

CITY OF CAPE TOWN

Annual Financial Statements



For the year ended

30 June 2010

Auditor-General: 31 August 2010 (Final)



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MAYOR	Alderman D Plato
DEPUTY MAYOR	Alderman I Neilson
SPEAKER	Alderman JD Smit
CHIEF WHIP	Alderman AM Serritslev

MEMBERS OF THE MAYORAL COMMITTEE

Alderman CR Justus	Mayoral Committee Member for Utility Services
Alderman I Neilson	Mayoral Committee Member for Finance
Alderman F Purchase	Mayoral Committee Member for Economic Development and Tourism
Alderman B Walker	Mayoral Committee Member for Corporate Services and Human Resources
Councillor M Nieuwoudt	Mayoral Committee Member for Planning and Environment
Councillor G Pascoe	Mayoral Committee Member for Social Development
Councillor B Herron	Mayoral Committee Member for Community Services
Councillor S Sims	Mayoral Committee Member for Housing
Councillor JP Smith	Mayoral Committee Member for Safety and Security Services
Councillor E Thompson	Mayoral Committee Member for Transport, Roads and Stormwater
Councillor D Ximbi	Mayoral Committee Member for Health

MEMBERS OF THE AUDIT COMMITTEE

A Mahmood	Chairperson
B Engelbrecht	Member
M Burton	Member
K Moloko	Member
Z Manjra	Member

AUDITORS	The Auditor-General Business Connexion Building Ring Road, Century Boulevard Century City 7441	Private Bag X1 Chempet 7442
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BANKERS	ABSA Bank 1 st floor, Tijgerpark IV Willie van Schoor Drive Tyger Valley 7530	PO Box 4453 Tyger Valley 7536
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REGISTERED OFFICE	12 Hertzog Boulevard Cape Town 8000	PO Box 655 Cape Town 8000
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CITY MANAGER	Achmat Ebrahim
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CHIEF FINANCIAL OFFICER	Mike Richardson
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COUNCIL MEMBERS OF THE CITY OF CAPE TOWN

COUNCILLOR/ALDERMAN

Abdullah, R	Gexa, NG	Martin, FJ	Rossouw, S
Abrahams, A	Gophe, XO	Matha, MS	Salwary, MI
Abrahams, AN	Gouws, PJH	Matiwane, MP	Samuels, G
Adams, F	Green, AM	Matshikiza, AB	Sass, GM
Adams, R	Groenewald, E	Matshoba, MO	Schwella, W
Amira, D	Gutuza, FS	Mavungavunga, VN	Serritslev, AM
Arendse, MG	Gwangxu, X	Mawela, XG	Sidinana, LT
Arendse, PS	Haskin, GCR	Maxakato, FH	Sikhutshwa, TR
Arendse, SWP	Hassiem, W	Mbaliswana, MG	Siljeur, GR
Ariefdien, M	Haywood, M	Mbonde, ME	Simons, JM
August, SN	Herron, BN	McKenzie, CL	Sims, S
Bala-Mjobo, BV	Heuvel, JA	Mdluli, VV	Sizani, FM
Baskiti, M	Hill, PA	Mgodeli, P	Smit, D
Bent, NL	Hlazo, MW	Mgxekeni, TM	Smit, JD
Benya, L	Holderness, N	Middleton, JH	Smith, DR
Bergh, AV	Ipsier, CW	Mkutswana, MA	Smith, J
Berry, EA	Iversen, I	Mngxunyeni, PM	Solizwe, MT
Bester, N	Jackson, B	Mofoko, NM	Sonnenberg, EJ
Bevu, MZ	Jackson, IR	Morkel, GN	Sopaaq, MM
Bew, CB	Jacobs, BM	Moshani, NA	Sotashe, X
Billie, NE	Jacobs, J	Mothuko, NC	Steenkamp, FR
Bottoman, TN	Jacobs, NA	Mrawu, R	Stemela, HP
Brady, WE	Jafftha, WD	Mthiya, TB	Tabisher, C
Bredenhand, JC	Jama, JS	Murucker, M	Thomas, CR
Brenner, HI	Jantjies, LEJ	Mxolose, WS	Thomas, GHJ
Britz, MT	Jeffreys, CB	Neilson, ID	Thompson, EL
Brynard, CA	Jelele, LD	Nenzani, SM	Thompson, TB
Burger, JHH	Jespersen, GA	Ngamlana, TI	Timm, G
Buso, NA	Joko, B	Ngqu, P	Traut, A
Cavanagh, GV	Jones, M	Nieuwoudt, MJ	Trout, TV
Chapple, PH	Jordaan, C	Njamela, JG	Truter, B
Christians, DJ	Joseph, D	Ntamo, GT	Tshambula, D
Claassen, CPV	Justus, CR	Ntloko, HN	Twigg, GG
Claassen, HM	Kearns, F	Ntongana, NE	Tyhalisu, VKT
Clayton, CC	Kent, MEA	Ntotoviyane, C	Van Dalen, B
Cortje-Alcock, BA	Kinahan, OM	O'Connell, RA	Van der Merwe, JFH
Cottee, DG	Klaas, MN	Oliver, MJ	Van der Walt, ML
Crous, AC	Klein, TD	Orrie, A	Van Rensburg, MJ
D'Alton, DJ	Kleinsmith, ME	Pascoe, GI	Van Wyk, J
Daniels, CJ	Kotyi, PN	Pearce, Y	Van Zyl, P
Dantile, PN	Kwayinto, EN	Pick, UE	Venter, JD
Dase, NC	Labase, MM	Plato, D	Vlotman, B
Davids, MM	Landingwe, NJ	Pretorius, IJ	Vos, J
Dudley, DK	Lategan, KH	Pringle, SB	Vuba, ST
Dunn, LR	Lee, BEH	Purchase, F	Walker, VM
Else, D	Le Roux, B	Qually, DL	Watkins, BRW
Esbach, BM	Ludidi, MT	Rass, B	Williams, DC
Fienies, MM	Lukas, A	Rau, R	Xazana, R
Fourie, A	Maboee, BE	Raymond, FHL	Ximbi, DL
Frans, J	Magwentshu, ND	Ridder, JC	Zuma, BA
Gabriel, NA	Makanda, MN	Robinson, AC	
Gabriel, PJ	March, GW	Ross, ND	

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, as set out on pages 12 to 66 in terms of Section 126(1) of the Municipal Finance Management Act, and have accordingly signed the statements on behalf of the City.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 31 to these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



ACHMAT EBRAHIM
CITY MANAGER

DATE: 31 AUGUST 2010

	Note	2010 R'000	2009 R'000 Restated
ASSETS			
Non-current assets			
		20 469 348	16 856 656
Property, plant and equipment	2	19 947 252	16 329 013
Heritage assets	3	10 002	9 440
Investment property	4	87 082	91 546
Intangible assets	5	31 709	32 821
Investments	7	274 245	236 143
Long-term receivables	8	119 058	157 693
Current assets			
		8 412 729	7 238 381
Assets classified as held-for-sale	6	66	-
Inventory	9	197 080	200 289
Trade receivables	10	3 361 410	2 744 102
Other receivables	11	294 717	443 946
Investments	7	55 800	1 196 576
Current portion of long-term receivables	8	17 480	21 517
Cash and cash equivalents	12	4 486 176	2 631 951
TOTAL ASSETS		28 882 077	24 095 037
LIABILITIES			
Non-current liabilities			
		8 596 740	6 423 138
Long-term borrowings	13	5 547 626	3 811 963
Provisions	14	3 049 114	2 611 175
Current liabilities			
		5 634 330	5 126 466
Deposits	15	229 160	235 526
Provisions	16	739 446	540 789
Payables	17	3 141 453	2 835 166
Unspent conditional grants and receipts	18	1 048 440	889 821
VAT	19	212 848	145 302
Current portion of long-term borrowings	13	262 983	475 484
Current portion of derivative financial instruments		-	4 378
Total liabilities		14 231 070	11 549 604
NET ASSETS			
Total net assets			
		14 651 007	12 545 433
Housing development fund	20	531 472	510 851
Reserves	21	1 839 091	1 776 549
Accumulated surplus	22	12 280 444	10 258 033
TOTAL NET ASSETS AND LIABILITIES		28 882 077	24 095 037

BUDGET			ACTUAL	
2009 R'000	2010 R'000		2010 R'000	2009 R'000
Restated		Note		Restated
REVENUE				
3 381 612	3 813 865	23	3 841 314	3 240 604
7 049 733	8 778 943	24	8 735 777	6 943 215
212 340	230 516	25	243 468	232 723
483 289	496 595	26	506 533	656 733
170 998	172 065		154 584	183 283
33 212	24 276		33 054	31 337
115 993	115 993		111 097	109 222
2 253 222	2 634 173	27	2 550 811	2 273 951
2 981 458	1 900 398	27	1 940 857	2 900 886
215 729	228 369	28	259 919	219 413
96 357	120 763	29	83 949	91 256
41 794	101 444		79 142	183 491
17 035 737	18 617 400		18 540 505	17 066 114
EXPENDITURE				
4 854 848	5 636 211	30	5 586 988	4 537 777
79 279	86 260	31	84 451	79 127
786 668	828 932	32	687 891	902 900
167 847	183 665		167 822	159 579
945 418	960 756	33	991 349	733 726
689 390	767 906	34	832 374	689 390
390 590	540 448	35	599 801	406 570
2 899 316	3 705 691	36	3 667 765	2 878 228
821 665	1 054 679		1 062 857	871 911
129 664	107 822	37	94 193	128 480
2 584 044	2 994 624	38	2 656 364	2 478 887
31	15		3 076	3 492
14 348 760	16 867 009		16 434 931	13 870 067
2 686 977	1 750 391		2 105 574	3 196 047
2 686 977	1 750 391		2 105 574	3 196 047

	HOUSING DEVELOPMENT FUND	CAPITAL REPLACEMENT RESERVE	SELF- INSURANCE RESERVE	ACCUMULATED SURPLUS	TOTAL
	R'000	R'000	R'000	R'000	R'000
2009					
Balance at 30 June 2008	490 354	908 673	660 903	7 296 280	9 356 210
Correction of prior year error on bulk purchases				(2 018)	(2 018)
Councillors UIF contribution and deduction accrual				(4 806)	(4 806)
	490 354	908 673	660 903	7 289 456	9 349 386
Restated surplus at 01 July 2008				3 196 047	
Surplus at 30 June 2009 - previously reported				3 136 187	3 136 187
Lease smoothing adjustments - 2009				13 114	13 114
Claremont road bypass recognised				21 832	21 832
Correction of bulk water income				23 728	23 728
Correction of water accrual 2008/09				6 938	6 938
Correction of bulk purchases 2008/09				(4 201)	(4 201)
Liquidated municipal entity transfer of depreciation				(53)	(53)
Councillors UIF contribution and deduction accrual				(1 498)	(1 498)
Transfer to	51 556	554 189	73 555	(679 300)	-
Property, plant and equipment purchased	(31 059)	(420 771)		451 830	-
Balance at 30 June 2009 - refer note 46	510 851	1 042 091	734 458	10 258 033	12 545 433
2010					
Net surplus for the year				2 105 574	2 105 574
Transfer to/(from)	49 247	948 473	(76 283)	(921 437)	-
Property, plant and equipment purchased	(28 626)	(809 648)		838 274	-
Balance at 30 June 2010	531 472	1 180 916	658 175	12 280 444	14 651 007

	Note	2010 R'000	2009 R'000 Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		17 132 708	14 316 352
Cash paid to suppliers and employees		(13 220 119)	(11 163 936)
Cash generated from operations	39	3 912 589	3 152 416
Finance income		383 657	577 105
Finance costs		(523 550)	(405 411)
NET CASH FROM OPERATING ACTIVITIES		3 772 696	3 324 110
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(4 662 928)	(5 082 173)
Proceeds on disposal of property, plant and equipment and intangible assets		82 380	187 505
(Increase) / Decrease in assets held-for-sale		(66)	242
Decrease in non-current receivables		42 673	35 707
Decrease in investments		1 102 674	2 179 402
NET CASH FROM INVESTING ACTIVITIES		(3 435 267)	(2 679 317)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised and interest capitalised		2 047 299	1 240 230
Loans repaid		(524 137)	(409 834)
Decrease in deposits		(6 366)	(2 065)
NET CASH FROM FINANCING ACTIVITIES		1 516 796	828 331
NET INCREASE IN CASH AND CASH EQUIVALENTS	40	1 854 225	1 473 124
Cash and cash equivalents at the beginning of the year		2 631 951	1 158 827
Cash and cash equivalents at the end of the year		4 486 176	2 631 951

1. STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the City of Cape Town, which are, in all material respects, consistent with those applied in the previous year except as stated in note 46. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

1.1. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the City has adopted all new and revised standards and interpretations issued by the Accounting Standards Board that are relevant to its operations and effective. The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

A number of new standards are not yet effective for the year ended 30 June 2010, and are presented below:

GRAP 18 - Segment Reporting
GRAP 21 - Impairment of non-cash generating assets
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 - Presentation of Budget Information
GRAP 25 - Employee benefits
GRAP 26 - Impairment of cash generating assets
GRAP 103 - Heritage Assets
GRAP 104 - Financial instruments

All the above standards, where applicable, will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal except for the application of GRAP 25 "employee benefits" and for additional disclosures.

1.2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

The ASB has issued a directive which sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In the process of applying the City's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- **Operating lease commitments – City as lessor**

City has entered into commercial property leases on its property portfolio. The City has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

- **Pension and other post-employment benefits**

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of trade receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

- **Property, plant and equipment**

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in note 14 and 48.2 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

- **Held-to-maturity financial assets**

Management has reviewed the held-to-maturity financial assets in the light of its capital management and liquidity requirements, and has confirmed the positive intention and ability to hold those assets to maturity.

1.3. HOUSING FUNDS

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

1.3.1 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the City maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the City for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed, and invested in accordance with the investment policy of the City.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

1.3.2 Unrealised housing proceeds

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

1.4. RESERVES

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

1.4.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the City.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

1.4.2 Insurance reserve

A general insurance reserve has been established and, subject to re-insurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Reinsurance premiums paid to external re-insurers are regarded as an expense, and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the Insurance Reserve via the Statement of Changes in Net Assets.

The balance of the Self-insurance Reserve is invested in short-term cash investments. Interest earned on the Insurance Reserve is recorded as interest earned in the Statement of Financial Performance, and is transferred to the Insurance Reserve via the Statement of Changes in Net Assets as a contribution.

