CITY OF CHOICE

PIETERMARITZBURG
MSUNDUZI

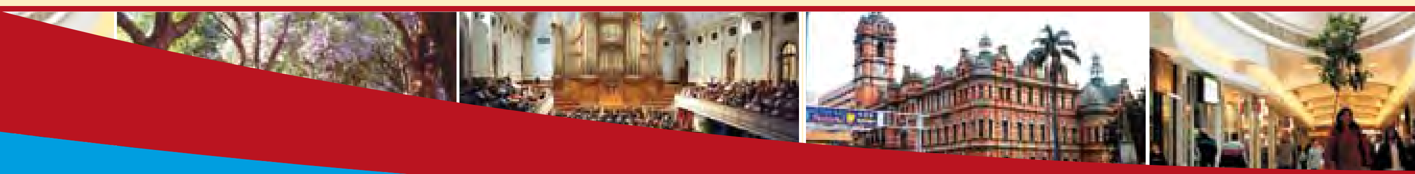
Msunduzi Municipality Annual Report 2008/09

The Dynamic, Caring Capital City of Choice in KZN

CONTENTS PAGE

LIST OF ABBREVIATIONS:

DMM	–	Deputy Municipal Manager
Dplg	–	Department of Provincial and Local government;
SBU	–	Strategic Business Unit;
WSP	–	Workplace Skills Plan;
LG SETA	–	Local Government Sector Education and Training Authority;
HDI	–	Historically Disadvantaged Individual;
UNISA	–	University of South Africa;
NQF	–	National Qualification Framework;
MOU	–	Memorandum of Understanding;
IDP	–	Integrated Development Plan;
MFMA	–	Municipal Financial Management Act;
AIPF	–	Associated Institution Pension Fund;
SALAPF	–	South African Local Authorities Pension Fund;
MCPF	–	Municipal Councillors Pension Fund;
CLLR	–	Councillor
AIDS	–	Aquired Immuno Defficiency Syndrome
SAPS	–	South African Police Services
NPA	–	National Prosecuting Authority
PMB	–	Pietermaritzburg



CHAPTER ONE: INTRODUCTION & OVERVIEW

1.1 FOREWORD BY THE HONOURABLE MAYOR, CLLR ZANELE HLATSHWAYO

City Mayor
Zanele Hlatshwayo

With the new national and provincial governments now well into their first 100 days, we have seen both changes and continuity of local government. Our vision as a city, that is in transition to become a metropolitan municipality, is driven by the changing needs of our community and new challenges to meet the needs of a city that is a seat of the political and administrative capital of the province. Therefore it is imperative that our city is enabled to access more resources in order to improve the quality of life of all who live and work within our municipality. We have seen a large exodus of professionals into our city for the past five years as most provincial departments head offices moved into the city and this has created the dire need for accommodation and office space and access to the city has proved to be a dire challenge, more in particular the lack of parking space. We are aware of this problem and the impact it has on business trading in the Central Business District (CBD) and our municipality is giving this problem a priority attention.

We have made a significant stride in enabling the people of this city to realise life with dignity as underlined by the values and principles of the freedom charter and the constitution of the republic and this includes the substantial improvements in the provision of water, electricity and sanitation. We have laid a strong foundation and we are on course to improving the lives our communities.

As we celebrate the dawn of the new era, the time that epitomises the evolution of our democracy, we must never lose sight of the challenges that we, and our community still face : HIV and AIDS, children and women abuse, high level of unemployment more particular the youth. Our fight against poverty and underdevelopment will further be intensified as we work towards halving unemployment by 2014.

As local government, we are at the coal face of service delivery and we will continue to engage in both progressive and meaningful izimbizo discussions, as a platform for participation with communities, to shape a clear path from which our governance, and development plan will draw guidance and direction. The council will continue to seek and engage community participation programmes to ensure our plans are in line with community needs, priorities and expectations.

As municipality, we put greater emphasis on planning, co-ordination, monitoring and evaluation in line with the priorities of the provincial and national government.

We must, as President Zuma said, hold ourselves to the highest standards of service, probity and integrity to effectively implement our mandate and fulfill the dreams and aspirations of our people who voted on 22 April 2009. Together we can do more.

1.2 OVERVIEW BY MUNICIPAL MANAGER

**Municipal Manager
Rob Haswell**

2008/2009 has been a very challenging year for South African municipalities, and the Msunduzi Municipality was certainly not an exception.

While economists debated whether our country would be spared from the economic catastrophe which befell America and Europe, and then even when the signs were clear, debated whether we were in recession yet or not, our municipalities began to feel a sharp pinch.

Given that our municipalities have to substantially raise their own revenue, and operate balanced budgets, any loss of revenue is serious. When revenue is limited to rates on property and tariffs for services, and when residents and businesses alike, start to use less electricity, for instance, and when residents begin to default in terms of their monthly payments, then municipalities are soon in distress, as they are soon obliged to use reserves.

In a nutshell that is happened in our municipality in 2008/09, as the economic recession, along with the demand for development, delivery and maintenance, in a municipal area of marked inequalities, strained us almost to our limit. In hindsight, we should have curbed, or at least slowed down our rate of expenditure, on both our capital and operating budgets. We should have budgeted for more rates income from business properties, but that too is hindsight. Thus, although achieving virtually 100% expenditure of both our Municipal Infrastructure Grant and Council – funded capital budget, was a significant achievement, it too strained our reserves.

Given our backlogs and maintenance needs, our municipality has to develop the financial and human capacity to fully afford and expend a capital budget of some R600 million – rather than our current R300 million capital budget. It's a tall order, but it is absolutely essential, or our assets will simply deteriorate to beyond repair.

Therefore, although the attainment of an unqualified audit, and compliance with the plethora of regulations and deadlines, is important, what is essential is to grow our revenue and limit our expenditure, such that we are capable of affording and expending a R600 million capital budget! If we learn this lesson from 2008/09, then we can look forward with confidence.

Despite repeatedly negative reporting by the local media, this report documents real delivery and development, on an unprecedented scale. The prime example is the Vulindlela Tribal Area, which covers one third of our municipal area, and is home to one third of our population. Set aside in 1848, this area has been largely neglected, but during 2008/09 our municipality tarred eleven roads, and installed some 10 000 VIP toilets in this tribal area. We have certainly improved, quite dramatically, mobility and sanitation in Vulindlela. In other parts of the city we have also significantly reduced backlogs, and embarked on replacing electricity transformers and fire engines. Therefore, without in any way resting on our laurels, and recognizing the need for improvement in all areas of our operation, we can claim that, despite all the challenges, we delivered a great deal in a difficult year, and for that many municipal staff deserve our thanks.

1.2.1 VISION STATEMENT

By 2017 to be a Globally Competitive Metropolitan City of Choice which capitalises on its Strategic Location, Environment, Cultural Heritage and Educational Facilities Creating a choice Quality of Life for all.

