,309
Total lease liability				20,428,130	5,995,417	6,500,598	19,922,949
TOTAL EXTERNAL LOANS				357,665,880	5,995,417	28,221,748	335,439,549

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007

	Cost					Accumulated Depreciation				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
LAND AND BUILDINGS										
Land	35,619,804	532,800	-	(208,054)	35,944,550	-	-	-	-	35,944,550
Buildings	88,733,969	5,381,417	493,704	-	94,609,090	19,266,425	2,896,851	-	22,163,276	72,445,814
Total Land and Buildings	124,353,774	5,914,216	493,704	(208,054)	130,553,639	19,266,425	2,896,851	-	22,163,276	108,390,363
Power Stations	46,538,970	1,703,361	-	-	48,242,331	15,255,053	1,556,156	-	16,811,209	31,431,121
Electrical Mains	58,849,098	4,324,142	-	-	63,173,240	19,623,558	2,984,776	-	22,608,334	40,564,906
Electrical Meters	40,764,476	2,789,594	-	-	43,554,070	12,498,328	1,845,341	-	14,343,669	29,210,401
Electrical Supply & Reticulation	130,846,340	12,825,666	784,406	-	144,456,412	62,972,087	4,365,540	-	67,337,627	77,118,784
Load control equipment	59,950	-	-	-	59,950	-	2,997	-	2,997	56,953
Switchgear Equipment	17,051,840	4,928,149	-	-	21,979,989	5,225,086	819,078	-	6,044,164	15,935,826
Transformer Kiosks	24,008,031	1,254,376	-	-	25,262,407	9,672,498	814,014	-	10,486,512	14,775,895
Roads	318,118,705	27,825,288	784,406	-	346,728,399	125,246,609	12,387,902	-	137,634,512	209,093,886
Motorways	155,732	-	-	-	155,732	3,329	15,573	-	18,902	136,830
Bridges, Subways and Culverts	7,361,835	-	-	-	7,361,835	2,291,723	245,395	-	2,537,118	4,824,717
Over head bridges	187,472	-	-	-	187,472	521	6,249	-	6,770	180,702
Bus Terminals	5,251,041	-	-	-	5,251,041	2,524,476	251,631	-	2,776,107	2,474,935
Car Parks	36,742	87,544	-	-	124,286	36,742	360	-	37,102	87,184
Other Roads	327,763,808	23,687,075	-	-	351,450,883	220,477,686	21,909,257	-	242,386,943	109,063,941
Stormwater Drains	46,472,552	189,869	-	-	46,662,421	21,896,385	2,038,354	-	23,934,739	22,727,682
Street Lighting	24,624,402	1,360,312	-	-	25,984,714	9,539,989	790,829	-	10,330,818	15,653,896
Traffic Islands	26,192	-	-	-	26,192	4,567	2,595	-	7,162	19,030
Traffic Lights	1,638,481	-	-	-	1,638,481	348,918	70,522	-	419,440	1,219,041
Road Banners	-	278,138	-	-	278,138	-	4,808	-	4,808	273,329
Sewerage	413,518,256	25,602,938	-	-	439,121,195	257,124,336	25,335,572	-	282,459,908	156,661,287
Outfall Sewers	2,931,600	-	-	-	2,931,600	273,836	146,580	-	420,416	2,511,184
Purification Works	35,893	-	-	-	35,893	35,893	-	-	35,893	(0)
Sewerage Pumps	170,734	-	-	-	170,734	14,400	11,382	-	25,782	144,952
Sewers	86,961,417	11,267,502	969,868	-	99,198,788	38,874,852	3,572,663	-	42,447,515	56,751,273
Water	90,099,644	11,267,502	969,868	-	102,337,014	39,198,981	3,730,625	-	42,929,606	59,407,409
Mains	12,304,345	3,605,903	-	-	15,910,248	928,191	630,036	-	1,558,227	14,352,021
Meters	23,537,299	1,331,800	-	-	24,869,100	8,326,646	1,575,843	-	9,902,489	14,966,611
Reservoirs	427,395	-	-	-	427,395	39,132	21,370	-	60,502	366,893
Reticulation	143,039,605	5,727,432	-	-	148,767,036	64,816,345	6,236,535	-	71,052,880	77,714,156
Treatment Works	-	-	-	-	-	-	-	-	-	-
Footways	179,308,644	10,665,134	-	-	189,973,779	74,110,314	8,463,783	-	82,574,098	107,399,681
Footways	14,063,625	-	-	-	14,063,625	7,937,188	691,168	-	8,628,356	5,435,269
Kerbing	42,099,624	-	-	-	42,099,624	29,260,975	2,101,857	-	31,362,832	10,736,792
Airport	56,163,249	-	-	-	56,163,249	37,198,162	2,793,025	-	39,991,188	16,172,061
Aprons	346,854	-	-	-	346,854	58,142	17,343	-	75,485	271,369
Runways	8,229,928	784,590	-	-	9,014,518	2,620,064	414,721	-	3,034,785	5,979,733
Taxiways	179,500	-	-	-	179,500	18,698	8,975	-	27,673	151,827
Radio Beacons	198,551	-	-	-	198,551	53,078	9,928	-	63,006	135,545
Security	8,954,832	784,590	-	-	9,739,423	2,749,983	450,966	-	3,200,948	6,538,475
Access Control Systems	51,334	-	-	-	51,334	51,334	-	-	51,334	(0)
Fencing	2,042,735	235,438	-	-	2,278,173	1,718,756	188,424	-	1,907,180	370,992
Security Systems	19,615,149	3,468,217	-	-	23,083,366	8,196,750	3,824,897	-	12,021,647	11,061,719
Total Infrastructure Assets	1,087,872,548	79,849,107	1,754,274	-	1,169,475,931	545,595,224	57,175,195	-	602,770,421	566,705,510