An actuarial valuation is obtained each year to assess the adequacy of the Insurance Reserve at year-end.

1.4.3 Compensation for Occupational Injuries and Diseases Reserve (COID)

The City has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

The certificate of exemption issued by the Commissioner, and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the City deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the continuing liability of the City as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the City is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

1.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, or at fair value where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from 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.

1.5.1 Depreciation rates

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not insignificant, are reassessed annually. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and paving	10-50	Buildings	20 - 50
Electricity	20-30	Specialist vehicles	10 - 20
Water	15-30	Other vehicles	8
Sewerage	15-20	Office equipment	4 - 10
Housing	30	Furniture and fittings	10
Community		Watercraft	10
Recreational facilities	20-30	Bins and containers	5
Security	5-10	Plant and equipment	5
		Landfill sites	30

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where appropriate, the term of the relevant lease and recognised in the Statement of Financial Performance.

1.5.2 Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.6 HERITAGE ASSETS

A heritage asset is defined as an asset that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

1.7. INVESTMENT PROPERTIES

Investment properties are held to earn rental income, and for capital appreciation, and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary. Investment property excludes owner-occupied property that is used in the production or supply of goods or services, or for administrative purposes, or property held to provide a social service.

Investment property other than vacant land is depreciated on the straight-line basis over the useful lives of the assets estimated at 20 to 50 years.

1.8. INTANGIBLE ASSETS

An intangible asset is defined as an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

The City recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the City, and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Direct computer software development costs recognised as assets are amortised on the straight-line basis over the useful lives of the assets estimated at three to five years.

1.9. NON-CURRENT ASSETS HELD-FOR-SALE

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 applies only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Assets classified as held-for-sale are measured at the lower of the asset's carrying amount or fair value less cost to sell.

1.10. FINANCIAL INSTRUMENTS

Financial instruments are recognised when the City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value plus, in the case of a financial asset or liability not at fair value through the Statement of Financial Performance, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. The subsequent measurement of financial instruments is dealt with as follows:

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

1.10.1 Financial assets

The City classifies its financial assets into the following categories:

- held-to-maturity.
- loans and receivables.
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the City has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the City to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

1.10.2 Financial liabilities

After initial recognition, the City measures all financial liabilities, including trade and other payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and trade and other payables (excluding provisions). Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

1.10.3 Trade payables and other

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

1.10.4. Trade and other receivables

Trade and other receivables are recognised initially at fair value, which approximates amortised cost, less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

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

1.11. INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants and compost, which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values and is recognised as an expense in the period the write-down or loss occurs. Consumables are written down according to their age, condition and utility.

1.12. REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the City and these benefits can be measured reliably. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.12.1 Revenue from exchange transactions

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

1.12.1.2 Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis, and revenue is recognised providing that the benefits can be measured reliably. Estimates of consumption are made every alternative month on the basis of consumption history. Such estimated consumption is recognised as income when invoiced and adjusted every following month that the meter is read. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

1.12.1.3 Services provided on a prepayment basis is recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

1.12.1.4 Income in respect of housing rental and instalment sale agreements is accrued monthly.

1.12.1.5 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis, which takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

1.12.1.6 Dividends are recognised when the City's right to receive payment is established.

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

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

- The City has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The City 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Prepaid electricity sold is only recognised as income once the related units are consumed.

1.12.2 Revenue from non-exchange transactions

1.12.2.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers, and are deducted from revenue.

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

1.12.2.3 Donations are recognised on a cash receipt basis, or at fair value, or where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the City.

1.12.2.4 Income 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 probable.

1.13. OFFSETTING

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.14. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies is recognised to the extent that the City 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 and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions.

1.14.1 Grants and receipts of a revenue nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

1.14.2 Grants and receipts of a capital nature

Income is transferred to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.15. PROVISIONS

A provision is recognised when the City has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

1.16. ENVIRONMENTAL REHABILITATION PROVISIONS

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the City's policy, taking into account current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.17. CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the Cash-Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.18. EMPLOYEE BENEFITS**1.18.1 Retirement benefit plans**

The City provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable.

1.18.2 Post-retirement pension funds

Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The City contributes monthly to the funds.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the obligations.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs.

Actuarial gains or losses are accounted for using the 'corridor method'. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10% of the present value of the gross defined benefit obligations in the scheme. Actuarial gains and losses exceeding 10% will be recognised over two years. Actuarial valuations are performed annually.

1.18.3 Medical aid: continued members

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the City is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund and the City will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the City decision on protected rights. Post-retirement medical contributions paid by the City and depending on the employee's contract could either be 70%, 60% or a subsidy indicated on a sliding-scale basis. The employee is responsible for the balance of post-retirement medical contribution in each case. External appointments do not qualify for a post-retirement medical aid subsidy.

1.22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality'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.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at balance sheet date by applying the exchange rate at that date. Exchange differences arising from the settlement of creditors, or on reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or as expenses in the period in which they arise.

1.26. BORROWING COSTS

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed, and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

1.27. COMPARATIVE INFORMATION

Comparative figures are re-classified or restated as necessary to afford a proper and more meaningful comparison of results, as set out in the affected notes to the financial statements.

2. PROPERTY, PLANT AND EQUIPMENT

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment R'000	Carrying value R'000
As at 30 June 2010							
Land and buildings	1 612 088	(24 506)	223 059	(323)	(82 633)	(52 034)	1 675 651
Infrastructure	8 440 973	(510 819)	2 696 421	-	(368 255)	-	10 258 320
Community	3 778 151	540 008	853 099	-	(128 388)	-	5 042 870
Leased assets	133 704	-	-	-	(19 969)	-	113 735
Other	1 722 957	(4 747)	874 589	(5 337)	(352 237)	(6)	2 235 219
Housing rental stock	641 140	-	7 235	(452)	(26 466)	-	621 457
TOTAL	16 329 013	(64)	4 654 403	(6 112)	(977 948)	(52 040)	19 947 252

(refer Appendix B for more detail)

As at 30 June 2009							
Land and buildings	1 419 737	107 377	299 705	(370)	(78 339)	(136 022)	1 612 088
Infrastructure	6 525 241	(17 122)	2 250 127	-	(317 273)	-	8 440 973
Community	1 954 680	(47 353)	1 885 368	-	(14 544)	-	3 778 151
Leased assets	161 453	(745)	-	-	(27 004)	-	133 704
Other	1 415 407	(46 737)	608 142	(6 770)	(246 824)	(261)	1 722 957
Housing rental stock	657 334	1 151	9 660	(687)	(26 318)	-	641 140
TOTAL	12 133 852	(3 429)	5 053 002	(7 827)	(710 302)	(136 283)	16 329 013

The leased property, plant and equipment are encumbered as set out in note 13. Provision has been made for the estimated cost of rehabilitation of waste sites, included in other assets, as described in note 14.

The City is required to measure the residual value of an item of property, plant and equipment. Management has determined that all of its infrastructural assets have no active market value, and the value of the amount at the end of its life would therefore be nil or insignificant. During the current financial year, the City reviewed the estimated useful lives and residual values of property, plant and equipment where appropriate.

Fully depreciated assets at an original cost of R1,63 billion are still currently in use.

The cooling towers of the former Athlone Power Station dating from the early 1960's have been subsequently imploded on 22 August 2010. The Power Station was closed down and impaired to a carrying value of nil in 2003.

The annual review of the useful lives of assets resulted in an increase in the depreciation charge to the Statement of Performance of R27,50 million.

3. HERITAGE ASSETS

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Disposals R'000	Carrying value R'000
As at 30 June 2010					
Assets under construction	1 722	(600)	538	-	1 660
Paintings and art galleries	7 718	600	60	(36)	8 342
TOTAL	9 440	-	598	(36)	10 002

(refer Appendix B for more detail)

As at 30 June 2009					
Assets under construction	6 523	(5 350)	549	-	1 722
Paintings and art galleries	2 622	4 956	155	(15)	7 718
TOTAL	9 145	(394)	704	(15)	9 440

4. INVESTMENT PROPERTY

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Depreciation R'000	Carrying value R'000
As at 30 June 2010					
Vacant land	38 366	-	-	-	38 366
Land and buildings	53 180	-	-	(4 464)	48 716
TOTAL	91 546	-	-	(4 464)	87 082

(refer Appendix B for more detail)

As at 30 June 2009

Vacant land	38 409	(43)	-	-	38 366
Land and buildings	56 667	148	806	(4 441)	53 180
TOTAL	95 076	105	806	(4 441)	91 546

Rental income has been received on various properties during the year. Fair value is determined from property sales statistics, and is the basis for property valuations for rating purposes.

Property valuations are conducted by mandated professionally qualified valuers. These valuations were used as basis for disclosure. The fair value of the investment properties amounted to R423,59 million (2009: R414,00 million).

5. INTANGIBLE ASSETS

	Opening Balance R'000	Transfers/ Adjustments R'000	Additions R'000	Amortisation R'000	Carrying value R'000
As at 30 June 2010					
Computer software (acquired separately)	32 821	(102)	7 927	(8 937)	31 709

(refer Appendix B for more detail)

As at 30 June 2009

Computer software (acquired separately)	20 083	4 060	27 661	(18 983)	32 821
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The capitalised computer software was estimated to have a finite life of five years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

6. ASSETS CLASSIFIED AS HELD-FOR-SALE

	Opening Balance R'000	Transfers/ Adjustments R'000	Carrying value R'000
As at 30 June 2010			
Land held for sale	-	66	66
As at 30 June 2009			
Land held for sale	242	(242)	-

Various properties have been presented as held-for-sale following a Council decision to dispose of properties no longer required for municipal purposes. These properties are identified for sale as and when the need arises. These transactions are expected to yield income of approximately R300,88 million, and should be concluded by 2013.

2010 R'000	2009 R'000
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7. INVESTMENTS**7.1 Held-to-maturity****7.1.1. Listed**

RSA Government stock at amortised cost	42 826	37 374
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7.1.2 Unlisted

Sinking fund deposits - note 41	248 387	416 537
Other fixed deposits	4 357 593	3 383 974
Provision for impairment	(9 616)	(9 616)
Total unlisted	4 596 364	3 790 895

Total held-to-maturity	4 639 190	3 828 269
Current portion included in short-term investments	(55 800)	(1 196 576)
Current portion included in cash and cash equivalents - refer note 12	(4 347 913)	(2 434 318)
TOTAL	235 477	197 375

Collateral deposits for staff housing loans

Included in other fixed deposits (unlisted investments) above are fixed deposits with a carrying value of R0,47 million (2009: R0,47 million) which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The City has not issued fixed deposits as security since 2000. The City's exposure to risk is minimised by an assurance policy taken out by the employee, and ceded to the City to cover the guaranteed deposit.

7.2 Available-for-sale**7.2.1 Unlisted****Investment in municipal entities at cost:**

Cape Town International Convention Centre (Pty) Ltd (Convenco)	284 000	284 000
Provision for impairment	(245 232)	(245 232)
Total unlisted	38 768	38 768

The carrying amount of the City's investment in Convenco, R284 million, has been compared with its share of the present value of Convenco's estimated future cash flows discounted at a market related rate of interest. As at 30 June 2010, the value of the previous financial year end was maintained as the change in value was considered insignificant. The impairment loss provision at 30 June 2010 is therefore maintained at R245,23 million.

Investment in Cape Town Community Housing Company (Pty) Ltd:

Cape Town Community Housing Company (Pty) Ltd	-	-
Original investment at cost	2 500	2 500
Provision for impairment	(2 500)	(2 500)
TOTAL	-	-
Total available-for-sale	38 768	38 768
TOTAL INVESTMENTS	274 245	236 143

	2010 R'000	2009 R'000
8 LONG-TERM RECEIVABLES		
Loans to employees	12	2 261
Sporting bodies	1 519	1 672
Housing land sales	1 184	6 320
	25 485	27 433
Public organisations	30 175	31 652
Provision for impairment	(4 690)	(4 219)
	108 338	141 524
Housing selling development loans	222 049	242 626
Provision for impairment	(113 711)	(101 102)
	136 538	179 210
Current portion transferred to current receivables	(17 480)	(21 517)
TOTAL	119 058	157 693
Reconciliation of impairment provision		
Balance at beginning of the year	105 321	88 532
Transfers to provisions	13 080	16 789
Balance as at 30 June	118 401	105 321

Loans to employees

Staff were entitled to various loans, such as car and computer loans, which attract interest at 8% to 17% per annum, and are repayable over a maximum period of six years. These loans were granted before the implementation of the MFMA and are repayable by 2010.

Public organisations

Loans to public organisations are granted in terms of national housing policy. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

Sporting bodies

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of 4% to 19% per annum and are repayable over a maximum period of 20 years.

Housing selling development loans

Housing loans were historically granted to qualifying individuals in terms of national Housing Policy. These loans currently attract interest at 10,5% per annum and are repayable over 20 years. The interest rate is determined as per Council policy.

	2010 R'000	2009 R'000
9. INVENTORY		
Consumable stores	159 520	159 628
Medical supplies	918	1 014
Spare parts and meters	11 600	15 749
Water	13 312	12 718
Other goods held for resale	9 702	11 180
Green electricity rights	2 028	-
TOTAL	197 080	200 289

Inventory to the value of R806 334 (2009: R605 927) was taken on during the year. Inventories (excluding bulk water) which were recognised as expenses during the year amounted to R624,57 million of which a portion was capitalised. Green electricity rights are rights to sell green units at green tariffs to consumers upon their request for green electricity.

10. TRADE RECEIVABLES

	Gross balance R'000	Provision for impairment R'000	Net balance R'000
As at 30 June 2010			
Service debtors	5 874 475	(2 589 866)	3 284 609
Rates and other	1 892 464	(660 549)	1 231 915
Trade: Electricity	906 308	(159 323)	746 985
Water	1 954 152	(1 179 483)	774 669
Waste management (solid waste)	319 525	(168 788)	150 737
Wastewater management (sewerage and sanitation)	802 026	(421 723)	380 303
Housing rental stock	393 706	(350 403)	43 303
Housing selling stock	392 659	(359 161)	33 498
TOTAL	6 660 840	(3 299 430)	3 361 410
As at 30 June 2009			
Service debtors	5 071 716	(2 410 796)	2 660 920
Rates and other	1 527 334	(586 018)	941 316
Trade: Electricity	663 287	(120 345)	542 942
Water	1 835 158	(1 157 889)	677 269
Waste management (solid waste)	305 169	(166 135)	139 034
Wastewater management (sewerage and sanitation)	740 768	(380 409)	360 359
Housing rental stock	365 716	(326 272)	39 444
Housing selling stock	386 232	(342 494)	43 738
TOTAL	5 823 664	(3 079 562)	2 744 102

Consumer debtors to the net amount of R1,064 billion (2009: R856,27 million) are only due after 30 days. Included in the outstanding balances are consumer debtors to the value of R466,76 million (2009: R391,61 million), who have made arrangements to repay their outstanding debt over a re-negotiated period. At 30 June 2010, the City's Trade receivables balance included an amount of approximately R263,16 million (2009: R312,20 million) due by the National Government, and the Provincial Government.

