

CONSOLIDATED ANNUAL FINANCIAL STATEMENT FOR AMATHOLE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009 ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting with historical cost convention, unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except as required by GRAP.

The accounting policies applied are consistent with those used to present the previous financial statements unless explicitly stated. The details of any changes in accounting policies are explained in the notes to the financial statements.

1.2 SIGNIFICANT JUDGEMENTS

In the process of applying the municipality's accounting policy, management has made certain accounting judgements, estimates and assumptions to amounts recognised in the financial statements.

Property, plant and equipment

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

Infrastructure assets

The identification of the water infrastructure assets is based upon assumptions and estimates by consulting engineers using best engineering practice and industry norms and standards. Where a scheme layout or size are unknown, the infrastructure is estimated based on the best available layout. Engineering best practice and accepted norms will be used to determine the useful life of the infrastructure. For infrastructure where the condition is unknown, the remaining useful life is estimated on a worst case scenario. Where the condition of the infrastructure is known, the remaining useful life is estimated on a best case scenario.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of debtors who have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per debtor type category.

Water stock

The estimation of the water stock in the reservoirs and pipelines is based on an assessment of capacity at year end.

The water stock on hand has been estimated using engineering best practice and

Held-to-maturity financial assets

Management has reviewed the held-to-maturity financial assets in light of its capital requirements and has confirmed the positive intention and ability to hold these assets

Operating lease commitments -Municipality as lessor

The Municipality has entered into commercial property leases on its investment property. Management has determined that it retains all the significant risks and rewards of ownership of the property for them as operating leases.

Post-employment benefits

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

Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and contingent liabilities. Provisions are discounted where the effect of discounting is material.

1.3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.4. GOING CONCERN ASSUMPTION

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

1.5. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements differs from the comparative amounts are restated. The nature and reason for the reclassification of items and errors have been identified in the current year, the correction is made retrospectively.

the prior year comparatives are restated accordingly. Where there has been a change in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued April 2006

GRAP 21 Impairment of non-cash-generating assets - issued March 2009

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued November 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2008

GRAP 26 Impairment of cash-generating assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

These standards are not expected to have a material impact for the municipality. The municipality has adopted IAS 36 Impairment of Assets for impairment testing in conjunction with the standards issued by National Treasury.

2. RESERVES

2.1 REVALUATION RESERVE

The surplus arising from the revaluation of land and buildings is credited to a non-current revaluation reserve. The re-valued assets are depreciated, through a transfer from the revaluation reserve to the depreciation expense account. On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit). While gains or losses on disposal, based on re-valued amounts, are credited or charged to the revaluation reserve, they are also reflected in the Statement of Financial Performance.

The surplus arising from the revaluation of land and buildings is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent of any credit balance existing in the revaluation surplus in respect of the asset. The increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of the asset.

Depreciation on re-valued buildings is charged to surplus or deficit. On the subsequent re-valuation of a re-valued property, the attributable revaluation surplus remaining in the property reserve is transferred directly to accumulated surplus/(deficit).

3. PROPERTY, PLANT AND EQUIPMENT

3.1 INITIAL RECOGNITION

Property, plant and equipment is stated at cost, less accumulated depreciation excluding amounts which have been re-valued as indicated below.

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

The cost of an item of property, plant and equipment includes costs incurred initially to acquire or construct the property, plant and equipment and costs incurred subsequently to add to, replace or improve the property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. zero cost), its cost is deemed to be equal to the fair value of that asset on the date acquired.

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset that is replaced and recognises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the future economic benefits associated with the asset.

3.3 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Land and buildings are carried at the re-valued amount, being the fair value at the date of re-valuation less subsequent accumulated depreciation. Revaluations are made with sufficient regularity that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Land and buildings are re-valued every 3-5 years.

An increase in an asset's carrying amount, as a result of a revaluation, is credited to the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a deficit in the revaluation reserve previously recognised in surplus or deficit.

A decrease in an asset's carrying amount, as a result of a revaluation, is recognised in the period. The decrease is debited directly to equity in the revaluation reserve to the extent of the revaluation surplus in respect of that asset.

3.4 DEPRECIATION AND IMPAIRMENT

The depreciation charge for each period is recognised in surplus or deficit unless it is recognised in respect of another asset.

Land is not depreciated as it is deemed to have an indefinite life.

Items purchased less than R5000 in value are capitalised and fully depreciated in the period of purchase.

