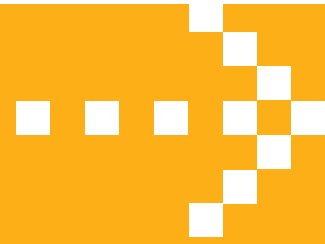


IMAGINE TOMORROW



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General information

MAYORAL COMMITTEE (1 MARCH 2006 – 30 JUNE 2006)

EXECUTIVE MAYOR	Amos Masondo	Chairperson
COUNCILLORS	Nandi Mayathula-Khoza	Community Development
	Parks Tau	Finance and Economic Development
	Matshidiso Mfikoe	Health
	Christine Walters	Corporate and Shared Services
	Prema Naidoo	Environment
	Thomas Phakathi	Public Safety
	Strike Ralegoma	Housing
	Ross Greeff	Infrastructure and Services
	Ruby Mathang	Development Planning and Urban Management
	Rehana Moosajee	Transport
	Bafana Sithole	Chief Whip
	Nkele Ntingane	Speaker

MAYORAL COMMITTEE (1 JULY 2005 – 28 FEBRUARY 2006)

EXECUTIVE MAYOR	Amos Masondo	Chairperson
COUNCILLORS	Sol Cowan	Inner City
	Parks Tau	Finance, Strategy and Economic Development
	Brian Hlongwa	Municipal Services Entities
	Prema Naidoo	Health
	Sizakele Nkosi-Malobane	Public Safety
	Nkele Ntingane	Municipal Enterprises
	Thomas Phakathi	Municipal Administration
	Strike Ralegoma	Housing
	Hilda Mokoena	Development Planning, Transportation and Environment
	Christine Walters	Community Development, Roads and Parks
	Bafana Sithole	Chief Whip
	Nandi Mayathula-Khoza	Speaker

GRADING OF LOCAL AUTHORITY The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of Item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

AUDITORS The Office of the Auditor-General: Gauteng
Block E PO Box 91081
Parkridge Office Park Auckland Park
61 Empire Road 2006
Parktown

BANKERS ABSA Bank Limited
CITY MANAGER Mavela AV Dlamini

CITY MANAGER (1 July 2005 – 30 April 2006) Pascal Moloi

EXECUTIVE DIRECTOR: Mankodi Moitse

FINANCE

REGISTERED OFFICE

Metropolitan Centre PO Box 1049
Loveday Street Johannesburg
Johannesburg 2000
Telephone:
+27 (0)11 407-6111
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Group Annual Financial Statements

for the year ended 30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 – 127, in terms of Section 126 (1) of the Municipal Finance Management Act, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



MAVELA DLAMINI

City Manager

31 January 2007



Report of the Auditor-General

TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY (CJMM) FOR THE YEAR ENDED 30 JUNE 2006

1. AUDIT ASSIGNMENT

The CJMM and group financial statements as set out on pages 8 to 127, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), section 126(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and section 300 of the Companies Act, 1973 (Act No. 61 of 1973), where applicable. These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette No. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The municipality is required to prepare financial statements on the basis of accounting determined by the National Treasury, as described in the addendum to this report.

4. QUALIFICATION

4.1 DEPARTURE FROM SA GENERALLY ACCEPTED ACCOUNTING PRACTICE

Due to the late clarification on the applicable accounting framework, the CJMM was not in a position to process all the adjustments required to comply with SA GAAP. The following areas of non-compliance were identified:

Operating lease expenditure was not recognised on a straight line method as required by IAS 17, Leases and SAICA Circular 7 of 2005. Furthermore, certain office equipment leased met the criteria to be accounted for as finance leases, whilst the office equipment was not accounted for as a finance lease.

The impact of the error could not be quantified.

4.2 REVENUE AND DEBTORS

In prior financial years, the audit opinions of Johannesburg Water (Pty) Ltd were disclaimed mainly due to the fair presentation of revenue generated by the billing system administered by CJMM. In the financial year under review and mainly as a result of the ongoing data clean-up process, numerous adjustments, relating to previous financial years, were effected to revenue and debtors' accounts as a result of the incorrect billing in the past. Therefore, until the data clean-up process is completed, I cannot conclude on the accuracy and completeness of revenue and debtors of Johannesburg Water (Pty) Ltd. Management anticipates completing the project in the 2007 financial year.

4.3 PROPERTY, PLANT AND EQUIPMENT

4.3.1 The fixed asset register of City Power (Pty) Ltd for movable and immovable assets held by the company was incomplete and was inadequately detailed to allow identification of the physical assets. Asset policies and procedures not approved at the time of the audit, untimely asset transfer capturing, inadequate fixed asset descriptions and changes to asset master file records not approved contributed to an inadequate fixed asset register.



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Consequently, I was unable to verify the completeness, existence and valuations of property, plant and equipment. Management embarked on an asset identification project aimed at identifying all assets owned by the company and determining the fair value of assets held. Management anticipates completing the project in the 2007 financial year.

4.3.2 CJMM had a policy to capitalise and fully depreciate property, plant and equipment over twelve months if the cost is below R10 000. This is contrary to GAMAP 17, Property, Plant and Equipment, which requires that depreciation be provided over the useful lives of the assets. The non-compliance with GAMAP 17 resulted in a depreciation charge of assets worth R43 million acquired during the year under review being recognised over twelve months rather than over the useful lives of the related assets. The cumulative misstatement of depreciation and property, plant and equipment resulting from the inadequate accounting policy could not be quantified.

5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements fairly present, in all material respects, the financial position of the CJMM at 30 June 2006 and the results of their operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in the accounting policy note 1 to the financial statements, and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and the Companies Act, 1973 (Act No. 61 of 1973), where applicable.

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

6.1 DEFERRED TAX

As disclosed in note 5 to the annual financial statements, an amount of R75 187 067 (2005: R68 258 797) related to Pikitup (Pty) Ltd. Pikitup (Pty) Ltd incurred accounting losses for the last two years and is not

expected to be in a profit position in the next financial year. Although, Pikitup (Pty) Ltd tabled a plan, with clearly defined milestones, to generate additional revenue streams, the probability of the plan realising taxable profits in the near future could not be determined with certainty at the time of the audit.

The effectiveness of management's plan will be evaluated during the 2006-2007 financial year.

6.2 INDIGENT DEBTORS' WRITE-OFF

The controls around the registration and write-off of indigent debtors were not implemented effectively. This resulted in an amount of R334 993 669 written-off which could not be supported by the appropriate documentation. Our audit enquiry resulted in the write-off of R334 993 669 being reversed. Thereafter the doubtful debtors provision was increased by R334 993 669.

6.3 NON-COMPLIANCE WITH LAWS AND REGULATIONS

Due to inadequate procedures to monitor and report on areas of non-compliance with laws and regulations, the following key areas of non-compliance with laws and regulations were noted:

6.3.1 Non-compliance with the MFMA

(a) Section 89(a) of the MFMA provides for the core municipality to determine the upper limits of the remuneration of the chief executive officers and senior management of the Municipal Entities. Such upper limits were not determined for the year under review.

(b) Contrary to section 165 of the MFMA, internal audit functions at the Johannesburg Social Housing Company, Metropolitan Trading Company (Pty) Ltd, Johannesburg Tourism Company, Johannesburg Roads Agency (Pty) Ltd and Johannesburg Fresh Produce Market (Pty) Ltd did not operate effectively during the financial year in that internal audit only commenced during the latter part of the financial year or the internal audit division was not appropriately capacitated.

(c) Contrary to sections 97, 98 and 105(d) of the MFMA, Pikitup (Pty) Ltd did not develop and implement controls to ensure the completeness of bin rental revenue administered by the CJMM.



Report of the Auditor-General

(d) The board of Johannesburg Metropolitan Bus Services (Pty) Ltd did not promptly report irregular, fruitless and wasteful expenditure incurred by Johannesburg Metrobus Services (Pty) Ltd to the mayor and municipal manager of the parent municipality as required by section 102 of the MFMA.

6.3.2 Non-compliance with the Municipal Systems Act, 2003 (Act No. 44 of 2003)

Section 93K of the Municipal Systems Act, 2003 (Act No. 44 of 2003), prohibits a municipal entity from the establishment of and acquisition of interests in corporate bodies. Contrary to this, the Johannesburg Development Agency (Pty) Ltd and Pikitup (Pty) Ltd acquired interests in corporate bodies.

From a governance point of view, the board should have regularised the transaction to ensure it is in line with the Municipal Systems Act and appropriately accounted for.

Pikitup (Pty) Ltd did not determine the nature of the investment in a company and the current recognition at cost was contrary to either IAS 28, Investments in Associates or IAS 27, Consolidated Financial Statements depending on the nature of the investment.

The deed of suretyship entered into by Pikitup (Pty) Ltd with this company in 2001 was not disclosed. The commitments or contingent liabilities in this regard were therefore not accounted for.

6.3.3 Non-compliance with Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005) (Regulations)

(a) Contrary to paragraph 19(a) of the regulations, certain goods and services at City Power (Pty) Ltd were not procured through a competitive bid process by the entity. A contract of R3 million could not be submitted for audit purposes to verify compliance to supply chain management regulations. Furthermore, two contracts totalling R54,5 million were not signed by both parties.

(b) The accounting officer of Johannesburg Fresh Produce Market (Pty) Ltd approved a contract dated 23 May 2006 amounting to R3 765 845 without evidence that the Procurement and Executive

Committees had approved the contract after evaluating the tender proposal.

(c) Contrary to regulations, Pikitup (Pty) Ltd awarded a tender to the value of R776 126 without the parties formalising the terms and conditions of the contract in writing. Furthermore certain tenders were awarded without entering into a service level agreement to enforce contractual performance.

(d) Pikitup (Pty) Ltd disposed of bulk containers to the value of R354 786 without following the tender procedures as required by the company policy and the supply chain management regulations.

(e) Paragraph 12 of regulations states that goods or services exceeding the amount of R200 000 must be procured through a competitive bidding process. Based on the sample tested, the CJMM procured security and filing system services each exceeding R200 000 without following the competitive bidding or tender process. These transactions were classified as emergency; hence the CJMM did not follow the competitive bidding process using the exemptions as highlighted in paragraph 36 of the regulations.

Although the exemption was applied in terms of paragraph 36 of the regulations, not all the conditions for the exemption were complied with as there was no evidence that the reasons for the deviation were tabled at council as required.

6.4 Departure from SA Generally Accepted Accounting Practice (SA GAAP)

Johannesburg Metropolitan Bus Service (Pty) Ltd, City Power (Pty) Ltd, Pikitup (Pty) Ltd and Johannesburg Fresh Produce Market (Pty) Ltd departed from SA GAAP, and hence qualified audit opinions were issued on the financial statements of these companies. The following key areas of non-compliance which resulted mainly from capacity constraints were identified:

- Property, plant and equipment were not assessed for impairment as required by IAS 16. Furthermore, the useful lives and residual values were not reviewed as required by IAS 16, Property, Plant and Equipment.
- IAS 39, Financial instruments: Recognition and measurement, which states that loans and receivables should be disclosed at amortised cost thus discounting it, using the effective interest rate method was not complied with.
- IAS 18, Revenue read with South African Institute of Chartered Accountants Circular 9 of 2006 was not adhered to regarding revenue and expenditure received/incurred by the entities, which should have been recognised at amortised cost thus discounting it using the effective interest rate method.

6.6 Grant finance

Due to the lack of supporting documentation the accuracy, validity, completeness and existence of grant finance amounting to R24 511 464 recognised in the books of City Housing Company could not be verified. Furthermore, the source as well as the accountability and governance structure for the original grant could not be determined.

6.7 Unknown bank call account

A bank call account unknown to the management was opened in the name of Johannesburg Metropolitan Bus Services (Pty) Ltd. The bank call account was not included in the accounts of Johannesburg Metropolitan Bus Services (Pty) Ltd. Management requested a forensic investigation on this matter to investigate the validity of transactions in this account.

6.8 Registration of freehold land and buildings

Freehold land and buildings sold by the CJMM to the municipal owned entities in terms of the sale of business agreement dated 30 May 2003 were not yet transferred into the name of the entities. The delay was due to unresolved technicalities relating to the transfer.

7. APPRECIATION

The assistance rendered by the staff of the CJMM and its Municipal Entities during the audit is sincerely appreciated.



TERENCE NOMBEMBE

Auditor-General

Pretoria

19 February 2007



Report of the Executive Director: Finance

Once again I am pleased to report the City of Johannesburg's balance sheet has grown stronger and its operational budget remains balanced. The City of Johannesburg continues to seize opportunities for excellence as we move forward.

Any discussion of the City of Johannesburg finances must begin with an expression of appreciation to the Executive Mayor, Member of Mayoral Committee responsible for finance, Mayoral Committee, Municipal Manager, Councillors, Executive Directors, Board of Directors, Managing Directors, CFO of municipal owned entities and Directors for the support they have given my personnel and me during the 2005/2006 financial year. A special word of gratitude is extended to all financial staff and others for their contribution, and to the office of the Auditor-General, and his staff, for conducting the external audits, as well as for their assistance, support and co-operation during the year.

Finally, a further word of thanks to everybody for the months of hard work, sacrifices and concentrated effort during the year, which enabled us to finalise these financial statements.

This review adds context and meaning to the group annual financial statements and should be read in conjunction with the attached group financial statements for the City of Johannesburg set out on pages 28 to 127. The consolidated results of the municipality incorporate the results and operations of its 16 operating companies as detailed in the annual report.

This is the first year in which the City has prepared its annual financial statements in compliance with Generally Recognised Accounting Practice (GRAP), Generally Accepted Municipal Accounting Practice (GAMAP) and South African Generally Accepted Accounting Practice (SA GAAP). The City believes that a firm foundation has been laid, which will enhance the timeliness and value of the statements to users not only in the current but also over future years.

The City of Johannesburg is formally functioning under the new Municipal Finance Management Act (MFMA),

which took effect from 1 July 2004. As a pilot municipality the City of Johannesburg has been working since 2001 to modernise its financial governance systems in order to operate openly, effectively and efficiently under the MFMA. The City is proud of its record of compliance with the MFMA, particularly in respect of public consultation on the budget and integrated development plan, and of meeting the deadlines for the Act's voluminous reporting requirements. The City remains fully committed to implementing both the letter and the spirit of the Act.

TECHNICAL AUDIT QUALIFICATION

In the past, in terms of MFMA Circular 18 – New Accounting Standards issued on 23 June 2005 and MFMA Circular 36 – Annual Financial Statements for 2005/06 – issued on 11 July 2006, municipalities and municipal entities had to comply with three GRAP and eight GAMAP statements. These three GRAP and eight GAMAP standards are the minimum standards to be complied with. In the event that a municipality has transactions not covered in these accounting standards, the procedures mentioned in paragraphs .07 to .12 of GRAP 3 (which deals with accounting policies, changes in accounting estimates and errors) must be followed.

However, on 4 October 2006 the Accountant General issued a letter to assist municipalities' auditors to finalise the 30 June 2006 audits and avoid the complexity resulting from the introduction of ISA 800. The three GRAP and eight GAMAP standards were still to be complied with. In applying the hierarchy provided in paragraph .12 of GRAP 3, municipalities seeking guidance in determining appropriate accounting policies and disclosure, municipalities must apply SA GAAP statements only.