1.2.2 MISSION STATEMENT

The mission for the Msunduzi Municipality is to facilitate the provision of service by:

- Community Participation
- Social and Economic Development growth
- Safety, Security and caring for those infected and affected by HIV and AIDS and promoting an HIV and AIDS free generation
- Sustainable Service Delivery
- Sound Finance
- Sound Governance
- Sustainable Environment Management

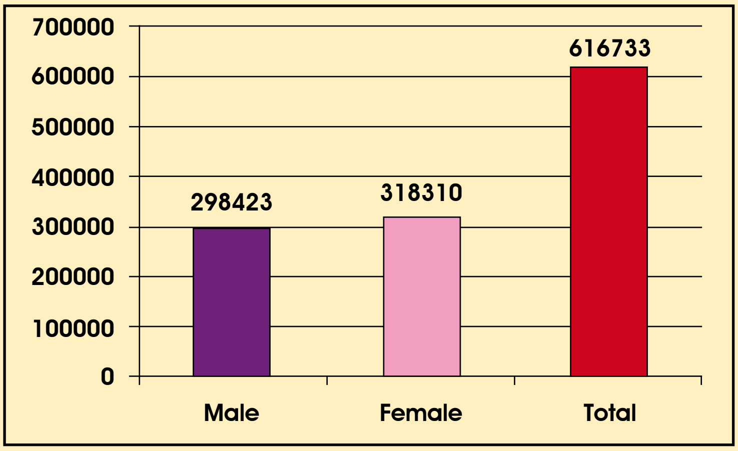
1.2.3 LOCALITY

With 649sq km in size, Msunduzi municipality commonly known as the "City of Choice" is located along the N3 corridor at a junction from Durban and Pietermaritzburg and an agro-industrial corridor stretching from Pietermaritzburg to Escourt. It is located at the cross section of N3 and Greytown Road corridor to the north, a tourist route to the Drakensburg and Kokstad Road to the South. It is the second largest city in Kwazulu-Natal, a capital city of the Province, and one of the ninth largest Cities in South Africa that are contributing almost 80% of the country's GDP, and it is the main economic hub within Umgungundlovu District. Its location has strong influence on regional channels of investment, movement and structuring of the provincial spatial framework for economic development and growth.

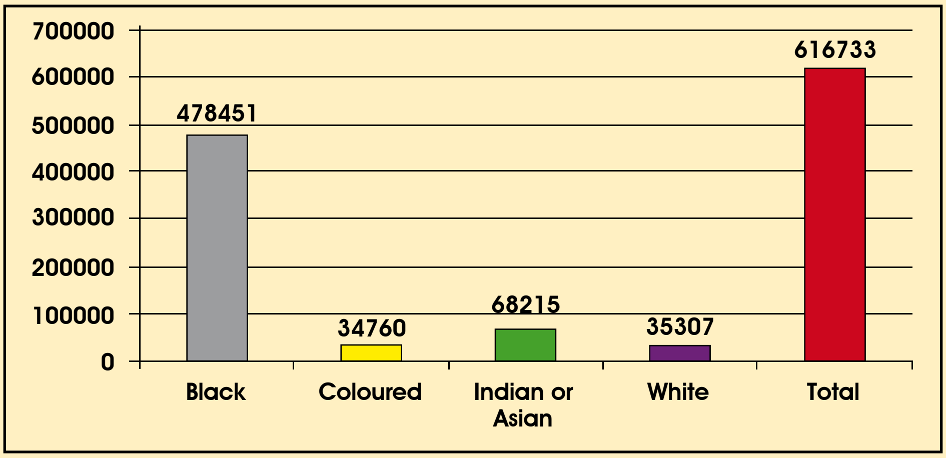
1.2.4 THE POPULATION OF MSUNDUZI

Total Population: 616733

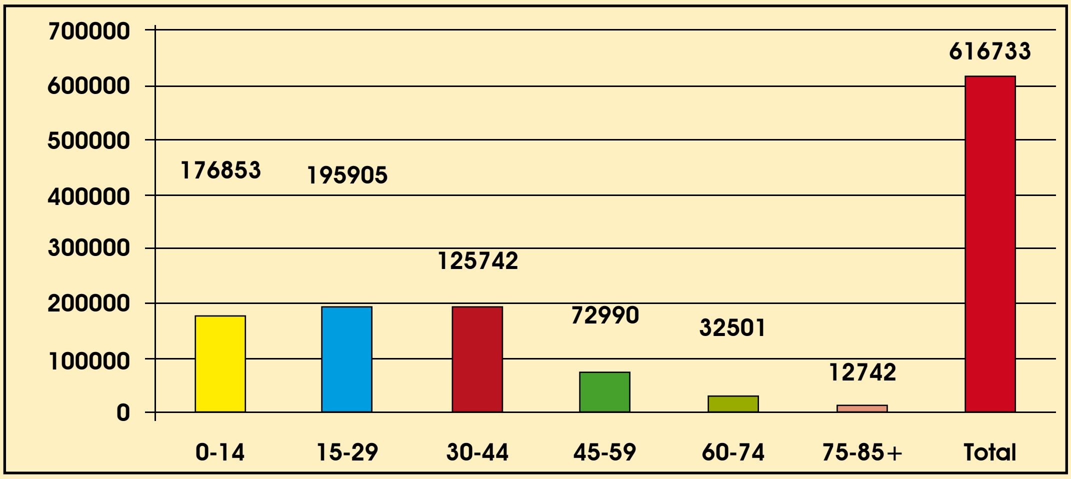
Population by Gender:



Population by Race:



Population by Age:



1.2.5 HOUSEHOLD & HOUSEHOLD SERVICES

Total Number of Households	
Community Survey 2007	108227

Water Service level: Community survey 2007

Inside Dwelling	79 813
Inside Yard	33 601
Piped water from access point outside the yard	14 688
Borehole	1 100
Spring	1 126
Dam/pool	265
River/stream	1 555
Water vendor	733
Rain water tank	202
Other	1 308

Toilet Facilities: Community Survey 2007

Flush toilet (with septic tank)	5 875
Dry toilet facility	13 613
Pit toilet with ventilation (VIP)	6 307
Pit toilet without ventilation	22 458
Chemical toilet	2 300
Bucket toilet system	414
None	1 362

Electricity Service Level

Electricity	117051
Gas	2088
Paraffin	10209
Wood	4592
Coal	250
Animal dung	69
Solar	59
Other	71

CHAPTER TWO: COUNCIL AND THE EXECUTIVE

Msunduzi Municipality - Executive Commitee

City Mayor
Zanele Hlatshwayo

Deputy Mayor Mervin Dirks | Ntombizonke Mbatha | Themba Zungu | Tholakele Dlamini | Gerrit Meyer

Pops Chetty | Bill Lambert | Roger Ashe | Dolo Zondi

Msunduzi Municipality Councillors

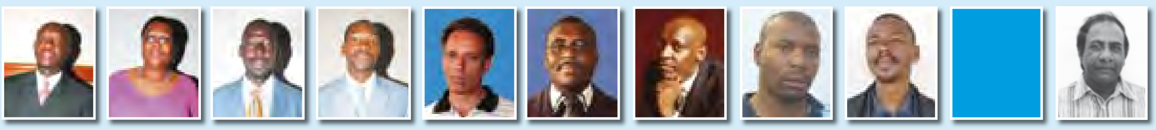
Speaker Alpha Shelembe | Chief Whip Sehla Ngubane