Depreciation is calculated on the depreciable amount, using the straight-line method for all assets. The annual depreciation rates are based on the following estimated useful lives:

<u>Useful life</u>		<u>Useful life</u>	
Infrastructure		Other	
Roads and	10-30	Buildings	30
Pedestrian	20-30	Specialist vehicles	3-20
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
Community		Bins and containers	5
Improvement	10-30	Specialised plant and	10-15
Recreation	20	Other items of plant	2-5
Security	3-5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually. A change in the useful life or the depreciation method is recognised as a change in accounting estimate in the Statement of Financial Performance. Residual values are estimated at 10% of the purchase cost of the asset. The depreciation is determined after deducting the residual value of the asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. Whether there is an indication of possible impairment is done at each reporting date. If the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount (or recoverable service amount) and the charge is charged to the Statement of Financial Performance.

Assets are capitalised on the last day of the month of purchase.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is available for intended use.

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.

assets.

3.5 DERECOGNITION

Items of Property, Plant and Equipment are derecognised when the asset is disposed of and the economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net carrying amount of the asset and the net proceeds of disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the sales price and the carrying amount of the item.

3.6 INFRASTRUCTURE ASSETS

Water infrastructure assets were transferred to the municipality on 1 July 2006 when the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Governmental Order No. 117 of 1998, section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). These assets were valued at their estimated residual value on the date of acquisition and depreciated to their estimated residual lives on the straight-line basis. A three year implementation plan for the identification and valuation of these assets from the local municipalities has been approved by Council due to the lack of sufficient resources. The implementation plan will assist in the physical identification and condition analysis of the water infrastructure assets. The identification of the water infrastructure assets is based upon assumptions and estimates prepared by consulting engineers using best engineering practice and industry norms and standards.

Where a scheme layout or size are unknown, the infrastructure is estimated based on a typical layout. Engineering best practice and accepted norms will be used to determine the condition of the infrastructure. For infrastructure where the condition is unknown, the remaining useful life is estimated on a conservative scenario. Where the condition of the infrastructure is known, the remaining useful life is estimated on a realistic scenario.

During the current year, all "medium data confidence" schemes were physically verified and the remaining useful life and uncertainties using engineering best practice and accepted norms were corrected.

The municipality has applied the transitional provision contained in Directive 3 issued by the Department of Water Affairs and Forestry regarding the measurement of property, plant and equipment that are acquired through a transfer of control schemes.

The low confidence schemes have been recognised at provisional amounts, being the carrying amount on the previous basis of accounting. The take-on balance of these assets equates the carrying amount on the previous basis of accounting. There has been no subsequent measurement of this property, plant and equipment. The carrying amount has been accounted for in the annual financial statements.

The municipality has until the end of June 2011 to measure property, plant and equipment. The provisional amounts recognised shall be retrospectively adjusted to reflect new information that becomes available in circumstances that existed at the transfer date.

4. INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised

Internally generated brands, mastheads, publishing titles, customer lists and items as intangible assets.

Where an intangible asset is acquired by the municipality for no or nominal consideration, the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or multiple non-monetary assets, the asset acquired is initially measured at fair value (the fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up).

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are carried at cost less any accumulated amortisation.

An intangible asset is regarded as having an indefinite useful life when, based on a reasonable and foreseeable limit to the period over which the asset is expected to generate net cash inflows for these intangible assets, but is subject to an annual impairment test. For all other intangible assets, amortisation is provided on a straight line basis over their useful life.

4.3 AMORTISATION AND IMPAIRMENT

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

Item	Useful life
Computer software - Application software	3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life at the reporting date and any changes are recognised as a change in accounting estimate.

The municipality tests intangible assets with finite useful lives for impairment whenever there is an indication that an intangible asset may be impaired. An assessment of whether there is an indication of possible impairment is made when the carrying amount of an item of an intangible asset is greater than the estimated fair value less costs to sell immediately to its recoverable amount and an impairment loss is charged to the carrying amount of the asset.

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no future economic benefits expected from the use of the asset. The gain or loss arising on the disposal or derecognition is determined as the difference between the sales proceeds and the carrying value at the date of derecognition and is recognised in Financial Performance.

5. INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both)

a finance lease) held to earn rentals and/or for capital appreciation, rather than held for production or supply of goods or services, or the sale of an asset in the ordinary course of business.