APPENDIX B CONTINUED

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007

	Cost					Accumulated Depreciation				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
COMMUNITY ASSETS										
Buildings										
Cemeteries	1,656,620	408,055	-	-	2,064,675	262,199	56,871	-	319,070	1,745,605
Civic Theatres	797,763	-	-	-	797,763	548,784	26,592	-	575,376	222,387
Clinics and Hospitals	8,015,803	382,884	-	-	8,398,687	1,906,159	268,242	-	2,174,401	6,224,286
Community Centres	49,387,786	5,395,792	76,000	-	54,859,578	5,662,778	1,660,405	-	7,323,183	47,536,395
Fire Stations	1,313,676	660,575	-	-	1,974,251	798,637	42,472	-	841,109	1,133,142
Games Reserves and Rest Camps	401,645	120,190	-	-	521,835	117,525	13,717	-	131,242	390,592
Indoor Sports Facilities	430,645	-	-	-	430,645	158,366	14,355	-	172,721	257,924
Library	22,430,767	3,156,461	-	-	25,587,229	1,673,295	742,013	-	2,415,308	23,171,921
Museums and Art Galleries	4,547,576	296,420	-	-	4,843,996	2,093,725	152,398	-	2,246,123	2,597,872
Parks	1,884,625	692,329	-	-	2,576,954	207,899	65,226	-	273,125	2,303,828
Public Conveniences	2,843,097	175,740	-	-	3,018,837	592,642	95,162	-	687,804	2,331,032
Recreation Centres	1,039,451	-	-	-	1,039,451	70,795	34,648	-	105,443	934,008
Stadiums	8,022,622	2,854,647	-	-	10,877,269	1,298,035	270,909	-	1,568,944	9,308,325
	102,772,078	14,143,093	76,000	-	116,991,169	15,390,841	3,443,011	-	18,833,850	98,157,318
Recreational Facilities										
Floodlighting	1,974,141	311,356	-	-	2,285,497	802,521	98,110	-	900,631	1,384,866
Outdoor Sports Facilities	44,082,804	1,425,520	-	-	45,508,324	17,124,324	2,176,411	-	19,300,735	26,207,588
Swimming Pools	5,871,646	299,158	49,145	-	6,219,949	2,538,398	234,165	-	2,772,563	3,447,386
Tennis Courts	189,550	-	-	-	189,550	96,887	9,478	-	106,365	83,185
	52,118,141	2,036,034	49,145	-	54,203,320	20,562,129	2,518,164	-	23,080,294	31,123,026
Total Community Assets	154,890,218	16,179,126	125,145	-	171,194,488	35,952,969	5,961,175	-	41,914,144	129,280,344
OTHER ASSETS										
Other Properties										
Caravan Parks	139,014	-	-	-	139,014	122,712	4,427	-	127,139	11,874
Abattoirs	158,279	-	-	-	158,279	132,341	5,276	-	137,617	20,662
Hostels Workers	632,152	-	-	-	632,152	50,192	21,003	-	71,195	560,958
Housing Schemes	191,173,781	1,336,958	6,088,647	-	198,599,386	2,527,753	6,326,981	-	8,854,734	189,744,652
Markets	23,040,120	92,980	-	-	23,133,100	6,546,907	701,093	-	7,248,000	15,885,100
Nurseries	488,139	37,269	-	-	525,408	83,085	16,687	-	99,772	425,636
Kilns	1,162,850	-	-	-	1,162,850	253,478	38,762	-	292,240	870,610
Tip Sites	50,771,719	1,312,708	-	-	52,084,427	9,912,474	1,695,987	-	11,608,461	40,475,966
Training facilities	-	142,115	-	-	142,115	-	584	-	584	141,531
Old Age Homes	663,494	-	-	-	663,494	181,342	22,116	-	203,458	460,036
Transport Facilities	13,367,539	9,903,198	5,737,082	-	29,007,819	1,611,155	466,978	-	2,078,133	26,929,686
Workshops and Depots	4,503,479	213,342	-	-	4,716,820	1,047,278	151,126	-	1,198,404	3,518,417
	286,100,566	13,038,570	11,825,729	-	310,964,865	22,468,716	9,451,020	-	31,919,737	279,045,128
Plant and Equipment										
Graders	3,250,361	3,781,944	-	-	7,032,305	2,057,761	283,999	-	2,341,760	4,690,545
Compressors	138,950	-	-	-	138,950	138,950	-	-	138,950	-
Cremators	1,070,800	696,378	-	-	1,767,178	34,722	75,202	-	109,924	1,657,253
Farm Equipment	81,834	21,489	-	-	103,323	8,281	16,720	-	25,001	78,322
General	12,065,951	315,617	-	-	12,381,568	9,347,378	765,981	-	10,113,359	2,268,209
Lawnmowers	2,430,608	-	-	-	2,430,608	2,274,190	108,813	-	2,383,003	47,605
Laboratory Equipment	330,629	422,918	-	-	753,547	95,333	100,883	-	196,216	557,331
Radio Equipment	1,428,639	175,219	-	-	1,603,858	1,330,616	37,878	-	1,368,494	235,364
Telecommunication Equipment	5,149,791	315,000	-	-	5,464,791	542,280	1,032,040	-	1,574,320	3,890,471
Tractors	5,594,218	713,539	-	-	6,307,757	3,173,189	281,069	-	3,454,258	2,853,499
	31,541,781	6,442,103	-	-	37,983,884	19,002,700	2,702,586	-	21,705,286	16,278,598
Other Assets carried forward	317,642,348	19,480,673	11,825,729	-	348,948,749	41,471,416	12,153,607	-	53,625,023	295,323,726

APPENDIX B CONTINUED
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007

	Cost					Accumulated Depreciation				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
Other Assets brought forward	317,642,348	19,480,673	11,825,729	-	348,948,749	41,471,416	-	-	53,625,023	295,323,726
Office Equipment										
Air Conditioners	9,660,090	426,032	-	-	10,086,123	6,632,623	724,527	-	7,357,150	2,728,973
Computer Hardware	25,884,424	647,806	-	-	26,532,229	17,080,010	2,818,410	-	19,898,420	6,633,810
Computer Software	3,707,671	-	-	-	3,707,671	709,156	1,159,193	-	1,868,350	1,839,321
Office Machines	4,748,734	207,823	-	-	4,956,557	3,842,528	469,346	-	4,311,874	644,683
	44,000,920	1,281,661	-	-	45,282,580	28,264,317	5,171,476	-	33,435,794	11,846,786
Furniture and Fittings										
Cabinets and Cupboards	7,423,633	65,004	-	-	7,488,637	7,412,537	2,348	-	7,414,885	73,752
Chairs	9,797,695	-	-	-	9,797,695	9,705,798	18,691	-	9,724,489	73,206
Furniture and Fittings Other	7,717,095	46,751	-	-	7,763,846	6,447,196	253,553	-	6,700,749	1,063,097
Tables and Desks	8,344,739	-	-	-	8,344,739	8,344,739	-	-	8,344,739	0
	33,283,162	111,755	-	-	33,394,917	31,910,271	274,592	-	32,184,862	1,210,056
Containers										
Household Refuse Bins	256,014	-	-	-	256,014	114,533	32,415	-	146,948	109,066
Bulk Containers	1,062,260	20,321	-	-	1,082,581	136,951	106,393	-	243,344	839,237
	1,318,274	20,321	-	-	1,338,595	251,484	138,808	-	390,292	948,303
Fire & Ambulance (Medical)										
Fire Equipment	7,517,267	-	-	-	7,517,267	6,232,044	97,092	-	6,329,136	1,188,130
Ambulance Equipment	897,844	221,242	-	-	1,119,086	897,844	13,999	-	911,842	207,244
	8,415,110	221,242	-	-	8,636,352	7,129,888	111,091	-	7,240,978	1,395,374
Motor Vehicles										
Fire Engines	3,711,696	-	3,946,562	-	7,658,258	3,611,718	4,999	-	3,616,717	4,041,541
Buses	451,139	-	-	-	451,139	451,139	-	-	451,139	-
Motor Vehicles	14,063,605	2,999,072	-	(253,317)	16,809,360	9,159,249	1,730,078	(131,089)	10,758,238	6,051,121
Motor Cycles	696,111	-	-	-	696,111	602,146	66,296	-	668,442	27,669
Trailers	1,147,281	-	-	-	1,147,281	1,147,281	-	-	1,147,281	-
Trucks and Bakkies	86,238,094	1,396,400	-	-	87,634,494	71,218,674	6,674,554	-	77,893,228	9,741,267
	106,307,925	4,395,472	3,946,562	(253,317)	114,396,642	86,190,207	8,475,926	(131,089)	94,535,044	19,861,598
Capital leases										
Motor Vehicles	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
General										
Railway Lines	3,192,256	116,257	-	-	3,308,513	1,725,732	155,883	-	1,881,615	1,426,898
Aircraft	367,564	-	-	-	367,564	51,051	24,504	-	75,555	292,009
Watercraft	131,177	-	-	-	131,177	131,177	-	-	131,177	0
Rivers	1,462,550	-	-	-	1,462,550	967,775	-	-	967,775	494,775
Rivers	1,581,817	-	-	-	1,581,817	-	79,091	-	79,091	1,502,726
Land-Housing	1,295,395	-	-	-	1,295,395	1,061,042	-	-	1,061,042	234,353
Artworks	1,730,853	-	-	-	1,730,853	-	-	-	-	1,730,853
	9,761,612	116,257	-	-	9,877,869	3,936,778	259,478	-	4,196,255	5,681,614
Total Other Assets	520,729,351	25,627,380	15,772,291	(253,317)	561,875,704	199,154,358	26,584,977	(131,089)	225,608,248	336,267,456
TOTAL	1,887,845,891	127,569,830	18,145,415	(461,371)	2,033,099,763	799,968,978	92,618,200	(131,089)	892,456,089	1,140,643,673
Intangible Assets	10,702,232	126,336	-	-	10,828,569	7,353,330	2,017,528	-	9,370,857	1,457,711
Agricultural/Biological Assets	481,100	39,843	-	-	520,943	-	-	-	-	520,943
Grand Total Assets	1,899,029,222	127,736,009	18,145,415	-461,371	2,044,449,274	807,322,309	94,635,728	-131,088	901,826,948	1,142,622,326