Following from the letter issued on 4 October 2006, accounting policies for material transactions, events or conditions not covered by the three GRAP and eight GAMAP standards have been developed in accordance with paragraphs .07, .11 and .12 of GRAP 3. These accounting policies and the applicable disclosures have been based on South African Statements of Generally



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Accepted Accounting Practice including any interpretation of such Statements issued by the Accounting Practice Board.

This resulted in the City of Johannesburg obtaining a technical audit qualification because of office equipment leases not being capitalised (IAS17), the rental agreements not smoothed over the life of the agreements (IAS 17).

Notwithstanding the above the City has had a huge improvement on the previous year's audit. The CJMM,

on holding entity level, has successfully managed to address issues relating to completeness of revenue, the fixed asset register, and many other control environment issues. This has demonstrated the City's commitment to resolving issues and moving towards obtaining a unqualified audit opinion. The 'except for' qualification is a fundamental departure from many years of disclaimers. There is no doubt that the City's priority of being a well managed and governed city is expressed in the opinion expressed by the Auditor-General.



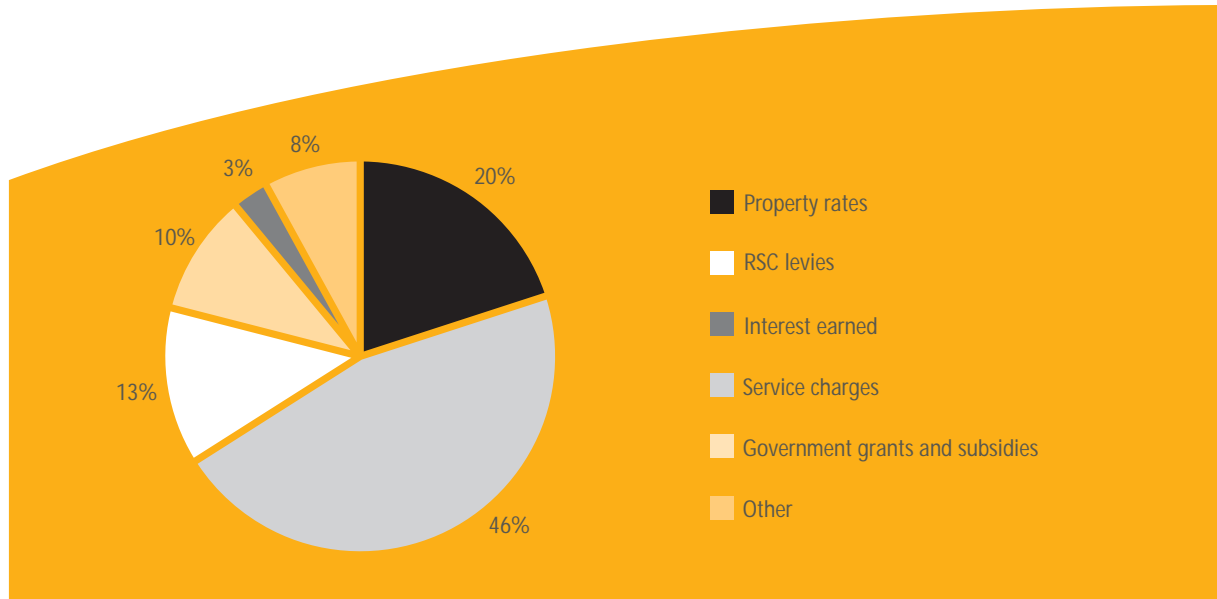
Report of the Executive Director: Finance

REVIEW OF THE GROUP OPERATING RESULTS

1. GROUP STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

	2005	2006	2006	2006	2005 to 2006	Proportion of total		Notes	
	Actual R000	Actual R000	Budget R000	Budget variance	Growth	2005	2006	Variance	Growth
Revenue									
Property rates	2 684 309	2 918 647	2 986 376	(2%)	9%	20%	20%		
Services charges	6 275 055	6 666 438	6 909 013	(4%)	6%	46%	46%		
RSC levies	1 550 966	1 905 493	1 714 508	11%	23%	11%	13%	1	5
Government grants and subsidies	1 049 989	1 370 865	1 187 959	15%	31%	8%	10%	2	6
Interest earned	409 719	465 175	369 964	26%	14%	3%	3%	3	7
Other	1 535 930	1 100 630	908 768	21%	(28%)	11%	8%	4	8
	13 505 968	14 427 248	14 076 588	2%	7%	100%	100%		
Expenses									
Employee related costs	3 057 727	3 467 390	3 566 781	3%	13%	25%	26%		9
Bad debts	980 420	844 645	903 397	7%	(14%)	8%	6%		10
Depreciation	872 163	909 050	940 753	3%	4%	7%	7%		
Interest on external borrowings	671 268	775 344	753 881	(3%)	16%	6%	6%		11
Bulk purchases	3 242 530	3 490 303	3 519 487	1%	8%	27%	26%		
Other	3 223 508	3 811 870	4 136 070	8%	18%	27%	29%		12
	12 047 616	13 298 602	13 820 369	4%	10%	100%	100%		
Surplus before fair value adjustment									
	1 458 352	1 128 646	256 219						
Impairment of loans		(36 599)							
Impairment of investments		(57 250)							
Net fair value adjustment on derivative instrument	(46 430)								
Surplus before taxation									
	1 411 922	1 034 797	256 219						
Taxation	75 275	158 484	48 334						
Surplus after taxation									
	1 336 647	876 313	207 885						

REVIEW OF THE GROUP OPERATING RESULTS (continued)
 2. BREAKDOWN OF MAJOR REVENUE STREAMS



Service charges comprise:

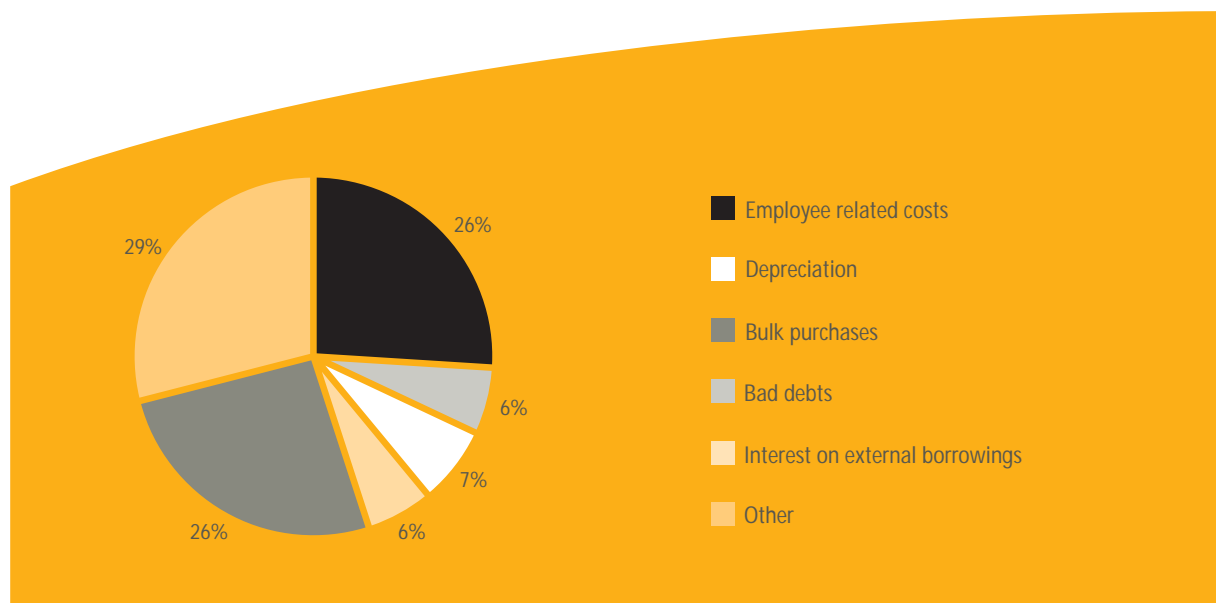
	2006		2005	
	R000	Actual %	R000	Actual %
Sale of electricity	3 381 998	51%	3 255 876	52%
Sale of water	1 826 910	27%	1 717 316	27%
Refuse removal	336 047	5%	321 339	5%
Sewerage and sanitation charges	1 015 407	15%	897 699	14%
Other services	106 076	2%	82 825	1%
Total	6 666 438	100%	6 275 055	100%



Report of the Executive Director: Finance

REVIEW OF THE GROUP OPERATING RESULTS (continued)

3. BREAKDOWN OF MAIN CATEGORIES OF EXPENDITURE



GROUP		CJMM	
2006	2005	2006	2005
R000	R000	R000	R000
26,07%	25,38%	23,43%	22,08%
3 467 390	3 057 727	1 801 659	1 462 874
13 298 602	12 047 616	7 689 245	6 625 040

3.1 Employee Related Cost to Operating Expenditure (%)

Personnel costs
Operating expenditure

The actual expenditure on personnel cost expressed as a percentage of the total expenditure shows an increase from 25,38% in 2004/05 to 26,07% in 2005/06. The ratio increased mainly as a result of actuarial gains recognised during 2004/05 against the personnel cost.

4. NOTES TO THE GROWTH AND VARIANCE ANALYSIS

Variations (actual vs budget 2006)

- 1 The additional RSC levies relate to additional debtors raised during the current year. The full amount has been provided for as doubtful and thus a zero impact on the surplus for the current financial year.
- 2 The MEs budget for Government Grants and Subsidies in terms of SA GAAP. The variance was caused due to the conversion of the deferred income to GRAP and GAMAP for consolidation purposes.
- 3 There was a reallocation of deemed interest from individual revenue accounts to interest received, amounting to R76 million.
- 4 The leave accrual has been written back.

REVIEW OF THE GROUP OPERATING RESULTS (continued)

4. NOTES TO THE GROWTH AND VARIANCE ANALYSIS (continued)

Growth (actual 2005 to actual 2006)

- 5 The positive growth is as a result of the favourable growth rate in the economy and an increase in turnover and salary cost levied by businesses.
- 6 Additional capital grant allocations were received from Government during the current financial year.
- 7 The budget for interest income was conservative, and did not fully anticipate the improvement in overall cash position and improved payment levels.
- 8 Included in the 2005 other income is a market-to-market gain on held-for-sale investments of R294 million, due to the changes in interest rates there was a loss in the current financial year of R81 million.
- 9 There was a general salary increase of about 7%, as well as a prior year recognition of actuarial gains.
- 10 The implementation of the revised bad debt policy.
- 11 The growth in the external interest mainly relates to the additional borrowing incurred.
- 12 The provision for the settlement of pension funds is the main contributor to the increase in general expenditure.

5. STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	2006 R000	2005 R000	Growth	Notes
Net assets and liabilities				
Net assets	10 786 880	8 081 535	33%	1
Non-current liabilities	7 641 129	6 419 100	19%	2
Current liabilities	4 829 138	4 943 876	(2%)	
	23 257 147	19 444 511	20%	
Assets				
Non-current assets	18 102 755	14 154 892	28%	3
Current assets	5 154 392	5 289 619	(3%)	4
	23 257 147	19 444 511	20%	

5.1 Notes

- 1 Included in non-current assets is a fair value adjustment to land in CJMM of R1,838 million.
- 2 During June 2006 there was a bond issue of R1,200 million.
- 3 Included in fixed assets is a fair value adjustment to land in CJMM of R1,838 million and capital expenditure of R2,768 million for the Group during the current financial year.
- 4 There was a reduction in the bad debt provision as well as an improvement in the current investments.



Report of the Executive Director: Finance

REVIEW OF THE GROUP OPERATING RESULTS (continued)

6. ACCOUNTING RATIOS

6.1 Quick asset ratio

This ratio is a more accurate test of a municipality's ability to settle its current debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since inventory is for City's own use and not for sale, it is not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. Inventory is immaterial and has no significant impact on the difference between the operating capital ratio and the quick asset ratio.

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Quick asset ratio	1,05	1,05	0,85	0,81
Current assets (excluding inventory)	5 070 250	5 204 000	4 012 562	4 025 059
Current liabilities	4 829 138	4 943 876	4 746 120	4 978 505

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since current debt can be paid out of current assets. The ratio remained constant for both financial years under review.

6.2 Solvency

The total assets are compared to the total liabilities, and shows the City's ability to meet its obligations in the long term. A ratio of less than one is an indication of insolvency.

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Solvency ratio	1,87	1,71	1,78	1,65
TOTAL ASSETS				
Non-current assets	18 102 755	14 154 892	17 089 309	13 952 634
Current assets	5 154 392	5 289 619	4 032 277	4 045 279
Total	23 257 147	19 444 511	21 121 586	17 997 913
TOTAL LIABILITIES				
Non-current liabilities	7 641 129	6 419 100	7 145 741	5 962 432
Current liabilities	4 829 138	4 943 876	4 746 120	4 978 505
Total	12 470 267	11 362 976	11 891 861	10 940 937

There was an overall improvement in the solvency of the City of Johannesburg. During the year there was a fair value adjustment of Property Plant and Equipment of R1,838 million and capital expenditure of R2,768 million. The major external debt used to finance the capital expenditure was a bond issue of R1,200 million.

REVIEW OF THE GROUP OPERATING RESULTS (continued)

6. ACCOUNTING RATIOS (continued)

6.3 Interest bearing debt to revenue

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Interest bearing debt to revenue (%)	40,78%	39,00%	69,51%	65,92%
Non-current interest bearing debt	5 770 475	4 594 119	5 537 102	4 335 473
Current interest bearing debt	113 589	672 743	91 315	631 561
Total interest bearing debt	5 884 064	5 266 862	5 628 417	4 967 034
Total revenue	14 427 248	13 505 968	8 097 006	7 535 117

There was an increase in the ratio as a result of the additional bond issue during the financial year. The ratio still remains under 50% for the Group and can thus be regarded as acceptable. The ratio for CJMM is extremely high due to the central borrowing being done by CJMM Treasury for the whole Group. Inter-company loans are then given to the MEs in order to finance their capital expenditure.

6.4 Interest paid on debt

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Interest paid on debt (%)	13,18%	12,75%	12,57%	12,20%
External interest	775 344	671 268	707 355	605 834
Total interest bearing debt	5 884 064	5 266 862	5 628 417	4 967 034

This ratio gives a good indication of the interest rate for the City. The weighted average cost of borrowings (excluding finance leases) was 10,90% for the 2005/06 financial year.