At initial recognition, the municipality measures investment property at cost including the definition of investment property. However, where an investment property was acquired for no or a nominal value (i.e. where it acquired the investment property for no or a nominal value), its cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the useful life of the assets. Components of assets that are significant in relation to the whole asset and which can be distinguished and depreciated separately.

The annual depreciation rates are based on the following estimated average useful lives:
Investment property 30 years

5.3 Investment property includes land held with an undetermined use. This land is recognised as investment property.

6. NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only if the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets or disposal groups. The asset (or disposal group) must be actively marketed for sale, with the sale expected to qualify for recognition as a completed sale within one year from the end of the reporting period. The classification of an asset (or disposal group) as held for sale is not reversible.

6.2 SUBSEQUENT MEASUREMENT

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised as an expense in the profit or loss, unless they are directly related to the disposal of the disposal group, in which case they are recognised as a gain or loss on disposal.

7. INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the reporting period. Inventories are initially recognised at cost. Cost generally refers to the purchase price plus other costs in bringing the inventories to their current location and condition. Where inventories are produced, the cost includes the cost of labour, materials and overheads used directly or indirectly in producing the inventories, less any grants or subsidies.

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

7.2 SUBSEQUENT MEASUREMENT

Consumables stores, raw materials, work-in-progress, settlements and finished goods are measured at cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at cost and current replacement cost. In general, the basis of determining cost is the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to their estimated economic or realisable values. Differences arising on the valuation of inventories are recognised in Financial Performance in the year in which they arose. The amount of any reversal of a write-down is recognised from an increase in net realisable value or current replacement cost is recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that they are sold, transferred, or otherwise disposed of or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7.2.1 Housing development inventory is measured at cost on the first-in, first-out basis. Costs include the cost of land for each separately identifiable development. Costs also include a proportion of overheads. The carrying amount of these inventories held for distribution is recognised as an expense when the houses are taken into occupation of the houses.

Housing development funding received is recognised as revenue and expenditure in Financial Performance to the extent that the Municipality has complied with any of the criteria of the grant.

7.2.2 The cost of water purchased and own water not yet sold in the Statement of financial position includes import duties, and other taxes and transport, handling and other costs attributable to the water. Trade discounts, rebates and other similar items are deducted from the cost. The estimation of the water stock in the reservoirs and pipelines is based on an assessment of the network capacity at year end.

8. FINANCIAL INSTRUMENTS

The municipality initially classifies financial instruments, on initial recognition as a liability or asset in accordance with the substance of the contractual arrangement.

8.1 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised on the entity's Statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legal right of set-off is recognised amounts currently exist; and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial asset held-to maturity, loans and receivables, or available for sale. Financial liabilities are measured at amortised cost through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities is determined by their classification.

financial assets and liabilities depends on this categorisation and, in the absence of Financial Instruments, is in accordance with IAS 39.

FINANCIAL ASSETS

The municipality classifies its financial assets according to the following categories:

- Financial Assets at Fair Value through Profit or Loss
- Held-to-Maturity Investments
- Loans and Receivables
- Available for Sale

The classification depends on the purpose for which the financial asset is acquired:

- Financial assets at fair value through profit or loss are financial assets that are classified by the municipality as held-to-maturity investments if the municipality has acquired the financial asset principally for the purpose of selling it in the near future and is subsequently measured at fair value at Statement of Financial Position date. Any gain or loss is recorded in the Statement of Financial Performance in the period in which it arises.

- Held-to-maturity investments are financial assets with fixed or determinable payments and dates that the municipality has the positive intent and ability to hold 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 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 that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position, except for investments in equity instruments that are measured at market price in an active market and for which fair value cannot be reliably measured. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

FINANCIAL LIABILITIES

The municipality measures all financial liabilities, including trade and other payables, using the effective interest rate method. Financial liabilities include borrowings and other non-current liabilities.

8.2.1 INVESTMENTS

Financial assets, which include listed government bonds, unlisted municipal bonds, term deposits invested in registered commercial banks, are categorised as held-to-maturity investments and subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade receivables are categorised as financial assets; loans and receivables and other receivables are subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount less accumulated amortisation and impairment losses.

repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding financial difficulties of the debtor, probability that the debtor will enter bankruptcy and payments (more than 30 days overdue) are considered indicators that the trade receivables are irrecoverable. Bad debts are written off in the year in which they are identified as irrecoverable, and a necessary dedicated authority.