D. Ngubane | P. Moon | D. Buthelezi | B. Ndlovu | S. Lyne | E. Mzila | R. Khanyile | R. Singh | H. Ngubane | B. Sokhela | N. Atwaru | B. Mazibuko

M. Msimang | M. Thebolla | M. Chetty | D. Hlongwane | M. Zungu | H. Kader | T. Zuma | Z. Dlamini | D. Lushozi | V. Ntshangase | J. Lawrence | M. Dladla

B. Baijoo | M. Ngcobo | M. Maphumulo | M. Inderjit | P. Jaca | S. Mkhize | L. Ngcobo | F. Zuma | S. Radebe | N. Ahmed | C. Seymour | S. Mkhize

B. Shozi | T. Magubane | P. Green | T. Zondi | B. Zuma | K Olivier | L. Naidoo | S Ntuli | S. Madondo | S Majola | B Singh | M. Mkhize



M. Mchunu | N. Duze | K. Khambule | S. Gabela | G. McArthur | N. Bhengu | H. Zondi | S. Majola | T. Ntombela | D. Ryder | C. Bradley

2.1 Overview:

The function of the Executive and Council within the Municipality is to govern the policy-making process and oversee the implementation thereof within Council. The Executive Committee is involved in approval of operational matters and provides assurance to Council that the Vision, Mission and Objectives of Council, as contained in the Integrated Development Plan (IDP), are being met.

2.2 Description of the Activity:

The Full Council (consisting of 73 Councilors) meetings are held once per month and the the Executive Committee (EXCO) (consisting of 10 Councilors) meetings are held every two weeks. The agenda and minutes are compiled by the City Secretariat and are circulated prior to each meeting. The Council and EXCO meetings are attended by the Municipal Manager, senior management (Deputy Municipal Managers-DMMs) and other officials who may be required to give background and/ or explanation in respect of certain items on the agenda from time to time.

2.3 Strategic Objectives:

The strategic objectives of the Executive and the Council is to ensure that the Municipality fulfils its legal obligation in terms of s152 of the Constitution and that the Council is focused on ensuring that the Municipality delivers on this mandate in the most cost effective and sustainable manner.

2.4 Analysis of the Function:

1. Council details:	Number
Total number of Councillors	73
Number of Councillors on Executive Committee	10

2. Ward details	Number
Total number of Wards	37
Number of Ward Meetings	Approximately 444 (12 meetings per ward)

3. Number and type of Council and Committee meetings	Number
Full Council	1
Executive Council	4
Finance Committee	2
Infrastructure, Services & Facilities	2
Community Services & Social Equity	2
Sound Governance & Human Resources	2
Economic Development & Growth	2
Corporate Strategic Planning	2

CHAPTER THREE: REPORT OF THE DEPUTY MUNICIPAL MANAGER – FINANCE

DMM: Finance
Roy Bridgemohan

It is with pleasure that I present the report on the financial results of The Msunduzi Municipality for the financial year ended 30 June 2009.

The past year has seen, in addition to the usual ever increasing service delivery challenges that face the City two new challenges, which for the first time not only affected the Msunduzi Municipality, but all municipalities in the country. The huge electricity tariff increase imposed by Eskom, and the global recession had a major impact on the local economy and all the residents within the city.

Despite these huge constraints, which put a huge strain on our finances, the Municipality, was still able to meet the myriad of challenges, and more importantly, the City and its people, were the major beneficiaries of numerous developments that were put in place.

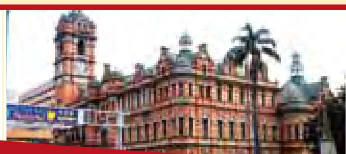
Some of the achievements during 2008/2009 included the granting of auto-indigent status to some 37 000 of the poorest households throughout the City by increasing the threshold for indigent status from R 30 000 to R 60 000. In addition areas that had no electricity supply, alternate sources of energy were made available to individual households in the form of gel stoves.
For the first time in many years, the Municipality was able to spend virtually its entire Capital budget on all projects funded by Council and projects funded from the Municipal Infrastructure Grant. In so doing the Municipality has made great strides in reducing its backlogs in respect of roads, VIP toilets, housing and sanitation. The Municipality embarked on a program to replace the old electricity transformers and its ageing fleet of fire engines.

In respect of its operating budget, despite reduced income levels and collections, the Municipality was able to spend its entire budget and it must also be stated that, despite all the negative reporting on its cash position by the local media, The City was able to meet all its financial obligations throughout the year and has yet to renege on any payment.

Looking ahead to the new financial year numerous new challenges face the Municipality, the major ones being the latest huge Eskom increase, the implementation of the Municipal Property Rates Act (MPRA) and most importantly ensuring that the Municipality achieves full compliance with the new accounting standards thereby ensuring that a clean audit opinion is re-instated.

I wish to express my thanks to all my valued staff members, fellow colleagues and Councillors for all their assistance and support during a very difficult year.






3.1 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

General Information The Msunduzi Municipality

Legal form of entity	**Municipality**
Executive Committee	Mayor - Z Hlatshwayo Deputy Mayor - M. Dirks Member - R Ashe Member - K Chetty Member - TI Dlamini Member - WF Lambert Member - F Mbatha Member - GJN Meyer Member - D Zondi Member - TI Zungu
Councillors	Speaker - A Shelembe Whip - BS Ngubane N Ahmed N Atwaru V Baijoo P Bhengu C Bradley D Buthelezi M Chetty MJ Dladla ME Dlamini NV Duze SC Gabela JEP Green MD Hlongwane M Inderjith PV Jaca AH Kadir VK Khambule RT Khanyile J Lawrence ID Lushozi SP Lyne SI Madonda VT Magubane ZH Magubane SJ Majola ST Majola M Maphumulo RB Mazibuko G McArthur M Mchunu MB Mkhize SA Mkhize CS Mkhize PW Moon

Councillors	ML Msimang E Mzila SN Naidoo BA Ndlovu LC Ngcobo SME Ngcobo DH Ngubane I Ngubane TD Ntombela MV Ntshangase S Ntuli K Olivier SV Radebe DF Ryder SJ Seymour BP Shozi AS Sibisi R Singh RB Singh BC Sokhela MM Thebolla GH Zondi T Zondi B Zuma FB Zuma TR Zuma TRM Zungu
Accounting Officer	R.F. Haswell
Grading of local authority	Category - B
Chief Finance Officer (CFO)	K. Bridgmohan
Registered office	The City Hall 260 Church Street Pietermaritzburg 3200
Business address	The City Hall 260 Church Street Pietermaritzburg 3200
Postal address	City Hall Private Bag x321 3200
Controlling entity	Safe City Pietermaritzburg
Bankers	First National Bank
Auditors	The Auditor General
Telephone number:	(033) 392 2006
Facsimile:	(033) 392 2208
Website:	www.msunduzi.gov.za

Index

Abbreviations

ASB	Accounting Standards Board
CBD	Central Business District
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSB	Development Services Board
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
KZN	Kwazulu-Natal
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NATIS	National Traffic Information System
NCT	Natal Co-operative Timber Tree Farming (Pty) Ltd
NJMPF	Natal Joint Municipal Pension Fund
NPA	Natal Provincial Administration
PAYE	Pay As You Earn
RMB	Rand Merchant Bank
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

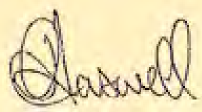
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The decrease in working capital can be attributed to Council funding its capital expenditure from its own reserves and only raising the long term loan in the next financial year. In light of the current economic conditions, the municipality challenged with many defaulting consumers and this had dire impact on the cashflow.