6.5 Days debtors outstanding

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Days debtors outstanding	302	320	276	300
Opening consumer debtors	9 022 358	8 886 218	3 748 841	3 690 629
Closing consumer debtors	9 446 016	9 022 358	3 877 799	3 748 841
Bad debts written off during the year	739 466	727 151	309 273	116 022
Average consumer debtors	9 603 920	9 317 864	3 967 957	3 777 746
Property rates	2 918 647	2 684 309	2 931 476	2 706 596
Service charges	6 666 438	6 275 055	302 554	248 059
Regional Service Council levies	1 905 493	1 550 966	1 925 379	1 573 638
Interest earned – outstanding debtors	126 770	119 585	83 401	67 875
Total	11 617 348	10 629 915	5 242 810	4 596 168



Report of the Executive Director: Finance

REVIEW OF THE GROUP OPERATING RESULTS (continued)

7. REVIEW OF CJMM AND MEs OPERATING RESULTS

CJMM

Description	2006 Actual R000	2006 Original budget R000	2006 Revised budget R000	2006 Variance R000	2005 Actual R000
Income	8 097 006	7 177 746	7 693 352	403 654	7 535 117
Expenditure	7 689 245	6 889 780	7 612 827	(76 418)	6 625 040
Surplus	407 761	287 966	80 525	327 236	910 077

Description	2006 Actual R000	2006 Original budget R000	2006 Revised budget R000	2006 Variance R000	2006 Variance %
Government grants and subsidies	1 156 260	1 041 427	1 179 878	(23 618)	(2%)
Interest earned	1 016 477	790 526	947 526	68 951	7%
Other income	5 924 269	5 345 793	5 565 948	358 321	6%
Income	8 097 006	7 177 746	7 693 352	403 654	5%
Depreciation	463 736	574 067	463 767	31	0%
Grants and subsidies paid	1 807 163	1 670 154	1 802 711	(4 452)	0%
Bad debts	316 624	368 055	332 005	15 381	5%
Other expenses	5 101 722	4 277 504	5 014 344	(87 378)	(2%)
Expenditure	7 689 245	6 889 780	7 612 827	(76 418)	(1%)

MEs – aggregated profit/surplus and (loss)/(deficit) before tax

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Aggregate profit/surplus	598 350	67 630	530 720	528 615
Aggregate loss/deficit	(50 693)	72	(50 765)	(74 597)
Net result	547 657	67 702	479 955	454 018

Adjustments were made to these numbers as a result of normal consolidation process and ensuring all subsidiaries apply the same accounting practices.

City Power Johannesburg

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	3 658 471	3 617 396	41 075	3 445 028
Expenditure	3 513 231	3 557 682	44 451	3 281 549
Profit/(loss) before taxation	145 240	59 714	85 526	163 479

The positive variance in revenue is attributable to the substantial increase in volumes sold particularly during the winter period. Other revenue streams contributed to the positive variance, such as new service connections and skills development grants though to a limited extent.

The positive variance in expenditure is due to savings in employee related costs because of budgeted vacancies not being filled, savings in consulting fees, and savings in the depreciation charge due to capital projects still under construction. This is notwithstanding the increase in direct costs relating to energy purchases.

REVIEW OF THE GROUP OPERATING RESULTS (continued)

7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

Pikitup Johannesburg

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	600 468	622 861	(22 393)	600 461
Expenditure	638 843	622 861	(15 982)	641 204
Profit/(loss) before taxation	(38 375)		(6 411)	(40 743)

During the current financial year, Pikitup embarked on a data clean up project. The project revealed that some of the business customers being billed by Pikitup were actually receiving services from private contractors or were no longer occupying the buildings and some buildings were occupied by illegal residents. Therefore the preparation for the budget was based on incorrect data. The negative variance in expenditure is largely due to finance costs as a result of interest paid on Post-retirement employee benefits.

Johannesburg Water

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	3 278 975	3 199 995	78 980	3 104 759
Expenditure	2 863 538	3 143 987	280 449	2 785 853
Profit/(loss) before taxation	415 437	56 008	359 429	318 906

The positive variance in revenue is largely due to better service revenue as a result of the continuing data cleansing exercise, whilst the positive variance in expenditure is primarily due to the positive effects of Operation Gcin'amanzi in reducing cost of sales as well as the reduction in bad debts due to improved payment levels and a prudent cost management of operational expenditure.

Johannesburg Roads Agency

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	415 406	401 699	13 707	385 966
Expenditure	413 227	401 686	(11 541)	382 069
Profit/(loss) before taxation	2 179	13	2 166	3 897

The positive variance is largely due to increased jobbing income as a result of capex roll-out and the asphalt sales being above budget. The unfavourable variance in expenditure is due to the appointment of external contractors to assist JRA with the implementation of its projects as well as price increases in material cost of up to 56% for bitumen used to manufacture asphalt.



Report of the Executive Director: Finance

REVIEW OF THE GROUP OPERATING RESULTS (continued)

7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

Johannesburg City Parks

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	357 014	342 945	14 069	336 286
Expenditure	328 908	342 945	14 037	322 623
Profit/(loss) before taxation	28 106		28 106	13 663

The positive variance is mainly due to higher than expected grave bookings and rental of facilities and equipment. The positive variance in expenditure is due savings in employee related costs due to natural attrition, and the savings in contracted services due to the company's outsourcing reduction strategy and the CoJ2 contract with Fleet Africa not implemented.

Johannesburg Metropolitan Bus Services

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	310 527	327 435	(16 908)	293 544
Expenditure	310 254	327 385	17 131	291 194
Profit/(loss) before taxation	273	50	223	2 350

The negative variance in revenue is mainly due to the industrial action during the first half of the year resulting in a negative impact on the reliability of Johannesburg Metropolitan Bus Services buses, hence the decline in expected revenue. The favourable variance in expenditure is largely due to savings in employee related costs because of vacancies not being filled.

Johannesburg Fresh Produce Market

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	142 847	123 194	19 653	111 570
Expenditure	139 091	112 734	(26 357)	94 354
Profit/(loss) before taxation	3 756	10 460	(6 704)	17 216

The positive variance in revenue is attributable to commission revenue due to higher crops, demand by consumers with more disposable income and ongoing efforts by the Johannesburg Fresh Produce Market to "bring back the Retailers".

The negative variance in expenditure is primarily due to overspending in employee related costs and contracted services because of a lack of capacity in the Finance Department and the Human Resource Department, resulting in the utilisation of management consultants.

Johannesburg Zoo

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	42 837	41 216	1 621	35 311
Expenditure	41 629	41 215	(414)	34 624
Profit/(loss) before taxation	1 208	1	1 207	687

The positive variance is mainly due to additional operating subsidy income of R4,4 million from the CJMM. The negative variance in expenditure is mainly due to an increase in employee related costs as a result of the Zoo's development programme where additional animal keepers are required and some services are performed in-house.

REVIEW OF THE GROUP OPERATING RESULTS (continued)

7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

The Johannesburg Civic Theatre

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	32 514	31 821	693	31 792
Expenditure	30 995	31 134	139	29 410
Profit/(loss) before taxation	1 519	687	832	2 382

The favourable variance is mainly due to a very well attended and received season. The contributing highlights in the last quarter were David Kau (SA comedian); Groet die grotman (Afrikaans comedy); and the return of Harry Sideropoulos 'No sugar, Canderel please'.

Johannesburg Property Company

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	24 044	28 651	(4 607)	25 362
Expenditure	23 729	28 460	4 731	20 099
Profit/(loss) before taxation	315	191	124	5 263

The unfavourable variance in revenue is mainly due to the CJMM operational subsidy income that was not fully drawn, due to the entity maximising other revenue streams. The positive variance in expenditure is mainly due to cost savings caused by the timing of new appointments and savings on recruitment costs.

Johannesburg Development Agency

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	26 384	29 053	(2 669)	23 797
Expenditure	26 068	29 031	2 963	50 017
Profit/(loss) before taxation	316	22	293	(26 220)

The negative variance in revenue is as a result of lower investment income being derived due to a reduction in cash holdings. JDA budget had anticipated the transfer from Blue IQ i.r.o. the Kliptown project and the transfer from the Strategic Public Transport Network, which did not materialise. The positive variance in expenditure is mainly due to savings in employee related costs as a result of a high staff turnover experienced during the year as well as savings on project consultants costs for the Inner City project that was put on hold.

Metropolitan Trading Company

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	29 956	32 734	(2 778)	28 360
Expenditure	32 102	32 734	632	28 364
Profit/(loss) before taxation	(2 146)		(2 146)	(4)

The unfavourable variance is mainly due to a 25% reduction in rentals in order to accommodate traders, and the fact that the Kliptown complex has not yet been handed over for occupation.



Report of the Executive Director: Finance

REVIEW OF THE GROUP OPERATING RESULTS (continued)

7. REVIEW OF CJMM AND MEs OPERATING RESULTS (continued)

Johannesburg Tourism Company

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	11 680	11 992	(312)	7 358
Expenditure	11 721	11 920	199	7 385
Profit/(loss) before taxation	(41)	72	(113)	(27)

The negative variance is mainly due to lower than anticipated private sector support/sponsorships.

Johannesburg Social Housing Company

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	15 411	16 427	(1 016)	10 248
Expenditure	15 479	16 336	857	10 056
Profit/(loss) before taxation	(68)	91	(159)	192

The negative variance in revenue is mainly due to a lower recoupment of expenditure claims from City Housing Company for the recovery of general expenses normally incurred on behalf of City Housing Company by Johannesburg Social Housing Company. Conversely, the favourable variance in expenditure is due to the savings in general expenses normally recouped from City Housing Company.

Roodepoort City Theatre

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	7 002	8 160	(1 158)	5 736
Expenditure	6 933	8 053	1 120	5 128
Profit/(loss) before taxation	69	107	(38)	608

The unfavourable variance is mainly due to private sector support/sponsorships not materialising, particularly the sponsorship withdrawal by SASOL due to a re-focus from the Arts to Soccer and Rugby as well as the donation from the National Lotteries Distribution Trust Fund not materialising. The favourable variance in expenditure is mainly due to the Theatre not incurring expenditure linked to the private-sector donations and sponsorships.

Johannesburg City Housing Company

Description	2006 Actual R000	2006 Budget R000	2006 Variance R000	2005 Actual R000
Income	4 441			2 552
Expenditure	14 504			10 182
Profit/(loss) before taxation	(10 063)			(7 630)

Johannesburg City Housing Company is currently being liquidated and did not form part of the City's budget process on its own, due to a Council decision to voluntarily liquidate the entity.



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SPECIAL PROJECTS

The City of Johannesburg has undertaken a number of processes to ensure that all revenue due to the City is being billed. In particular reconciliation between the billing system and the valuation system has been undertaken. To date the City of Johannesburg has been able to match 93% of properties listed in both systems. The vast majority of the properties not matched on the two systems have a value of less than R20 000 and are thus exempt from assessment rate charges. These outstanding properties will not affect the financial statements materially during future periods.

The billing system has been one of our major challenges for some time. The City is implementing corrective measures to address the billing issues. The aim is to improve both revenue and service to the customers.

The City has performed an overall assessment of the billing processes, resulting in the introduction of Programme Phakhama, which will also address the customer-relation management process. The Programme is mandated to establish a new service utility that will perform the customer and revenue billing functions for the City. This includes the implementation of SAP CRM and SAP IS-U 4.7. The benefits expected to flow from this will be seamless revenue management and customer-interface business processes.

PROGRAMME MOTHEO

On 1 March 2007 the City will be going live on SAP R/3 Financials to further enhance the benefits that will arise from implementing a single integrated application to support Revenue and Customer Interface Management (Programme Phakhama). The goal of Project Motheo is to replace the existing administrative and financial functions on the COJ Venus system with an integrated back office system enabled by SAP R/3.

The objectives of Project Motheo are to:

- support the financial reforms
- provide a stable sustainable and cost-effective operational platform to enable internal users to provide excellent services, promote a self-help environment for clients of CJMM
- align and integrate with the revenue process.

The implementation of an ERP came at the right time to ensure that the City can work effectively and be able to comply with the required standards and legislation.

APPLICATION OF INDIGENT DEBTOR POLICY

A project was initiated to audit and ensure the completeness of the documentation for each approved write-off emanating from the indigent registration process.

The audit and creation of files was completed in the current financial year and a number of deficient files were identified. A process of obtaining missing documents is currently underway. The registration process continued and additional indigent debtor write-offs of R876 million were made during the current financial year. The incentive of writing off arrears on registration was stopped on 31 March 2006. A number of reversals totalling R344 million took place mainly as a result of customers selling their properties and the correction of fraudulent applications.



Report of the Executive Director: Finance

FIXED ASSETS

As reported last year management embarked on a land-register project to update the municipal records with correct information. The City of Joburg is pleased that the time consuming and complex exercise led to the value of the immovable assets being reflected at their fair value in the financial statements in the current and previous financial year. These adjustments were R6,8 billion and R1,8 billion for 04/05 and 05/06 financial years respectively.

RETIREMENT BENEFITS FUNDING

The process of finalising the settlement is nearing the end in respect of post retirement benefits of employees for which the City of Johannesburg, for the two major funds, accrued approximately R400 million in the current financial year.

CONTINGENT LIABILITIES

The City's contingent liabilities are made up of several court actions and other claims against the City of Johannesburg amounting to approximately R267 million.

WATER LOSSES

Unaccounted-for water for the year improved from 32,8% to around 31,5% of bulk purchases. To reduce this inherent business risk the City has implemented operation Gcin'amanzi, which is a multi-faceted programme, already successfully addressing water supply, water demand, water conservation, water wastage, education, communication, ownership of consumption and non-payment for services.

ELECTRICITY LOSSES

Unaccounted-for electricity losses have decreased by 0,51% from a base of 12,9% to 12,48% of bulk purchases compared year-on-year. The City is implementing a plan to reduce non-technical losses such as illegal connection and inadequate meter reading.

AGEING INFRASTRUCTURE/CUSTOMER ORIENTATION

The City is focusing on improving service delivery to all our customers. In addressing service delivery, the City is continuing to invest in the infrastructure with the capital, which is a high priority as the future cost of replacement or maintenance increases substantially the

longer such work is deferred. Approximately R3 billion per year has been earmarked for capital projects over the next three years.

IMPAIRMENT OF INVESTMENTS AND LOANS

In line with the decision to subordinate certain ME loans, a review was performed of the carrying value of all MEs and their loans. The provision created in the previous year was sufficient and thus no impairments were provided for in the current financial year, except for the impairment of loans to Pikitup Johannesburg (Pty) Ltd amounting to R91,6 million. There were, however, minor reversals of impairments provided for in the financial year 2005/2006.

REGIONAL ELECTRICITY DISTRIBUTION SERVICES (REDS)

On 25 October 2006, Cabinet approved the proposal to create six Regional Electricity Distributors (REDS) which will be established as public entities under the auspices of the Electricity Distribution Industry Holdings Ltd. These entities will be accountable to the Ministry of Minerals and Energy. The next steps will include the drafting of legislation and business plan for the establishment of the REDs.

The participation of each municipality or its entity is still to be determined, but it is likely that it will be based on the valuation of its assets or future revenue streams. The National Treasury is to provide a framework, which will be used as basis of business valuation and transfer of assets. In a restructured state, a RED will be service provider to a municipality, which will remain a service authority in accordance with the prescripts of the MSA. Further clarity is still to be provided around the legislative and regulatory issues such as the constitutional mandate of local government as a service authority.

REGIONAL SERVICE LEVIES

From 1 July 2007 the City is no longer levying RSC. Currently replacement by a grant funding a zero rating of property rates etc. The City of Joburg and all other municipalities have been given two years to collect all outstanding levies as at 30 June 2006.