Impairments are determined by discounting expected future cash flows to their present value. Amounts receivable within 12 months from the date of reporting are classified as current receivables.

An impairment of trade receivables is accounted for by reducing the carrying amount by the use of an allowance account, and the amount of the loss is recognised in the Statement of Profit or Loss within operating expenses. When a trade receivable is uncollectible, it is written off. Amounts previously written off are credited against operating expenses in the Statement of Profit or Loss. Interest is charged on overdue amounts.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost, less repayments, plus interest.

Finance costs are accounted for using the effective interest rate method.

8.2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and cash with banks and other financial institutions that are readily convertible into known amounts of cash, that are held with registered financial institutions, subject to an insignificant risk of change in value. Where term deposits exceed the term of another class of financial instrument, depending on the nature.

These are initially and subsequently recorded at fair value.

8.2.5 LOANS TO MUNICIPALITIES, MUNICIPAL ENTITIES AND EMPLOYEES

These financial assets are categorised as loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost.

Amortised cost refers to the initial carrying amount, plus interest less repayments and impairment losses.

8.2.6 LOANS FROM MUNICIPALITIES AND THE DEVELOPMENT BANK OF AFRICA

They are categorised as financial liabilities held at amortised cost and are initially recognised at fair value. Subsequently, these financial liabilities are measured at amortised cost which is the carrying amount less repayments, plus interest.

8.3 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the rights to receive cash flows have been retained but an obligation to pay them in full without condition has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged.

9.

INVESTMENT IN SUBSIDIARIES

Subsidiaries are all controlled entities over which the municipality has ownership and control. The municipality governs the financial and operating policies of such controlled entities so as to benefit the municipality. Controlled entities are fully consolidated from the date on which control is transferred. Assets and liabilities are carried at cost.

10.

LEASES

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

10.1 FINANCE LEASES - LESSEE

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

The discount rate used in calculating the present value of the minimum lease payments is the rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used.

The lease payments are apportioned between the finance charge and reduction of the liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

Leases are classified as finance leases if the following situations in accordance with IFRS 16 occur individually or in combination:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be significantly below the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them;
- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are expected to be covered by an increase in the lease payments (e.g. a rent rebate equalling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is not significantly higher than market rent.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the accounting policies applicable to property, plant, equipment or intangibles. The lease liability is measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease.

which are allocated between the lease finance cost and the capital repayment using the straight-line method. Lease finance costs are expensed when incurred. The accounting policies for financial instruments are applied to lease payables. The lease asset is depreciated over its useful life or the lease term.

10.2 OPERATING LEASES - LESSOR

Operating lease income is recognised as a rental income on a straight-line basis over the lease term.

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

Income from leases is disclosed under revenue in the Statement of Financial Performance over the term of the lease.

10.3 OPERATING LEASES - LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic method is more representative of the time pattern of the benefit derived from the leased asset. The expense is allocated between the amounts recognised as an expense and the contractual payments are recognised as an asset or liability. This asset or liability is not discounted.

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

11.

PROVISIONS

Provisions are recognised when:

- the municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be incurred to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the liability. Material, non-current provisions are discounted to their present value using a pre-market rate of interest. The market's current assessment of the time value of money, adjusted for risks specific to the liability, is used.

Gains from the expected disposal of assets are not taken into account in measuring the amount of a provision. Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. A contingent liability is a liability that arises from a possible obligation that is a result of a past event, the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is an asset that arises from a possible event that is a result of a past event, where an inflow of economic benefits is probable.

Contingencies are disclosed in note 35.

12.

EMPLOYMENT BENEFITS

12.1 SHORT-TERM EMPLOYEE BENEFITS

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

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

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a constructive obligation to make such payments as a result of past performance.

12.2 RETIREMENT BENEFIT PLANS

The municipality provides retirement benefits for its employees and councillors. Defined Contribution plans are post-employment benefit plans, under which an employee contributes to a separate entity (a fund) and will have no legal obligation to pay further contributions. The fund has sufficient assets to pay all employee benefits relating to employee service in the current period. Contributions to fund obligations for the payment of retirement benefits are charged to the employee in the period in which they become payable.

Defined Benefit plans are post-employment plans other than Defined Contribution plans. Defined Benefit plans which are administered on a provincial basis are actuarially valued tri-annually by an independent actuary using the projected unit credit method. Deficits identified are recovered through lump sum payments or increase contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged to the employee in the year in which they become payable.