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

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 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 the Public Officer Bearer's Act and the Minister of Provincial and Local Government's determination in accordance with this Act

I am responsible for the preparation of the annual financial statements set out on pagess 11 to 135, in terms of section 126(1) of the Municipal Finance Management Act (56 of 2003) which have been prepared on the going concern basis, were approved by myself on the 31 August 2009 and were signed on behalf of the Municipality.



R.F. Haswell

The Group Annual Statements for the year ended 30 June 2009 – Statement of Financial Position

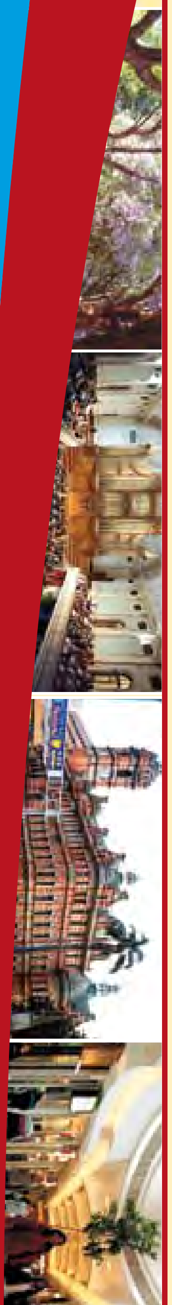
	Note(s)	Municipality 2009 R	Municipality 2008 R	Group 2009 R
ASSETS				
Current Assets				
Inventories	3	64,304,960	53,832,193	64,304,960
Current portion -other financial assets	12	1,860,000	1,860,000	1,860,000
Trade and other receivables from non exchange transactions	4	18,935,560	32,950,250	18,935,560
VAT	5	-	5,896,918	-
Trade and other receivables from exchange transactions	6	320,310,484	256,848,624	320,310,484
Current portion of long -term receivables		1,492,047	1,557,263	1,492,047
Cash and cash equivalents	7	112,867,232	263,845,426	113,666,687
		519,770,283	**616,790,674**	**520,569,738**
Non Current Assets				
Investment property	10	534,167,000	-	534,167,000
Property, plant and equipment	8	6,183,054,641	1,241,887,304	6,183,105,963
Intangible assets	9	3,254,398	1,080,382	3,254,398
Long -term receivables	11	4,686,392	5,349,498	4,686,392
Current portion -other financial assets	12	70,842	74,689	70,842
		6,725,233,273	**1,248,391,873**	**6,725,284,595**
Total Assets		**7,245,003,556**	**1,865,182,547**	**7,245,854,333**
LIABILITIES				
Current Liabilities				
Current portion of long -term liabilities	13	47,105,411	40,544,487	47,105,411
Trade and other payables	15	302,360,997	274,081,253	302,363,830
VAT	16	5,040,704	-	5,013,626
Consumer deposits	17	34,808,038	36,171,502	34,808,038
Deferred income / Unspent conditional grants and receipts	18	113,075,091	145,926,624	113,075,091
Short term -liability		50,000,000	-	50,000,000
Current provisions	19	625,167	861,265	625,167
		553,015,408	**497,585,131**	**552,991,163**

	Note(s)	Municipality 2009 R	Municipality 2008 R	Group 2009 R
Non-current liabilities				
Long-term liabilities	13	371,716,196	336,768,253	371,716,196
Finance lease obligation	14	10,670,399	7,669,141	10,670,399
Retirement benefit obligation	20	98,089,800	50,000,000	98,089,800
Provisions	21	16,871,166	28,855,336	16,871,166
		497,347,561	**423,292,730**	**497,347,561**
Total Liabilities		**1,050,362,969**	**920,877,861**	**1,050,338,724**
NET ASSETS		**6,194,640,587**	**944,304,686**	**6,195,515,609**
NET ASSETS				
Housing development fund	22	52,002,719	54,756,079	52,002,719
Accumulated surplus		6,142,637,868	889,548,607	6,143,512,890
Total Net Assets		**6,194,640,587**	**944,304,686**	**6,195,515,609**

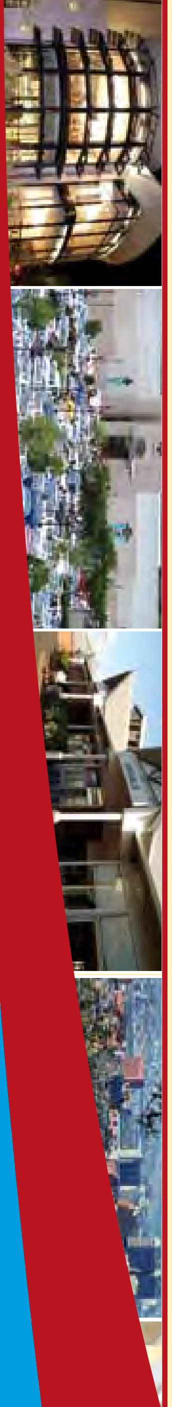
The Group Annual Statements for the year ended 30 June 2009 – Statement of Financial Performance

	Note(s)	Municipality 2009 R	Municipality 2008 R	Group 2009 R
Property rates	26	378,556,015	345,067,836	378,556,015
Service charges	27	952,438,874	896,704,177	952,438,874
Property rates -penalties imposed and collection		20,581,029	23,565,464	20,581,029
Rental received		16,684,449	15,717,272	16,684,449
Fees from agency services		689,431	751,904	689,431
Public contributions, Donated and contributed property, plant and equipment		-	-	10,000
Fines		14,299,020	14,774,353	14,299,020
Licences and permits		53,988	43,655	53,988
Government grants	29	324,440,359	266,381,114	324,440,359
Other revenue	28	338,998,135	223,766,208	338,999,138
Interest received -investment	34	35,510,494	52,294,057	35,573,954
Total Revenue		**2,082,251,794**	**1,839,066,040**	**2,082,326,257**
Expenditure				
Employee related costs	31	(580,172,075)	(500,859,237)	(582,395,777)
Remuneration of councillors	32	(19,164,676)	(15,467,145)	(19,164,676)
Depreciation and amortisation	35	(96,625,686)	(96,408,758)	(96,651,653)
Impairment of inventory	36	-	(143,365)	-
Finance costs	37	(57,421,392)	(55,028,233)	(57,421,591)
Contributions to provisions	33	(10,000,000)	(10,000,000)	(10,000,000)
Collection costs		(1,401,737)	(1,092,870)	(1,401,737)
Repairs and maintenance		(77,379,164)	(60,481,535)	(77,933,252)
Bulk purchases	39	(636,770,849)	(515,449,656)	(636,770,849)
Grants and subsidies paid	38	(4,978,336)	(4,392,550)	(2,346,757)
General Expenses	30	(602,728,333)	(470,298,514)	(602,618,180)
Total Expenditure		**(2,086,642,248)**	**(1,729,621,863)**	**(2,086,704,472)**
Gains on disposal of assets	41	3,369,276	7,239,228	3,369,276
Financial liability amortised cost		5,434,385	-	5,434,385
Financial asset amortised cost		(385,314)	-	(385,314)
Surplus for the year		**4,027,893**	**116,683,405**	**4,040,132**