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INVESTOR RELATIONS BOND MARKET

The decreased funding requirement of the government due to improved tax collections continued to limit the supply of public-sector debt instruments during 2006. In the first ten months of 2006, net issues of government bonds amounted to R10,4 billion. At the same time net issues of fixed-interest securities by public corporations amounted to R5,0 billion and the City of Johannesburg raised R1,2 billion in June 2006 to fund its capital investment initiatives. In total, the net issues of fixed-interest securities by the public sector of R16,7 billion in the first ten months of 2006 fell substantially below the R22,8 billion raised in the corresponding period in 2005.

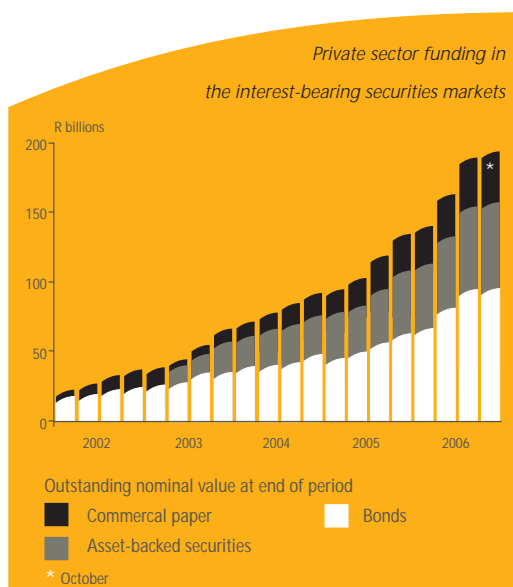
Notwithstanding the low borrowing requirement, the government maintained its presence in the international bond markets with the issuance in April 2006 of a €750 million ten year bond, which mobilised funds to the amount of R5,5 billion. Prior to the issuance by the government, two private-sector companies entered the international markets in January and February 2006 and Eskom issued a €500 million seven-year bond in March. Although no further issuance occurred from May to October, the R12,1 billion raised by public and private-sector borrowers in the first ten months of 2006 exceeded the R8,9 billion raised in the international bond markets in the whole of 2005. The private sector increasingly sourced funding through the domestic bond market in 2006. After increasing by R19,3 billion in 2004 and R31,5 billion in 2005, the outstanding nominal value of private-sector loan stock listed on the Bond Exchange of South Africa (BESA) increased by a further R48,8 billion in the first ten months of 2006. The private sector also attained additional funding through the issuance of short-term commercial paper. The value of commercial paper listed on BESA increased by R9,7 billion in the first ten months of 2006, bringing the outstanding nominal value to R36,1 billion in October.

PRIVATE SECTOR FUNDING IN THE INTEREST-BEARING SECURITIES MARKETS

Although the Repo rate has been hiked by a cumulative 200 basis points the bond yields have bucked the Repo rate trend. Bond yields have rallied by a cumulative 120 basis points from the highs although the repo rate and inflation have been trending upwards.

MUNICIPAL BONDS

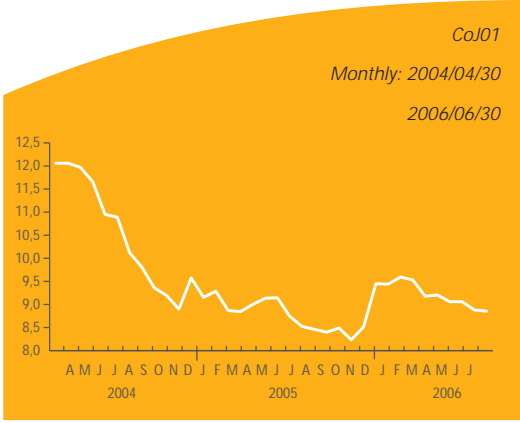
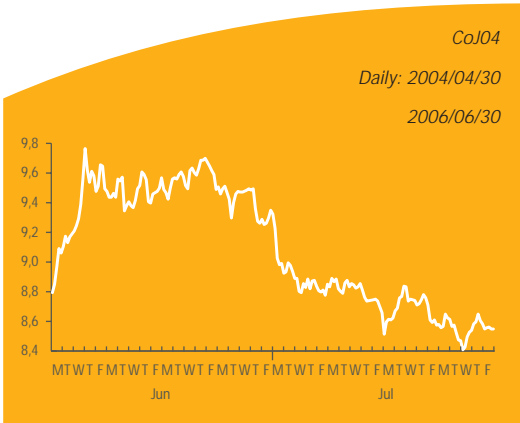
The City of Johannesburg successfully launched its second bond COJ04 under its Domestic Medium Term Note Programme (DNTM) in June 2006. COJ04 was a 12-year bond with a R1,2 billion nominal amount. It cleared at 120 basis points above the government comparison R203. It was 4,6 times over subscribed and the City broadened its investor base by adding four additional institutional investors who hold and trade the bonds. COJ04 is truly remarkable, which reflects investor confidence in the City of Johannesburg and a deeper understanding of the City's credit curve by the investors. The City of Johannesburg had R3,9 billion outstanding on the Bond Exchange of South Africa for the period ended 30 June 2006.



Report of the Executive Director: Finance

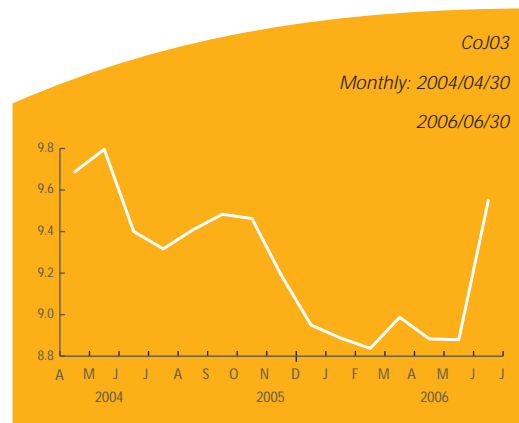
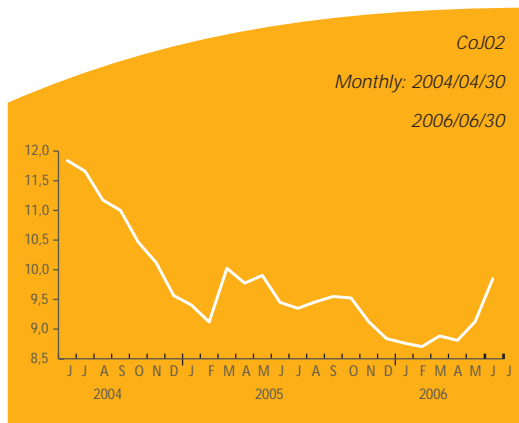
Bond code	Maturity	Nominal amount	Tenure (years)	Comparison bond	BP spread	Coupon %
COJ01	13/04/2010	R1 bn	6	R153	90	11,95
COJ02	15/09/2016	R1 bn	12	R157	120	11,90
COJ03	26/04/2013	R700 m	8	R157	105	9,70
COJ04	05/06/2018	R1,2 bn	12	R203	110	9,00

Source: Bond Exchange of South Africa (BESA) at 30 June 2006



COJ01 spread above the R153 has compressed significantly from 130 basis points above the R153 to 90 basis points; this is due to the increased liquidity of trading in the secondary market. The compression is also a result of investor confidence as COJ01 originally cleared at 230 basis points above the benchmark in 2004.





COJ02 originally cleared at 164 basis points above the R157; its spread compressed to 145 in June 2005 and as of 30 June 2006, the partially guaranteed bond was trading at 120 basis points above the comparison. COJ02 is a 12-year bond, 40% partially guaranteed by the Development Bank of Southern Africa (DBSA) and International Finance Corporation (IFC) and is rated AA by Fitch ratings. It redeems on 15 March 2016 and has a multiple redemption structure.

COJ03 was the inaugural issue to come from the Domestic Medium Term Note Programme (DMTN); it originally cleared at 154 basis points above the government comparison R157 in 2005. It was trading at 145 basis points on 30 June 2005 and has compressed to 105 basis points for the period under review. COJ03 was the smallest issue of all of the City's bonds, with a nominal issue size of R700 million.

THE CITY'S CREDIT RATING

The City of Joburg is rated by two rating agencies:

Rating	Fitch ratings			
	National rating	Current rating	Previous rating	Rating action
Short-term		F1 (zaf)	F2 (zaf)	April 2005
Long-term		A (zaf)	A- (zaf)	May 2006
Outlook		Positive	-	-
Partial guaranteed bonds		AA (zaf)	AA- (zaf)	May 2006



Report of the Executive Director: Finance

FITCH RATINGS

In May 2006, Fitch ratings upgraded the City of Johannesburg's long-term rating from A- (zaf) to A (zaf). This was due to:

- a strong economic performance, the City has 5% annual growth rate outperforming the national average of 4%
- improving operations, reflecting in above 90% collection rates and improving water and electricity losses
- strengthening budgetary performance
- a solid liquidity position, cash and equivalents averaged ZAR1,6 billion
- a stable 45% debt-to-operating revenue ratio.

CA RATINGS

Rating	CA rating			
	Current rating	Rating action	Previous rating	Rating action
Short-term	ZaA1		ZaA1	
Long-term	ZaA+	April 2005	ZaA	May 2005
Outlook	Stable		Stable	

CA ratings upgraded the City of Johannesburg in May 2006 from zaA to zaA+ due to:

- the City of Johannesburg's diversified local economy
- strong operating performance
- improvement in the City of Johannesburg's billing systems that allow for complete revenue and strong improvement in collections
- the City of Johannesburg's strong cash and near cash balances
- the City of Johannesburg's debt burden remaining moderate during 2005 with a debt to income ratio of 40%.

PROSPECTS

The City of Johannesburg Metropolitan Municipality is committed to sourcing the most cost-effective and diversified funding to fund its capital infrastructure projects. It will continue to fund through the debt capital markets and is currently investigating raising its capital expenditure for 2006-2007 through a retail bond issue where the Joburg resident will be able to participate in assisting the City in raising capital. There are a number of other initiatives such as the Infrastructure conference, which will enable the City to source the most innovative funding, and structural solutions to fund 2010 Soccer projects and other long-term capital projects.

AUDIT COMMITTEE

The City's independent Audit Committee, reconstituted under the MFMA consisted of four members chaired by

Mr Brian Hawksworth, was an important contributor to the City of Johannesburg's financial improvement during the year. The Audit Committee closely monitored management's progress in addressing the audit findings of the Auditor-General, and held to account individual managers in the few cases where there was no progress. The Audit Committee closely monitored management's progress in addressing the audit findings of the Auditor-General, and held to account individual managers in the cases where there was inadequate progress

Finally, the Committee's individual and collective professional expertise contributed significantly to operational improvement in Johannesburg Risk and Audit Services, the Department of Finance and Economic Development and the financial functions throughout the core administration and Municipal Entities.

MANKODI MOITSE

Executive Director: Finance

City of Johannesburg Metropolitan Municipality
Johannesburg

31 January 2007

Statement of financial position

as at 30 June 2006

Notes	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
NET ASSETS AND LIABILITIES				
Net assets				
	10 786 880	8 081 535	9 229 725	7 056 976
	Housing Development Fund			
2	98 783	94 358	98 783	94 358
	Capital Replacement Reserve			
	439 360	497 781	439 360	497 781
	Capitalisation Reserve			
	1 182 802	789 318	503 084	281 758
	Government Grant Reserve			
	466 708	379 676	207 860	225 483
	Donations and Public Contribution Reserves			
	38 596	29 935	38 596	29 935
	COID Reserve			
	3 984	226		
	Revaluation Reserve			
	8 556 647	6 290 241	7 942 042	5 927 661
	Accumulated surplus/(deficit)			
	7 641 129	6 419 100	7 145 741	5 962 432
Non-current liabilities				
	5 770 475	4 594 119	5 537 102	4 335 473
3	Non-current liabilities			
	1 799 106	1 824 981	1 608 639	1 626 959
4	Non-current provisions			
5	Deferred tax liability			
	71 548			
Current liabilities				
	4 829 138	4 943 876	4 746 120	4 978 505
	Consumer deposits			
6	327 122	310 485	201 978	203 940
	Current provisions			
7	464 336	58 646	413 598	
	Creditors			
8	3 541 178	3 601 084	3 802 383	3 976 347
	Unspent conditional grants and receipts			
9	362 522	286 344	214 011	166 657
	VAT			
10	12 107		22 835	
	Taxation			
	8 284	14 574		
	Current portion of non-current liabilities			
3	113 589	672 743	91 315	631 561
	23 257 147	19 444 511	21 121 586	17 997 913
Total net assets and liabilities				
ASSETS				
Non-current assets				
	18 102 755	14 154 892	17 089 309	13 952 634
	Property, plant and equipment			
11	16 913 135	13 274 501	11 823 227	9 114 049
	Intangible assets			
12	95 804	82 314		
	Investments			
13	955 379	562 828	1 138 496	695 536
	Deferred tax asset			
5		82 252		
	Non-current receivables			
14	138 437	152 997	4 127 586	4 143 049
Current assets				
	5 154 392	5 289 619	4 032 277	4 045 279
	Inventory			
15	84 142	85 619	19 715	20 220
	Accounts receivable			
16	2 173 046	1 867 606	716 461	562 564
	VAT			
10		7 056		11 033
	Other debtors			
17	542 945	848 516	616 845	676 693
	Current investments			
13	579 275	827 847	579 275	827 847
	Current portion of non-current receivables			
14			312 275	276 854
	Call deposits			
18	1 714 203	1 595 188	1 700 671	1 584 344
	Bank balances and cash			
19	60 781	57 787	87 035	85 724
	23 257 147	19 444 511	21 121 586	17 997 913
	Total assets			



Statement of financial performance

for the year ended 30 June 2006

BUDGET GROUP			
2005 Revised R000	2006 Original R000	2006 Revised R000	
			Revenue
2 695 183	2 936 376	2 986 376	Property rates
6 257 519	6 822 805	6 909 013	Service charges
1 510 484	1 574 508	1 714 508	Regional Service Council levies
81 747	111 749	71 498	Rental facilities and equipment
142 446	162 376	316 332	Interest earned – external Investments and ME loans
57 678	40 200	53 632	Interest earned – outstanding debtors
191 000	200 608	200 678	Fines
152	256	256	Licences and permits
125 879	131 758	133 812	Income from agency services
964 831	694 935	1 187 959	Government grants and subsidies
539 595	564 405	458 807	Other income
	351 142	6 557	Public contributions, donated and contributed property, plant and equipment
37 000	37 000	37 160	Gains on disposal of property, plant and equipment
12 603 514	13 628 118	14 076 588	Total revenue
			Expenditure
3 265 689	3 541 051	3 566 781	Employee-related costs
50 100	48 219	52 719	Remuneration of councillors
973 030	904 686	903 397	Bad debts
			Collection costs
916 137	1 062 506	940 753	Depreciation
194 339	210 690	214 986	Repairs and maintenance
614 522	794 786	753 881	Interest on external borrowings
3 361 209	3 686 503	3 519 487	Bulk purchases
1 500 104	1 437 496	1 536 715	Contracted services
167 251	25 399	133 906	Grants and subsidies paid
1 363 096	1 517 460	2 197 744	General expenses
5			Loss on disposal of property, plant and equipment
12 405 482	13 228 796	13 820 369	Total expenditure
198 032	399 322	256 219	Surplus (deficit) before fair value adjustment
			Impairment of loans
			Impairment of investments
			Fair value adjustment on derivative instrument
198 032	399 322	256 219	Surplus (deficit) before taxation
37 295	23 624	48 334	Taxation
160 737	375 698	207 885	Surplus (deficit) after taxation