12.2.1 DEFINED CONTRIBUTION PLANS

Payments to defined contribution retirement benefit plans are charged as an expense in the period in which they become payable.

Payments made to industry-managed (or state plans) retirement benefit schemes are charged to the employee in the period in which they become payable. Plans where the company's obligation under the schemes is equivalent to those of a defined contribution benefit plan.

12.2.2 DEFINED BENEFIT PLANS

For defined benefit pension and post retirement medical plans, full actuarial valuation is performed at the end of each reporting year using the projected unit credit method.

Actuarial gains and losses, which can arise from differences between the expected and actual experience and actuarial assumptions, are recognised immediately in the Statement of financial performance. The expected return on plan assets and the expected increase during the period in the fair value of plan liabilities expected to arise from employee service during the period are included in investment income and interest expense.

Past service cost is recognised immediately to the extent that the benefits are already being provided. Past service cost is recognised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Statement of Financial Position is the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of plan assets. The net asset resulting from this calculation is limited to past service cost, plus the present value of future contributions to the plan.

The retirement benefit obligation recognised in the Statement of financial position is the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the present value of the asset resulting from this calculation is limited to past service cost, plus the present value of expected future contributions to the plan.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued on an actuarial method basis. Deficits are recognised as a liability and are recovered through lump sum contributions on a proportional basis to all participating municipalities.

Specific actuarial information in respect of individual participating municipalities is not provided in the financial statements of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

12.2.3 MEDICAL AID: CONTINUED MEMBERS

The municipality provides post retirement benefits by subsidising the medical aid contributions of its employees. According to the rules of the medical aid funds, with which the municipality is associated (as a condition of service), on retirement, is entitled to remain a continued member of such a fund. A continued member is liable for 30% of the medical aid membership fee, and the municipality subsidises the remaining 70%.

13. REVENUE RECOGNITION

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality in the period in which the service is rendered, the value of which approximates the consideration received or receivable.

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

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

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

Revenue is measured at the fair value of the consideration received or receivable for the services provided in the normal course of business, net of value added tax.

An estimate for revenue is raised for the period between the last meter reading and the current meter reading.

13.1.1 SERVICES

Service income is recognised on an invoice basis. Service charges from sewerage are based on the number of sewerage connections on each developed property using the tariffs approved by the council on a monthly basis.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly.

performed. The provisional estimates of consumption are recognised as revenue when the provisional estimates of consumption are made in the invoicing period in which they are recognised as revenue in the invoicing period.

13.1.2 INTEREST

Interest and rentals are recognised on a time proportion basis in the Statement of

13.1.3 RENTALS

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

13.1.4 AGENCY SERVICES

Income from agency services is recognised once such income has been received in accordance with the agreement.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality provides a service to the entity without directly giving approximately equal value in exchange. Revenue from such transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions for recognition have been met or where the contribution is to finance property, plant and equipment and the plant and equipment qualifies for recognition and first becomes available for use by the municipality. Revenue from contributions has been received but the municipality has not met the related conditions for recognition is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are available for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is recognised when the procedures, including those set out in the Municipal Finance Management Act (Act 12 of 2002) are followed and when the recovery thereof from the responsible councillors or officials is virtually complete.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the related conditions for recognition meet the criteria for recognition as set out in Note 14. A corresponding liability is recognised when the donation is conditional and funds are invested until utilised.

Grants without any conditions attached are recognised as revenue when the asset is available for use.

Interest earned on the investment is treated in accordance with grant conditions. It is recorded as part of the creditor. If it is the municipality's interest, it is recognised as revenue in the Statement of Financial Performance.

14.

CONDITIONAL GRANTS AND RECEIPTS (DEFERRED INCOME)

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match the expenses to which they are intended to compensate.

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

Government grants related to assets, including non-monetary grants at fair value, are recognised in the Statement of Financial Position by setting up the grant as deferred income or by deducting the carrying amount of the asset.

Grants related to income are presented as a credit in the Statement of Financial Position.

Repayment of a grant related to income is applied first against any un-amortised deferred income related to the grant. To the extent that the repayment exceeds any such deferred credit, or where there is no deferred credit, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset and the deferred income balance by the amount repayable. The cumulative additional depreciation recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

15.