Analysis of trade receivables' ageing in days

	Total R'000	Not Due R'000	0 - 30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2010							
Rates and other	1 892 464	358 075	440 842	96 984	27 680	462 150	506 733
Provision for impairment	(660 549)	(39 747)	(48 933)	(10 765)	(3 072)	(51 299)	(506 733)
	1 231 915	318 328	391 909	86 219	24 608	410 851	-
Electricity	906 308	490 221	146 027	45 551	15 506	93 490	115 513
Provision for impairment	(159 323)	(27 158)	(8 090)	(2 524)	(859)	(5 179)	(115 513)
	746 985	463 063	137 937	43 027	14 647	88 311	-
Water	1 954 152	170 486	157 278	81 446	51 802	397 252	1 095 888
Provision for impairment	(1 179 483)	(16 605)	(15 319)	(7 933)	(5 046)	(38 692)	(1 095 888)
	774 669	153 881	141 959	73 513	46 756	358 560	-
Waste management	319 525	31 118	25 961	14 511	8 933	71 002	168 000
Provision for impairment	(168 788)	(162)	(135)	(75)	(46)	(370)	(168 000)
	150 737	30 956	25 826	14 436	8 887	70 632	-
Wastewater management	802 026	83 954	70 905	39 542	24 314	189 467	393 844
Provision for impairment	(421 723)	(5 734)	(4 843)	(2 701)	(1 661)	(12 940)	(393 844)
	380 303	78 220	66 062	36 841	22 653	176 527	-
Housing rental stock	393 706	25 354	12 248	8 401	8 215	95 103	244 385
Provision for impairment	(350 403)	(18 001)	(8 696)	(5 965)	(5 833)	(67 523)	(244 385)
	43 303	7 353	3 552	2 436	2 382	27 580	-
Housing selling stock	392 659	24 498	7 327	2 934	2 643	30 375	324 882
Provision for impairment	(359 161)	(12 332)	(3 748)	(1 501)	(1 352)	(15 346)	(324 882)
	33 498	12 166	3 579	1 433	1 291	15 029	-
Gross debtors	6 660 840	1 183 706	860 588	289 369	139 093	1 338 839	2 849 245
Provision for impairment	(3 299 430)	(119 739)	(89 764)	(31 464)	(17 869)	(191 349)	(2 849 245)
TOTAL	3 361 410	1 063 967	770 824	257 905	121 224	1 147 490	-

Analysis of trade receivables' ageing in days

	Total R'000	Not Due R'000	0 - 30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2009							
Rates and other	1 527 334	297 139	331 247	72 820	55 781	308 701	461 646
Provision for impairment	(586 018)	(34 682)	(38 657)	(8 498)	(6 510)	(36 025)	(461 646)
	941 316	262 457	292 590	64 322	49 271	272 676	-
Electricity	663 287	282 012	149 123	31 375	18 734	82 968	99 075
Provision for impairment	(120 345)	(10 632)	(5 622)	(1 182)	(706)	(3 128)	(99 075)
	542 942	271 380	143 501	30 193	18 028	79 840	-
Water	1 835 158	165 806	146 370	65 458	64 448	341 612	1 051 464
Provision for impairment	(1 157 889)	(22 516)	(19 877)	(8 889)	(8 752)	(46 391)	(1 051 464)
	677 269	143 290	126 493	56 569	55 696	295 221	-
Waste management	305 169	35 652	20 557	13 079	10 522	67 378	157 981
Provision for impairment	(166 135)	(1 975)	(1 138)	(725)	(583)	(3 733)	(157 981)
	139 034	33 677	19 419	12 354	9 939	63 645	-
Wastewater management	740 768	146 265	8 435	41 527	34 121	176 103	334 317
Provision for impairment	(380 409)	(16 586)	(957)	(4 709)	(3 870)	(19 970)	(334 317)
	360 359	129 679	7 478	36 818	30 251	156 133	-
Housing rental stock	365 716	19 135	11 081	5 658	8 647	88 465	232 730
Provision for impairment	(326 272)	(13 460)	(7 794)	(3 980)	(6 082)	(62 226)	(232 730)
	39 444	5 675	3 287	1 678	2 565	26 239	-
Housing selling stock	386 232	17 013	8 181	3 246	3 171	42 754	311 867
Provision for impairment	(342 494)	(6 905)	(3 403)	(1 352)	(1 320)	(17 647)	(311 867)
	43 738	10 108	4 778	1 894	1 851	25 107	-
Gross debtors	5 823 664	963 022	674 994	233 163	195 424	1 107 981	2 649 080
Provision for impairment	(3 079 562)	(106 756)	(77 448)	(29 335)	(27 823)	(189 120)	(2 649 080)
TOTAL	2 744 102	856 266	597 546	203 828	167 601	918 861	-

	2010 R'000	2009 R'000
Reconciliation of impairment provision		
Balance at beginning of the year	3 079 562	2 570 525
Contributions to provisions	597 548	704 016
Transfers to/(from) provisions	1 288	(102 278)
Bad debts written off	(378 968)	(92 701)
Balance as at 30 June	3 299 430	3 079 562

Reconciliation of impairment provision

In determining the recoverability of a trade receivable, the City considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

11. OTHER RECEIVABLES

	Gross balance R'000	Provision for impairment R'000	Net balance R'000
As at 30 June 2010			
Payments made in advance	117	-	117
General	187 180	(3 539)	183 641
Property rentals	68 051	(47 210)	20 841
Government subsidies	90 118	-	90 118
TOTAL	345 467	(50 749)	294 717
As at 30 June 2009			
Payments made in advance	1 096	-	1 096
General	261 985	(1 745)	260 240
Property rentals	45 777	(21 988)	23 789
Government subsidies	158 821	-	158 821
TOTAL	467 679	(23 733)	443 946

Analysis of other receivables' ageing in days

	Total R'000	Not Due R'000	0-30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2010							
Payments made in advance	117	117	-	-	-	-	-
Government subsidies	90 118	1 304	70 846	13 570	300	4 098	-
	90 235	1 421	70 846	13 570	300	4 098	-
General	187 180	170 657	21 516	390	328	(501)	2 450
Provision for impairment	(3 539)	(2)	(98)	(112)	(91)	(786)	(2 450)
	183 641	170 655	21 418	278	237	(1 287)	-
Property rentals	68 051	22 287	(1 446)	1 701	569	11 646	33 294
Provision for impairment	(47 210)	-	-	(1 701)	(569)	(11 646)	(33 294)
	20 841	22 287	(1 446)	-	-	-	-
Gross debtors	345 466	194 365	83 256	15 661	1 197	15 243	35 744
Provision for impairment	(50 749)	(2)	(98)	(1 813)	(660)	(12 432)	(35 744)
TOTAL	294 717	194 363	83 158	13 848	537	2 811	-

Included in general is an amount of R51,38 million (2009: R83,5 million) for VAT due by SARS.

Analysis of other receivables' ageing in days

	Total R'000	Not Due R'000	0-30 R'000	31-60 R'000	61-90 R'000	91-365 R'000	+365 R'000
As at 30 June 2009							
Payments made in advance	1 096	1 096	-	-	-	-	-
Government subsidies	158 821	-	136 162	7 248	7 217	8 194	-
	159 917	1 096	136 162	7 248	7 217	8 194	-
General	261 985	253 863	3 910	390	264	1 813	1 745
Provision for impairment	(1 745)	-	-	-	-	-	(1 745)
	260 240	253 863	3 910	390	264	1 813	-
Property rentals	45 777	4 356	13 797	309	2 060	6 271	18 984
Provision for impairment	(21 988)	(488)	(1 547)	(35)	(231)	(703)	(18 984)
	23 789	3 868	12 250	274	1 829	5 568	-
Gross debtors	467 679	259 315	153 869	7 947	9 541	16 278	20 729
Provision for impairment	(23 733)	(488)	(1 547)	(35)	(231)	(703)	(20 729)
TOTAL	443 946	258 827	152 322	7 912	9 310	15 575	-

Reconciliation of impairment provision

	2010 R'000	2009 R'000
Balance at beginning of the year	23 733	30 500
Contributions to provisions	25 223	5 525
Transfers to provisions	1 793	-
Bad debts written off	-	(12 292)
Balance as at 30 June	50 749	23 733

In determining the recoverability of other receivable, the City considers any change in the credit quality of other receivable from the date the credit was initially granted, up to the reporting date.

12. CASH AND CASH EQUIVALENTS (BANK AND CASH)

Bank balance	115 311	158 743
ABSA - Primary bank account	115 310	158 727
Salary bank account	-	-
Cashier's bank account	-	-
General income account (primary)	-	-
ABSA - Traffic fines bank account	-	-
FNB - Traffic fines bank account	1	16
Cash on hand and in transit	22 952	38 890
Call and term deposits - refer note 7	4 347 913	2 434 318
TOTAL	4 486 176	2 631 951

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

13. LONG-TERM BORROWINGS

Local registered stock loans	4 202 884	2 208 602
Annuity loans	-	14 229
Other loans	1 466 501	1 907 654
Finance leases	141 224	156 962
Sub-total - refer to Appendix A for more detail	5 810 609	4 287 447
Current portion transferred to current liabilities	(262 983)	(475 484)
TOTAL	5 547 626	3 811 963

The capitalised lease liabilities are secured by items of leased plant, to the carrying value of R113,74 million (2009: R133,71 million). R248,39 million (2009: R416,54 million) has been invested in specific ring-fenced deposit accounts for the repayment of long-term liabilities - refer note 7 and 41 for more detail.

Long-term borrowings detailed as follows:**LOCAL REGISTERED STOCK****ABSA Investor Services**

Unsecured bond paying fixed interest semi-annually, redeemed on 30 June 2010.

Standard Bank Nominees

Secured bond paying fixed interest semi-annually. As security a sinking fund was established which together with interest capitalized will be used to settle the original loan liability on 31 March 2014.

Listed Bonds

Unsecured bonds totalling R4,20 billion listed on the Johannesburg Stock Exchange of South Africa (JSE). Interest is payable semi-annually while capital will be redeemed by way of a bullet repayment on the final redemption date. Certain Bond raising costs have been capitalized and offset against the proceeds thereof and subsequently written-off over the periods of the respective bonds. Sinking funds have been established for the purpose of providing for the capital repayment at the dates of redemption.

ANNUITY LOANS**ABSA Bank**

Unsecured fixed interest loans repaid semi-annually in equal instalments of interest and capital, final redemption on 30 June 2010.

OTHER LOANS**DBSA Bank**

Unsecured fixed interest loans, repayable semi-annually in equal instalments of capital with interest payable on the reducing balance. Various final redemptions.

ABSA Bank

Structured unsecured loan of R50,00 million plus capitalised interest. Deposits were made semi-annually into two sinking funds with ABSA Bank which, together with fixed interest capitalized over ten years, settled the loan liability on 30 June 2010.

Nedcor Bank

Unsecured fixed rate loan, interest payable annually and loan capital repayable on 31 August 2019.

FirstRand Bank

Structured R125,00 million 15-year loan repayable semi-annually in equal instalments of capital and fixed-rate interest.

As part of the loan structure, the City sold moveable assets with a market value of R125,00 million to FirstRand Bank. FirstRand Bank leased the assets back to the City over 15 years, with rentals payable during the years 2009-2011. At the same time the City lent R125,00 million to FirstRand Bank, repayable together with interest on the same dates, and in the same amounts, as the rental payable by the City under the lease agreement. The City has ceded its rights under its loan to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness.

	2010 R'000	2009 R'000
LOCAL REGISTERED STOCK	4 202 884	2 208 602
ABSA Investor Services	-	4 600
Standard Bank Nominees	6 800	6 800
Listed Bonds	4 196 084	2 197 202
ANNUITY LOANS	-	14 229
ABSA Bank	-	14 229
OTHER LOANS	1 466 501	1 907 654
DBSA Bank	867 884	967 778
ABSA Bank	-	264 243
Nedcor Bank	50	50
FirstRand Bank	19 931	36 889
	2010 R'000	2009 R'000

FirstRand Bank

189 299

194 484

Structured R220,00 million 15-year loan, R200,00 million of which is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R20,00 million payable in one instalment, together with fixed-rate interest, on 30 June 2017. The bullet repayment of the R20,00 million capital and interest will be made out of the guaranteed investment portfolios of two 15-year sinking fund investment policies purchased from Momentum Group.

As part of the loan structure, the City purchased two 15-year sinking fund policies from Momentum Group for an upfront premium of R220,00 million. R20,00 million of the premium was invested in the guaranteed investment portfolio referred to above. The balance of the premium, R200,00, was invested in a linked investment (unguaranteed) portfolio. The maturity proceeds of this unguaranteed portfolio were sold in advance to FirstRand Bank for R200,00 million on day one of the policies. The City has ceded and pledged the sinking fund policies to FirstRand Bank as security for the City's obligations to FirstRand Bank under the policies and any other debt liability.

FirstRand Bank

59 337

74 210

Structured R150,00 million 15-year loan repayable semi-annually in equal instalments of capital and fixed interest.

As part of the loan structure, the City leased moveable electricity assets with a market value of R150,00 million to FirstRand Bank for 20 years. Rental is payable in three instalments during 1998 – 2000, with a nominal annual rental thereafter. The rentals are payable into a deposit account with FirstRand Bank, which attracts a fixed rate of interest. FirstRand Bank leased the assets back to the City over 15 years, with rentals payable during the years 2003 – 2013, out of the deposit account, which will reduce to zero on 30 June 2013. The City has ceded its rights to repayment of the deposit to FirstRand Bank as security for its obligations to FirstRand Bank under the original loan and any other indebtedness.

ABSA Bank

160 000

180 000

Unsecured fixed interest loan, repayable semi-annually in equal instalments of capital with interest payable on the reducing balance, final redemption on 30 June 2018.