The Group Annual Statements for the year ended 30 June 2009 – Statement of Changes in Net Assets



	Housing Development Fund	Capital Replacement Reserve	Insurance Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R	R	R	R	R	R
Balance at 01 July 2007 as restated	**54,020,358**	**31,749,397**	**22,503,153**	**108,272,908**	**798,129,894**	**906,402,802**
Changes in net assets						
Changes in accounting policy	-	(31,749,397)	(22,503,153)	(54,252,550)	54,252,550	-
Correction of prior period errors	-	-	-	-	176,686	176,686
Net income (expenses) recognised directly in net assets	-	(31,749,397)	(22,503,153)	(54,252,550)	54,429,236	176,686
Surplus for the year	-	-	-	-	116,683,405	116,683,405
Total recognised income and expenses for the year	-	(31,749,397)	(22,503,153)	(54,252,550)	171,112,641	116,860,091
Contributions to self-insurance reserve	-	-	-	-	31,740,578	31,740,578
Insurance claims processed	-	-	-	-	(29,625,502)	(29,625,502)
CRR net transactions after amalgamation into surplus	-	-	-	-	(978,783)	(978,783)
Contributions introduced	-	-	-	-	(10,704,235)	(10,704,235)
Transfer to HDF	735,721	-	-	735,721	-	735,721
Other property plant and equipment -biological assets	-	-	-	-	81,727	81,727
Transfer to/from provisions	-	-	-	-	(67,500,000)	(67,500,000)
Transfer to/from creditors (leave pay)	-	-	-	-	(2,707,713)	(2,707,713)
Total changes	735,721	(31,749,397)	(22,503,153)	(53,516,829)	91,418,713	37,901,884
Balance at 01 July 2008	**54,756,079**	**-**	**-**	**54,756,079**	**889,548,607**	**944,304,686**
Changes in net assets						
Changes in accounting policies	-			-	(146,559)	(146,559)
Correction of prior period error	-			-	(2,671,526)	(2,671,526)
Net income (expenses) recognised directly in net assets	-			-	(2,818,085)	(2,818,085)
Surplus for the year	-			-	4,027,896	4,027,896
Total recognised income and expenses for the year	-			-	1,209,811	1,209,811
Transfer to HDF	-			-	6,116,773	6,116,773
Net difference of adjustments	-			-	(31,010,576)	(31,010,576)
Additional other property plant and equipment -biological assets	-			-	85,716	85,716
Transfer to / from provisions	-			-	(21,593,591)	(21,593,591)
Transfer to/from creditors (leave pay)	-			-	(2,520,716)	(2,520,716)
Transactions HDF	(2,753,360)			(2,753,360)	-	(2,753,360)



	Housing Development Fund	Capital Replacement Reserve	Insurance Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R	R	R	R	R	R
Net take on of infrastructure assets as at 30 June 2009	-			-	5,294,381,500	5,294,381,500
Insurance claim processed	-			-	6,420,344	6,420,344
Total changes	(2,753,360)	-	-	(2,753,360)	5,253,089,261	5,250,335,901
Balance at 30 June 2009	**52,002,719**	**-**	**-**	**52,002,719**	**6,142,637,868**	**6,194,640,587**
Note(s)	22	23	24			

The Group Annual Statements for the year ended 30 June 2009 - Cash Flow Statment

	Note(s)	Municipality 2009 R	Municipality 2008 R	Group 2009 R
Cash flows from operating activities				
Cash receipts from customers		2,104,067,303	1,586,919,830	1,707,984,686
Cash paid to suppliers and employees		(2,008,877,528)	(1,407,520,260)	(1,608,778,947)
Cash generated from operations	40	95,189,775	179,399,570	99,205,739
Interest income		35,510,494	52,294,057	35,573,954
Finance costs		(57,421,392)	(55,028,233)	(57,421,591)
Other non-cash items		(23,172,093)	(10,704,235)	(21,593,591)
Insurance fund transactions				6,420,344
Net cash from operating activities		**50,106,784**	**165,961,159**	**62,184,855**
Cash flows from investing activities				
Purchase of property, plant and equipment	8	(298,093,138)	(196,495,704)	(298,093,138)
Sale of property, plant and equipment	8	3,369,276	7,239,228	3,369,726
Purchase of other intangible assets		-	-	(2,960,171)
Increase in investment	10	-	163,061	
Movement in non current receivables		728,321	6,739,888	
Movement on long term receivables		-	-	728,321
Movement on long term investments				(381,467)
Movement on long term receivables				65,216
Net cash from investing activities		**(293,995,541)**	**(182,353,527)**	**(297,271,513)**
Cash flows from financing activities				
Repayment of current portion of long -term liabilities		41,508,867	49,587,320	41,508,867
Movement in short term liability		50,000,000	-	50,000,000
Movement in current provisions		(236,098)	2,115,075	(9,289,867)
Movement in Consumer deposits		(1,363,464)	7,584,442	(1,363,464)
Finance lease payments		3,001,258	-	3,001,258
		92,910,563	**59,286,837**	**83,856,794**
Net cash from financing activities				
Total cash movement for the year		(150,978,194)	42,894,469	(151,230,314)
Cash at the beginning of the year	7	263,845,426	220,950,958	264,897,001
Net increase (decrease) in cash and cash equivalents		**112,867,232**	**263,845,427**	**113,666,687**

The Group Annual Statements for the year ended 30 June 2009 – Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowings
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for investments in associates
GRAP 8	Financial reporting of interests in joint ventures
GRAP 9	Revenue from exchange transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent asset
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

GRAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the Economic Entity's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 Presentation of Currency

These consolidated annual financial statements are presented in South African Rand.

1.2 Going concern assumption

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

1.3 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Economic Entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.4 Property, plant and equipment

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

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

The cost of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment, is carried at cost less accumulated depreciation and impairment losses. Depreciation for the year has been based on the old asset values and is calculated on a straight line method although an average uselife has been estimated for each category of assets in accordance with the treatment of previous year, using the global historical cost in the accounting records.

The annual depreciation rates are based on the following estimated useful lives.

Item	**Average useful life**
Infrastructure	
Roads and paving	5 - 100 years
Pedestrian malls	30 years
Electricity	10 - 50 years
Water	10 - 100 years
Sewerage	10 - 100 years
Housing	30 years
Storm water	25 - 120 years
Land	Infinite
Community Buildings	10 - 50 years
Recreational facilities	10 - 100 years
Security	5 years
Watercraft	15 years
Furniture and fixtures	7 - 10 years
Other items of plant and equipment	2- 5 years
Office equipment	3 - 7 years

Other	
Other vehicles	5 years
Bins and containers	5 years
Landfill Sites	15 years
Specialised vehicles	10 years
Specialised property, plant and equipment	10 - 15 years

The useful life of each asset are reviewed at each financial period-end.

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Economic Entity's accounting policy on non-current provisions.