THE MSUNDUZI MUNICIPALITY

APPENDIX C

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

Fixed Assets	Historical Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	7,409,028	840,633	-	(253,317)	7,996,345	3,375,231	582,068	(131,089)	3,826,211	4,170,134
Finance and Administration	314,777,990	8,500,743	76,000	(208,054)	323,146,679	131,069,288	20,766,925	-	151,836,214	171,310,465
Planning and Development	46,869,856	12,412,699	5,392,948	-	64,675,502	18,490,952	3,172,596	-	21,663,548	43,011,954
Health	14,763,403	1,284,424	-	-	16,047,827	7,033,947	622,342	-	7,656,290	8,391,537
Community and Social Services	26,711,438	5,411,420	-	-	32,122,858	7,646,826	1,255,618	-	8,902,443	23,220,415
Housing	178,940,920	302,617	6,088,647	-	185,332,184	4,318,084	5,828,222	-	10,146,306	175,185,878
Public Safety	39,299,606	6,331,728	3,946,562	-	49,577,896	30,276,923	2,150,008	-	32,426,931	17,150,965
Sport and Recreation	104,450,301	7,034,744	49,145	-	111,534,190	37,942,691	4,540,241	-	42,482,932	69,051,258
Road Transport	441,110,381	26,564,659	-	-	467,675,040	271,229,966	25,453,836	-	296,683,802	170,991,238
Environmental Protection	481,100	39,843	-	-	520,943	-	-	-	-	520,943
Water	182,250,878	9,600,590	784,406	-	192,635,874	78,987,112	8,244,775	-	87,231,887	105,403,987
Waste Management	155,899,185	16,116,018	969,868	-	172,985,071	58,418,333	6,851,610	-	65,269,943	107,715,128
Electricity	352,541,301	30,126,844	-	-	382,668,145	146,078,692	13,885,249	-	159,963,940	222,704,205
Other	33,523,835	3,169,048	837,838	-	37,530,721	12,454,264	1,282,238	-	13,736,502	23,794,219
TOTALS	1,899,029,222	127,736,010	18,145,414	(461,371)	2,044,449,275	807,322,310	94,635,728	(131,089)	901,826,949	1,142,622,326

APPENDIX - D

The Msunduzi Municipality: Segmental Statement of Financial Performance for the Year Ended 30 June 2007

<u>2006</u>				<u>2007</u>		
<u>Actual Income</u>	<u>Actual Expenditure</u>	<u>Surplus/(Deficit)</u>		<u>Actual Income</u>	<u>Actual Expenditure</u>	<u>Surplus/(Deficit)</u>
320,973	25,967,006	-25,646,033	Executive & Council	42,033	31,225,262	-31,183,229
509,121,528	305,533,945	203,587,583	Finance & Admin	324,459,150	127,458,886	197,000,264
13,868,692	45,162,148	-31,293,456	Planning & Development	17,569,289	43,923,134	-26,353,846
10,818,848	29,592,890	-18,774,042	Health	10,903,137	30,641,082	-19,737,945
10,359,689	20,797,782	-10,438,093	Community & Social Services	9,119,302	27,390,238	-18,270,935
31,449,773	17,581,900	13,867,872	Housing	8,997,461	15,845,551	-6,848,090
12,185,820	82,748,012	-70,562,191	Public Safety	14,607,576	96,531,718	-81,924,142
3,430,932	44,175,884	-40,744,952	Sport And Recreation	1,431,163	47,746,088	-46,314,925
133,846,383	137,040,598	-3,194,215	Waste Management	138,743,095	142,347,888	-3,604,793
8,955,066	78,135,889	-69,180,822	Road Transport	4,037,908	84,975,344	-80,937,435
228,630,537	196,441,080	32,189,457	Water	245,602,699	202,819,314	42,783,385
612,210,490	469,750,630	142,459,860	Electricity	644,462,287	541,450,182	103,012,105
24,028,513	25,096,930	-1,068,417	Other	27,104,065	27,902,689	-680,874
<u>1,599,227,243</u>	<u>1,478,024,693</u>	<u>121,202,550</u>	<u>Sub - Total</u>	<u>1,447,079,164</u>	<u>1,420,257,376</u>	<u>26,821,790</u>
	<u>-43,939,064</u>	<u>-43,939,064</u>	<u>Less: Inter-Dept Charges</u>		<u>-39,496,275</u>	<u>-39,496,275</u>
<u>1,599,227,243</u>	<u>1,434,085,628</u>	<u>165,141,614</u>	<u>Total</u>	<u>1,447,079,164</u>	<u>1,380,761,101</u>	<u>66,318,065</u>

Appendix - E 1

The Msunduzi Municipality: Actual versus Budget (Revenue and Expenditure) for the Year ended 30 JUNE 2007