FirstRand Bank

170 000

190 000

Structured R300,00 million 15-year loan, R74,30 million of which is repayable semi-annually in equal instalments of capital and fixed-rate interest over 15 years, and the balance of R225,70 million payable in one instalment, together with capitalized fixed-rate interest, on 30 June 2018. The bullet repayment of the R225,70 million capital and interest will be made out of a 15-year sinking fund investment policy purchased from Momentum Group.

As part of the loan structure, the City purchased a 15-year sinking fund policy from Momentum Group for a premium of R228,40 million which was invested in an unguaranteed investment portfolio. The premium is payable semi-annually over 15 years through a series of promissory notes issued by the City to Momentum, later sold on to FirstRand Bank and FutureGrowth. In terms of a put option agreement, the maturity proceeds of this unguaranteed portfolio was sold in advance to FirstRand Bank for a fixed option price of R894,60 million, payable on 30 June 2018. The City has ceded and pledged the sinking fund policy to FirstRand Bank as security for the City's obligations to FirstRand Bank under the put option agreement and any other debt liability.

FINANCE LEASES**Nedbank**

Sale and leaseback structured R55,30 million 15 year loan funded by Nedbank through an Infrastructure Trust. Lease rentals equating to fixed rate interest are payable semi-annually over 15 years; a bullet rental amount of R55,30 million is payable on 02/01/2012 out of the proceeds of a sinking fund. The City deposits semi-annually with Nedbank equal amounts which, together with compounded interest over 15 years, will equate to the original loan capital. The City has ceded its rights under the deposit agreement to Nedbank as security for repayment of the loan capital.

An additional floating rate liability of R4,19 million (2009: R5,99 million) arising from a restructuring of the loan is repayable over the remaining life of the loan.

Investec

Sale and leaseback structured R54,80 million 15-year loan funded by Investec Bank. Lease rentals equating to loan fixed-rate interest plus capital are payable semi-annually over 15 years. Investec has granted the City the right to acquire the assets at the expiry of the lease at an agreed option price of R47,60 million. The City has deposited with Investec an amount, which together with compound interest, will equate to the option price payable on 31 December 2011.

The City has ceded its rights under the deposit agreement to Investec as security for repayment of the lease and the option price.

Standard Corporate and Investment Bank (SCMB)

Sale and leaseback structured R59,30 million 15-year loan. The City sold moveable electricity assets to Standard Bank at the market value of R59,30 million. The City invested R5,80 million of the proceeds in a sinking fund deposit, which when compounded over 15 years at a fixed rate of interest, grows to the original loan capital amount. Standard Bank leased the assets back to the City with rentals, equating to the loan fixed-rate interest, payable annually over 15 years. A bullet rental amount of R59,30 million is payable on 24 June 2011 out of the sinking fund deposit.

TOTAL - refer to Appendix A for more details

	2010 R'000	2009 R'000
	141 224	156 962
	59 489	61 242
	12 014	18 744
	69 721	76 976
	5 810 609	4 287 447

The rates of interest payable on the above-mentioned structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs, and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation that impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

14. PROVISIONS (NON-CURRENT)

	Long-service leave benefits R'000	Environmental rehabilitation R'000	Post- retirement medical aid benefits R'000	Post-retirement pension benefits R'000	Total R'000
As at 30 June 2010					
Balance at beginning of the year	246 984	363 280	1 988 205	12 706	2 611 175
Interest cost	24 666	45 315	222 090	1 463	293 534
Service cost and transitional liability	18 811	(86 709)	51 429	391	(16 078)
Benefit payments	(32 481)	-	(101 050)	(1 367)	(134 898)
Actuarial loss	47 674	-	237 458	25	285 157
Additional provisions made	36 530	75 000	102 022	1 997	215 549
	342 184	396 886	2 500 154	15 215	3 254 439
Transfer to current provision	(43 282)	(35 500)	(124 696)	(1 847)	(205 325)
TOTAL	298 902	361 386	2 375 458	13 368	3 049 114

Long-service leave benefits

An actuarial valuation has been performed of the City's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of ten years' service and every five years thereafter. The provision is utilised when eligible employees receive the value of the vested benefits.

Discount rate

The funds benefit liability to the City as at 30 June 2010 has been discounted at a rate determined on the basis of the yield of 8,94% per annum on the Government R186 long-term bonds held by the City.

Key financial assumptions

	2010	2009
Discount rate	8,9%	8,7%
General inflation rate (CPI)	5,3%	5,5%
Salary increase	6,3%	6,5%

Environmental rehabilitation

Provision is made in terms of the City's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 5,4% (2009: 5,1%) and discounted to present value at the average borrowing cost of 11,3% (2009: 11,0%); hence the difference. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2011 and 2020.

Post-retirement medical aid and pension benefits

An actuarial valuation has been performed of the City's liability in respect of benefits to eligible retirees and retrenched employees. The provision is utilised when eligible employees receive the value of the vested benefits – refer to note 47 for more detail.

15. DEPOSITS

	2010 R'000	2009 R'000
Electricity and water	228 865	235 526
Other deposits	295	-
	229 160	235 526

Guarantees held in lieu of electricity and water deposits were R29,63 million (2009: R29,30 million). Deposits are released when the owner/occupant of a property terminates the contract with the City to supply water and electricity to a property, or when certain contractual services are delivered.

16. PROVISIONS

	Opening Balance 2010 R'000	Raised from Statement of Financial Performance R'000	Reversed to Statement of Financial Performance R'000	Transfers from non-current R'000	Closing Balance 2010 R'000
Other provisions	-	147 282	-	-	147 282
Insurance claims	6 710	5 992	(6 710)	-	5 992
Post-retirement benefits	104 019	-	(104 019)	126 543	126 543
Legal fees	4 967	2 803	(4 967)	-	2 803
Environmental rehabilitation	75 000	-	-	(39 500)	35 500
Leave benefits	350 093	64 481	(36 530)	43 282	421 326
TOTAL	540 789	220 558	(152 226)	130 325	739 446

Insurance and COID claims

Provision has been made for outstanding insurance claims as at 30 June 2010, funded out of the Insurance Reserve. The assessment of claims is based on the assessed quantum of claims received.

Legal fees

Legal costs relating to the process of defending City of Cape Town in Labour Appeal Court and Labour Court cases, for which court dates have already been set. The calculations of these amounts are based on assessments by attorneys.

Staff leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

17. PAYABLES

	2010 R'000	2009 R'000
Trade creditors	1 989 652	1 883 216
Payments received in advance	663 885	563 556
Accrued interest	98 714	22 463
Inter-company advances	90 907	152 513
Third-party payments	187 675	161 575
Other creditors	110 620	51 843
TOTAL	3 141 453	2 835 166

Guarantees held in lieu of retentions were R154,36 million (2009: R16,39 million).

Trade payables are non-interest bearing and are normally settle on 30-day terms except retentions which could be settled after 12 months.

Payments received in advance are non-interest bearing and normally settled on 30-days term.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe.

18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**Conditional grants from other spheres of government**

	949 826	790 158
Municipal infrastructure grant (MIG)	-	-
National Government	702 923	540 307
Provincial Government Western Cape (PGWC) - other	246 903	249 851
Other conditional receipts	98 614	99 663
Public contributions	98 614	99 663
TOTAL	1 048 440	889 821

These amounts are separately invested in terms of Section 12 of the MFMA. Refer note 27 and 29 for more detail of grants from National and Provincial Government.

The unspent portion of the conditional grant will be spent over the next two or three years to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance for the Integrated Rapid Transport System.

The launching of projects in many instances is a protracted process due to interest groups' participation. No amounts are due for repayment to the donors for the reasons set out above.

	2010 R'000	2009 R'000
19. VAT		
VAT payable	406 598	358 184
VAT receivable	(193 750)	(212 882)
TOTAL NET VAT PAYABLE	212 848	145 302
The City is registered for VAT on the payment basis.		
20. HOUSING DEVELOPMENT FUND		
Realised housing proceeds		
Opening balance	341 894	281 098
Income	106 309	110 589
Land sales	42 864	13 119
Repayments long-term debtors	34 550	41 261
Repayments public organisations	3 027	3 047
Service contributions	5 745	5 837
Subsidy refunds	20 123	47 325
Interest	23 023	26 363
Expenditure	(53 726)	(57 025)
Funding capital projects	(28 626)	(31 059)
Funding operating projects	(25 100)	(25 966)
Non-cash transfer to provision for impairment	(19 852)	(19 131)
Closing balance - realised proceeds	397 648	341 894
Unrealised housing proceeds		
Opening balance	168 957	209 256
Loans realised	(22 053)	(23 510)
Long-term housing loans	(20 577)	(22 062)
Long-term loans public organisations	(1 476)	(1 448)
Transfer to provision for impairment - long-term debtors selling schemes	(12 609)	(16 402)
Transfer to provision for impairment - long-term public organisations	(471)	(387)
Closing balance - unrealised proceeds	133 824	168 957
Unrealised housing proceeds represent loan repayments not yet due in terms of the debtors loan agreement.		
TOTAL	531 472	510 851
21. RESERVES		
Capital replacement reserve	1 180 916	1 042 091
Insurance reserve	658 175	734 458
Self-insurance reserve	612 654	694 790
Compensation for occupational injuries and diseases	45 521	39 668
TOTAL	1 839 091	1 776 549
The capital replacement reserve and the self-insurance reserve are fully funded and invested in ringfenced financial instruments.		
22. ACCUMULATED SURPLUS		
Accumulated surplus	12 280 444	10 258 033
Receipts, from grant funded assets acquired, to the value of R9,85 billion (2009: R8,20 billion) are included and earmarked to fund the depreciation charges over the asset useful lives.		

	2010 R'000	2009 R'000
23. PROPERTY RATES		
Actual		
Residential	4 192 543	3 561 855
Commercial		
State		
Penalties	86 889	77 244
	4 279 432	3 639 099
Income forgone *	(438 118)	(398 495)
TOTAL PROPERTY RATES	3 841 314	3 240 604
Valuations		
Rateable properties	609 172 811	599 530 758
Non-rateable properties	16 509 646	16 174 244
TOTAL PROPERTY VALUATIONS	625 682 457	615 705 002
Valuations as at July		
Residential	448 792 979	435 344 532
Commercial	126 484 355	126 915 504
Agriculture	3 147 331	8 895 965
State	32 762 683	31 773 932
Municipal	14 495 109	12 775 069
TOTAL PROPERTY VALUATIONS	625 682 457	615 705 002
<p>The last general valuation came into effect on 1 July 2007 and is based on market related values. Supplementary valuations are processed when completed by Valuations Department annually to take into account changes to individual property values due to alterations and subdivisions. Rates are levied on a daily basis and payable monthly. Interest is raised monthly on accounts in arrear at prime plus 1% per annum.</p>		
24. SERVICE CHARGES		
Sale of electricity	5 665 721	4 227 295
Sale of water	1 483 354	1 281 671
Waste management	544 284	490 499
Wastewater management	801 003	744 294
Other	241 415	199 456
TOTAL	8 735 777	6 943 215
25. RENTAL OF LETTING STOCK AND FACILITIES		
Rental agreements	253 073	244 984
Hire/rentals	23 298	22 875
	276 371	267 859
Income forgone *	(32 903)	(35 136)
TOTAL	243 468	232 723
26. FINANCE INCOME		
Interest receivable - external investments	351 799	508 720
Interest receivable - outstanding debtors	212 978	215 721
	564 777	724 441
Less: Interest transferred to external funds (conditional grants)	(62 622)	(68 180)
Net finance income	502 155	656 261
Gains on foreign exchange transactions	-	472
Gains on valuation of derivatives (held-for-trading)	4 378	-
TOTAL	506 533	656 733

*Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27. GOVERNMENT GRANTS AND SUBSIDIES**Unconditional grants**

Equitable share

Fuel levy

Conditional grants

Municipal infrastructure grant (MIG)

Provincial health subsidies

Metropolitan Transport Advisory Board

National projects

Provincial projects - other

Other

TOTAL

The City does not foresee a significant decrease in the level of grant funding.

Unconditional grant

These grants are used to subsidise the provision of basic services to indigent communities.

Municipal integrated grant projects

Balance unspent at beginning of year

Regrouping adjustment

Current-year receipts

Adjustments

Conditions met - transferred to revenue

Amounts still to be claimed

Conditions still to be met - transferred to liabilities - refer note 18

This grant was used to fund the construction of infrastructural assets for the City. The conditions of the grant have been met. No funds have been withheld.

Provincial health subsidies

Balance unspent at beginning of year

Current-year receipts - included in public health vote - see Appendix F

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities

The City renders services on behalf of the PGWC and is refunded partially for expenditure incurred. This grant has been used to fund clinic services. The conditions of the grant have been met. There were no delays in payment of the subsidies, nor were any amounts withheld.

	2010 R'000	2009 R'000
	1 982 501	1 732 382
Equitable share	610 891	486 734
Fuel levy	1 371 610	1 245 648
	2 509 167	3 442 455
Municipal infrastructure grant (MIG)	298 553	384 305
Provincial health subsidies	126 907	115 310
Metropolitan Transport Advisory Board	25 718	65 022
National projects	1 490 954	2 140 788
Provincial projects - other	546 910	647 094
Other	20 125	89 936
TOTAL	4 491 668	5 174 837

Balance unspent at beginning of year	-	(60 913)
Regrouping adjustment	91 224	-
Current-year receipts	(327 790)	(245 447)
Adjustments	8 420	-
Conditions met - transferred to revenue	298 553	384 305
Amounts still to be claimed	(70 407)	(77 945)
Conditions still to be met - transferred to liabilities - refer note 18	-	-

Balance unspent at beginning of year	-	-
Current-year receipts - included in public health vote - see Appendix F	(126 907)	(115 310)
Conditions met - transferred to revenue	126 907	115 310
Conditions still to be met - transferred to liabilities	-	-

	2010 R'000	2009 R'000
Provincial projects and CMTF		
Balance unspent at beginning of year	(249 851)	(326 499)
Regrouping adjustment	8 428	8 847
Current-year receipts	(510 714)	(568 111)
Interest earned	(8 260)	(11 557)
Adjustments	(57 903)	(43 676)
Conditions met - transferred to revenue	572 628	712 116
Amounts still to be claimed	(1 231)	(20 971)
Conditions still to be met - transferred to liabilities - refer note 18	(246 903)	(249 851)

National Government projects		
Balance unspent at beginning of year	(540 307)	(1 079 034)
Regrouping adjustment	16 562	480 458
Current-year receipts	(1 675 666)	(1 525 244)
Interest earned	(42 360)	(36 656)
Adjustments	22 035	(2 044)
Conditions met - transferred to revenue	1 490 954	2 140 788
Amounts still to be claimed/(spent)	25 859	(518 575)
Conditions still to be met - transferred to liabilities - refer note 18	(702 923)	(540 307)

These grants received from National Government are for operating and capital expenditure, such as budget reform, restructuring, urban renewal, etc. Excluding the amounts unspent, the conditions of the grants have been met - see Appendix F.