The Msunduzi Economic Entity accounted for the investment properties in accordance with the GRAP implementation process map that was formulated in terms of Gazette 30013 dated 29 June 2007.

In terms of implementation of the said process map, the Economic Entity valued all its infrastructure assets and this value is treated as the deemed deemed cost. The review of uselife lives, reviewing of the depreciation method and impairment was part of this process. As from the 2009/2010 financial year the Economic Entity can implement the requirements of GRAP 17 regarding the annual review of uselife lives and impairment against the newly established fixed asset register.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Capital projects are treated as work in progress until the asset so created are ready for use.

1.5 Inventories

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.6 Financial instruments

Classification

The Economic Entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables

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

Initial recognition and measurement

Financial instruments are recognised initially when the Economic Entity becomes a party to the contractual provisions of the instruments.

The Economic Entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Economic Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the Economic Entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Economic Entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method if material. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

Cash and cash equivalents are classified as loans and receivables

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Economic Entity's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows: A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit, For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where: the rights to receive cash flows from the asset have expired; the Economic Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Economic Entity has transferred its rights to receive cash flows from the asset and either -has transferred substantially all the risks and rewards of the asset, or -has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Economic Entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Economic Entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Economic Entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The Economic Entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Revenue from exchange transactions

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

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the Economic Entity's right to receive payment has been established.

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. To include all revenue in the financial period estimates are made between the last meter reading and the financial year end to account for consumption that took place during the financial period. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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

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

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the Economic Entity has not met the condition, a liability is recognised.

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from the issuing of fines is recognised when: it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity; and the amount of the revenue can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

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

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

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

1.9 Conditional Grants and receipts

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

1.10 Provisions and contingencies

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.
Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate

The Economic Entity makes provision for the rehabilitation of landfill sites and post retirement benefits medical aid contributions.

Provision for the rehabilitation of the Quarry site was created from contributions received from the rental agreement for this site.

Provision for airport development was created from contributions to passenger levies.

1.11 Unauthorised expenditure

Unauthorised expenditure means: overspending of a vote or a main division within a vote; expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.12 Irregular expenditure

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

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

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

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

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

1.15 Comparative figures

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

1.16 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.17 Value Added Taxation

The Msunduzi Economic Entity accounts for Value Added Tax on the payment basis.

1.18 Significant judgements and sources of estimation uncertainty

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

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

The Economic Entity assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the Economic Entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

Impairment testing

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

The Economic Entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The Economic Entity used the prime interest rate to discount future cash flows.

1.19 Intangible assets

An asset is identified as an intangible asset when it: is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Economic Entity or from other rights and obligations.

An intangible asset is recognised when: it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised
when: it is technically feasible to complete the asset so that it will be available for use or sale. there is an intention to complete and use or sell it. there is an ability to use or sell it. it will generate probable future economic benefits. there are available technical, financial and other resources to complete the development and to use or sell the asset. the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are derecognised: on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

1.20 Non-current assets held for sale (and) (disposal groups)

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

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

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

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

1.21 Impairment of assets

The Economic Entity assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Economic Entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Economic Entity also: tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period. tests goodwill acquired in a business combination for impairment annually.

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

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

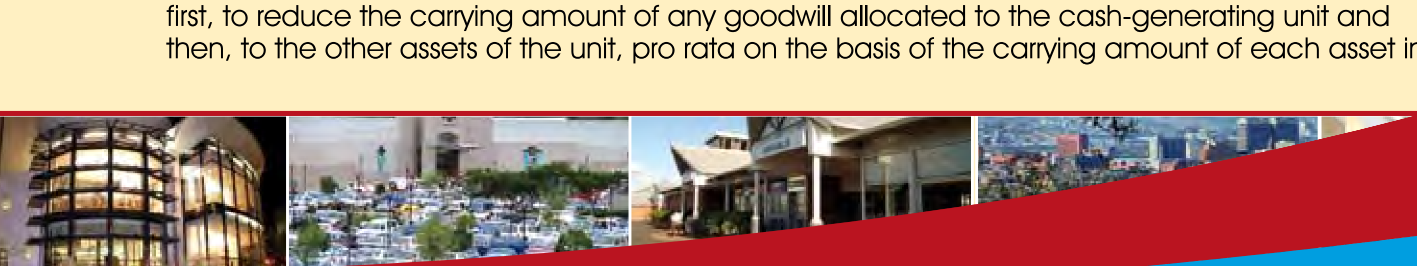
If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.



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

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

No assets were impaired during the financial year.

1.22 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Economic Entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.
Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Economic Entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

The Economic Entity does not apply the "Corridor method" and recognise all actuarial gains or losses in the statement of financial performance as they occur.

1.23 Government grants

Government grants are recognised when there is reasonable assurance that:
the Economic Entity will comply with the conditions attaching to them; and
the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately).

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

1.24 Grants, transfers and donations

Grants and donations are recognised as revenue when: it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity; the amount of the revenue can be measured reliably; and to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.25 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.26 Borrowing costs

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

Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

expenditures for the asset have occurred;
borrowing costs have been incurred, and
activities that are necessary to prepare the asset for its intended use or sale are in progress.

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

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

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

1.27 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Economic Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.28 Offsetting

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

1.29 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.30 Grants in aid

The Msunduzi Economic Entity transfers money to individuals, institutions and organisations. When making these transfers, The Economic Entity does not:

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

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.31 Unutilised conditional grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor - Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors.

The unspent portion of the grant is invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is The Msunduzi Economic Entity's interest it is recognised as interest earned in the Statement of Financial Performance.

Whenever an item of property, plant and equipment is purchased from a Creditor – Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.

Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Deferred Income - Government Grants or the Accumulated Surplus account in the case of non government grants. The deferred income account is used to offset depreciation charged on the property, plant and equipment financed from unutilised government grant capital receipts and equals the remaining depreciable value (carrying value) of property, plant and equipment financed from unutilised government grant capital receipts.

Whenever a non-asset is purchased from a Creditor - Unutilised Conditional Grant an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

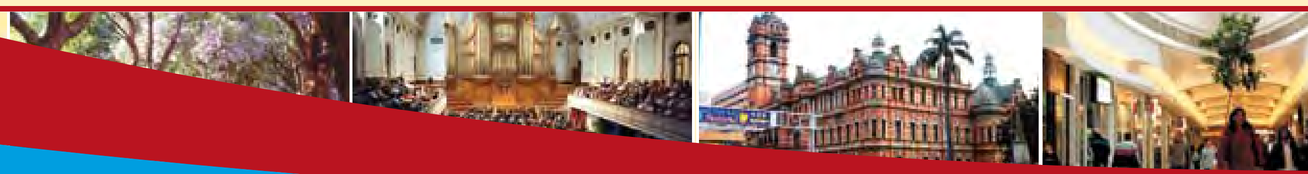
The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.



Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date. Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
distribution at no charge or for a nominal charge, or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.
Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the above mentioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

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

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 where as IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.




The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" areas sets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair valueless estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiable criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state "gains shall not be classified as revenue" as GRAP term "income" has a broader meaning than the term "revenue".

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 July 2008.

The municipality has adopted the interpretation for the first time in the 2009 annual financial statements.