Description	Actual 2007	Budget 2007	Variance 2007	Variance 2007	Explanation of Significant variances greater than 10% versus Budget
	R	R	R	%	
Revenue					
Property Rates	414,466,865	407,512,588	6,954,277	1.71	
Property Rates - Penalties and Collection Charges	17,001,280	22,709,749	-5,708,469	-25.14	
Service Charges	694,577,361	836,004,341	87,351,645	10.45	
Rentals Received	13,989,454	12,762,220	-136,207	-1.07	
Interest earned - External Investments	22,721,389	0	22,721,389	0.00	
Interest earned - Outstanding debtors	239,929	150,805	18,426,916	12,219.04	
Other Interest	18,303,833	0	0		
Fines	13,814,255	13,316,088	478,050	3.59	
Licences & Permits	71,139	0	0		
Income for Agency Services	46,752	13,027,700	-250,415	-1.92	
Governments Grants & Subsidies	192,586,285	149,855,903	40,591,741	27.09	
Public Contributions & Donations	0	70,678,662	-70,678,662	-100.00	
Other Income	59,260,622	36,092,971	13,996,496	38.78	
Total Revenue	1,447,079,164	1,562,111,027	113,746,762		
Expenditure					
Executive & Council	31,225,262	33,341,839	-2,116,577	-6.35	
Finance & Admin	127,458,886	355,923,342	314,169	0.09	
Planning & Development	43,923,134	49,378,158	-5,455,024	-11.05	
Health	30,641,082	30,695,868	-54,786	-0.18	
Community & Social Services	27,390,238	26,741,130	649,108	2.43	
Housing	15,845,551	14,650,925	1,194,626	8.15	
Public Safety	96,531,718	94,124,863	2,406,855	2.56	
Sport And Recreation	47,746,088	47,651,479	94,609	0.20	
Waste Management	142,347,888	138,536,307	3,811,581	2.75	
Road Transport	84,975,344	82,299,988	2,675,356	3.25	
Water	202,819,314	209,941,833	-7,122,519	-3.39	
Electricity	541,450,182	521,783,321	19,666,861	3.77	
Other	27,902,689	28,627,111	-842,172	-2.94	
Less: Inter-Dept Charges	-39,496,275	-79,741,789	40,245,514	-50.47	
Total Expenditure	1,380,761,100	1,553,954,375	54,632,364		
Operating Surplus/(Deficit)	66,318,065	8,156,652	59,114,399		

THE MSUNDUZI MUNICIPALITY

APPENDIX E2

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

Description	2007	2007	2007	2007	2007	2007	Explanation of Significant Variances greater than 5% versus Budget
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %	
Executive and Council	840,633	-	840,633	930,000	(89,367)	-0.10	
Finance and Administration	8,500,743	76,000	8,576,743	70,000	8,506,743	121.52	
Planning and Development	12,412,699	5,392,948	17,805,647	21,550,596	(3,744,949)	-0.17	
Public Safety	1,284,424	3,946,562	5,230,986	7,145,000	(1,914,014)	-0.27	
Community and Social Services	5,411,420	-	5,411,420	28,736,543	16,641,633	0.58	
Health	302,617	-	302,617	-	-		
Sport and Recreation	6,331,728	49,145	6,380,873	-	-		
Road Transport	7,034,744	-	7,034,744	117,989,754	10,093,677	0.09	
Environment Protection	26,564,659	-	26,564,659	-	-		
Water	39,843	784,406	824,249	-	-		
Waste Management	9,600,590	969,868	10,570,458	-	-		
Electricity	16,116,018	-	16,116,018	-	-		
Housing	30,126,844	6,088,647	36,215,491	-	-		
Other	3,169,048	837,838	4,006,886	-	4,006,886	0.00	
		-	-		-		
TOTALS	127,736,010	18,145,414	145,881,424	176,421,893	33,500,609		

THE MSUNDUZI MUNICIPALITY

APPENDIX G

CONDITIONAL GRANTS AND RECEIPTS AT 30 JUNE 2007

	UNSPENT BALANCE 1-Jul-2006	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE OPERATING EXPENDITURE	TRANSFER TO REVENUE CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30-Jun-2007
NATIONAL GOVERNMENT							
Various as per attached schedule	(88,653,104)	(106,475,615)	-	-	-	132,377,895	(62,750,823)
	-	-	-	-	-	-	-
PROVINCIAL GOVERNMENT							
Various as per attached schedule	(7,078,565)	(9,795,426)	-	-	-	11,463,154	(5,410,837)
	-	-	-	-	-	-	-
	(95,731,667)	(116,271,041)	-	-	-	143,841,050	(68,161,660)
OTHER GRANTS							
Various as per attached schedule	(5,213,801)	(319,263)	-	-	-	88,528	(5,444,536)
	-	-	-	-	-	-	-
	(100,945,468)	(116,590,304)	-	-	-	143,929,578	(73,606,196)

THE MSUNDUZI MUNICIPALITY

APPENDIX G1

<u>Account No:</u>	<u>Account Description</u>	<u>Unspent Balance @</u>			<u>Unspent balance @</u>		
		<u>1 July 2006</u>	<u>Transfers</u>	<u>Current Year Receipts</u>	<u>30 June 2007</u>	<u>Grant Type</u>	<u>Source Code</u>
PMB548898001	DEVELOPMENT CAPACITY BUILDING PROJECT	(135,378.29)	176,350.00	(256,434.93)	-215,463.22	CAPAC	NT
PMB0108960001	GRANT COMMUNITY DEVELOPMENT WORKERS	(131,014.89)	29,076.61	(1,669.27)	-103,607.55	COMM	NT
PMB5118960018	UNSPENT CONDITIONAL GRANT - EDN CORRIDOR	(1,497.16)	769,901.77	(769,901.77)	-1,497.16	EDN	NT
PMB0358980801	FMG-GRANT INCOME	(2,319,230.15)	1,687,044.67	(876,082.82)	-1,508,268.30	FMG	NT
PMB2858960001	GEDI - GIJIMA FUNDS	(224,000.00)	555,776.67	(523,445.06)	-191,668.39	GEDI	NT
PMB0118960002	GRANT DPLG AMENDMENT IDP	(50,000.00)	-	-	-50,000.00	IDP	NT
PMB2408970003	AQUISITIONS OF PTY LAND - EDN	(20,939,029.75)	21,569,953.56	(630,923.81)	-0.00	LAND	NT
PMB0608960012	MIG	(26,742,326.61)	65,767,102.80	(52,964,243.64)	-13,939,467.45	MIG	NT
PMB5268960001	ICT INTERDEPT MONITORING GRANT	(34,007.38)	45,805.87	(15,117.83)	-3,319.34	MON	NT
PMB7138960015	UNSPENT CONDITIONAL GRANT - DEPT OF MINERALS	(303,041.00)	-	(4,000,144.74)	-4,303,185.74	NER	NT
PMB5018960001	GRANT DPLG PERFORMANCE MGT SYSTEM	(50,000.00)	-	-	-50,000.00	PFM	NT
PMB5608960010	PHB	(18,671,727.40)	10,329,980.44	(26,445,293.79)	-34,787,040.75	PHB	NT
PMB0608850363	RDP IRC CLAIMS FROM CED	(7,038,317.22)	13,768,295.22	(6,729,978.00)	-	RDP	NT
PMB0358980803	RE - STRUCTURING PROJECT PLAN	(1,034,809.51)	5,537,521.00	(10,614,986.86)	-6,112,275.37	RSG	NT
PMB0358980804	RS6 - INVESTMENT ACCOUNT - INTEREST REC.	(9,608,522.25)	10,269,693.13	(661,170.88)	-	RS6	NT
PMB5308960001	SETA DISCRETIONARY GRANT	(259,292.58)	401,179.78	(170,948.43)	-29,061.23	SETA	NT
PMB5608960001	STORM DAMAGE - DOH FUNDING	(915,845.60)	-	-	-915,845.60	STORM	NT
PMB5118960003	GRANT - WARD 3 5 6	(195,063.80)	170,213.84	(15,272.88)	-40,122.84	WARD	NT
PMB3578980001	GRANT - HIV/AIDS PROGRAMME	-	-	-	-	ZOTH	NT
PMB5308960002	GRANT - DEV.ADMIN CAPACITY BUILDING	-	-	-	-	ZOTH	NT
PMB0608960010	COUNCIL ADVANCES	-	1,300,000.00	(1,300,000.00)	-		
PMB7878930001	EDNS - UPGRADE WATER SUPPLY	-	-	(500,000.00)	-500,000.00		
		(88,653,103.59)	132,377,895.36	(106,475,614.71)	(62,250,822.94)		