28. OTHER INCOME

Insurance recoveries	1 009	1 156
Bulk infrastructure levies	77 373	100 654
City Improvement Districts (CIDs)	68 709	58 528
Skills development levy	18 437	18 386
Other income	94 391	40 689
TOTAL	259 919	219 413

29. PUBLIC CONTRIBUTIONS

Public contributions: Consumer connections	32 395	30 643
Other	51 554	60 613
	83 949	91 256

Public contributions and other third-party funds

Balance unspent at beginning of year	(99 663)	(96 438)
Regrouping adjustment	75	1 257
Current-year receipts	(50 934)	(46 658)
Interest earned	(1 838)	(2 444)
Adjustments	(28 399)	(24 777)
Conditions met - transferred to revenue	83 949	69 424
Amounts still to be claimed	(1 804)	(27)
Conditions still to be met - transferred to liabilities - refer note 18	(98 614)	(99 663)

The City receives grants from various private vendors for operating and capital projects. Included in these funds are monies held on behalf of third parties. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.

	2010 R'000	2009 R'000
30. EMPLOYEE-RELATED COSTS		
Salaries and wages	3 510 920	2 995 375
Social contributions - UIF, pensions and medical aid	881 642	769 183
Travel, car, accommodation, subsistence and other allowances	252 200	243 958
Housing benefits and allowances	43 831	55 926
Overtime payments	260 781	226 815
Staff parity provision	-	(101 074)
Contribution: post-retirement and long service	657 138	368 616
	<u>5 606 512</u>	<u>4 558 799</u>
Expenditure recharged to capital projects	(19 524)	(21 022)
TOTAL	<u>5 586 988</u>	<u>4 537 777</u>

Remuneration of executives**Analysis of remuneration benefits**

	Total R'000	Annual salary R'000	Performance bonus R'000	Car allowance R'000	Social contribution R'000
2010					
City manager	1 432	1 181	-	51	200
Finance	1 162	875	-	117	170
Health	1 112	774	44	133	161
Integrated human settlement services	1 136	968	-	14	154
Service delivery integration	1 287	1 081	-	36	170
Economic and social development	1 067	852	-	72	143
Safety and security	1 064	802	42	95	125
Community development	1 162	940	-	84	138
Corporate services	1 134	929	-	60	145
Strategy and planning	1 135	1 084	-	49	2
Transport, roads and stormwater	943	846	-	-	97
Utility services	1 209	1 011	-	48	150
Internal audit	1 070	996	-	72	2
	<u>14 913</u>	<u>12 339</u>	<u>86</u>	<u>831</u>	<u>1 657</u>

Analysis of remuneration benefits

	Total R'000	Annual salary R'000	Performance bonus R'000	Car allowance R'000	Social contribution R'000
2009					
City manager	1 467	1 053	140	50	224
Finance	1 170	775	133	110	152
Health	1 023	724	19	133	147
Integrated human settlement services	1 127	855	112	30	130
Service delivery integration	1 288	916	127	85	160
Economic and social development	1 071	763	106	72	130
Safety and security	1 043	767	17	146	113
Community development	1 155	834	114	84	123
Corporate services	1 131	820	116	60	135
Strategy and planning	1 083	968	65	48	2
Transport, roads and stormwater	1 034	867	62	-	105
Utility services	1 206	905	119	48	134
Internal audit	1 067	888	105	72	2
	<u>14 865</u>	<u>11 135</u>	<u>1 235</u>	<u>938</u>	<u>1 557</u>

	2010 R'000	2009 R'000
31. REMUNERATION OF COUNCILLORS		
Executive Mayor	853	768
Deputy Executive Mayor	672	694
Speaker	672	620
Chief Whip	631	591
Mayoral Committee Members	6 522	5 981
Sub-council Chairpersons	14 617	13 038
Councillors	51 899	48 966
Councillors' pension contributions	8 585	8 469
TOTAL	84 451	79 127
<i>In-kind benefits</i>		
The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee members are employed full-time, and have access to Council's vehicles for official functions.		
Sub-council Chairpersons and full-time councillors are provided with an office and administrative and secretarial support at the cost of Council.		
The Executive Mayor has two full-time bodyguards, and all councillors have access to security in terms of the councillors' security policy.		
Councillors are provided with work stations/ward offices, which are appropriately equipped. Computers are provided to councillors, either in their offices or at their homes.		
32. IMPAIRMENT COSTS		
Allowances for impairment losses	635 851	724 585
Irrecoverable debts written-off	-	47 216
Impairment of investment	-	(5 184)
Impairment of property, plant and equipment	52 040	136 283
TOTAL	687 891	902 900
33. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of property, plant and equipment	977 948	710 302
Depreciation of investment property	4 464	4 441
Amortisation of intangible assets	8 937	18 983
TOTAL - refer to notes 2, 4,5,6 and Appendix B	991 349	733 726
34. REPAIRS AND MAINTENANCE		
Repairs and maintenance expenditure – refer note 46.2	832 374	689 390
These amounts only represent the primary direct cost spent on repair and maintenance. The full amount spent on repairs and maintenance inclusive of secondary costs amounts to R1,55 billion.		
35. FINANCE COSTS		
Interest expense	599 570	396 027
Long-term borrowings (amortised cost)	575 298	369 702
Finance leases (amortised cost)	24 272	26 325
Loss on valuation of derivatives (held-for-trading)	-	10 365
Amortisation of bond issue expenses	226	141
Loss on foreign exchange transactions	5	37
TOTAL	599 801	406 570

	2010 R'000	2009 R'000
36. BULK PURCHASES		
Electricity	3 392 122	2 624 556
Water	275 643	253 672
TOTAL	3 667 765	2 878 228
37. GRANTS AND SUBSIDIES PAID		
Community upliftment	5 882	9 852
Destination marketing organisation and tourism	64 766	92 089
Economic promotion and job creation	259	2 980
Educational institutions and health forums	1 779	1 443
Health and HIV/Aids/TB	1 553	1 099
Programmes, conferences and events	411	960
Senior citizens and disabled	-	763
Social arts and culture and other	6 466	6 476
Sporting bodies	4 232	4 628
Wesgro	8 845	8 190
TOTAL	94 193	128 480
38. GENERAL EXPENSES		
Chemicals	84 848	67 352
Communication and publication	30 376	22 630
Computer services and software	30 004	30 901
Consultants	146 373	125 003
Electricity – Free basic electricity	52 740	41 363
Fuel	130 890	157 627
Furniture and fittings	-	1 197
Hire charges	134 211	185 069
Legal fees	28 424	21 590
Levy: Skills development	37 936	33 499
Licences and permits	63 322	50 929
Materials and consumables	286 488	266 005
City Improvement Districts (CIDs)	66 648	56 772
Minor tools and equipment	42 118	49 632
Pharmaceutical supplies	57 958	53 552
Postage and courier	26 254	22 437
Printing and stationery	63 133	63 665
Rental	52 158	41 688
Inventory: taken on/scraping	(806)	606
Security services	248 389	208 029
Sewerage services - disposals external	25 344	24 349
Telecommunications	115 772	108 816
Training	58 585	47 472
Insurance: claims	24 054	25 321
Insurance: underwriting	22 447	20 478
Indigent relief	321 187	286 035
Contributions, transfers and other	509 992	470 394
	2 658 845	2 482 411
Expenditure recharged to capital projects	(2 481)	(3 524)
TOTAL	2 656 364	2 478 887

	2010 R'000	2009 R'000
39. CASH GENERATED BY OPERATIONS		
Surplus for the year	2 105 574	3 196 047
Adjustment for:	1 939 693	1 147 966
Depreciation	991 349	733 726
Impairment	52 040	136 283
Gain and loss on disposal of property, plant and equipment	(76 066)	(180 000)
Net loss on valuation of derivatives	(4 378)	10 365
Contribution to provisions	636 596	195 485
Contribution to impairment provision	246 884	502 270
Finance income	(506 533)	(656 733)
Investment income	(383 657)	(577 105)
Accrual interest	(122 876)	(79 628)
Finance costs	599 801	406 570
Interest paid	523 550	405 411
Accrual interest	76 251	1 159
Operating surplus before working capital changes:	4 045 267	4 344 013
Decrease in inventories	3 209	16 051
Increase in trade receivables	(714 301)	(881 225)
Increase/(decrease) in other receivables	122 213	(90 903)
Increase/(decrease) in unspent conditional grants and receipts	158 619	(673 063)
Increase in payables	230 036	437 549
Increase/(decrease) in net VAT	67 546	(6)
Cash generated by operations	3 912 589	3 152 416
40. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	4 486 176	2 631 951
Balance at the beginning of the year	2 631 951	1 158 827
Net increase in cash and cash equivalents - refer note 12	1 854 225	1 473 124
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities raised - refer Appendix A	2 000 000	1 200 000
Used to finance property, plant and equipment	(3 810 138)	(3 421 955)
2008/9 and prior years	(1 763 419)	(1 812 519)
2009/10	(2 046 719)	(1 609 436)
Total EFF (overdrawn)	(1 810 138)	(2 221 955)
Cash set aside for the repayment of long-term liabilities - refer note 7 and 13	248 387	416 537
Cash overdrawn	(1 561 751)	(1 805 418)
42. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE, MATERIAL LOSSES		
42.1 Irregular expenditure		
Opening balance	238	-
Irregular expenditure – supply chain regulation	7 247	238
Closing balance	7 485	238

Council approved the recommendation of SCOPA that the amount of R238 000, shown as the opening balance as above, be condoned.

In terms of the stipulations contained in the MFMA, the matter will be referred to National Treasury for final condonation of the amount.

	2010 R'000	2009 R'000
42.2 Fruitless and wasteful expenditure		
Opening balance	948	127 266
Fruitless expenditure current year	168	219
Approved by Council	(685)	(126 537)
Closing balance	431	948

Incident	Disciplinary steps/criminal proceedings		
Time theft	Council referred the matter to SCOPA	263	263
Grants & subsidies (non-compliance MOA)	Report to be submitted to Council	140	-
FIFA World Cup costs	Report to be submitted to Council	28	-
Arrear staff debtors	Council referred the matter to SCOPA	-	466
Foreign exchange loss - payment duplicated	Council referred the matter to SCOPA	-	219
Closing balance – Fruitless and wasteful expenditure		431	948

42.3 Material losses			
Non-revenue water:	Bulk	70 263	63 838
	Reticulation (normal distribution)	423 598	363 637
Electricity losses		485 553	404 288
Total		979 414	831 763

Non-revenue water

Non-revenue water consists of water consumed by informal settlements and low income households for which no income is received by the City, and also other unmetered consumers in the City like fire and parks services.

The balance of the non-revenue water consists of losses due to burst pipes and other leakages.

In the current year the non-revenue water was 25,4% (2009: 27,2%) of total water usage, of which approximately 60% was attributable to consumption by informal settlements and low income household, 0,6% to 0,8 % to leakages and the balance to fire and parks services.

Electricity losses

In the current year the energy losses were 7,7% (2009: 8,4%). Losses are split into technical and non-technical, technical is as a result of the very nature of electricity and the way it is conducted, via lines, status/condition and age of the network, weather conditions, and load on the system.

Non-technical losses are as a result of theft or vandalism. Some benchmarking indicates that an acceptable percentage is between 10% and 15%.

43. ADDITIONAL DISCLOSURES**43.1 SUPPLY CHAIN MANAGEMENT REGULATIONS****43.1.1 Deviations**

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager, and noted by Council. The expenses incurred as listed below have been approved/condoned by the City Manager and noted by Council.

Incident

Appointment of consultants	105 566	200 195
Information technology upgrade	104 294	30 144
Upgrade of electricity services	5 938	40 572
Extension of contracts	19 969	134 196
Upgrade of road infrastructure	66 535	28 796
Supply and delivery of plant and equipment	339 294	29 235
Others	258 658	169 338
Deviations less than R200 000	267 525	195 736
Total amount condoned by Council	1 167 779	828 212

43.1.2 Bids awarded to relatives of persons in service of the State

Name	Position held in State	Value: 01/07/2009 - 30/06/2010 R'000
Michael Pardenwachter - Silver Solutions 897 CC	Operational Dev. Practitioner: Strategy, Support and Coordination	1 469

43.2 MUNICIPAL FINANCE MANAGEMENT ACT

43.2.1 Section 124

Disclosures concerning councillors, directors and officials

As at 30 June 2010, no councillors had arrear accounts outstanding for more than 90 days.

As at 30 June 2009, no councillors had arrear accounts outstanding for more than 90 days.

43.2.2 Section 125

Other compulsory disclosures

	SALGA contributions R'000	Audit fees R'000	PAYE UIF R'000	Pension and medical aid R'000
As at 30 June 2010				
Opening balance	-	80	44 181	105 349
Subscriptions/fees	-	16 880	656 191	1 404 527
Amount paid - current year	-	(15 584)	(602 969)	(1 281 869)
Amount paid - previous years	-	(80)	(44 181)	(105 349)
Balance unpaid (included in payables)	-	1 296	53 222	122 658
As at 30 June 2009				
Opening balance	-	497	38 976	90 263
Subscriptions/fees	12 000	15 729	587 358	1 213 335
Amount paid - current year	(6 000)	(15 649)	(543 177)	(1 107 986)
Amount paid - previous years	(6 000)	(497)	(38 976)	(90 263)
Balance unpaid (included in payables)	-	80	44 181	105 349

2010 R'000	2009 R'000
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44. COMMITMENTS

44.1 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure
Approved and contracted for:

Infrastructure	873 264	3 246 639
Community	19 673	21 929
Heritage	4 585	144
Other	766 025	42 981
TOTAL	1 663 547	3 311 693

This expenditure will be financed from:

External loans	401 957	1 541 343
Capital Replacement Reserve	25 854	287 760
Government grants	1 228 569	1 482 590
Other sources	7 167	-
TOTAL	1 663 547	3 311 693

44.2 OPERATING LEASE COMMITMENTS**The City as Lessee**

Future minimum lease payments under non-cancellable operating leases:

Buildings

- Payable within one year
- Payable within two to five years

Vehicles and other equipment

- Payable within one year
- Payable within two to five years
- Payable after five years

	2010 R'000	2009 R'000
	92 337	15 528
	45 906	12 620
	46 431	2 908
	14 133	42 859
	13 396	28 880
	605	13 790
	132	189
	106 470	58 387

Minimum lease payments recognised as an expense during the period amount to R39,80 million (2009: R53,40 million). Leased premises are contracted for remaining periods of between one and four years, with renewal options available in certain instances.