The impact of the interpretation is set out in note 43 Changes in Accounting Policy.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods:

GRAP 18: Segment Reporting

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

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

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

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

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

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

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

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

GRAP 23: Revenue from Non-exchange Transactions

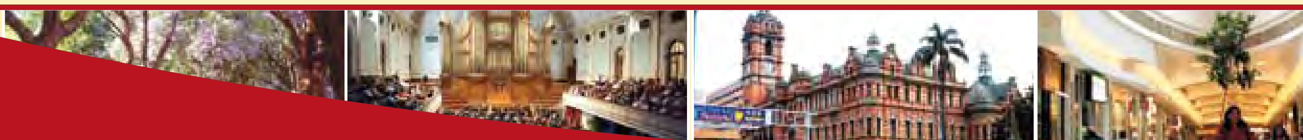
Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through anon-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.



The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for themunicipality's accounting periods beginning on or after 01 July 2009 or later periods but are notrelevant to its operations:

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

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

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

GRAP 11: Construction Contracts

The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

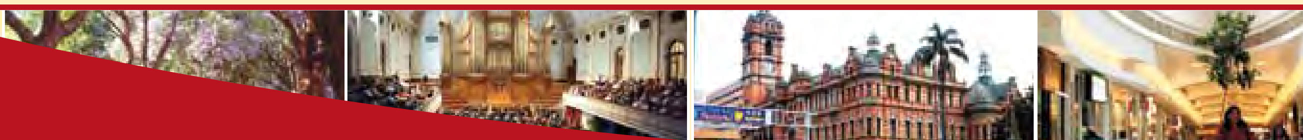
The effective date of the standard is for years beginning on or after 01 July 2008.

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

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

GRAP 103: Heritage Assets

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



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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of a heritage asset should be derecognised:

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

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

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality expects to adopt the standard for the first time in the 2008 annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements	Municipality 2009 R	Municipality 2008 R	Group 2009 R
3. Inventories			
Forestry	37,475,123	30,827,856	37,475,123
Consumable stores	27,346,448	23,529,230	27,346,448
Workshop stores	674,292	674,456	674,292
Unused water	1,451,267	1,201,016	1,451,267
Fuel -diesel & petrol	471,002	712,807	471,002
	67,418,132	56,945,365	67,418,132
Impairment of inventories	(3,113,172)	(3,113,172)	(3,113,172)
	64,304,960	**53,832,193**	**64,304,960**

No impairment was done for inventories during the financial year.

Notes to the Annual Financial Statements	Municipality 2009 R	Municipality 2008 R	Group 2009 R
4. Trade and other receivables from non exchange transactions			
Other debtors -discounted interest	(385,314)	-	(385,314)
Other debtors	16,955,403	30,533,888	16,955,403
Land sale debtors	2,365,471	2,416,362	2,365,471
	18,935,560	32,950,250	18,935,560
	18,935,560	**32,950,250**	**18,935,560**
5. VAT			
VAT	-	5,896,918	
6. Consumer debtors			
Gross balance			
Rates	137,934,216	163,896,355	137,934,216
Electricity	217,951,333	133,565,857	217,951,333
Water	77,166,555	84,341,816	77,166,555
Sewerage	11,774,192	15,606,946	11,774,192
Refuse	23,155,762	29,412,206	23,155,762
Housing rental	11,437,719	8,617,862	11,437,719
Financial instruments -discounted interest	22,891,141		22,891,141
	502,310,918	**435,441,042**	**502,310,918**
Less: Provision for doubtful debts			
Rates & General -sewerage,refuse	(36,769,018)	(45,932,004)	(36,769,018)
Electricity	(121,224,104)	(75,872,606)	(121,224,104)
Water	(24,007,312)	(56,787,808)	(24,007,312)
	(182,000,434)	**(178,592,418)**	**(182,000,434)**

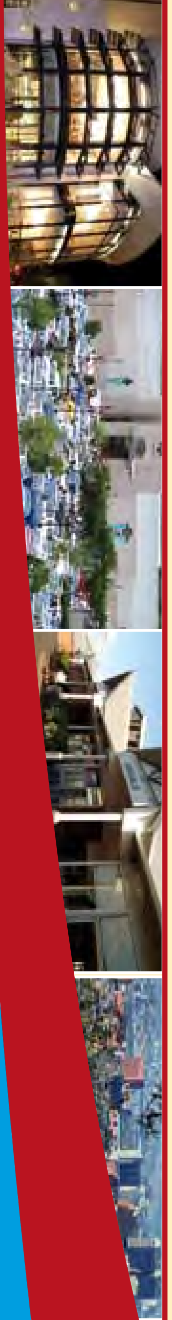
Notes to the Annual Financial Statements	Municipality 2009 R	Municipality 2008 R	Group 2009 R
Net balance			
Rates	101,165,198	117,964,351	101,165,198
Electricity	96,727,229	57,693,251	96,727,229
Water	53,159,243	27,554,008	53,159,243
Sewerage	11,774,192	15,606,946	11,774,192
Refuse	23,155,762	29,412,206	23,155,762
Housing rental	11,437,719	8,617,862	11,437,719
Financial instruments -discounted interest	22,891,141		22,891,141
	320,310,484	**256,848,624**	**320,310,484**
Rates			
Current (0 -30 days)	32,322,279	31,442,759	32,322,279
31 -60 days	4,600,076	6,834,830	4,600,076
61 -90 days	4,022,221	6,516,710	4,022,221
91 -120 days	3,467,448	4,388,852	3,467,448
121 -365 days	3,137,053	4,963,377	3,137,053
> 365 days	90,385,139	109,749,827	90,385,139
	137,934,216	**163,896,355**	**137,934,216**
Electricity, refuse, sewerage, water & housing rentals			
Current (0 -30 days)	116,141,788	101,582,467	116,141,788
31 -60 days	17,232,177	11,486,327	17,232,177
61 -90 days	14,520,339	8,600,647	14,520,339
91 -120 days	10,866,079	7,874,561	10,866,079
121 -365 days	10,893,474	7,583,886	10,893,474
> 365 days	171,831,704	134,407,463	171,831,704
	341,485,561	**271,535,351**	**341,485,561**
Summary of debtors by customer classification			
Consumers			
Current (0 -30 days)	63,315,544	66,633,154	63,315,544
31 -60 days	12,593,391	13,461,596	12,593,391
61 -90 days	11,310,589	10,537,887	11,310,589
91 -120 days	9,632,243	10,546,236	9,632,243
121 -365 days	9,325,122	10,720,769	9,325,122
> 365 days	163,370,417	124,227,523	163,370,417
	269,547,306	236,127,165	269,547,306
Less: Provision for doubtful debts	(154,700,369)	154,083,500	(154,700,369)
	114,846,937	**390,210,665**	**114,846,937**