Notes	ACTUAL GROUP		ACTUAL CJMM	
	2006	2005	2006	2005
	R000	R000	R000	R000
20	2 918 647	2 684 309	2 931 476	2 706 596
21	6 666 438	6 275 055	302 554	248 059
	1 905 493	1 550 966	1 925 379	1 573 638
	63 627	78 468	47 887	65 281
	338 405	290 134	933 076	853 768
	126 770	119 585	83 401	67 875
	193 030	167 363	193 030	167 363
	928	557	928	557
	146 119	141 340	145 773	141 085
22	1 370 865	1 049 989	1 156 260	879 115
23	524 437	1 004 811	334 717	777 158
	133 481	89 660	4 768	1 597
	39 008	53 731	37 757	53 025
	14 427 248	13 505 968	8 097 006	7 535 117
24	3 467 390	3 057 727	1 801 659	1 462 874
25	50 056	45 180	50 056	45 180
26	844 645	980 420	316 624	463 712
	1 631	749		
11	909 050	872 163	463 736	423 841
	241 009	205 523	62 603	49 246
27	775 344	671 268	707 355	605 834
28	3 490 303	3 242 530		
29	1 368 252	1 453 371	736 874	790 504
30	142 280	183 104	1 807 163	1 774 817
31	1 973 939	1 332 146	1 708 623	1 009 032
	34 703	3 435	34 552	
	13 298 602	12 047 616	7 689 245	6 625 040
32	1 128 646	1 458 352	407 761	910 077
	(36 599)		(90 623)	(216 804)
32	(57 250)	(46 430)		(31 701)
	1 034 797	1 411 922	317 138	661 572
33	158 484	75 275		
	876 313	1 336 647	317 138	661 572



Statement of changes in net assets

for the year ended 30 June 2006

Group	Housing Development Fund R000	Capital Replacement Reserve R000	Capitalisation Reserve R000
Balance at 1 July 2004	106 178	50 713	1 105 886
Operating surplus for the year			
Land audit			
Assets at fair value (depreciation)			
Correction of errors (note 45)			
Revaluation of property, plant and equipment			
Transfer to CRR		75 392	
Property, plant and equipment purchased		(31 963)	31 963
Capitalisation adjustment		216	
Capital grants used to purchase property, plant and equipment			
Donated/contributed property, plant and equipment			
Contribution to COID reserve			
COID claims processed			
Off-setting of depreciation			(640 068)
Balance at 30 June 2005 as previously stated	106 178	94 358	497 781
Correction of errors (note 41)	(106 178)		
Balance at 1 July 2005 (restated)		94 358	497 781
Operating surplus for the year			
Revaluation property, plant and equipment			
Transfer to CRR		35 861	
Property, plant and equipment purchased		(31 597)	
Capitalisation adjustment		161	
Capital grants used to purchase property, plant and equipment			
Donated/contributed property, plant and equipment			
Contribution to COID reserve			
COID claims processed			
Asset disposals			(5 519)
Land audit			
Assets at fair value (depreciation)			
Assets found – offsetting of depreciation			
Off-setting of depreciation			(52 902)
Balance at 30 June 2006		98 783	439 360

Government Grants Reserve R000	Donations and Public Contribution Reserve R000	COID Reserve R000	Revaluation Reserve (NDR) R000	Accumulated surplus (deficit) R000	Total R000
444 731	600 059	20 661	1 198	(371 759)	1 957 667
				1 123 927	1 123 927
				6 354 647	6 354 647
				(1 290 115)	(1 290 115)
169 754	(193 152)		(972)	(550 805)	(574 203)
				972	
				(75 392)	
				13 869	14 085
450 300	84 529			(450 300)	
				(84 529)	
		18 985		(18 985)	
		(9 711)		9 711	
(273 549)	(125 583)			1 039 200	
791 236	365 853	29 935	226	5 700 441	7 586 008
(1 918)	13 823			589 800	495 527
789 318	379 676	29 935	226	6 290 241	8 081 535
				876 313	876 313
			3 758	(35 861)	3 758
				31 597	
					161
485 913	142 670			(485 913)	
				(127 918)	14 752
		19 882		(19 882)	
		(11 221)		11 221	
	(15 824)			23 788	2 445
				1 838 253	1 838 253
				(229 502)	(229 502)
				229 502	229 502
(92 429)	(39 814)			154 808	(30 337)
1 182 802	466 708	38 596	3 984	8 556 647	10 786 880



Statement of changes in net assets

for the year ended 30 June 2006

CJMM	Housing Development Fund R000	Capital Replacement Reserve R000
Balance at 1 July 2004	106 178	50 713
Land audit and assets found		
Assets at fair value (depreciation)		
Correction of errors (note 41)		
Balance at 1 July 2004 (restated)	106 178	50 713
Operating surplus for the year		
Transfer to CRR		75 392
Property, plant and equipment purchased		(31 963)
Capitalisation adjustment		216
Capital grants used to purchase PPE		
Donated/contributed PPE		
Contribution to COID Reserve		
COID claims processed		
Offsetting of depreciation		
Balance at 30 June 2005 as previously stated	106 178	94 358
Correction of errors (note 41)	(106 178)	
Balance at 1 July 2005 (restated)		94 358
Operating surplus for the year		
Assets at fair value		
Transfer to CRR		35 861
Property, plant and equipment purchased		(31 597)
Capitalisation adjustment		161
Capital grants used to purchase PPE		
Donated/contributed PPE		
Contribution to COID Reserve		
COID claims processed		
Shortfall on reserves		
Offsetting of depreciation		
Balance at 30 June 2006		98 783

Capitalisation Reserve R000	Government Grants Reserve R000	Donations and Public Contribution Reserve R000	COVID Reserve R000	Accumulated surplus (deficit) R000	Total R000
1 105 886	237 009	334 315	20 661	(151 800)	1 702 962
				6 354 647	6 354 647
				(1 290 115)	(1 290 115)
				(309 891)	(309 891)
1 105 886	237 009	334 315	20 661	4 602 841	6 457 603
				424 084	424 084
				(75 392)	
31 963				13 869	14 085
	285 041			(285 041)	
		1 204		(1 204)	
			18 985	(18 985)	
			(9 711)	9 711	
(640 068)	(230 936)	(123 151)		994 155	
497 781	291 114	212 368	29 935	5 664 038	6 895 772
	(9 356)	13 115		263 623	161 204
497 781	281 758	225 483	29 935	5 927 661	7 056 976
				317 138	317 138
				1 838 253	1 838 253
				(35 861)	
				31 597	
	277 610			(277 610)	161
		14 907		(155)	14 752
			19 882	(19 882)	
			(11 221)	11 221	
(5 519)		(15 824)		23 788	2 445
(52 902)	(56 284)	(16 706)		125 892	
439 360	503 084	207 860	38 596	7 942 042	9 229 725



Cash flow statement

for the year ended 30 June 2006

Notes	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Cash flows from operating activities				
	13 886 597	13 221 240	7 965 200	7 108 074
	(11 153 532)	(10 421 160)	(7 197 004)	(5 343 168)
34	2 733 065	2 800 080	768 196	1 764 906
	465 175	409 719	1 016 477	921 643
35	(775 344)	(671 268)	(707 355)	(605 834)
	(10 974)	(289 595)		
	2 411 922	2 248 936	1 077 318	2 080 715
Cash flows from investing activities				
	(2 742 657)	(1 860 270)	(1 361 285)	(1 016 210)
	54 170	54 154	47 153	53 113
	(48 596)	(30 811)		
	(449 801)	479 311	(442 960)	460 193
	248 572	(827 847)	248 572	(827 847)
	(119 015)	(445 558)	(116 327)	(434 714)
	14 560	(40 755)	(110 581)	(718 595)
	(3 042 767)	(2 671 776)	(1 735 428)	(2 484 060)
Cash flows from financing activities				
37	1 176 356	(140 631)	1 201 629	(66 640)
	16 637	58 686	(1 962)	36 318
37	(559 154)	428 026	(540 246)	410 976
	633 839	346 081	659 421	380 654
	2 994	(76 759)	1 311	(22 691)
Bank and cash equivalents				
	57 787	134 546	85 724	108 415
19	60 781	57 787	87 035	85 724

Notes to the financial statements

for the year ended 30 June 2006

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise stated.

These financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005.

The Standards comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs .07, .11 and .12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, except for the straight-lining of operating leases and the capitalisation of office equipment leases in the City of Johannesburg Metropolitan Municipality.

These accounting policies are consistent with those of the previous financial year.

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

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

These group annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise stated.

The group annual financial statements represent the consolidated financial position, financial performance, and cash flow information of CJMM and its Municipal Entities. Municipal Entities are companies over which the Group exercises control. The share of net assets and results of these MEs are included from the effective date of control, until the effective date of cessation of control.

BASIS OF CONSOLIDATION

Investment in Municipal Entities (MEs)

MEs are those entities over whose financial and operating policies the Group has the power to exercise beneficial control.

The group annual financial statements incorporate the assets, liabilities and results of the operations of the CJMM and its MEs. The results of the MEs acquired and disposed of during the financial year are, respectively, included from the effective dates of acquisition, and to the effective dates of disposal.

Where necessary, the accounting policies of MEs are changed to ensure consistency with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements.



Notes to the financial statements

for the year ended 30 June 2006

1. ACCOUNTING POLICIES (continued)

USE OF ESTIMATES

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

PRESENTATION CURRENCY

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

GOING CONCERN ASSUMPTION

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

COMPARATIVE INFORMATION

Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year.

Prior year comparatives:

When the presentation or classification of items in the annual financial statements has been amended, prior period comparative amounts have been reclassified. The nature and reason for the reclassification has been disclosed.

HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing developments undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing developments, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which includes rental income and sale of houses, must be paid into the

Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area, subject to the approval of the Provincial MEC responsible for housing.

RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the unappropriated surplus to the CRR in terms of a Council resolution (Item 22 dated 23 June 2004). A corresponding amount has been ring-fenced against call investment deposits. The ring-fenced cash can be utilised only to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the CRR is utilised.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan.

Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.



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RESERVES (continued)

Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grant Reserve equal to the government grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Compensation for Occupational Injuries and Diseases (COID) Reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0,75% of the salary expense. CJMM is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status CJMM is mandated to establish its own fund and administers this fund in terms of the COID Act.

Revaluation reserve

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

POST-EMPLOYMENT BENEFITS

Pension funds

CJMM and certain MEs provide defined benefit and/or defined contribution retirement benefit plans for the benefit of employees. The employees fund these plans and the employers in the Group, taking into account the recommendations of independent actuaries where relevant. The Group also provides gratuity plans and subsidies after retirement for medical aid contributions and housing costs. These plans are partly unfunded, except that in respect of the MEs a portion of the cost may be recovered from CJMM.

Defined contribution plans

The Group's funding of defined contribution plans is charged to the statement of financial performance in the same period as the related service is provided.



Notes to the financial statements

for the year ended 30 June 2006

1. ACCOUNTING POLICIES (continued) POST-EMPLOYMENT BENEFITS (continued)

Defined benefit plans

The group provides defined benefit plans in respect of retirement benefits, gratuities, and subsidisation of medical aid contributions and housing costs after retirement for qualifying employees.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations, calculated by using the projected unit credit method, and reduced by the fair value of plan assets, where relevant. The amount of any surplus recognised is limited to the present value of any available refunds and reduction in future contributions for the employers in the Group. To the extent that there is uncertainty as to the entitlement to the surplus, no asset is recognised.

Actuarial gains and losses are recognised immediately in income or expense in the period in which they arise. Past service costs are recognised immediately the benefits are vested, otherwise they are recognised when it is probable that the expense will be incurred.

Post-retirement medical benefits

The Group operates a number of employee medical schemes. The Group provides post-retirement medical benefits to certain ex-employees. The liability for these benefits up to the date of the formation of the MEs has been assumed by CJMM. These benefits are charged to the statement of financial performance in the year of payment. The expected costs of these benefits are accrued over the period of employment. Independent actuaries carry out valuations of these obligations.

Housing subsidies

The CJMM provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

Purchase of service

Certain pension funds allow members to purchase additional service in terms of the fund's rules. This is reflected in the

statement of financial performance when the expense is incurred.

Gratuities

CJMM provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

Bonus pensionable service and medical boardings

The benefits of bonus pensionable service and medical boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the cost of average weighted borrowings to the Group.

TRADE CREDITORS

Trade creditors are stated at their nominal value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, excluding land and heritage, is stated at cost less accumulated depreciation and accumulated impairment losses, except land as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs incurred in the acquisition, establishment and installation

1. ACCOUNTING POLICIES (continued)
PROPERTY, PLANT AND EQUIPMENT (continued)

of such assets so as to bring them to working condition for their intended use. The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Residual value

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

Property, plant and equipment (excluding land) are depreciated to a nil value with no residual values being maintained. Where there are residual values these are not material.

Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful life. Depreciation of asset commences when the asset is ready for its intended use.

The annual depreciation rates are based on the following estimated asset lives:

Infrastructure assets	Years	Other assets	Years
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 – 30	Other vehicles	5
Water infrastructure	15 – 20	Office equipment	3 – 7
Sewerage infrastructure	15 – 20	Furniture and fittings	7 – 10
Housing	30	Watercraft	15
Community assets	Years	Bins and containers	5
Buildings	30	Specialised plant and equipment	10 – 15
Recreational facilities	20 – 30	Other items of plant and equipment	2 – 5
Security	5		

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

Profits and losses arising on the disposal or retirement of an item of property, plant and equipment, determined as the difference between the actual proceeds and the carrying amount of the assets, are recognised in the statement of financial performance in the period in which they occur.

Landfill site, where historical experience indicates that restoration costs will be incurred; a liability for the site restoration costs is recorded. The liability recorded is measured at the present value of the estimated future restoration costs to be incurred. The present value of the liability is capitalised to the underlying landfill site asset to which the restoration costs relate at the inception of the restoration obligation. These amounts are amortised over the estimated useful life of the related asset.

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.



Notes to the financial statements

for the year ended 30 June 2006

1. ACCOUNTING POLICIES (continued)

Investment properties

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years, except for land where no depreciation is provided for.

Impairment of cash-generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the consolidated statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amounts of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment of non-cash generating assets

Non-cash generating assets such as Infrastructure and community assets are not impaired as no open market value can be obtained and there is no intention to sell these assets as they are for the benefit of the community.

INTANGIBLE ASSETS

Intangible assets comprise software and servitudes, and are shown at cost, less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life.

Servitudes are not amortised.

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.



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1. ACCOUNTING POLICIES (continued) INVESTMENTS

The municipality may have the following types of investments.