TAXATION

Current tax liabilities/(assets) for the current and prior periods are measured at the best estimate of the amount payable to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is, to the extent not already recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the liability, the excess is recognised as an asset.

Current tax is recognised as income or an expense and included in profit or loss for the period in which the tax arises from a transaction or event which is recognised, in the same or a different period, or directly in equity, or a business combination.

16.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality

borrowing costs when substantially all the activities to prepare the asset for its intended use have been completed. It is considered inappropriate to capitalise borrowing costs where the link between the borrowing and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the period in which they are incurred.

17. IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also assesses at each reporting date whether intangible assets with indefinite useful life or intangible assets not yet available for use are impaired. For these assets, the carrying amount is compared with its recoverable amount. This impairment test is performed at the same time every period.

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

The recoverable service amount of an asset or a cash-generating unit is the higher of its carrying amount and its value in use.

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the unit as follows:

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

A municipality assesses at each reporting date whether there is any indication that prior periods for assets may no longer exist or may have decreased. If any such indication exists, the carrying amount of those assets is estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss is the carrying amount that would have been determined had no impairment loss been recognised in previous periods.

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

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure received from another sphere of government, municipal 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.

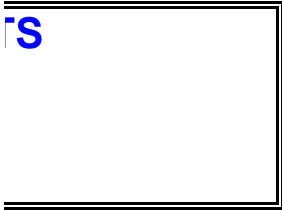
19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 23 of 1995) or the contravention of municipality's Supply Chain Management Policy.

Irregular expenditure excludes unauthorised expenditure. Irregular 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.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would not have been made if reasonable care had been exercised. Fruitless and wasteful 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.



nting and are in accordance

tive Standards of Generally
ves issued by the Accounting
agement Act, (Act No 56

cial statements are set out below.

l or permitted by a Standard of

rious year's financial statements,
lained in the relevant policy.

nade the following significant
financial statements:

considers the impact of technology,
o determine the optimum useful
also based on management's
and in what condition they will be

d professional judgement applied by
dards.

l on the population demand and settlement
he size of bulk, trunk, reticulation and other
seful life is assumed to be the worst case
life will be a percentage of its useful life.

t of the extent to which debtors have
payments based on their creditworthiness.

assumption of the network reticulation

industry norms and standards.

al management and liquidity
sets to maturity.

roperty portfolio. The municipality
these properties and thus accounts

rmined using actuarial valuations.
ed rates of return on assets,
ng-term nature of these plans, such

and when measuring contingent

the functional currency of the

e to these financial statements

is amended, prior period

is disclosed. Where accounting
ely as far as is practicable, and

change in accounting policy in the
the prior year comparatives are

UNRESOLVED ISSUES

have not been early adopted by

issued February 2008

November 2007

in accordance with the tools

distributable reserve.
contribute to the accumulated
accumulated surplus/ (deficit)
reported to the Statement of

and
to the extent that it
is or deficit.

classified in surplus or
retention reserve to
net asset.

sequent sale or retirement
revaluations

cept for land and buildings,

ien:
ie company; and

/ to acquire or construct an item
ce part of, or service it.
plant and equipment, the

ifferent useful lives, they are accounted

: a non-exchange transaction), the

on-monetary asset or monetary
its fair value. If the acquired
amounts of the asset(s) given up.

asured at cost less accumulated

asset being replaced and capitalises
when it increases the capacity or future

) BUILDINGS)

date of revaluation less any
clarity such that the carrying amount
he statement of financial position

directly to equity in the revaluation
as a revaluation decrease of the same

and in surplus or deficit in the current
extent of any credit balance existing

it is included in the carrying amount

the year of purchase.

and over the estimated useful lives
asset lives:

reviewed annually and any changes are
performance.
recoverable amount of an asset is

may be impaired. An assessment of
is. Where the carrying value of an
amount (or recoverable service amount),
amount) and an impairment loss is

as when the asset is ready for its

and the estimated useful lives of the

sed of or when there are no further

quipment is included in the Statement
from the de-recognition of an item of
proceeds, if any, and the carrying value

en the municipality assumed responsibility
ent Notice 849 issued in terms of
e assets are recognised at fair value on
ight line basis over their estimated useful
e water infrastructure assets inherited
cient data pertaining to each scheme. The
of all major components of each scheme.
d professional judgement applied by
dards.

d on the population demand and settlement
he size of bulk, trunk, reticulation and other
seful life is assumed to be the worst case
life will be a percentage of its useful life.

erified by consulting engineers. Any
prospectively.

red March 2009, as it relates to the
er of functions, to all low confidence

l at the cost recorded on the
osing amount as at 30 June 2008.
rt and therefore no depreciation

pment in terms of GRAP 17.
w information obtained about facts and

re asset will flow to the municipality; and

nised as an expense when it is incurred.