Continuation

THE MSUNDUZI MUNICIPALITY

Account No:	Account Description	Unspent Balance @			Unspent balance @		
		1 July 2006	Transfers	Current Year Receipts	30 June 2007	Grant Type	Source Code
PMB2848970001	AWARDS RECEIVED	(21,227.66)	-	-	-21,227.66	AWARDS	OG
PMB1808980001	PRICE AWARD - CLEANEST CITY	(38,527.83)	38,527.83	-	-	CLEAN	OG
PMB0138970002	COMMUNITY COMMUNICATION INITIATIVE	(50,000.00)	50,000.00	-	-	COMM	OG
PMB2938960001	DBSA - STORM REHAB. FUND	(200,000.00)	-	-	-200,000.00	STORM	OG
PMB8328760903	CEMETERY ACCOUNT	(11,885.28)	-	(1,245.60)	-13,130.88	TRUST	OG
PMB8328760922	CEMETERY TRUST ACCOUNT	-	-	-	-	TRUST	OG
PMB8348760907	JOHN HARDY ACCOUNT	(217.45)	-	-	-217.45	TRUST	OG
PMB8428760842	PMB FLOOD DISASTER	(30,989.32)	-	-	-30,989.32	TRUST	OG
PMB8428010001	CONT.IMBALI FLOOD VICTIMS - PMB FLOOD VICTIMS	(60,858.00)	-	-	-60,858.00	TRUST	OG
PMB8358760909	PATRIOTIC LEAGUE ACCOUNT	(42,229.43)	-	(1,695.40)	-43,924.83	TRUST	OG
PMB8368760911	PEARSE ACCOUNT	(1,284,080.07)	-	(97,980.59)	-1,382,060.66	TRUST	OG
PMB0608750004	DISASTER RELIEF RESERVE	-	-	-	-	TRUST	OG
PMB8378760913	WELCH ACCOUNT	(334,454.64)	-	(13,009.60)	-347,464.24	TRUST	OG
PMB8388760916	MARIA KINSMAN ACCOUNT	(591,487.72)	-	-	-591,487.72	TRUST	OG
PMB8408760915	CEMETERY ACCOUNT (M/RISE)	(2,292,607.65)	-	(756.00)	-2,293,363.65	TRUST	OG
PMB8408760922	CEMETERY TRUST ACCOUNT (M/RISE) INTEREST	3,292.31	-	(147,742.00)	-144,449.69	TRUST	OG
PMB8418760906	FLEMING TRUST ACCOUNT	(68,866.29)	-	(2,352.80)	-71,219.09	TRUST	OG
PMB8398760908	MAYORESS NECESSITY FUND	(71,894.54)	-	(2,214.40)	-74,108.94	TRUST	OG
PMB8398760924	MAYORESS CHARITY BALL SUSPENSE ACCOUNT	(925.20)	-	-	-925.20	TRUST	OG
PMB8438760925	REFUGEES ACCOUNT	(60,603.83)	-	-	-60,603.83	TRUST	OG
PMB3588970003	USAID AIDS EDUCATOR TRAINING	(2,090.00)	-	-	-2,090.00	USAID	OG
PMB3588970004	USAID EDUCATIONAL TECHNIQUES	(2,400.00)	-	-	-2,400.00	USAID	OG
PMB3588970005	USAID PROJECT MANAGEMENT TRAINING	(2,210.85)	-	-	-2,210.85	USAID	OG
PMB3588970006	USAID MENTORING AND SUPPORT	(8,830.40)	-	-	-8,830.40	USAID	OG
PMB3588970008	USAID PAYMENT FOR COMMUNITY TRAINING	(4,560.80)	-	-	-4,560.80	USAID	OG
PMB3588970010	USAID DROPIN CENTRES	(12,672.86)	-	-	-12,672.86	USAID	OG
PMB3588970011	USAID HOME BASED CARE TRAINING	(23,473.27)	-	-	-23,473.27	USAID	OG
PMB0358980806	GRANT - INTERDEPARTMENTAL MONITORING	-	-	-	-	ZOTH	OG
PMB0358980807	GRANT - MANAGEMENT AUDIT	-	-	-	-	ZOTH	OG
PMB2028960002	RETENTION - MIG-VULINDLELA CONSTR.	-	-	(32,810.65)	-32,810.65		
PMB8388760920	MARIA KINSMAN TRUST - NET INCOME	-	-	(19,456.00)	-19,456.00		
		(5,213,800.78)	88,527.83	(319,263.04)	(5,444,535.99)		
PMB3578970025	WORLD AIDS DAY	11,000.00	28,954.48	(7,000.00)	32,954.48	AIDS	PG
PMB3458970006	FOOD AID PROGRAMME	(70,104.49)	-	-	-70,104.49	FOOD	PG
PMB3478970001	ENVIRONMENTAL HEALTH	(1,823.09)	-	-	-1,823.09	HEALTH	PG
PMB5278980001	I.D.P. FUND FROM DEPT. OF LG&H	(679,258.84)	-	-	-679,258.84	IDP	PG

PMB5458960001	PROV:CONDITIONAL GRANT - IDP	(50,000.00)	50,000.00	-	-	IDP	PG
PMB0608960014	UNSPENT GRANT : LIBRARY EXTERNAL	(5,362,582.61)	7,365,750.74	(2,295,242.97)	-292,074.84	LIBR	PG
PMB0608960013	PROVINCE	(489,142.57)	3,595,495.56	(3,500,033.31)	-393,680.32	PROV	PG
PMB7878980801	GRANT - WATER SERVICE DELIVERY PLANNING	(410,000.00)	149,711.64	(50,000.00)	-310,288.36	WATER	PG
PMB7878980802	GRANT - ASSESSMENT OF SERVICE DELIVERY MECHANI	(26,653.25)	23,241.94	-	-3,411.31	WATER	PG
PMB 1008960002	PG-TECHNICAL SUPPORT	-	250,000.00	(750,000.00)	-500,000.00		
PMB2858960004	PROV - URBAN RENEWAL PROJECT	-	-	(2,928,149.81)	-2,928,149.81		
PMB5138960001	UNSPENT GRANT : LIBRARY EXTERNAL	-	-	(65,000.00)	-65,000.00		
PMB7018960001	PG-INTERGRATION WITH REDS	-	-	(150,000.00)	-150,000.00		
PMB01389600002	PG:COMMUNITY COMMUNICATION INITIATIVE	-	-	(50,000.00)	-50,000.00		
		(7,078,564.85)	11,463,154.36	(9,795,426.09)	(5,410,836.58)		
		(100,945,469.22)	143,929,577.55	(116,590,303.84)	(73,106,195.51)		