Rental relating to full-maintenance lease agreements for 65 refuse compactors is subject to adjustment, and linked to prime rates of interest. Contingent rentals do not need to be included in lease payments to be recognised on a straight-line basis over the lease term. The decision has been taken to purchase new compactors on completion of the five-year term of the lease.

The City has minimal current lease arrangements for photocopy and fax machines over a period of one year, without being subject to escalation. In terms of a recent Council policy decision, such leased equipment shall be purchased on termination of the relevant contract. In keeping with this policy, it has been decided to terminate lease agreements in respect of older equipment, where the initial period has expired and the lease is continuing on a month-to-month basis.

The City as lessor

At Statement of Financial Performance date, the City has contracted with tenants for the following future minimum lease payments:

Buildings

- Payable within one year
- Payable within two to five years
- Payable after five years

Other equipment

- Payable within one year

	2010 R'000	2009 R'000
	123 526	151 020
	31 205	32 382
	43 117	59 831
	49 204	58 807
	-	3
	-	3
	123 526	151 023

The City lets properties under operating leases. Payments received under operating leases are recognised in the Statement of performance on a straight-line basis over the period of the lease.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase in current-year income of R1,05 million.

45. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the City's operations. The note presents information about the City's exposure to each of the above risks, policies and processes for measuring and managing risk, and the City's management of capital. Further quantitative disclosures are included throughout these financial statements.

Council has established a risk management committee, which is responsible for developing and monitoring the City's risk management policies. A member of the committee, representing the audit committee reports quarterly to the audit committee. The risk management committee policies are established to identify and analyse the risks faced by the City, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the City's activities.

The accounting policy for financial instruments was applied to the following Statement of Financial Position items:

	Held to maturity investment R'000	Loans and receivables R'000	Available for sale R'000	Total carrying amount R'000	Fair value R'000
Financial assets					
2010					
Investments	291 277	-	38 768	330 045	362 935
Long-term receivables	-	136 538	-	136 538	136 538
Trade receivables	-	3 361 410	-	3 361 410	3 361 410
Other receivables	-	294 600	-	294 600	294 600
Cash and cash equivalents	-	4 486 176	-	4 486 176	4 486 176
	291 277	8 278 724	38 768	8 608 769	8 641 659
2009					
Investments	1 393 951	-	38 768	1 432 719	1 491 265
Long-term receivables	-	179 210	-	179 210	179 210
Trade receivables	-	2 744 102	-	2 744 102	2 744 102
Other receivables	-	442 850	-	442 850	442 850
Cash and cash equivalents	-	2 631 951	-	2 631 951	2 631 951
	1 393 951	5 998 113	38 768	7 430 832	7 489 378

	Fair value through profit and loss R'000	Amortised cost R'000	Total carrying amount R'000	Fair value R'000
Financial liabilities				
2010				
Long-term borrowings	-	5 810 609	5 810 609	5 930 721
Payables	-	2 477 568	2 477 568	2 477 568
Current portion of derivative financial instruments	-	-	-	-
	-	8 288 177	8 288 177	8 408 289
2009				
Long-term borrowings	-	4 287 447	4 287 447	4 295 662
Payables	-	2 271 610	8 288 178	8 288 178
Current portion of derivative financial instruments	4 378	-	4 378	4 378
	4 378	6 559 057	6 563 435	6 571 650

45.1 Fair values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS7. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

- Level 1: fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.
- Level 2: fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
2010				
Investments	44 415	279 752	38 768	362 935
Cash and cash equivalents	-	4 486 176	-	4 486 176
	44 415	4 765 928	38 768	4 849 11
2009				
Investments	37 830	1 414 667	38 768	1 491 265
Cash and cash equivalents	-	2 631 951	-	2 631 951
	37 830	4 046 618	38 768	4 123 216

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial liabilities				
2010				
Long-term borrowings	-	5 930 721	-	5 930 721
	-	5 930 721	-	5 930 721
2009				
Long-term borrowings	-	4 295 662	-	4 295 662
	-	4 295 662	-	4 295 662

Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Available-for-sale investments

The fair values of some investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables / payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values.

Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables

The fair value of trade and other receivables/ payables is estimated as the present value of future cash flows except for retentions which are payables discounted at the market rate of interest at the reporting date.

45.2 Credit risk

Credit risk is the risk of financial loss to the City if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the City's investments, loans, trade receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 30 June was:

	2010 R'000	2009 R'000
Investments – refer note 7	291 277	1 393 951
Loans receivable –refer note 8	136 538	179 210
Trade and other receivable – refer note 10 and 11	3 656 010	3 186 952
Cash and cash equivalents – refer note 12	4 486 176	2 631 951
Total	8 570 001	7 392 064

Investments

The City limits its exposure to credit risk by only investing with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with Council's approved investment policy. Consequently, the City does not consider there to be any significant exposure to credit risk.

Loans receivable

Loans are granted and managed in accordance with policies and regulations as set out in note 8. The associated interest rates and repayments are clearly defined and where appropriate, the City obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

Trade and other receivable

Trade and other receivables are amounts owing by consumers and are presented net of impairment losses. The City has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The City is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The City's strategy on managing its risk includes encouraging residents to install water management devices which control water flow to households and pre-paid electricity meters. In certain instances a deposit is required for new service connections serving as a guarantee.

The City's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The City has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. The City establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables. The outstanding amounts of the 10 largest debtors represent 1,6% of the total outstanding balance. The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime plus 1% on any unpaid accounts after due date. The City has provided fully for all receivables outstanding over 365 days. Trade receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of trade receivable and other is given in note 10 and 11.

Payment of accounts of consumer debtors unable to pay, are re-negotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Cash and cash equivalents

The City limits its exposure to credit risk by only investing with reputable financial institutions that have a sound credit rating and within specific guidelines set out in accordance with Council's approved investment policy. Consequently, the City does not consider there to be any significant exposure to credit risk.

45.3 Liquidity risk

Liquidity risk is the risk that the City will not be able to meet its obligations as they fall due. The City's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the City's reputation.

The City ensures that it has sufficient cash on demand to meet expected operational expenses through the use of cash flow forecasts.

On average, 91.99% of trade and other receivables (own billed) income are realised within 30 days after due date and trade payables are settled within 30 days of invoice. National and Provincial Grant funding is received in terms of the Division of Revenue Act (DORA).

The following are contractual liabilities of which interest is included in borrowings:

	Up to 1 year R'000	1 - 5 years R'000	> 5 years R'000	Total R'000
2010				
Liabilities				
Borrowings	936 849	3 143 402	9 573 316	13 653 567
Capital repayments	262 701	704 217	4 843 691	5 810 609
Interest	674 148	2 439 185	4 729 625	7 842 958
Trade and other payables	2 477 568	-	-	2 477 568
Trade payables	1 989 652	-	-	1 989 652
Sundry creditors	487 916	-	-	487 916
	3 414 417	3 143 402	9 573 316	16 131 135

45.4 Market risk

Market risks is the risks that changes in market prices, such as foreign exchange rates and interest rates will affect the City's income or value of its holdings of financial instruments. The objective of market risks management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Currency risk

The City is exposed to foreign currency risk through the importation of goods and services either directly or indirectly through the award of contracts to local importers. The City manages any material direct exposure to foreign currency risk by entering into forward exchange contracts. The City manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement in order to pre-determine the rand value of the contracted goods of services. The City was not a direct party to any outstanding forward exchange contract at reporting date.

The movement in the currency was not material to the City's procurement and consequently not elaborated on any further.

Derivative financial instruments

An Interest rate swap agreement, based on a notional amount totalling R50,00 million, was entered into as part of a structured external loan to the City over the life of the loan (i.e. 1998 – 2010). This derivative was classified as a held for trading financial instrument and fair valued through profit or loss. Fair value was determined by discounting the remaining net cash flows under the swap agreement at ABSA Bank swap curve rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics. The loan was fully repaid on 30 June 2010.

Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments and loan payables. The City is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates except for one loan payable of R4,19 million.

Interest rate swap agreements, based on notional amounts totalling R50,00 million, have been entered into in order to maximise economic benefits, while limiting exposure to fluctuating interest rates on its loan payables over the life of the loans, i.e. 1998 to 2010. The fair value of interest rate swaps is based on discounted estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at reporting date.

The effective rates on financial instruments at 30 June 2010 are:

	Weighted interest rate %	Maturity of interest bearing assets/liabilities			Total R'000
		1 years or less R'000	1 - 5 years R'000	> 5 years R'000	
Financial assets					
Investments	6,96%	55 800	86 595	148 882	291 277
Cash and cash equivalents	6,96%	4 486 176	-	-	4 486 176
Total financial assets		4 541 976	86 595	148 882	4 777 453
Financial liabilities					
Loans	11,48%	183 244	642 450	4 843 691	5 669 385
Finance leases	14,86%	79 457	61 767	-	141 224
Total financial liabilities		262 701	704 217	4 843 691	5 810 609

Interest rate sensitivity analysis**Financial Assets**

At 30 June 2010, if the weighted interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair value impact on the statement of financial performance would have been R42,5 million with the opposite effect if the interest rate had been 100 basis points lower.

Financial Liabilities

At 30 June 2010, if interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair value liability would have no significant impact. A 100 basis points lower would have had an equal but opposite effect of an amount of R48 072.

45.5 Capital management

The primary objective of managing the City's capital is to ensure that there is sufficient cash available to support the funding requirement of the City, including capital expenditure and ensures that the City remains financially in a sound position.

The City monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. In a capital intensive industry, a gearing ratio of 50% or less can be considered reasonable. Included within net debt is interest bearing loans and borrowings, trade and other payables, less investments.

46. PRIOR YEAR ADJUSTMENTS**46.1 Changes in accounting policy**

The accounting policy of the City has been change to align with the disclosure requirements in terms of GRAP 103 for heritage assets that they be disclosed for each class of asset recognised in the financial statements. This adherence is in anticipation of GRAP 103 which although approved is not yet effective.

46.2 Reclassification

The method previously used to disclose expenditure on repair and maintenance and grant projects, by cost element of settlement has now changed to cost element of incurrence.

The assets pertaining to now liquidated municipal entity has been transferred to electricity services and depreciation on such assets accounted for there.

46.3 Correction of errors

Correction of refunds received in respect of prior year bulk water overpaid.

Capitalisation of contributed asset, Claremont bypass road, completed in 2009.

Accruals for the correction of prior year bulk water and Councillors UIF contributions.

De-recognition of non-related impairment costs as cash receipts or cash paid.

Loss on disposal of PPE to be separately disclosed in the calculation method of the cash received and cash paid amounts.

Presented below are only those items contained in the Statement of Financial Performance, Position and Cash flow statements which have been impacted by the prior year adjustments.

		As previously reported	Changes in accounting policy	Reclassification	Correction of errors	Restated
	Note	R'000	R'000	R'000	R'000	R'000
2009						
Statement of Financial Performance						
Other income	28	195 685	-	-	23 728	219 413
Rental of letting stock and facilities	25	219 609	-	-	13 114	232 723
Contributed property, plant and equipment	29	69 424	-	-	21 832	91 256
Total revenue		17 007 440	-	-	58 674	17 066 114
Employee related costs	30	4 537 568	-	209	-	4 537 777
Remuneration of Councillors	31	77 629	-	-	1 498	79 127
Repairs and maintenance	34	908 297	-	(218 907)	-	689 390
Bulk purchases	36	2 880 965	-	-	(2 737)	2 878 228
Contracted services		674 675	-	197 236	-	871 911
Grants and subsidies paid	37	125 142	-	3 338	-	128 480
General expenses	38	2 460 710	-	18 177	-	2 478 887
Total expenditure		13 871 253	-	53	(1 239)	13 870 067
Surplus for the year		3 136 187	-	(53)	59 913	3 196 047
Statement of Financial Position						
Property, plant and equipment	2	16 316 621	(9 440)	-	21 832	16 329 013
Heritage assets	3	-	9 440	-	-	9 440
Inventory	9	193 351	-	-	6 938	200 289
Other receivables	11	407 104	-	-	36 842	443 946
Payables	17	2 822 590	-	53	12 523	2 835 166
Accumulated surplus	22	10 204 997	-	(53)	53 089	10 258 033
Cash flow statement						
Cash receipts from ratepayers, government & other		15 237 601	-	-	(921 249)	14 316 352
Cash paid to suppliers and employees		11 955 348	-	-	(791 412)	11 163 936
Cash generated from operations	39	3 282 253	-	-	(129 837)	3 152 416
Finance income		404 132	-	-	172 973	577 105
Finance costs		(384 107)	-	-	(21 304)	(405 411)
Net cash from operating activities		3 302 278	-	-	21 832	3 324 110
Cash flow from investing activities						
Purchase of property, plant and equipment		(5 060 341)	-	-	(21 832)	(5 082 173)
Net cash from investing activities		(2 657 485)	-	-	(21 832)	(2 679 317)

47.3 DEFINED BENEFIT AND CONTRIBUTION SCHEME**Cape Municipal Pension Fund**

The Cape Municipal Pension Fund operates both as a defined benefit and defined contribution scheme. The actuarial valuation of the fund was performed at 30 June 2009, and certified as being in a financially sound position. The next statutory valuation is due by 30 June 2012.

	Total	DB section	DC section
In-service members	8 085	378	7 707
Pensioners	5 440	4 451	989
Membership 30 June 2009	13 525	4 829	8 696

	2010 R'million	2009 R'million
Past-service position - defined benefit section	3 269	3 323
Past-service position - defined contribution section	4 349	4 478
Total liabilities	7 618	7 801
Assets valued at market value	7 721	7 932
Actuarial surplus	103	131
Actual employer contribution - defined benefit section	20,25%	20,25%
Actual employer contribution - defined contribution section	18,00%	18,00%
Normal retirement age	60	60
Net discount rate: pre-retirement	1,00%	1,50%
post-retirement	2,50%	3,00%

47.4 POST-EMPLOYMENT DEFINED BENEFITS

For past service of in-service and retired employees, the City recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis, using the projected unit credit method.