; similar in substance are not recognised

eration (i.e. a non-exchange transaction),

onetary assets, or a combination of monetary
e cost). If the acquired item's fair value was

all relevant factors, there is no
sh inflows. Amortisation is not provided
er intangible assets amortisation is

e basis, over their estimated useful lives

a finite useful life are reviewed at each
te in the Statement of Financial Performance.

e there is an indication that an asset may
ent is done at each reporting date. Where
recoverable amount, it is written
the Statement of Financial Performance.

re no further economic benefits or service
sal or retirement of an intangible asset is
nd is recognised in the Statement of

both land or buildings held under

to meet service delivery objectives, the course of operations.

including transaction costs once it meets the required through a non-exchange transaction at its fair value as at the date of acquisition.

Investment property is carried at cost less

depreciation over the estimated useful lives of the property. Properties that have different useful lives are

classified as follows:

Properties are recognised at fair value on the date of recognition.

The carrying amount will be recovered if the property is sold at a price regarded as met only when the sale is highly probable and the property is in good condition. Management must be able to complete the sale within one year from the date of recognition.

The carrying amount and fair value less costs

to be incurred in the process of disposal are recognised for sale, or while it is part of a disposal

operation. Properties classified as held for sale are recognised in

the carrying amount of the property at the end of the reporting period, plus taxes, transport costs and any other costs incurred in the ordinary course of business. The carrying amount of inventory is measured at the lower of cost and net realisable value. Cost is the amount of expenditure incurred in bringing the inventory to its present location and condition. For inventory that is manufactured, constructed or otherwise produced during the manufacturing process,

cost is the amount of expenditure incurred (including a non-exchange transaction), the cost is

goods are valued at the lower of cost
in which case they are measured at the lower
the first-in, first-out method.

to net realisable value with regard to their
inventory are recognised in the Statement of
of any write-down of inventories arising
as a reduction in the amount of inventories

the inventory was sold, distributed, written
asset.

Direct costs are accumulated
overhead costs.
expense when beneficiaries

on the Statement of Financial
position, obligations or conditions of

financial position comprises the purchase price,
to the acquisition of finished goods,
used in determining the cost of purchase.
assumption of the water reticulation

financial asset or financial liability in

of Financial Position when the

legally enforceable right to set off the
basis, or to realise the asset

is at fair value through profit or loss,
is categorised as either at fair value
or at cost measurement of

of an approved GRAP Standard on

3:

), and is as follows:

classified as held for trading, where
ing it in the near future. They are
fair value adjustment is recorded in

ments and fixed maturity, where the
They are subsequently measured at
ed in the Statement of Financial

goods or services directly to a
terest method. Any adjustment is
i.

are subsequently measured at
uments that do not have a quoted
red, which shall be measured at cost.
id in which it arises.

es, at amortised cost, using the
in-current liabilities.

s, fixed deposits and short-
-maturity and are measured at

airment loss, which is recognised as an

nd the carrying amount is charged or

are initially recognised at fair value
arrying amount, plus interest less

amounts at year end. Significant
and default or delinquency in
receivable is impaired.
subject to the approval of the

present value.
current.

ount of trade receivables through the
ement of Financial Performance
ff. Subsequent recoveries of amounts
Financial Performance.

d as financial liabilities held
l at amortised cost which is the

r short-term highly liquid investments
red banking institutions and are
ree months, it is classified under

S

recognised at fair value and

and impairments.

SOUTH

recognised at fair value.
he initial carrying amount, less

asset have expired, the right to
material delay has been
stantially all the risks and rewards

charged, cancelled or has expired.

control or effective control to
benefit from its activities.
transferred to the Municipality, and

rewards incidental to ownership.
The risks and rewards incidental

to the financial position at amounts equal
to the minimum lease payments. The
lease is classified as a finance lease obligation.