Notes to the Annual Financial Statements	Municipality 2009 R	Municipality 2008 R	Group 2009 R
Current (0 -30 days)	71,772,015	69,573,946	71,772,015
31 -60 days	4,138,520	4,445,679	4,138,520
61 -90 days	2,667,417	4,040,032	2,667,417
91 -120 days	2,060,958	2,445,386	2,060,958
121 -365 days	1,739,901	2,338,562	1,739,901
> 365 days	40,777,711	19,724,970	40,777,711
	123,156,522	102,568,575	123,156,522
Less: Provision for doubtful debts	(27,300,065)	(24,508,918)	(27,300,065)
	95,856,457	**78,059,657**	**95,856,457**
National and provincial government			
Current (0 -30 days)	10,153,493	6,323,565	10,153,493
31 -60 days	4,578,913	5,917,036	4,578,913
61 -90 days	4,157,454	4,986,558	4,157,454
91 -120 days	2,436,751	3,849,032	2,436,751
121 -365 days	2,686,489	2,961,524	2,686,489
> 365 days	62,704,221	72,698,253	62,704,221
	86,717,321	**96,735,968**	**86,717,321**
Reconciliation of bad debt provision			
Balance at beginning of the year	(178,592,418)	(207,017,944)	(178,592,418)
Contributions to provision	(10,000,000)	(70,000,000)	(10,000,000)
Bad debts written off against provision	6,591,984	98,425,526	6,591,984
	(182,000,434)	**(178,592,418)**	**(182,000,434)**

Credit quality of consumer debtors

Trade receivables comprise of a widespread customer base consisting of domestic,commercial and government consumers.

Notes to the Annual Financial Statements	Municipality 2009 R	Municipality 2008 R	Group 2009 R
7. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Cash on hand	45,590	40,680	46,746
Bank balances	19,246,950	3,383,985	19,258,293
Short-term deposits	93,574,692	260,420,761	93,761,648
Other cash and cash equivalents			600,000
	112,867,232	263,845,426	113,666,687
Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed.			
Fair value is taken at face value.			
	10,000,000	10,000,000	
The total amount of undrawn facilities available for future			
operating activities and commitments			
Average rate of return	7.25	11.72	
For each year			



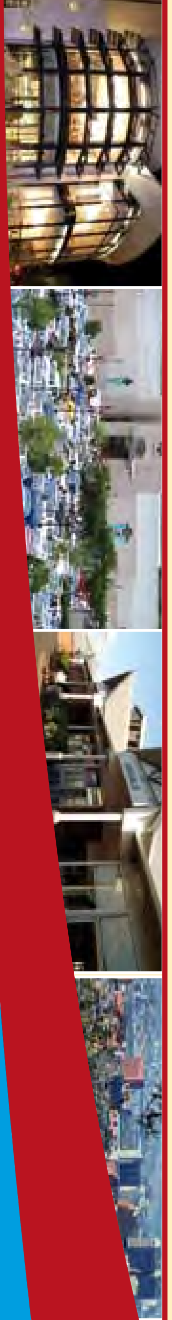
Bank/Account number	Bank balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
The municipality had the following bank accounts						
FNB - No: 5094187782 (Primary)	17,564,736	8,816,824	11,871,254	11,586,616	1,280,210	(16,650,128)
FNB - No: 62006041157 (Post office)	-	-	-	-	(700)	1,618,218
FNB - No: 5090058750 (Electronic transfers)	-	69,867	4,426	1,000	-	-
FNB - No: 5094187774 (Unpaid cheques)	(34,906)	(39,321)	(60,196)	(34,906)	(39,321)	-
FNB - No: 62058007264 (Slum clearance)	25,581,036	12,882,783	6,839,061	26,652,854	12,966,982	6,882,062
FNB - No: 62065528930 (Library extension)	5,671,854	6,241,291	85,101	5,688,294	6,282,327	85,935
FNB - No: 62052319756 (Restructuring grant)	-	4,642,437	7,162,613	-	4,642,437	7,162,613
FNB - No: 62045272143 (Traffic fines)	28,853	29,250	29,250	-	-	-
FNB - No: 50941840627 (Market)	2,119,320	1,387,910	1,866,045	-	-	-
FNB - No: 62069378539 (Oribi airport)	143,935	(325,444)	43,489	(529,356)	(548,330)	(266,959)
FNB - No: 50930082248 (Forestry)	123,752	314,972	186,113	123,752	314,972	439,105
ABSA - No: 9076022706 (Forestry)	1,109,330	1,221,371	1,018,285	1,109,330	1,221,371	1,018,285
Forestry service operations (Ledger account)	-	-	-	(18,945,289)	(18,945,289)	(18,945,289)
FNB - No: 50941849512 (Metro transport)	-	964,563	765,771	-	964,563	-
FNB - No: 50941847029 (Salaries main)	405,837	307,040	(26,611)	405,837	98,671	(265,022)
FNB - No: 62003432846 (Salaries PACs no.1)	-	-	4,333	-	-	-
FNB - No: 62003433414 (Salaries PACs no.2)	606,023	388,588	161,519	-	-	-
Total	**53,319,770**	**36,902,131**	**29,950,453**	**26,058,132**	**8,237,893**	**(18,921,180)**

8. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	393,048,071	-	393,048,071	133,547,263	(25,233,600)	108,313,663
Furniture and fixtures	64,615	(24,854)	39,761	64,615	(11,931)	52,684
Office equipment	7,000	(5,852)	1,148	7,000	(4,452)	2,548
IT Equipment	38,799	(28,386)	10,413	31,600	(16,742)	14,858
Infrastructure	4,651,201,752	-	4,651,201,752	1,322,205,494	(662,188,448)	660,017,046
Community	527,434,647	-	527,434,647	185,098,720	(48,427,056)	136,671,664
Other property, plant and equipment	889,531,718	(278,849,930)	610,681,788	1,586,753,972	(1,250,471,711)	336,282,261
Other property, plant and equipment - biological assets	688,383	-	688,383	602,670	-	602,670
Total	**6,462,014,985**	**(278,909,022)**	**6,183,105,963**	**3,228,311,334**	**(1,986,353,940)**	**1,241,957,394**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Capital under construction	Change in accounting policy	Total
Buildings	108,313,663	-	(534,167,000)	818,901,408	393,048,071
Furniture and fixtures	52,684	-	-	(12,923)	39,761
Office equipment	2,548	-	-	(1,400)	1,148
IT Equipment	14,858	7,198	-	(11,644)	10,412
Infrastructure	660,017,046	-	-	3,991,184,706	4,651,201,752
Community	136,671,664	-	-	390,762,983	527,434,647
Other property, plant and equipment	336,282,261	-	-	274,399,527	610,681,788
Other property, plant and equipment - biological assets	602,670	85,713	-	-	688,383
	1,241,887,304	**85,713**	**(534,167,000)**	**5,494,498,291**	**6,183,105,963**



Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Transfers	Change in accounting policy	Depreciation	Total
Buildings	108,390,363	835,281	(278,423)	2,436,766	-	(3,070,324)	108,313,663
Infrastructure	566,705,510	38,329,746	(30,978)	114,431,418	-	(59,418,650)	660,017,046
Community	129,280,345	8,731,365	-	5,172,866	-	(6,512,912)	136,671,664
Other property, plant and equipment	336,341,369	16,845,477	(229,621)	9,952,792	-	(26,627,756)	336,282,261
Other property, plant and equipment - biological assets	-	520,943	-	-	81,727	-	602,670
	1,140,717,587	**65,262,812**	**(539,022)**	**131,993,842**	**81,727**	**(95,629,642)**	**1,241,887,304**