The members of medical aid schemes entitled to a post-employment medical scheme subsidy at 30 June 2010, were 11 486 (2009: 12 309) in-service members, and 6 511 (2009: 6 484) pensioners.

47.4.1 Health care arrangement assumptions

It was assumed that the employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits and contributions would remain unchanged, with exception for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to retiree members within the medical scheme are sustainable and will continue.

It is further assumed that the subsidy will continue until the last survivor's death for eligible members and their spouses, and to age 21, if earlier, for dependent children.

Continuation of membership

It is assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the employer's health care arrangements.

Family profile

Family profile was based on actual data and therefore no assumptions had to be made.

Plan assets

There are currently no long-term assets set aside off-balance sheet in respect of the employer's post-employment health care liability.

Discount rate

The funds benefit liability to the City as at 30 June 2010 has been discounted at a rate determined on the basis of the yield of 8,94% per annum on the Government R186 long-term bonds held by the City.

47.4.2 Retirement pension benefits

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post-retirement revenue pensions on an accrual basis, using the projected unit credit method.

The number of employees who were eligible for a post-retirement pension at 30 June 2010 was 45 (2009: 46) employees, and 140 (2009: 149) pensioners.

Plan assets

There are currently no long-term assets set aside off-balance sheet in respect of the employer's post-employment retirement pension liability.

Discount rate

The funds benefit liability to the City as at 30 June 2010 has been discounted at a rate determined on the basis of the yield of 8,94% per annum on the Government R186 long-term bonds held by the City.

	Post retirement scheme defined-benefit obligations					
	2010			2009		
	Health care benefits R'000	Retirement pension benefits R'000	Total R'000	Health care benefits R'000	Retirement pension benefits R'000	Total R'000
Present value of unfunded liability	2 725 739	15 676	2 741 415	2 552 756	16 823	2 569 579
Unrecognised actuarial gains/(losses)	(225 585)	(461)	(226 046)	(462 529)	(2 120)	(464 649)
Net liability in balance sheet	2 500 154	15 215	2 515 369	2 090 227	14 703	2 104 930

Amounts included in the Statement of Financial Performance

Service costs	51 429	391	51 820	58 023	368	58 391
Interest costs	222 090	1 463	223 553	226 267	1 667	227 934
Actuarial losses recognised	237 458	25	237 483	1 131	4	1 135
Total included in profit and loss	510 977	1 879	512 856	285 421	2 039	287 460

Movement in the liability recognised in the Statement of Financial Position

Balance at the beginning of the year	2 090 227	14 703	2 104 930	1 892 197	14 538	1 906 735
Net expense recognised in Statement of financial performance	510 977	1 879	512 856	285 421	2 039	287 460
Contributions paid	(101 050)	(1 367)	(102 417)	(87 391)	(1 874)	(89 265)
Net liability in balance sheet	2 500 154	15 215	2 515 369	2 090 227	14 703	2 104 930

The contributions paid are actual contributions paid by the City, and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary, and actual contributions paid to members by the City of Cape Town.

Post-retirement medical aid	Sensitivity analysis				
	Change in assumption	Liability R'000	Percentage change	Service cost R'000	Percentage change
Assumptions used		2 725 739		50 846	
Health care inflation	1% increase	3 179 182	16,6%	62 879	23,7%
	1% decrease	2 359 561	-13,4%	41 448	-18,5%
Post-retirement mortality	2 years younger	2 894 965	6,2%	56 465	11,1%

	2010		2009	
	Health care benefits	Retirement pension benefits	Health care benefits	Retirement pension benefits

Key financial assumptions

Discount rate	8,9%	8,9%	8,7%	8,7%
General inflation rate (CPI)	5,3%	5,3%	5,5%	-
General salary inflation rate	-	6,3%	-	6,5%
Health care cost inflation rate	7,3%	-	7,5%	-
Net effective discount rate	1,5%	2,4%	1,1%	2,1%
Pension increase rate - pensioners	-	2,6%	-	3,0%
Net effective discount rate - pensioners	-	6,1%	-	5,5%

48. GUARANTEES AND CONTINGENT LIABILITY**48.1 Guarantees**

The City issued the following guarantees:

- To Development Bank of South Africa (DBSA) for a loan to the Gugulethu Central Market Place (the Company) for the sum of R250 000. As at 30 June 2010, the Company was in arrears with its repayment of capital and interest to the DBSA to the sum of R759 986 (2009: R472 708). In terms of a DBSA Board resolution dated 10 February 2010 the DBSA has agreed to write off the full amount.
- A bank guarantee of R346 727 as security for the lease of property.

48.2 Other contingent liabilities**Contractual disputes**

Various contractual claims by contractors/suppliers and staff are currently in dispute, and are subject through mediation. The maximum potential liability is estimated at R218,29 million (2009: R49,95 million). Included in the total estimate of R218,29 million is a disputed amount of R130,00 million which relates to professional fees on the construction of the Cape Town Stadium. The City and its lawyers are of the opinion that the litigation is likely to be in the City's favour. The legal cost is estimated at R5,00 million. The timing of the legal proceedings regulating the above is however, uncertain.

Outstanding insurance claims

The estimated liability for insurance claims amounts to R68,95 million (2009: R72,82 million). The estimated amount was based on quotations, medical reports and letters of demand received. The merits must still be determined and could result in a lesser amount or more.

Loan agreements

The rates of interest payable on certain structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs, and the allowability of deductions for income tax purposes in connection with the loans. In the event of changes to the Income Tax Act or any other relevant legislation that impact on the loan structure costs, the lenders are required to increase or decrease the future rates of interest payable on the loans or their remaining lives, in order to absorb the increase or decrease in costs.

Environmental rehabilitation

The City of Cape Town is in a negotiation process with Province to establish the rehabilitation obligation of old landfill sites.

49. RELATED PARTY DISCLOSURES

During the year, in the ordinary course of business, transactions between the City and the under-mentioned entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Cape Town International Convention Centre (Pty) Ltd

The Convention Centre was established for Cape Town to become host to international conferences, with the objectives of promoting Cape Town as a tourism city. At year-end, the amount owing by Convenco to the City amounted to R0,45 million (2009: R0,86 million).

Percentage owned

50,18%

50,18%

Arm's length transactions for the year:

Receivables

448

865

Service charges

11 795

8 644

Khayelitsha Community Trust

The trust was established to promote economic activities for the upliftment of the local community. At year-end, the amount owing by the trust to the City amounted to R1,18 million (2009: R1,26 million).

Percentage owned

Arm's length transactions for the year:

Receivables

1 183

1 262

Grants

6 866

7 837

2010 R'000	2009 R'000
---------------	---------------

50,18%	50,18%
448	865
11 795	8 644

Trust	
1 183	1 262
6 866	7 837

2010 R'000	2009 R'000
---------------	---------------

City Improvement Districts (CIDs)

These entities were established to enable projects at the initiative of local communities, to provide services over and above the services provided by the City. At year-end, there were no balances due by the CID's to the City.

Percentage owned

Arm's length transactions for the year:

Receivables
Levies

Special rating area's

-	1
66 648	56 772

Cape Metropolitan Transport Fund (administrator of the fund)

The fund was established to pool funds for road networks and maintenance in the metropolitan area. At year-end, the amount owing by the City to Cape Metropolitan Transport Fund amounted to R90,91million (2009: R152,51 million).

Percentage owned

Funds held on behalf of Inter administrator fund

Grants and transfers received

Interest paid

Revenue collected

Administrator

90 907	152 513
90 138	68 856
10 082	17 407
5 205	4 692

Councillors

A number of councillors of the City hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Councillor	Position held in entity	Entity	Nature
Cavanagh, G	Divisional Director	Lithotech Sales Cap	
Christiaans, D	CEO	Advance S.A. Fair	
Cottee, D	Director	Acacia Way Trading 147	
Cottee, D	Director	Opertune Trading 13	
Cottee, D	Director	Poplar Trading 128 CC	
Dantile, P	Owner	Ubunye Technical Services	
Haywood, M	Presiding Officer	Golden Arrow Bus Service	
Herron, B	Director / Shareholder	Greenmarket Square College (Pty) Ltd	
Joseph, D	Manager	Fikelela Labour Services CC	
Justus, C	Non-exec. Director	Communicare	Housing developers
Lukas, A	Member	Faras	
Neilson, I	Alternate Director	SA Cities Network	
Serritslev, A	Director	Eisleben Business Park (Pty) Ltd	City Project
Serritslev, A	Member	Phillippi Dev. Initiative	City Project
Serritslev, A	Member	Cape Town Partnership	City Improvement
Serritslev, A	Proprietorship	Serritslev Models	

Executive Management Team

No business transactions took place between the City of Cape Town and key management personnel (City Manager and Executive Directors) and their close family members during the year under review. Details relating to remuneration are disclosed in note 31.

	EFFECTIVE INTEREST RATE (nacs)	LOAN NUMBER	REDEEMABLE DATE	BALANCE AS AT 30 JUNE 2009	RECEIVED DURING THE YEAR	CAPITALISED DURING THE YEAR	REDEEMED/ WRITTEN OFF DURING YEAR	BALANCE AT 30 JUNE 2010
				R'000	R'000	R'000	R'000	R'000
LOCAL REGISTERED STOCK								
ABSA Investor Services	16,500%	830004515	2010	4 600			4 600	-
Standard Bank Nominees	14,650%	830011508	2014	6 800				6 800
Municipal Bond CCT01	12,570%	830014004	2023	1 000 000				1 000 000
Municipal Bond CCT02	11,615%	830016003	2024	1 200 000				1 200 000
Municipal Bond CCT03	11,160%	830017007	2025	-	2 000 000			2 000 000
Municipal Bond Transaction costs				(2 798)		(1 363)	(245)	(3 916)
Total local registered stock				2 208 602	2 000 000	(1 363)	4 355	4 202 884
ANNUITY LOANS								
ABSA Bank	11,150%	830000000	2010	8 028			8 028	-
ABSA Bank	11,150%	830000450	2010	6 201			6 201	-
Total annuity loans				14 229	-	-	14 229	-
OTHER LOANS								
ABSA Bank	14,383%	830000440	2010	264 243		48 662	312 905	-
FirstRand Bank	12,616%	830001710	2011	36 889			16 958	19 931
FirstRand Bank	12,920%	830000880	2013	74 210			14 873	59 337
DBSA	12,250%	83001051	2015	155 866			25 978	129 888
FirstRand Bank	12,631%	830003504	2017	194 484			5 185	189 299
ABSA Bank	10,900%	830007011	2018	180 000			20 000	160 000
DBSA	10,590%	83001050	2018	305 245			33 916	271 329
FirstRand Bank	12,046%	830009531	2018	190 000			20 000	170 000
Nedcor Bank	1,000%	830000920	2019	50			-	50
DBSA	5,000%	830012028	2020	44 000			4 000	40 000
DBSA	9,420%	830012035	2020	102 667			9 334	93 333
DBSA	9,639%	830013000	2022	180 000			13 333	166 667
DBSA	10,565%	830013507	2022	180 000			13 333	166 667
Total other loans				1 907 654	-	48 662	489 815	1 466 501
FINANCE LEASES								
Investec	14,343%	830000870	2011	18 744			6 730	12 014
SCMB	15,209%	830000890	2011	76 976			7 255	69 721
Nedbank	14,540%	830000860	2012	61 242			1 753	59 489
Total finance leases				156 962	-	-	15 738	141 224
TOTAL EXTERNAL LOANS				4 287 447	2 000 000	47 299	524 137	5 810 609