- Held-to-maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.
- Held-for-sale investments are those financial assets that are designated as available for sale or not classified as held-to-maturity investments or financial assets at fair value through profit or loss.

INITIAL MEASUREMENT of financial instruments is at cost, which is the fair value of the consideration given. The fair value is usually the transaction price or market price.

Transaction costs are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets.

HTM investments and loans and receivables originated by the entity and not held for trading are subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments 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.

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

The Municipality limits its counterparty exposure arising from money market by only dealing with well established financial

institutions confirmed by the rating agency. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of financial performance.

Investment in MEs

Investments in MEs are carried at cost. The group annual financial statements are prepared to account for the CJMM's share of net assets and post-acquisition results of these investments.

LEASES

Leases classification.

Leases involving property, plant and equipment whereby the lessor provides finance to the lessee with the asset as security, and where the lessee assumes significant risks and rewards of ownership of those leased assets, are classified as finance leases.

Leases of property, plant and equipment to the lessee, under which the lessor effectively retains the significant risks and rewards of ownership of the leased assets, are classified as operating leases.

Finance leases

Finance leases are capitalised at the estimated present value of the underlying lease payments and a corresponding finance lease liability is raised. Each lease payment is allocated between the liability and finance charge so as to achieve a constant finance rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing borrowings. The interest element of the finance charges is charged to the statement of financial performance over the lease period. The property, plant and equipment acquired under finance lease contracts are depreciated over the useful lives of the assets.



Notes to the financial statements

for the year ended 30 June 2006

1. ACCOUNTING POLICIES (continued)

LEASES (continued)

Operating leases

Payments made under operating leases are charged to the statement of financial performance.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

INVENTORIES

Inventories include consumable stores, maintenance materials, spare parts for plant and equipment, work in progress and land and or property held for sale. Cost is determined by the first-in-first-out method and comprises all costs of purchases, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost and current replacement cost. Current replacement cost represents the cost the municipality would incur to acquire the asset on the reporting date.

When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense on the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.

The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are investments with maturities of three months or less, subject to an insignificant risk of change in value, that are held with registered banking institutions. These cash reserves are available to the group.

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

REVENUE RECOGNITION

Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meter readings are made on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly where meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and not when prepaid electricity is consumed.

Revenue from the sale of goods is recognised when the risks and rewards of ownership are passed to the purchaser.

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

Interest and rentals are recognised on a time-proportion basis.



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1. ACCOUNTING POLICIES (continued) REVENUE RECOGNITION (continued)

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

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

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

Revenue from non-exchange transactions

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

Revenue from Regional Service Levies, both that based on turnover as well as that based on remuneration, is recognised on the receipt basis. Whilst provisional estimates are prepared when a registered levy payer does not submit a levy declaration, these provisional estimates cannot be recognised as Regional Service Levies due to uncertainty as to the reason why a registered levy payer has not submitted a declaration, as well as the basis of determining provisional estimates, which are deliberately inflated to encourage submission of declarations by registered levy payers.

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

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

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

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Group 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.

TAXATION

Current taxation

The charge for current taxation is based on the results for the period and is adjusted for items that were disallowed. Current taxation is measured at the amount expected to be paid, using taxation rates and laws that have been enacted by the financial position date. Taxation is provided for only in the MEs to whom the Income Tax Act is applicable.

Deferred taxation

Deferred taxation is provided using the balance sheet liability method for all temporary differences arising between the carrying amount of assets and liabilities on the consolidated statement of financial position, and their respective taxation basis.

Deferred tax liability is recognised for all taxable temporary differences to the extent that it is probable that it will not reverse in the foreseeable future.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

BORROWING COSTS

Borrowing cost are recognised as an expense in the statement of financial performance.



Notes to the financial statements

for the year ended 30 June 2006

1. ACCOUNTING POLICIES (continued)

UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). 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.

IRREGULAR EXPENDITURE

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

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.

SEGMENTAL INFORMATION

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The Group operates solely in its area of jurisdiction as determined by the Demarcation Board.

DERIVATIVE INSTRUMENTS

The Group does not engage in speculative trading in derivative instruments.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund encompasses the following assets:

Other debtors

Accumulated losses limited to fund assets

Other

Unappropriated surplus

3. NON-CURRENT LIABILITIES

Local registered stock loans

Funding facility

Structured loans

Development Bank of SA

Listed bonds

Capitalised leases

Other

Less: Current portion transferred to current liabilities

Local registered stock loans

Funding facility

Structured loans

Development Bank of SA

Capitalised leases

Other

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Other debtors	61 342	56 570	61 342	56 570
Accumulated losses limited to fund assets	(61 342)	(56 570)	(61 342)	(56 570)
Unappropriated surplus				
3. NON-CURRENT LIABILITIES				
Local registered stock loans	30 000	330 400	30 000	330 400
Funding facility	47 433	60 155	47 433	60 155
Structured loans	1 249 159	1 439 508	1 249 159	1 439 508
Development Bank of SA	570 525	625 541	570 525	625 541
Listed bonds	3 730 000	2 510 000	3 730 000	2 510 000
Capitalised leases	255 647	299 828		
Other	1 300	1 430	1 300	1 430
	5 884 064	5 266 862	5 628 417	4 967 034
Less: Current portion transferred to current liabilities				
Local registered stock loans		300 399		300 400
Funding facility	15 995	12 734	15 995	12 733
Structured loans	20 327	263 336	20 327	263 336
Development Bank of SA	54 863	54 962	54 863	54 962
Capitalised leases	1 357	25 137		
Other	21 047	16 175	130	130
	113 589	672 743	91 315	631 561
	5 770 475	4 594 119	5 537 102	4 335 473

Refer to Appendix A for details of non-current liabilities.

The capitalised lease liabilities are secured by the underlying assets.

For so long as any portion of the bonds remains outstanding, CJMM and its MEs may encumber their assets only provided that, subsequent to any such encumbrance, CJMM retains unencumbered assets with an aggregate book value of not less than R3,75 billion and, when combined with assets of the MEs, an aggregate book value of not less than R8 billion.



Notes to the financial statements

for the year ended 30 June 2006

4. NON-CURRENT PROVISIONS

Provision for reclamation of refuse landfill sites
 Post-retirement purchase of service
 Pensionable bonus and medical boarding
 Post-retirement medical aid
 Post-retirement housing subsidies
 Post-retirement gratuities

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	140 152	145 043		
	12 597	27 421	12 597	27 421
	30 368	66 858	30 368	66 858
	1 173 933	1 155 477	1 138 959	1 116 828
	10 525	10 699	10 375	10 439
	431 531	419 483	416 340	405 413
	1 799 106	1 824 981	1 608 639	1 626 959
Provision for reclamation of refuse landfill sites				
Balance at beginning of year	145 043	141 389		
Contributions to provision	5 583	3 764		
Expenditure incurred	(5 080)	(110)		
Transfer to current provisions	(5 394)			
Balance at end of year	140 152	145 043		
Post-retirement purchase of service				
Balance at beginning of year	27 421	32 000	27 421	32 000
Contributions to provision		2 515		2 515
Expenditure incurred	(14 824)	(7 094)	(14 824)	(7 094)
Balance at end of year	12 597	27 421	12 597	27 421
Pensionable bonus and medical boarding				
Balance at beginning of year	66 858	135 173	66 858	135 173
Expenditure incurred	(36 490)	(68 315)	(36 490)	(68 315)
Balance at end of year	30 368	66 858	30 368	66 858
Post-retirement medical aid				
Balance at beginning of year	1 155 477	1 038 026	1 116 828	1 005 940
Contributions to provision	95 233	189 271	94 283	181 406
Expenditure incurred	(76 777)	(71 820)	(72 152)	(70 518)
Balance at end of year	1 173 933	1 155 477	1 138 959	1 116 828
Post-retirement housing subsidies				
Balance at beginning of year	10 699	10 861	10 439	10 739
Contributions to provision	1 672	1 534	1 478	1 401
Expenditure incurred	(1 846)	(1 696)	(1 542)	(1 701)
Balance at end of year	10 525	10 699	10 375	10 439
Post-retirement gratuities				
Balance at beginning of year	419 483	468 710	405 413	462 591
Contributions to provision	52 971	(8 293)	41 609	(25 496)
Expenditure incurred	(40 923)	(40 934)	(30 682)	(31 682)
Balance at end of year	431 531	419 483	416 340	405 413

5. DEFERRED TAXATION

Deferred taxation assets
Deferred taxation liabilities

Deferred taxation liability comprises:

Property, plant and equipment
Intangible assets
Provisions and deferred income
Impairments
Prepayments and other allowances
Doubtful debts
Lump sum pension contributions
Capitalised lease liability
Other

Reconciliation

Balance at the beginning of the year
Income Statement (expense)/ Income

Balance at end of year

6. CONSUMER DEPOSITS

Electricity and water deposits
Refuse
Other deposits

No interest accrues on consumer deposits as the CJMM is not a deposit-taking organisation in terms of the Banking Act.

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	509 885	597 795		
	(581 433)	(515 543)		
	(71 548)	82 252		
	(523 284)	25 007		
	(1 966)	(1 418)		
	29 871	(2 877)		
	212 091	(205 389)		
	(122)	(135)		
	(505)			
	462	-		
	(1 738)	(1 454)		
	213 643	268 518		
	(71 548)	82 252		
	82 252	(138 821)		
	(153 800)	221 073		
	(71 548)	82 252		
	323 580	307 052	198 801	200 507
	102			
	3 440	3 433	3 177	3 433
	327 122	310 485	201 978	203 940



Notes to the financial statements

for the year ended 30 June 2006

7. CURRENT PROVISIONS

Performance bonus
Staff 13th cheque
Defined benefit funds
Other

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	20 875	31 402		
	23 994	26 667		
	413 598		413 598	
	5 869	577		
	464 336	58 646	413 598	
	31 402	21 254		
	8 434	23 927		
	(18 961)	(13 779)		
	20 875	31 402		
	26 667	21 064		
	31 473	30 942		
	(34 146)	(25 339)		
	23 994	26 667		
	413 598		413 598	
	413 598		413 598	
	577	238		
	5 869	177		
	(577)	162		
	5 869	577		
	1 685 825	1 619 331	697 541	694 051
	79 168	100 231	74 015	98 820
	77 613	23 774	23 712	23 216
	782 107	744 111	452 160	510 205
	326 082	75 052		
	261 718	341 145	202 374	270 003
	328 665	697 440	8 587	37 883
			2 343 994	2 342 169
	3 541 178	3 601 084	3 802 383	3 976 347

8. CREDITORS

Trade creditors
Payments received in advance
Retentions
Credit balances in consumer debtors
Accruals
Staff leave
Other creditors
MEs current loans

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional grants from National and Provincial Government

Equitable share

Provincial health subsidies

Provincial grants: capital projects

Municipal infrastructure grant

Financial management grant

Restructuring grant

Provincial grants: operating projects

Municipal System improvement grant

Other (Detail breakdown on an attachment)

Other conditional receipts

Public contributions

Other

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	131 282	77 745	131 282	77 745
	33 602	866	32 865	
	6 014	5 817	6 014	5 817
	14 056	73 623	14 056	73 623
	3 071		3 071	
	3 040		3 040	
		22 300		
	75 786	105 956	23 683	9 472
	95 671	37		
	362 522	286 344	214 011	166 657
	12 107	(7 056)	22 835	(11 033)

See note 22 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

10. VAT

VAT payable/(receivable)

VAT is payable on the receipt basis. Only once payment is received from Debtors is VAT remitted to SARS.

11. PROPERTY, PLANT AND EQUIPMENT

Beginning in January 2001, CJMM and the various MEs entered into sale-of-business agreements in terms of which CJMM sold, as going concerns, its Municipal Service Divisions to the newly formed companies. The effect of the corporatisations and the sale of businesses is that the Municipal Service operations are now housed in separate companies (MEs), whilst the ultimate constitutional responsibility for the provision of municipal services remains with CJMM. In this regard, CJMM has entered into service delivery agreements with the MEs. CJMM is in the process of finalising the outstanding issues and seeking clarity regarding Taxation before transfer of certain fixed assets can take effect.

The fixed asset records held by the City in one or the other form had as a whole, been incomplete. Global amounts and vague asset descriptions were included in the fixed asset register. During the year, the City followed the guideline for the implementation of accounting standards issued by National Treasury. Chapter 3 of this guide outlines two methods for determining values of property, plant and equipment at the date of implementation of the standards, and three options to be considered when dealing with incomplete data and global amounts in the asset registers. The City adopted method 2 by valuing land, furniture and office equipment at fair value and option 3 taking the adjustments arising out of the fair valuing of land, furniture and equipment against the opening balance of the accumulated surplus in the Statement of Changes in Net Assets. The re-valued assets were captured with new acquisition date of 29 March 2005. This approach was documented, discussed with the Office of the Auditor General, and was approved by the Council of the City. This option was selected by the City as appropriate to the circumstances, cost-effective and pragmatic. Consequent to the above decisions, the City re-valued its land and movable assets at their fair values, and wrote off assets containing insufficient data and global amounts with a cost of R4 612 billion and a net book value of R1 290 billion and replaced them with assets with a fair value of R6 355 billion. The net adjustment was made against accumulated surplus in the Statement of Changes in Net Assets as per GAMAP 17.



Notes to the financial statements

for the year ended 30 June 2006

11. PROPERTY PLANT AND EQUIPMENT (continued)

For the purpose of this exercise, land assets held by the City were established with reference to old records, title deeds held by the City and with reference to the information per the deeds office. The valuation of land was performed utilising the "Desk Top" method. The method utilises the SA Property Transfer Guide and market assessment assumptions as comparisons for market related values, and does not include site inspection. All properties were valued as vacant land, with no irregularities or defaults such as servitudes, marsh land, or other factors which could not be accounted for without viewing the sites. The valuation was performed by a registered appraiser/valuer, registered in terms of Act 66 of 1965.

Moveable assets were assigned a fair value after physical verification. The fair valuation was based on the price that an informed buyer would be willing to pay, in a normal arms-length transaction to a willing seller.

The land register is available for inspection at the registered office of CJMM.

In terms of the conditions of the bonds issued during the year and as detailed in note 3 to these financial statements, the municipality and it's MEs are required to maintain unencumbered assets with a book value of R3,75 billion for CJMM and R8 billion for the Group.

Refer to Appendices B and C for detailed analysis of fixed assets.