SAFE CITY PIETERMARITZBURG
(Association incorporated under Section 21)
(Registration Number: 2002/007386/08)

ANNUAL FINANCIAL STATEMENTS
30 June 2007

SAFE CITY PIETERMARITZBURG
(Association incorporated under Section 21)
Registration Number: 2002/007386/08
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

CONTENTS	<u>Page</u>
Independent auditors' report	1
Chairman's report	2
- Annexure to chairman's report	3
Report of the directors	4
Income statement	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Accounting policies	9 - 10
Notes to the annual financial statements	11
Detailed income statement	12
List of contributors	12

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements and other financial information set out in this annual report were prepared by the directors in conformity with International Financial Reporting Standards applied on a consistent basis

The manner of presentation of the annual financial statements, the selection of accounting policies and the integrity of the financial information are the responsibility of the directors.


The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the association will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 2 to 10 and the supplementary schedules on pages 11 to 12 were approved by the Board of Directors on 31 July 2007 and are signed on its behalf by:-


.....
DIRECTOR - W D WINSHIP


.....
CHIEF EXECUTIVE OFFICER - N K BHIKHA


.....
DIRECTOR - P WARMINGTON

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG

Tel: +27 (0)33 345 0271
Fax: +27 (0)33 345 0285
www.deloitte.com

Report on the Financial Statements

We have audited the annual financial statements of Safe City Pietermaritzburg which comprise the balance sheet as at 30 June 2007, the income statement and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 10.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

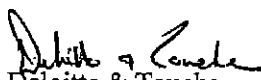
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In common with similar organisations, it is not feasible for Safe City Pietermaritzburg to institute accounting controls over cash collections and donations prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

Opinion

In our opinion, except for the effect on the annual financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the association as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The detailed income statements and list of contributors set out on pages 11 and 12 do not form part of the annual financial statements and are presented solely for the information of the members. Accordingly, we do not express an opinion on these schedules.


Deloitte & Touche
Per D McArthur
Partner
Pietermaritzburg

31 July 2007

Audit. Tax. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax
L Geeringh Consulting L Barn Strategy CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board
J Rhynes Deputy Chairman of the Board
Regional Leader: GC Brazier

SAFE CITY PIETERMARITZBURG
CHAIRMAN'S REPORT
for the year ended 30 June 2007

This past year has been very successful as a number of mile stones have been met. Firstly, the project has now reached completion (it has taken five years). The company now operates 60 cameras, one of which is our first mobile camera using the latest technology known as the "Canopy Access System" which uses radio in the public band as a means of communication. This technology will also be used to solve the problem of communicating with the Edendale cameras. The present method of overhead fibre cable has proved to be problematic due to poles being knocked down by vehicles.

Secondly, the introduction of two Meridian domes covering the camera completely has proved to be very successful, the camera position cannot be determined viewing from the outside but we have no problem in getting a good image. This concept has helped with street crimes such as pick-pocketing, snatching of bags and cell phones, etc.

Thirdly, it has been very gratifying to see how crime in the City has reduced while many other cities are reporting increased crime figures (see attached graphs). Working in partnership with the Police has been most successful, without SAPS support these results would not have been possible. SAPS are able to concentrate their efforts in areas out side the camera area thus improving the utilisation of manpower. The Municipality who have agreed to finance the project must be complimented for having followed through with the project to completion.

Our Control Centre has been operated at a high level of vigilance. The operators and Management of iVision who operate the Control Centre have proved to be very professional and knowledgeable with regard to the criminal Justice system and crime prevention. It is very pleasing to report that iVision has now achieved ISO 9001/2000 quality control accreditation. This is very important as it gives the Board and all the stake holders the assurance that the centre is always operated at top efficiency. I believe this is the only CCTV Control Centre with this accreditation in KZN, if not in the country.

Business has in the form of BAC (now BFC) and the Chamber of Business expended many hours of time on the project. Two years of concentrated effort went in to the feasibility study and then a future five years of fairly intensive work was undertaken. This input was essential in order to achieve the objective. To quantify this effort in terms of money is not easy but if one converts time spent at standard consulting fees we would be looking at about R6.0 million.

We decided to exhibit our operation at the Royal Agricultural Show this year in order to show the public what we are doing to reduce crime in the City. We had an operating desk at the show that was connected to all the cameras in the City. The public found the exhibit most fascinating. It was a worthwhile exercise.

Safe City was declared a Municipal Entity last year with the signing of an Agreement between the two parties on 26th July 2006. The Municipal Finance and Management Act (MFMA) require that all entities employ the services of a C.E.O. After going through the due process, Ms. Nutan Bhikha was appointed as C.E.O. on 1st January 2007. The C.E.O. acts as Accounting Officer on behalf of the MFMA and as Public Officer on behalf of the Companies Act and as such falls under the control of the Board. The way Safe City has been structured and operated has proved to be very successful, many similar CCTV Control Centres fail because of their structure. Our structure based on partnership has turned out to be the main reason for success.

Pietermaritzburg is very fortunate that the Municipality has had the foresight to proceed with this project. The City, as capital of Natal, needs the means to fight crime. I believe we are well on our way.

I would like to take this opportunity to thank members of the Board for their support, to the staff of Safe City and iVision, thank you for your dedication. In addition, the services of C&V consulting Engineers with regard to the project management and input need to be complimented. Finally, to SAPS, the Municipality and the National Prosecuting Authority for their continued support and input, many thanks, you have made it all possible.

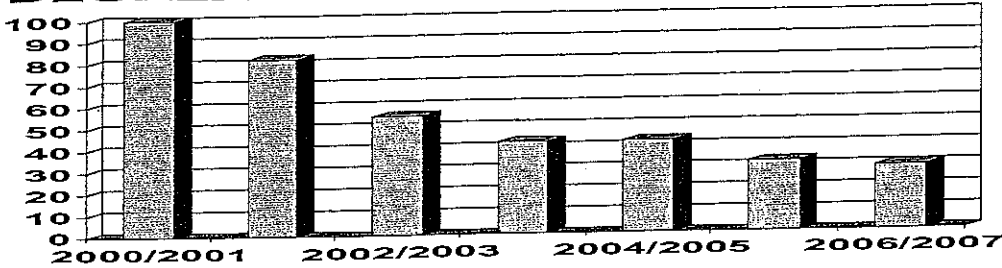
W.D. WINSHIP



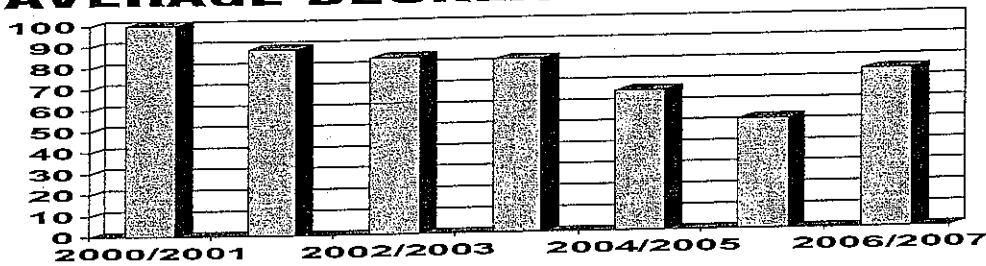
UPDATED CRIME STATISTICS IN PMB CBD

The following crime statistics are taken for the last 6 years. They are viewed as a percentage, the first year being 100% and thereafter the increase or decrease in %. The following graphs definitely show a decrease in crime. This is the result of SAPS efforts as well as camera activity.