	COST					ACCUMULATED DEPRECIATION					CARRYING VALUE	
	OPENING BALANCE	TRANSFERS/ADJUSTMENTS	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	TRANSFERS/ADJUSTMENTS	IMPAIRMENT	ADDITIONS	DISPOSALS		CLOSING BALANCE
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000
LAND AND BUILDINGS												
Land	448 117	20 249	151 509	(194)	619 681	(172 054)	-	(52 034)	-	-	(224 088)	395 593
Buildings and land	2 516 921	(149 830)	71 550	(187)	2 438 454	(1 180 896)	105 075	-	(82 633)	58	(1 158 396)	1 280 058
	2 965 038	(129 581)	223 059	(381)	3 058 135	(1 352 950)	105 075	(52 034)	(82 633)	58	(1 382 484)	1 675 651
INFRASTRUCTURE												
Assets under construction	2 782 744	(1 681 149)	1 928 245	-	3 029 840	-	-	-	-	-	-	3 029 840
Drains	478 600	5 430	7 121	-	491 151	(188 198)	1	-	(14 807)	-	(203 004)	288 147
Roads	3 151 834	434 952	320 553	-	3 907 339	(1 491 347)	(488)	-	(77 978)	-	(1 569 813)	2 337 526
Beach improvements	27 405	-	-	-	27 405	(17 869)	1	-	(380)	-	(18 248)	9 157
Sewerage mains and purification	1 090 623	244 735	26 906	-	1 362 264	(389 400)	-	-	(56 880)	-	(446 280)	915 984
Electricity mains	441 778	21 753	397	-	463 928	(173 753)	-	-	(23 145)	-	(196 898)	267 030
Electricity peak load equipment	2 669 539	410 480	405 211	-	3 485 230	(1 132 940)	1	-	(109 880)	-	(1 242 819)	2 242 411
Water meters and mains	82 875	16 884	913	-	100 672	(11 103)	-	-	(5 457)	-	(16 560)	84 112
Reservoirs - water	397 003	161	22	-	397 186	(245 285)	1	-	(16 282)	-	(261 566)	135 620
Water mains and purification	1 838 621	36 419	7 053	(171)	1 881 922	(870 154)	-	-	(63 446)	171	(933 429)	948 493
	12 961 022	(510 335)	2 696 421	(171)	15 146 937	(4 520 049)	(484)	-	(368 255)	171	(4 888 617)	10 258 320
COMMUNITY ASSETS												
Assets under construction	3 201 202	(3 052 624)	109 544	-	258 122	-	-	-	-	-	-	258 122
Parks and gardens	21 197	8 728	1 745	-	31 670	(3 676)	-	-	(707)	-	(4 383)	27 287
Libraries	174 180	-	1 605	-	175 785	(48 414)	-	-	(2 874)	-	(51 288)	124 497
Recreation facilities	274 337	3 455 381	614 245	-	4 343 963	(25 955)	(1 003)	-	(110 477)	-	(137 435)	4 206 528
Civic buildings	302 650	233 126	125 960	-	661 736	(117 370)	(103 600)	-	(14 330)	-	(235 300)	426 436
	3 973 566	644 611	853 099	-	5 471 276	(195 415)	(104 603)	-	(128 388)	-	(428 406)	5 042 870
LEASED ASSETS												
Infrastructure and other	398 128	-	-	(7)	398 121	(264 424)	-	-	(19 969)	7	(284 386)	113 735
	398 128	-	-	(7)	398 121	(264 424)	-	-	(19 969)	7	(284 386)	113 735
OTHER ASSETS												
Assets under construction	175 129	(47 086)	378 914	-	506 957	-	-	-	-	-	-	506 957
Landfill sites	514 044	-	-	-	514 044	(144 593)	-	-	(52 062)	-	(196 655)	317 389
Office equipment	182 890	1 961	27 223	(6 575)	205 499	(98 735)	163	(2)	(21 238)	6 198	(113 614)	91 885
Furniture and fittings	137 932	32 383	17 041	(5 906)	181 450	(82 192)	(113)	-	(17 672)	5 622	(94 355)	87 095
Bins and containers	33 475	978	404	(64)	34 793	(27 219)	-	-	(2 009)	42	(29 186)	5 607
Emergency equipment	31 796	60	2 146	(286)	33 716	(17 110)	1	-	(4 181)	313	(20 977)	12 739
Motor vehicles	874 824	(19 687)	220 611	(29 872)	1 045 876	(441 095)	42	-	(101 599)	27 163	(515 489)	530 387
Fire engines	79 240	10 865	16 931	(957)	106 079	(34 566)	-	-	(3 038)	956	(36 648)	69 431
Refuse trucks	452 865	75	113 170	(14 762)	551 348	(228 073)	(53)	-	(37 937)	14 136	(251 927)	299 421
Computer equipment	787 741	16 525	97 980	(25 044)	877 202	(474 273)	(862)	(4)	(112 400)	23 699	(563 840)	313 362
Animals	53	-	161	-	214	-	-	-	(19)	-	(19)	195
Watercraft	1 102	1	8	-	1 111	(278)	-	-	(82)	-	(360)	751
	3 271 091	(3 925)	874 589	(83 466)	4 058 289	(1 548 134)	(822)	(6)	(352 237)	78 129	(1 823 070)	2 235 219
HOUSING RENTAL STOCK												
	1 148 244	-	7 235	(2 596)	1 152 883	(507 104)	-	-	(26 466)	2 144	(531 426)	621 457
TOTAL	24 717 089	770	4 654 403	(86 621)	29 285 641	(8 388 076)	(834)	(52 040)	(977 948)	80 509	(9 338 389)	19 947 252
HERITAGE ASSETS												
Assets under construction	1 722	(600)	538	-	1 660	-	-	-	-	-	-	1 660
Painting and art galleries	7 718	600	60	(36)	8 342	-	-	-	-	-	-	8 342
	9 440	-	598	(36)	10 002	-	-	-	-	-	-	10 002
INVESTMENT PROPERTIES	129 615	-	-	-	129 615	(38 069)	-	-	(4 464)	-	(42 533)	87 082
INTANGIBLE ASSETS	296 764	(982)	7 927	-	303 709	(263 943)	880	-	(8 937)	-	(272 000)	31 709
ASSETS HELD-FOR-SALE	-	89	-	-	89	-	(23)	-	-	-	(23)	66
TOTAL	25 152 908	(123)	4 662 928	(86 657)	29 729 056	(8 690 088)	23	(52 040)	(991 349)	80 509	(9 652 945)	20 076 111

	ACTUAL R'000	BUDGET R'000	VARIANCE R'000	VARIANCE %	EXPLANATION OF VARIANCES GREATER THAN 10%
REVENUE					
Property rates	3 841 314	3 813 865	(27 449)	(0.72%)	
Service charges	8 735 777	8 778 943	43 166	0.49%	
Rental of letting stock and facilities	243 468	230 516	(12 952)	(5.62%)	
Finance income	506 533	496 595	(9 938)	(2.00%)	
Fines	154 584	172 065	17 481	10.16%	Due to the adjustment of the life span of outstanding cases and the effectiveness of roadblocks.
Licences and permits	33 054	24 276	(8 778)	(36.16%)	Due to increased drivers licences issued in the South and North traffic offices.
Agency services	111 097	115 993	4 896	4.22%	
Government grants and subsidies: Operating	2 550 811	2 634 173	83 362	3.16%	
Government grants and subsidies: Capital	1 940 857	1 900 398	(40 459)	(2.13%)	
Other income	259 919	228 369	(31 550)	(13.82%)	Due to fair value adjustment income on calculated outstanding retentions.
Contributed property, plant and equipment	83 949	120 763	36 814	30.48%	The income from connection fees is lower than the amount originally budgeted due to the down swing in the economy and the consequent fall in demand by developers for the installation of water/electricity connections.
Gains on disposal of property, plant and equipment	79 142	101 444	22 302	21.98%	Mainly due to proceeds on land sales which did not materialise.
Total revenue	18 540 505	18 617 400	76 895	0.41%	
EXPENDITURE					
Employee-related costs	5 586 988	5 636 211	(49 223)	(0.87%)	
Remuneration of councillors	84 451	86 260	(1 809)	(2.10%)	
Impairment costs	687 891	828 932	(141 041)	(17.01%)	Due to improved payment ratio's the contribution to provision for bad debts could be reduced.
Collection costs	167 822	183 665	(15 843)	(8.63%)	
Depreciation and amortisation expense	991 349	960 756	30 593	3.18%	This relates to the City's World Cup stadium, the Cape Town Stadium. In the budget phase the exact breakdown i.t.o. asset categories and classes could not be accurately established. Due to the GRAP requirements concerning componentisation of assets, the stadium's assets were componentised and some of the asset categories have a shorter useful life than originally planned, e.g. the temporary seating and the pitch to have but a few examples.
Repairs and maintenance	832 374	767 906	64 468	8.40%	
Finance costs	599 801	540 448	59 353	10.98%	Overspending on interest for the year was as a direct result of having the drawdown of the 3rd Bond Issue during March 2010 instead of 30 June 2010. Interest paid for 108 days.
Bulk purchases	3 667 765	3 705 691	(37 926)	(1.02%)	
Contracted services	1 062 857	1 054 679	8 178	0.78%	
Grants and subsidies paid	94 193	107 822	(13 629)	(12.64%)	Less grants allocated due to certain programmes being determined as not being legally compliant.
General expenses	2 656 364	2 994 624	(338 260)	(11.30%)	Due to the underspending on projects.
Loss on disposal of property, plant and equipment	3 076	15	3 061	20008.50%	Losses on housing land sold.
Total expenditure	16 434 931	16 867 009	(432 078)	(2.56%)	
NET SURPLUS FOR THE YEAR	2 105 574	1 750 391	(355 183)	(20.29%)	

2009			BUSINESS UNITS	2010		
ACTUAL INCOME	ACTUAL EXPENDITURE	SURPLUS/ (DEFICIT)		ACTUAL INCOME	ACTUAL EXPENDITURE	SURPLUS/ (DEFICIT)
R'000	R'000	R'000		R'000	R'000	R'000
			Rates and General			
8 461	1 52 936	(144 475)	Executive and Council	2 774	11 914	(9 140)
6 378 665	1 847 231	4 531 434	Budget and Treasury Office	7 711 404	2 121 163	5 590 241
435 439	924 577	(489 138)	Corporate Services	310 888	692 967	(382 079)
139 889	394 782	(254 893)	Planning and Development	138 568	494 155	(355 587)
203 882	400 711	(196 829)	Health	265 626	640 685	(375 059)
77 531	357 722	(280 191)	Community and Social Services	76 064	522 921	(446 857)
271 395	1 337 417	(1 066 022)	Public Safety	237 768	1 614 519	(1 376 751)
1 927 021	798 758	1 128 263	Sport and Recreation	621 928	1 395 393	(773 465)
15 572	157 586	(142 014)	Environmental Protection	17 953	155 805	(137 852)
631 290	880 887	(249 597)	Road Transport	1 099 196	1 210 899	(111 703)
			Housing			
658 229	818 659	(160 430)	Housing	670 171	855 743	(185 572)
			Utility Services			
1 239 690	1 222 517	17 173	Waste Management	1 496 152	1 395 809	100 343
1 366 370	1 144 079	222 291	Wastewater Management	1 482 127	1 394 275	87 852
2 237 306	2 382 985	(145 679)	Water	2 442 462	2 498 394	(55 932)
4 779 061	4 305 187	473 874	Electricity	6 326 431	5 734 042	592 389
			Other			
3 151	50 871	(47 720)	Tourism	3 557	58 811	(55 254)
20 372 952	17 176 905	3 196 047	Sub-total	22 903 069	20 797 495	2 105 574
3 306 838	3 306 838	-	Less: Inter-departmental charges	4 362 564	4 362 564	-
17 066 114	13 870 067	3 196 047	Total	18 540 505	16 434 931	2 105 574

	ACTUAL EXPENDITURE	BUDGET	VARIANCE	VARIANCE	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
	R'000	R'000	R'000	%	
Executive and Council	3 799	3 859	60	1.55%	
Budget and Treasury Office	8 320	11 150	2 830	25.38%	Due to the establishment of new cash office did not materialise and office furniture were not delivered on time.
Corporate Services	226 801	235 526	8 725	3.70%	
Planning and Development	46 452	53 181	6 729	12.65%	The remainder of payments were not processed against the capital budget but against the technical assistance portion of the grant. Due to additional work to be done on certain projects the construction period was extended.
Health	25 315	26 059	744	2.86%	
Community and Social Services	46 870	71 988	25 118	34.89%	The underspending resulted from the participation process which delayed the ward allocations.
Public Safety	89 930	102 374	12 444	12.16%	The underspending resulted from the participation process which delayed the ward allocations.
Sport and Recreation	860 529	1 206 966	346 437	28.70%	Awaiting on the final cost after the commissioning of the Cape Town Stadium. This finalisation is subject to other legal processes.
Environmental Protection	8 186	10 130	1 944	19.19%	Envisage upgrading of memorial and heritage sites did not materialised.
Road Transport	1 588 087	1 856 251	268 164	14.45%	Some contracts are not progressing as well as expected due to weather conditions.
Housing	228 579	345 888	117 309	33.92%	Various projects comprise this figure. Certain projects proceeding faster than initially envisaged whilst other projects are slightly delayed (e.g. Bardale). The City has acquired a significant parcel of land for subsidy housing whilst noting that this development will start after the required environmental impact assessment processes.
Waste Management	285 406	317 025	31 619	9.97%	Orders placed for the plant at the new Oostenberg Transfer Station but roll-over to 2010/11 anticipated as a result of problems with the specifications not being in line with what was ordered.
Water	576 767	648 855	72 088	11.11%	The expenditure on the installation of water meters (Private Sector funding) is less than anticipated as the expenditure is dependent on new developments which were negatively influence by the economic climate. Delays in delivery of equipment especially from abroad.
Electricity	666 633	711 787	45 154	6.34%	Service connections projects to be underspent due to lower than anticipated consumer demand. Delay in the finalisation of the acquisition of land.
Other (Tourism)	1 254	1 460	206	14.11%	Due to the under spending of tourism development facilities.
TOTAL	4 662 928	5 602 499	939 571	16.77%	

NATIONAL and PROVINCIAL GRANT FUNDS 2009/2010				
DEPARTMENT	DESCRIPTION	FUNDING SOURCE	INCOME	EXPENDITURE
			R'000	R'000
BUDGET	RESTRUCTURING GRANT - SEED FUNDING	STATE	750	45 589
CORPORATE SERVICES	ABET ADULT EDUCATION	PGWC	8	4
DEVELOPMENT AND PLANNING	METRO SOUTH EAST SPATIAL DEVELOPMENT AND OTHER PROJECTS	PGWC	-	609
DEVELOPMENT AND PLANNING	DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND TOURISM - DANIDA	STATE	19 991	8 068
DEVELOPMENT SERVICES	MUNICIPAL INFRASTRUCTURE GRANTS	MUNICIPAL INFRASTRUCTURE GRANTS	327 790	298 553
DEVELOPMENT SERVICES	NEIGHBOURHOOD DEVELOPMENT PROGRAMME	STATE	65 000	39 266
ELECTRICITY	DME - INEP	DEPT. MINERAL ENERGY	8 772	8 760
ELECTRICITY	ENERGY EFFICIENCY ELECTRICITY DEMAND SIDE MANAGEMENT	STATE	3 509	11 003
EMERGENCY SERVICES	HELICOPTER STANDBY	PGWC	500	423
HEALTH	HIV/AIDS COMMUNITY BASED RESPONSE PROJECTS AND OTHERS	PGWC	102 956	104 578
HEALTH	HEALTH & HYGIENE EDUCATION: INFORMAL SETTLEMENT	STATE - DWAF	-	532
HOUSING	INFORMAL SETTLEMENTS AND OTHER PROJECTS	PGWC	338 501	349 197
HOUSING	ACCREDITATION : DEVELOPMENT SUPPORT	STATE	17 741	11 616
LIBRARIES	PUBLIC LIBRARY FUND	PGWC	19 520	18 067
SERVICE DELIVERY INTEGRATION	2010 FIFA WORLD CUP: GREEN POINT	PGWC	850	850
SERVICE DELIVERY INTEGRATION	2010 FIFA WORLD CUP: GREEN POINT	STATE	665 188	568 714
SPORT AND RECREATION	KHAYELITSHA MULTI PURPOSE CENTRE AND OTHER PROJECTS	PGWC	-	6 737
TRANSPORT, ROADS AND STORMWATER	JAKKELSVLEI CANAL UPGRADING	PGWC	27 000	15 595
TRANSPORT, ROADS AND STORMWATER	PUBLIC TRANSPORT INFRASTRUCTURE	STATE - TRANSPORT	885 305	858 236
WATER	DWAF: IMPLEMENTATION WATER DEMAND	STATE - DWAF	9 410	2 527
		TOTAL	2 492 791	2 348 924
HOUSING	MELKBOSCH VILLAGE	PGWC	9 995	9 160
PGWC slow to measure progress on the ground				
PGWC has started paying according to work done and not based on projected cash flow	CRU: UITSIG HOUSES	PGWC	11 384	4 051
		TOTAL	21 379	13 211
		GRAND TOTAL	2 514 170	2 362 135