Group	Total R000	Land and buildings R000	Infra- structure R000	Community assets R000	Heritage assets R000	Specialised vehicles R000	Investment properties R000	Other assets R000
Carrying value								
1 July 2005	13 274 501	6 843 147	3 653 315	221 451	81 882	219 147	1 000 603	1 254 956
Cost	16 706 455	7 773 529	4 976 168	294 044	114 845	413 804	1 000 603	2 133 462
Accumulated depreciation	(3 431 954)	(930 382)	(1 322 853)	(72 593)	(32 963)	(194 657)		(878 506)
Acquisitions	2 621 607	342 998	786 448	142 960	35 692	498		1 313 011
Capital under construction	121 050	3 758						117 292
Increase/decreases in fair land value	1 838 253	1 575 454	41 233	216 372			4 899	295
Capitalisation adjustment	17 324	14 917	2 363	823				(779)
– based on cost	39 962	19 961	18 027	935				1 039
– based on cost accelerated	(22 638)	(5 044)	(15 664)	(112)				(1 818)
Depreciation	(909 050)	(147 530)	(327 717)	(39 312)	(2 928)	(30 978)		(360 585)
– based on cost	(909 050)	(147 530)	(327 717)	(39 312)	(2 928)	(30 978)		(360 585)
Carrying value of disposals	(49 865)	(38 288)	(10 034)	2 287	(6 746)	(284)	4 621	(1 421)
Cost/revaluation	(136 687)	(41 222)	(15 767)	(220)	(13 155)	(13 765)	4 621	(57 179)
Accumulated depreciation	86 822	2 934	5 733	2 507	6 409	13 481		55 758
Other movements	(685)	52 132	628 992	20 254				(702 063)
Cost/revaluation	(321)	52 046	628 992	20 254				(701 613)
Accumulated depreciation	(364)	86						(450)
Carrying values at 30 June 2006	16 913 135	8 646 588	4 774 600	564 835	107 900	188 383	1 010 123	1 620 706
Cost	21 190 319	9 726 524	6 435 101	674 345	137 382	400 537	1 010 123	2 806 307
Accumulated depreciation	(4 277 184)	(1 079 936)	(1 660 501)	(109 510)	(29 482)	(212 154)		(1 185 601)



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11. PROPERTY PLANT AND EQUIPMENT (continued)

Group	Total R000	Land and buildings R000	Infra- structure R000	Community assets R000	Heritage assets R000	Specialised vehicles R000	Investment properties R000	Other assets R000
Carrying value 1 July 2004	7 232 440	2 158 362	3 751 369	178 236	57 399	250 782		836 292
Cost	13 118 000	3 195 966	7 280 075	416 374	89 898	413 770		1 721 917
Accumulated depreciation	(5 885 560)	(1 037 604)	(3 528 706)	(238 138)	(32 499)	(162 988)		(885 625)
Acquisitions	1 181 078	191 320	476 891	83 758	19 597	62		409 450
Capital under construction	679 192							679 192
Increase/decreases in fair land value	6 354 647	6 162 679	2	795	78			191 093
Capitalisation adjustment	(6 720)	(1 020 471)	12 228	920			1 000 603	
Depreciation	(2 162 278)	(685 228)	(1 143 785)	(44 838)	(3 905)	(31 696)		(252 826)
– based on cost	(872 163)	(106 196)	(486 812)	(18 337)	(3 395)	(31 696)		(225 727)
– based on cost accelerated	(1 290 115)	(579 032)	(656 973)	(26 501)	(510)			(27 099)
Carrying value of disposals	(3 858)	(2 931)	19 411	(19 865)		(1)		(472)
Cost/revaluation	(4 619 742)	(795 381)	(3 328 170)	(230 248)	(3 441)	(28)		(262 474)
Accumulated depreciation	4 615 884	792 450	3 347 581	210 383	3 441	27		262 002
Other movements		39 416	537 199	22 445	8 713			(607 773)
Cost/revaluation		39 416	535 142	22 445	8 713			(605 716)
Accumulated depreciation			2 057					(2 057)
Carrying value 30 June 2005	13 274 501	6 843 147	3 653 315	221 451	81 882	219 147	1 000 603	1 254 956
Cost	16 706 455	7 773 529	4 976 168	294 044	114 845	413 804	1 000 603	2 133 462
Accumulated depreciation	(3 431 954)	(930 382)	(1 322 853)	(72 593)	(32 963)	(194 657)		(878 506)



Notes to the financial statements

for the year ended 30 June 2006

11. PROPERTY PLANT AND EQUIPMENT (continued)

CJMM	Total R000	Land and buildings R000	Infra- structure R000	Community assets R000	Heritage assets R000	Investment properties R000	Other assets R000
Carrying values at at 1 July 2005	9 114 049	6 376 399	1 149 286	221 451	81 882	1 000 603	284 428
Cost	10 705 208	7 134 951	1 550 985	294 044	114 845	1 000 603	609 780
Accumulated depreciation	(1 591 159)	(758 552)	(401 699)	(72 593)	(32 963)		(325 352)
Acquisitions	1 246 536	286 377	556 593	142 960	35 692		224 914
Capital under construction	114 749						114 749
Increase/decreases in fair value	1 838 253	1 575 454	41 233	216 372		4 899	295
Capitalisation adjustment	17 324	14 917	2 363	823			(779)
Cost	39 752	19 961	18 027	935			829
Accumulated depreciation	(22 428)	(5 044)	(15 664)	(112)			(1 608)
Depreciation	(463 736)	(104 902)	(86 652)	(39 312)	(2 928)		(229 942)
– Based on cost	(463 736)	(104 902)	(86 652)	(39 312)	(2 928)		(229 942)
Carrying value of disposals	(43 948)	(38 288)	(4 728)	2 287	(6 746)	4 621	(1 094)
Cost/revaluation	(113 107)	(41 222)	(9 131)	(220)	(13 155)	4 621	(54 000)
Accumulated depreciation	69 159	2 934	4 403	2 507	6 409		52 906
Other movements		15 615	25 554	20 254			(61 423)
Carrying values at 30 June 2006	11 823 227	8 125 572	1 683 649	564 835	107 900	1 010 123	331 148
Cost	13 831 391	8 991 136	2 183 261	674 345	137 382	1 010 123	835 144
Accumulated depreciation	(2 008 164)	(865 564)	(499 612)	(109 510)	(29 482)		(503 996)

11. PROPERTY PLANT AND EQUIPMENT (continued)

CJMM	Total R000	Land and buildings R000	Infra- structure R000	Community assets R000	Heritage assets R000	Investment properties R000	Other assets R000
Carrying values at 1 July 2004	3 627 950	1 716 410	1 524 586	178 236	57 399		151 319
Cost	8 117 063	2 618 533	4 360 974	416 374	89 898		631 284
Accumulated depreciation	(4 489 113)	(902 123)	(2 836 388)	(238 138)	(32 499)		(479 965)
Acquisitions	606 167	142 495	313 134	83 758	19 597		47 183
Capital under construction	246 049						246 049
Increase/decreases in fair value	6 354 647	6 162 679	2	795	78		191 093
Capitalisation adjustment	(6 720)	(1 020 471)	12 228	920		1 000 603	
Depreciation	(1 713 956)	(647 058)	(912 856)	(44 838)	(3 905)		(105 299)
– based on cost	(423 841)	(68 026)	(255 883)	(18 337)	(3 395)		(78 200)
– based on cost accelerated	(1 290 115)	(579 032)	(656 973)	(26 501)	(510)		(27 099)
Carrying value of disposals	(88)	2	19 775	(19 865)			
Cost/revaluation	(4 611 998)	(790 627)	(3 327 770)	(230 248)	(3 441)		(259 912)
Accumulated depreciation	4 611 910	790 629	3 347 545	210 383	3 441		259 912
Other movements		22 342	192 417	22 445	8 713		(245 917)
Carrying values at 30 June 2005	9 114 049	6 376 399	1 149 286	221 451	81 882	1 000 603	284 428
Cost	10 705 208	7 134 951	1 550 985	294 044	114 845	1 000 603	609 780
Accumulated depreciation	(1 591 159)	(758 552)	(401 699)	(72 593)	(32 963)		(325 352)



Notes to the financial statements

for the year ended 30 June 2006

	Total R000	Software and other R000	Goodwill R000	Other R000
12. INTANGIBLE ASSETS				
Group 2006				
Opening balance	82 314	61 268		21 046
Additions	48 596	8 809		39 787
Amortisation charge	(35 106)	(33 005)		(2 101)
Closing balance	95 804	37 072		58 732
Group 2005				
Opening balance	363 351	53 747	286 418	23 186
Correcting acquisition/impairment of goodwill in the accounts of MEs	(287 678)		(287 678)	
Additions	30 811	29 797		1 014
Amortisation charge	(24 170)	(22 276)	1 260	(3 154)
Closing balance	82 314	61 268		21 046

13. INVESTMENTS

Unlisted

	GROUP 2006 R000	2005 R000	CJMM 2006 R000	2005 R000
Rand Water Board		100		100
Eskom	86	86	86	86
Investment in MEs			183 117	183 117
Greater Newtown Development Company (Pty) Limited		20 409		
Constitution Hill Development Company (Pty) Limited		30 000		
	86	50 595	183 203	183 303

Financial instruments

Held-to-maturity investments*	955 293	725 754	955 293	725 754
Held-for-sale investments	579 275	614 326	579 275	614 326
	1 534 568	1 340 080	1 534 568	1 340 080
Less: Current portion transferred to current investments	579 275	827 847	579 275	827 847
Non-current portion of investments	955 379	562 828	1 138 496	695 536

*The held-to-maturity investments are ring-fenced for the repayment of non-current liabilities.

13. INVESTMENTS (continued)

Investment in MEs

	2006 Share capital and premium R000	2005 Share capital and premium R000	2006 Percentage owned R000	2005 Percentage owned R000
The Johannesburg Fresh Produce Market (Pty) Ltd	20 000	20 000	100%	100%
The Johannesburg Civic Theatre (Pty) Ltd	*	*	100%	100%
The Johannesburg Zoo	*	*	100%	100%
City of Johannesburg Property Company (Pty) Ltd	1	1	100%	100%
Johannesburg Development Agency (Pty) Ltd	6 623	6 623	100%	100%
Metropolitan Trading Company (Pty) Ltd	2 977	2 977	100%	100%
City Power Johannesburg (Pty) Ltd	112 466	112 466	100%	100%
Johannesburg Water (Pty) Ltd	1	1	100%	100%
Pikitup Johannesburg (Pty) Ltd	*	*	100%	100%
Johannesburg Roads Agency (Pty) Ltd	1	1	100%	100%
Johannesburg City Parks	*	*	100%	100%
Johannesburg Social Housing Company	*	*	100%	100%
Johannesburg Tourism Company	*	*	100%	100%
Johannesburg Metropolitan Bus Services (Pty) Ltd	41 048	41 048	100%	100%
Roodepoort City Theatre	*	*	100%	100%
Johannesburg City Housing Company	*	*	100%	100%
	183 117	183 117		

* Nominal value

Note 32 details the investments which have been impaired.



Notes to the financial statements

for the year ended 30 June 2006

14. NON-CURRENT LOANS

Loans to controlled Municipal Entities (MEs)

Fleet Africa

Housing Selling Scheme loans

Other

Less: Current portion transferred to current receivables

Total non-current loans

LOANS TO MEs COMPRISE

Shareholder loans

The Johannesburg Fresh Produce Market (Pty) Ltd**

The Johannesburg Civic Theatre (Pty) Ltd *

The Johannesburg Zoo*

City of Joburg Property Company (Pty) Ltd*

Johannesburg Development Agency (Pty) Ltd*

Metropolitan Trading Company (Pty) Ltd*

City Power Johannesburg (Pty) Ltd**

Johannesburg Water (Pty) Ltd**

Pikitup Johannesburg (Pty) Ltd*

Johannesburg Roads Agency (Pty) Ltd*

Johannesburg City Parks*

Johannesburg Social Housing Company*

Johannesburg Tourism Company*

Johannesburg Metropolitan Bus Services (Pty) Ltd*

Roodepoort City Theatre*

Conduit and additional loans

The Johannesburg Fresh Produce Market (Pty) Ltd**

City Power Johannesburg (Pty) Ltd**

Johannesburg Water (Pty) Ltd**

Pikitup Johannesburg (Pty) Ltd**

Total loans to controlled Municipal Entities (MEs)

*These loans are interest-free and have no fixed terms of repayment.

**These loans bear interest at a fixed rate of between 10,2% and 17,5% NACM and are repayable quarterly, or in full on maturity. Note 32 details the loans which have been impaired.

Fleet Africa

CJMM has entered into an agreement with Super Group Ltd in which management of the vehicle fleet is outsourced. The balance represents the agreed value of the vehicles transferred to Super Group Ltd, adjusted by any profits or losses on disposals, and interest earned. The amount is invested in a ring-fenced banking account.

Housing Selling Scheme loans

This represents the outstanding balance owing on rental stock sold.

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
			4 301 424	4 266 906
	99 371	108 141	99 371	108 141
	35 847	40 163	35 847	40 163
	3 219	4 693	3 219	4 693
	138 437	152 997	4 439 861	4 419 903
			312 275	276 854
	138 437	152 997	4 127 586	4 143 049
			CJMM	
	2006 Subordinated R000	2005 Subordinated R000	2006 R000	2005 R000
		14 082	30 000	36 000
	988	988	988	988
			3 912	1 752
	9 800	9 700		
	22 000	22 000		
			624 793	624 793
	649 922	649 922	649 922	649 922
			10 000	10 000
			40 243	37 033
			5 690	
	1 473	1 473	400	
			5 775	
			799	
	684 183	698 165	1 372 522	1 360 488
			103 863	65 157
			1 574 008	1 304 715
		27 600	1 218 238	1 445 180
	91 600	60 000	32 793	91 366
	91 600	87 600	2 928 902	2 906 418
	775 783	785 765	4 301 424	4 266 906

15. INVENTORY

Consumable stores
Spare parts
Other goods held for resale
Other
Less: Provision for obsolescence

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	83 614	86 449	19 715	20 220
	13 194	7 654		
	3 292	1 948		
	1 690	1 203		
	(17 648)	(11 635)		
	84 142	85 619	19 715	20 220

16. ACCOUNTS RECEIVABLE

Rates
Electricity
Water
Refuse
Regional Service Levies
Housing rentals

	2 568 203	2 577 285	2 568 203	2 577 285
	1 719 553	1 561 648		
	3 796 592	3 605 759		
	593 460	677 877	554 583	571 767
	385 033	211 653	385 033	211 653
	383 175	388 136	369 980	388 136
	9 446 016	9 022 358	3 877 799	3 748 841

Less: Provision for bad debts

Rates
Electricity
Water
Refuse
Regional Service Levies
Housing rentals

	2 170 621	2 266 360	2 170 621	2 266 360
	975 132	935 811		
	3 104 027	2 969 503		
	489 121	569 179	468 563	506 018
	177 654	57 043	177 654	57 043
	356 415	356 856	344 500	356 856
	7 272 970	7 154 752	3 161 338	3 186 277

Accounts receivable

Rates – ageing

Current (0-30 days)
31-60 days
61-90 days
91-120 days
121-365 days
>365 days

	2 173 046	1 867 606	716 461	562 564
	340 188	317 281	340 188	317 281
	97 559	99 288	97 559	99 288
	82 266	80 035	82 266	80 035
	66 743	69 960	66 743	69 960
	334 957	314 892	334 957	314 892
	1 646 490	1 695 829	1 646 490	1 695 829
Total	2 568 203	2 577 285	2 568 203	2 577 285