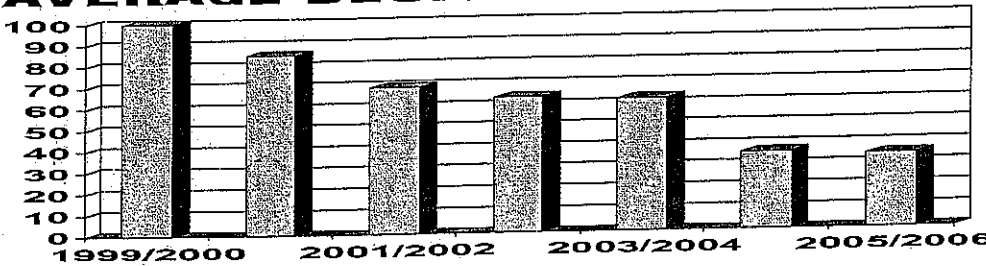
COMMON ROBBERY: 1999-2006 DECREASE BY 70%



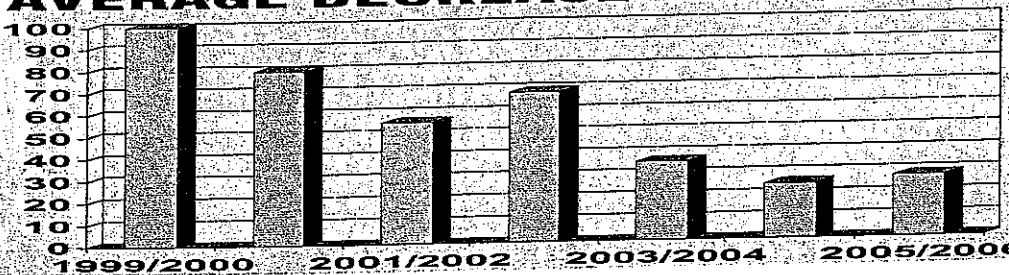
ALL PROPERTY CRIMES: 2000-2007 AVERAGE DECREASE BY 47%



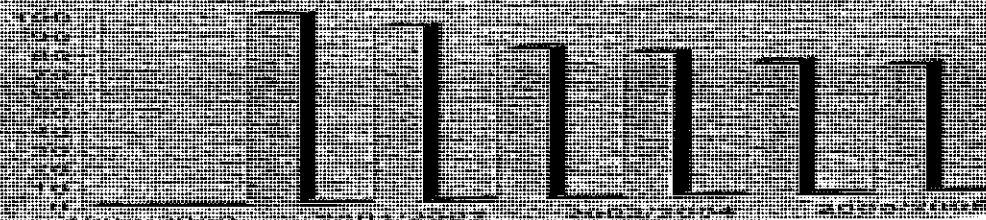
BURGLARY BUSINESS: 1999-2006 AVERAGE DECREASE BY 65%



THEFT OUT OF VEHICLES: 1999-2006 AVERAGE DECREASE BY 44%



ASSAULT - GRIEVOUS BODILY HARM FROM 2000-2007 AVERAGE DECREASE BY 20%



**SAFE CITY PIETERMARITZBURG
REPORT OF THE DIRECTORS**
for the year ended 30 June 2007

The directors have pleasure in presenting their report for the year ended 30 June 2007.

REVIEW OF THE OPERATIONS FOR THE YEAR

The financial position of the association at 30 June 2007 is set out in the attached annual financial statements. The income statement reflects an operating (deficit)/surplus for the year of (R100 294) (2006: R121 763).

SUBSEQUENT EVENTS

No material fact or circumstances has occurred between the accounting date and the date of this report.

DIRECTORS

The following members acted as directors during the year under review:

W D Winship
P Warmington
V C Biggs
P Henwood
M Ghela
R P Stuart
Dir P Maharaj
N K Bhikha (appointed 01/01/2007)
J A Vorster (appointed 01/06/2007)
D Sokhela (appointed 01/06/2007)
D Harrison (appointed 01/06/2007)
D Kambouris (appointed 01/06/2007)
I Dugmore (appointed 01/06/2007)
NP Dlangisa (appointed 01/06/2007)

CHAIRMAN

W D Winship (appointed 19/02/2007)

CHIEF EXECUTIVE OFFICER

N K Bhikha

PLACE OF BUSINESS

City Hall
Commercial Road
PIETERMARITZBURG
3201

NATURE OF BUSINESS

An Association between business, the local authority, the community, government and non-government organisations to proactively combat crime in Pietermaritzburg.

AUDITORS

Deloitte & Touche

BANKERS

First National Bank

ACKNOWLEDGEMENTS

Deloitte & Touche for their engagement in carrying out a partly honorary audit for Safe City.

SAFE CITY PIETERMARITZBURG
INCOME STATEMENT
for the year ended 30 June 2007

	<u>Note</u>	<u>2007</u> R	<u>2006</u> R
Revenue		2 159 779	2 058 632
Interest received		63 651	53 185
Other income		-	161
		<hr/>	<hr/>
Total income		2 223 430	2 111 978
Operating expenses		2 323 724	1 990 215
		<hr/>	<hr/>
Operating (deficit)/surplus for the year	3	(100 294)	121 763
Transfers to reserves		100 294	(121 763)
		<hr/>	<hr/>
- Non-distributable reserve - General	4	100 294	(121 763)
		<hr/>	<hr/>
SURPLUS for the year		<hr/> <hr/>	<hr/> <hr/>

SAFE CITY PIETERMARITZBURG
BALANCE SHEET
as at 30 June 2007

	<u>Notes</u>	<u>2007</u> R	<u>2006</u> R
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	18 623	12 761
CURRENT ASSETS			
Accounts receivable		65 921	195 000
Cash on hand and balances with banks		1 023 101	996 125
TOTAL ASSETS		<u>1 107 645</u>	<u>1 203 886</u>
EQUITY AND LIABILITIES			
EQUITY RESERVES			
Non-distributable reserve - general	4	801 387	901 682
CURRENT LIABILITIES			
Accounts payable		306 258	291 335
Bank overdraft		-	10 869
TOTAL EQUITY AND LIABILITIES		<u>1 107 645</u>	<u>1 203 886</u>