The interest rate implicit in

the lease is the interest rate implicit in

the lease payments, or a constant periodic rate

that is determined in accordance with paragraphs 12 and 13 of GRAP 13

at the end of the lease term;
the fair value of the underlying asset is sufficiently lower than the fair value
at the inception of the lease, that the

ownership of the asset is not transferred;
the lease term amounts to at least substantially

all the economic life of the asset;
the risks and rewards of ownership are borne by the lessee;
the lease payments include an amount payable by the lessee (for example, in the form of a

rent) that is substantially lower than

the fair value of the asset at the inception of the lease, or the fair value of the asset
at the end of the lease term, less any residual value guaranteed by the lessee, or the

ing the effective interest rate
es relating to derecognition of
d over the shorter of the asset's

over the term of the relevant lease.

d to the carrying amount of the
is as the lease income.

ormance, on a straight line basis

over the lease term. The difference
e recognised as an operating lease

nt;
equired to settle the

equired to settle the obligation.

best estimate. Where the effect is
tax discount rate that reflects the
o to the liability.

ing a provision.

ity is disclosed unless the
ontingent asset is disclosed

re service is rendered, such as paid
cal care), are recognised in the period

employees render services that
absence occurs.

nse when there is a legal or

tity pays fixed contributions into
ons if the fund does not hold
urrent and prior periods. The
d against income in the year in

plans. The Defined Benefit funds,
means of projected unit credit
:d future contributions on a
um payments are charged against

nse as they fall due.

are dealt with as defined contribution
ising in a defined contribution retirement

ions are carried out for each financial

d and actual outcomes or changes in
erformance. Any increase in the present
is charged to operating surplus.
n the present value of plan liabilities

ady vested and otherwise is amortised

i represents the present value of the defined
by the fair value of scheme assets. Any
: value of available refunds and reductions

represents the present value of the defined
by the fair value of scheme assets. Any
: value of available refunds and reductions

rially valued triennially on the projected unit credit
ip sum payments or increased future

unavailable due to centralised administration
ey were defined contribution plans.

ontributions of certain retired staff.
ciated, a member (who is on the current
such a medical aid fund, in which case the
for the remaining 70%.

pality directly in return for services
le.

mated reliably, revenue associated with
ction at the statement of financial
following conditions are satisfied:

to the company;
ate can be measured reliably; and
an be measured reliably.

estimated reliably, revenue shall be

and represents the amounts receivable

d the financial year end.

e and sanitation are based on the
proved by Council and are levied

a monthly basis and are recognised
ly when meter readings have not been

when invoiced. Adjustments to meters have been read. The adjustments

Financial Performance.

on a basis over the term of the lease

in accordance with a service level

quality received revenue from another non-exchange transactions is recognized as an asset and

is associated with the contribution agreement, when such items of property, belong to the municipality. Where public conditions, a deferred income (liability)

property, plant and equipment qualifies

expenditure is based on legislated (Act No.56 of 2003) and is recognised as an expense.

resources that have been transferred to the municipality, to the extent that the grant, transfer or

is recognised.

If it is payable to the funder, it is recognised as interest earned in the Statement

h them with the related costs that

esses already incurred or for the
osts is recognised as income of the

are presented in the Statement of
grant in arriving at the carrying

erformance.

deferred credit set up in respect of
where no deferred credit exists, the

nount of the asset or reducing the
reciation that would have been
diately as an expense.

amount expected to be paid to/
e been enacted or substantively enacted
he extent unpaid, recognised as a
the amount due for those periods,

or the period, except to the extent that
ferent period, outside profit or loss,

duction of qualifying assets are
ality ceases the capitalisation of

ended use or sale are complete.

the funds borrowed and the

change in surplus or deficit when

that an asset may be impaired. If any

of the asset.

tests intangible assets with an

annually by comparing

at the end of the annual period and at the

amount is estimated for the individual

asset, the recoverable service

of its fair value less costs to sell

carrying amount of the asset is

amortisation is recognised

and as a revaluation decrease.

carrying amount of the unit is less than the

carrying amount of the assets of the unit

et in the unit.

t an impairment loss recognised in
idication exists, the recoverable

ent loss does not exceed the
ecognised for the asset in prior

ciation or amortisation is recognised
asset is treated as a revaluation

ure that is not in terms of the
lity or organ of state and
inance Management Act
he Statement of Financial
the Statement of Financial

agement Act (Act No. 56 of 2003)
t No. 20 of 1998) or is in

accounted for as expenditure in
accounted for as revenue in the

d have been avoided had
for as expenditure in the
unted for as revenue in the