SAFE CITY PIETERMARITZBURG
CASH FLOW STATEMENT
for the year ended 30 June 2007

	<u>Notes</u>	<u>2007</u> R	<u>2006</u> R
OPERATING ACTIVITIES			
Cash receipts from donors		2 159 779	1 863 632
Cash paid to suppliers and employees		(2 172 497)	(1 898 249)
		<hr/>	<hr/>
Cash utilised in operations	A	(12 718)	(34 617)
Interest received		63 651	53 185
Interest paid		(388)	-
		<hr/>	<hr/>
Net cash generated from operating activities		50 545	18 568
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(12 700)	(116 607)
		<hr/>	<hr/>
Net cash flow used in investing activities		(12 700)	(116 607)
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		37 845	(98 039)
Cash and cash equivalents at beginning of the year		985 256	1 083 295
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	1 023 101	985 256
		<hr/> <hr/>	<hr/> <hr/>

SAFE CITY PIETERMARITZBURG
NOTES TO THE CASH FLOW STATEMENT
for the year ended 30 June 2007

	<u>2007</u>	<u>2006</u>
	R	R
A. RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS FOR THE YEAR TO CASH UTILISED IN OPERATIONS		
Operating (deficit)/surplus for the year	(100 294)	121 763
Adjustment for:		
Interest received	(63 651)	(53 185)
Interest paid	388	-
Depreciation	6 838	4 178
Write-off of motor vehicle	-	102 974
	<hr/>	<hr/>
	(156 719)	175 730
Working capital changes		
Decrease/(increase) in accounts receivable	131 350	(195 000)
Increase/(decrease) in accounts payable	12 652	(15 347)
	<hr/>	<hr/>
Cash utilised in operations	<u>(12 718)</u>	<u>(34 617)</u>

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank overdraft	-	(10 869)
Bank	1 023 101	996 125
	<hr/>	<hr/>
Total	<u>1 023 101</u>	<u>985 256</u>

SAFE CITY PIETERMARITZBURG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

1. Adoption of new and revised International Financing Reporting Standards (“IFRS”)

In the current year, the Board has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised standards and Interpretations has not resulted in any changes to the company’s accounting policies.

At the date of authorisation of these financial statements, the following Standard was in issue but not yet effective which may have an impact on the organisation

- **IRFS 7 Financial Instruments: Disclosure**
- Effective for annual periods beginning on or after 1 March 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with International Financial Reporting Standards. They incorporate the following principal accounting policies, which have been revised in order to comply with International Financial Reporting Standards.

2.1 Revenue

Revenue comprises cash contributions from the community and does not include contributions in specie.

2.2 Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

2.3 Property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful life to an estimated residual value.

Furniture & fittings	20%
Computer equipment	33 $\frac{1}{3}$ %
Other	20%

SAFE CITY PIETERMARITZBURG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	<u>2007</u> R	<u>2006</u> R
3. OPERATING (DEFICIT)/SURPLUS FOR THE YEAR		
Operating (deficit)/surplus for the year is stated after:		
Audit fees		
- current year	6 571	7 000
Depreciation	6 838	4 178
Staff costs	1 654 299	1 517 534
Interest paid	388	-
(Profit)/loss on disposal		

4. NON-DISTRIBUTABLE RESERVE - GENERAL

The Association is registered under Section 21 of the Companies Act, 1973, as an incorporated association not for gain and, as such, no part of its income and property shall be transferred to members, directly or indirectly. All reserves of the Association are therefore non-distributable and may only be utilised towards the cost of projects and initiatives and meeting any shortfall in expenditure

Balance at beginning of the year	901 682	779 919
Operating (deficit)/surplus for the year	(100 294)	121 763
Balance at end of the year	<u>801 388</u>	<u>901 682</u>

5. TAXATION

No provision for taxation is necessary, as the income of the Association is exempt in terms of section 10(1)(cB) of the Income Tax Act, 1962, as amended.

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u> R	<u>Depreciation</u> R	Net Book <u>Value</u> R
<u>2007</u>			
Computer equipment	22 833	(8 157)	14 676
Office equipment	7 000	(3 053)	3 947
	<u>29 833</u>	<u>(11 210)</u>	<u>18 623</u>

SAFE CITY PIETERMARITZBURG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2007

	<u>2007</u> R	<u>2006</u> R
--	------------------	------------------

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Cost</u> R	<u>Depreciation</u> R	Net Book <u>Value</u> R
<u>2006</u>			
Computer equipment	10 133	(2 720)	7 413
Furniture and fittings	-	-	-
Office equipment	7 000	(1 652)	5 348
	<u>17 133</u>	<u>(4 372)</u>	<u>12 761</u>

Reconciliation of net book value at beginning of the year to net book value at end of the year.

	Net Book value at beginning of year R	<u>Additions</u> R	<u>Disposals</u> R	<u>Depreciation</u> R	Net Book value at end of year R
Computer equipment	7 413	12 700	-	(5 438)	14 675
Office equipment	5 348	-	-	(1 400)	3 948
Total 2007	<u>12 761</u>	<u>12 700</u>	<u>-</u>	<u>(6 838)</u>	<u>18 623</u>
Total 2006	<u>3 306</u>	<u>116 607</u>	<u>(102 974)</u>	<u>(4 178)</u>	<u>12 761</u>

7. RELATED PARTY TRANSACTIONS

The following transactions were conducted at arms length between a related party:

The following amount is recovered by a related party at year end:

Business Against Crime	-	161
------------------------	---	-----

SAFE CITY PIETERMARITZBURG
DETAILED INCOME STATEMENT
for the year ended 30 June 2007

	<u>2007</u>	<u>2006</u>
	R	R
REVENUE		
Interest received	63 651	53 185
Other income	-	161
	<hr/>	<hr/>
TOTAL INCOME	63 651	53 346
Less: ADMINISTRATION EXPENDITURE	(2 323 724)	(1 990 215)
Accounting fees	6 681	7 221
Administration fees	344 494	214 853
Assets written off	530	6 670
Audit fees		
- current	7 750	7 200
- overprovision	(1 179)	-
Bank charges	3 504	2 170
Cleaning	6 507	5 303
Depreciation reversal of donated item	-	(5 149)
Depreciation	6 838	9 327
Donation of motor vehicle	-	102 974
Electricity and water	12 810	12 333
General expenses	1 326	1 768
Interest paid	388	-
Motor vehicle expenses	-	390
Contractor staff costs	1 654 299	1 517 534
Printing and stationery	24 399	14 800
Repairs and maintenance	222 325	42 596
Telephone and fax	33 052	30 165
Training	-	20 060
	<hr/>	<hr/>
OPERATING DEFICIT after administration expenditure	(2 260 073)	(1 936 869)
CONTRIBUTIONS received	2 159 779	2 058 632
	<hr/>	<hr/>
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR	<u>(100 294)</u>	<u>121 763</u>

SAFE CITY PIETERMARITZBURG
LIST OF CONTRIBUTORS
for the year ended 30 June 2007

	<u>2007</u>	<u>2006</u>
	R	R
Msunduzi Municipality (inclusive of VAT)	2 462 148	2 340 000
Donations - Remax	-	6 000

Contributions by business are referred to in the Chairman's report.