Notes to the financial statements

for the year ended 30 June 2006

16. ACCOUNTS RECEIVABLE (continued)

Electricity, water – ageing

Current (0-30 days)
31-60 days
61-90 days
91-120 days
121-365 days
>365 days

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Current (0-30 days)	877 850	721 047		
31-60 days	191 253	185 558		
61-90 days	162 377	154 622		
91-120 days	148 097	148 283		
121-365 days	580 985	798 084		
>365 days	3 555 583	3 159 813		
Total	5 516 145	5 167 407		

Total

Refuse – ageing

Current (0-30 days)
31-60 days
61-90 days
91-120 days
121-365 days
>365 days

Current (0-30 days)	30 495	42 824	21 036	27 971
31-60 days	15 305	20 837	11 034	11 454
61-90 days	10 421	16 198	8 964	9 939
91-120 days	10 161	13 775	8 958	9 495
121-365 days	72 356	62 782	52 844	57 854
>365 days	454 722	521 461	451 747	455 054
Total	593 460	677 877	554 583	571 767

Total

Regional Service Council levies – ageing

Current (0-30 days)
121-365 days
>365 days

Current (0-30 days)	207 379	154 610	207 379	154 610
121-365 days	120 611	57 043	120 611	57 043
>365 days	57 043		57 043	
Total	385 033	211 653	385 033	211 653

Total

Housing rentals – ageing

Current (0-30 days)
31-60 days
61-90 days
91-120 days
121-365 days
>365 days

Current (0-30 days)	3 986	3 241	3 826	3 241
31-60 days	19 881	13 214	19 633	13 214
61-90 days	16 269	4 834	7 021	4 834
91-120 days	51 325	4 969	50 943	4 969
121-365 days	92 883	4 991	89 726	4 991
>365 days	198 831	356 887	198 831	356 887
Total	383 175	388 136	369 980	388 136

Total

Summary of debtors by customer classification

Group 2006

Current (0-30 days)
31-60 days
61-90 days
91-120 days
121-365 days
>365 days
Less: Provision for bad debts

Total	Consumer	Industrial/ commercial	National and
			Provincial Government
1 408 812	621 495	756 268	31 049
340 404	197 719	123 849	18 836
275 135	150 855	107 939	16 341
279 140	172 543	91 423	15 174
1 404 695	741 899	581 325	81 471
5 737 830	3 950 278	1 447 837	339 715
(7 272 970)	(4 718 510)	(2 139 329)	(415 131)
Total	1 116 279	969 312	87 455

Total



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16. ACCOUNTS RECEIVABLE (continued)

Group 2005

	Total	Consumer	Industrial/ commercial	National and Provincial Government
Current (0-30 days)	1 239 002	648 533	564 477	25 992
31-60 days	318 897	185 737	113 350	19 810
61-90 days	255 689	144 031	95 152	16 506
91-120 days	236 987	130 222	91 203	15 562
121-365 days	1 237 793	656 998	491 893	88 902
>365 days	5 733 990	4 054 293	1 331 076	348 621
Less: Provision for bad debts	(7 154 752)	(4 686 884)	(2 101 257)	(366 611)
Total	1 867 606	1 132 930	585 894	148 782

CJMM 2006

	Total	Consumer	Industrial/ commercial	National and Provincial Government
Current (0-30 days)	572 428	179 282	373 407	19 739
31-60 days	128 226	63 274	58 708	6 244
61-90 days	98 253	42 263	50 588	5 402
91-120 days	126 643	79 421	41 736	5 486
121-365 days	598 138	243 105	327 530	27 503
>365 days	2 354 111	1 374 692	830 570	148 849
Less: Provision for bad debts	(3 161 338)	(1 671 750)	(1 304 500)	(185 088)
Total	716 461	310 287	378 039	28 135

CJMM 2005

	Total	Consumer	Industrial/ commercial	National and Provincial Government
Current (0-30 days)	503 103	200 157	284 795	18 151
31-60 days	123 956	64 658	50 198	9 100
61-90 days	94 808	44 062	42 508	8 238
91-120 days	84 424	41 462	35 733	7 229
121-365 days	434 780	182 446	211 534	40 800
>365 days	2 507 770	1 649 683	651 455	206 632
Less: Provision for bad debts	(3 186 277)	(1 846 248)	(1 089 690)	(250 339)
Total	562 564	336 220	186 533	39 811

An adjustment to consumer debtors was made, transferring credit balances in the debtors' book to sundry creditors. This amounted to an increase of R782 million (2005: R744 million) in the Group balance which includes CJMM: R452 million (2004: R510 million) and MEs: R330 million (2005: R234 million). Refer note 8.



Notes to the financial statements

for the year ended 30 June 2006

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
16. ACCOUNTS RECEIVABLE (continued)				
Reconciliation of bad debt provision				
Balance beginning of the year	7 154 752	7 012 789	3 186 277	2 955 445
Contributions to provision	858 515	869 435	284 334	346 854
Bad debts written off against provision	(739 466)	(727 151)	(309 273)	(116 022)
VAT adjustment	(831)	(321)		
Balance end of the year	7 272 970	7 154 752	3 161 338	3 186 277
17. OTHER DEBTORS				
Payments made in advance	19 642	9 160	15 798	2 176
Insurance debtors	125 354	72 795	125 354	72 795
Trade debtors	50 276	268 465		
Housing debtors	148 575	157 934	148 575	157 934
Government subsidies	800			
Prepaid expenses	553	375		
Fruitless and wasteful expenditure to be investigated (refer note 49)	2 755		2 755	
Recoverable fruitless and wasteful expenditure (refer note 49)	19			
Other debtors	212 502	356 933	169 563	291 765
ME loans			154 800	152 023
Less: Provision for bad debts	(17 531)	(17 146)		
	542 945	848 516	616 845	676 693
18. CALL INVESTMENT DEPOSITS				
Deposits	1 714 203	1 595 188	1 700 671	1 584 344
Deposits have been ring-fenced in anticipation of the following future expenditure:				
Post-retirement liabilities	508 900	388 000	508 900	388 000
Underwriting of the COID Reserve	25 359	20 000	25 359	20 000
Capital Replacement Reserve	98 783	94 358	98 783	94 358
Repayment of long-term liabilities	300 000	167 000	300 000	167 000
	933 042	669 358	933 042	669 358
Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury.				
19. BANK, CASH AND OVERDRAFT BALANCES				
The Municipality has the following primary bank account:				
Current account				
ABSA Bank: Sandton branch				
Account number: 4054394859				
Cash book and bank statement balance at end of the year was R101 million (2005: R81 million).				
Bank and cash on hand at year end	60 781	57 787	87 035	85 724
See Appendix I for additional bank accounts.				
Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury.				

20. PROPERTY RATES

Rates received

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Residential	1 299 244	1 298 414	1 299 272	1 298 469
Commercial	1 478 704	1 272 891	1 491 502	1 272 945
State	140 699	113 004	140 702	135 182

Valuations

Prior year comparatives have been restated as a result of re-classification of Property Rates categories

	2 918 647	2 684 309	2 931 476	2 706 596
	47 413 295	45 972 000	47 413 295	45 972 000

21. SERVICE CHARGES

Sale of electricity	3 381 998	3 255 876		
Sale of water	1 826 910	1 717 316		
Refuse removal	336 047	321 339	219 951	184 944
Sewerage and sanitation charges	1 015 407	897 699		
Other services	106 076	82 825	82 603	63 115
	6 666 438	6 275 055	302 554	248 059

22. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	524 761	380 545	524 761	380 545
Provincial health subsidies	43 787	40 893	43 787	40 893
Provincial grants: capital projects	92 615	164 085	21 256	164 085
Municipal infrastructure grant	312 613	104 961	314 548	96 776
Financial management grant	2 803	1 589	2 803	1 589
Restructuring grant	84 567	34 944	84 567	34 944
Ambulance subsidy	58 746	44 615	58 746	44 615
Provincial grants: top structure of houses	91 540	69 314	91 540	69 314
Provincial grants: operating projects	719		719	
Municipal System improvement grant	960		960	
Other	157 754	209 043	12 573	46 354
	1 370 865	1 049 989	1 156 260	879 115



Notes to the financial statements

for the year ended 30 June 2006

22. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Equitable share

Balance unspent at beginning of year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is used to subsidise the provision of basic services to indigent community members.

Provincial health subsidies

Balance unspent at beginning of year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.

Provincial grants: capital projects

Balance unspent at beginning of the year

Repaid to Province

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Balance unspent at beginning of year				
Current-year receipts	524 761	380 545	524 761	380 545
Conditions met – transferred to revenue	(524 761)	(380 545)	(524 761)	(380 545)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)				
This grant is used to subsidise the provision of basic services to indigent community members.				
Balance unspent at beginning of year				
Current-year receipts	43 787	40 893	43 787	40 893
Conditions met – transferred to revenue	(43 787)	(40 893)	(43 787)	(40 893)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)				
The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.				
Balance unspent at beginning of the year	77 745		77 745	
Repaid to Province	(702)		(702)	
Current-year receipts	146 854	241 830	75 495	241 830
Conditions met – transferred to revenue	(92 615)	(164 085)	(21 256)	(164 085)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)	131 282	77 745	131 282	77 745

These grants are provided to finance capital projects in respect of Social Services and Housing.

22. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is made available to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households.

Financial Management Grant

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is provided to promote and support reforms to municipal financial management and the implementation of the MFMA.

Restructuring grant

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is made available to support municipal restructuring initiatives.

Ambulance subsidy

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Balance unspent at beginning of the year	866	1 042		
Current-year receipts	345 349	104 785	347 413	96 776
Conditions met – transferred to revenue	(312 613)	(104 961)	(314 548)	(96 776)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)	33 602	866	32 865	
Balance unspent at beginning of the year	5 817	4 406	5 817	4 406
Current-year receipts	3 000	3 000	3 000	3 000
Conditions met – transferred to revenue	(2 803)	(1 589)	(2 803)	(1 589)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)	6 014	5 817	6 014	5 817
Balance unspent at beginning of the year	73 623	68 567	73 623	68 567
Current-year receipts	25 000	40 000	25 000	40 000
Conditions met – transferred to revenue	(84 567)	(34 944)	(84 567)	(34 944)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)	14 056	73 623	14 056	73 623
Balance unspent at beginning of the year	58 746	44 615	58 746	44 615
Current-year receipts	(58 746)	(44 615)	(58 746)	(44 615)
Conditions met – transferred to revenue				
Conditions still to be met – transferred to conditional grants and subsidies (note 9)				



Notes to the financial statements

for the year ended 30 June 2006

22. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Provincial grants: top structure of houses

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

Provincial grants: operating projects

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

These grants are provided to finance community projects.

Municipal System improvement grant

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

This grant is provided to finance the implementation of projects as stated in the activity plan.

Other

Balance unspent at beginning of the year

Current-year receipts

Conditions met – transferred to revenue

Conditions still to be met – transferred to conditional grants and subsidies (note 9)

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act (Act 1 of 2005), no significant changes in the level of government grant funding is anticipated over the forthcoming three financial years, except for the increase in the Equitable Share due to the abolishment of the RSC Levies with effect from 1 July 2006.

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Balance unspent at beginning of the year				
Current-year receipts	91 540	69 314	91 540	69 314
Conditions met – transferred to revenue	(91 540)	(69 314)	(91 540)	(69 314)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)				
Balance unspent at beginning of the year				
Current-year receipts	3 790		3 790	
Conditions met – transferred to revenue	(719)		(719)	
Conditions still to be met – transferred to conditional grants and subsidies (note 9)	3 071		3 071	
Balance unspent at beginning of the year				
Current-year receipts	4 000		4 000	
Conditions met – transferred to revenue	(960)		(960)	
Conditions still to be met – transferred to conditional grants and subsidies (note 9)	3 040		3 040	
Balance unspent at beginning of the year	22 300			
Current-year receipts	135 454	231 343	12 573	46 354
Conditions met – transferred to revenue	(157 754)	(209 043)	(12 573)	(46 354)
Conditions still to be met – transferred to conditional grants and subsidies (note 9)		22 300		

23. OTHER INCOME

Internal recoveries – MEs
 Commission on fresh produce sales
 Bus fares
 New connections for electricity and water
 Market-to-market gain on investments held-for-sale
 Sundry revenue

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
			177 601	125 769
105 756	89 961			
76 052	72 958			
31 960	28 565			
	294 471			294 471
310 669	518 856	157 116		356 918
524 437	1 004 811	334 717		777 158

Prior year comparatives have been restated to ensure compliance with Circular 18 issued by National Treasury.

24. EMPLOYEE-RELATED COSTS

Employee-related costs – salaries and wages
 Employee-related costs – social contributions
 Travel, motor car, accommodation, subsistence, and other allowances
 Housing benefits and allowances
 Overtime payments
 Performance bonus
 Long service awards
 Less employee costs capitalised to PPE
 Less employee costs included in general expenses

2 379 708	2 221 612	1 260 428	1 181 806
534 538	371 570	258 683	110 303
245 308	255 669	138 766	125 374
42 206	50 244	17 073	19 399
167 672	145 228	66 030	60 911
81 227	85 481	19 423	15 516
1 017	503		
(25 542)	(22 212)		(67)
41 256	(50 368)	41 256	(50 368)
3 467 390	3 057 727	1 801 659	1 462 874

Remuneration of the City Manager

Annual remuneration
 Performance bonus
 Car allowance
 Contributions to UIF, medical and pension funds

834	790
63	61
125	125
49	24
1 071	1 000

Remuneration of the Chief Operations Officer

Annual remuneration
 Performance bonus
 Car allowance
 Contributions to UIF, medical and pension funds

683	598
176	159
282	282
	1
1 141	1 040

Remuneration of Executive Director: Finance

Annual remuneration
 Performance bonus
 Car allowance
 Contributions to UIF, medical and pension funds

777	701
154	97
72	72
	1
1 003	871



Notes to the financial statements

for the year ended 30 June 2006

24. EMPLOYEE-RELATED COSTS (continued)

Remuneration of the Executive Director:

Planning, Transport and Environmental Affairs

Annual remuneration	390	669
Performance bonus		91
Car allowance	63	108
Contributions to UIF, medical and pension funds		1

Remuneration of the Executive Director: Corporate Services

Annual remuneration	689	602
Performance bonus	155	141
Car allowance	144	144
Contributions to UIF, medical and pension funds	19	31

Remuneration of the Chief of Police

Annual remuneration	698	602
Performance bonus	156	53
Car allowance	102	102
Contributions to UIF, medical and pension funds	138	120

Remuneration of the Director: Office of City Manager

Annual remuneration	739	
Performance bonus	116	140
Car allowance	108	
Contributions to UIF, medical and pension funds		

Remuneration of the Executive Head: Emergency Management Services

Annual remuneration	658	600
Performance bonus		
Car allowance		
Contributions to UIF, medical and pension funds		

Remuneration of the Director: Joburg Risk Assurance Services

Annual remuneration	430	519
Performance bonus		128
Car allowance	220	120
Contributions to UIF, medical and pension funds		1

Remuneration of the Executive Director: Contract Management Unit

Annual remuneration	649	697
Performance bonus	124	113
Car allowance	132	131
Contributions to UIF, medical and pension funds	128	1

Remuneration of the Director: Shareholders Unit

Annual remuneration	569	508
Performance bonus	110	57
Car allowance	110	116
Contributions to UIF, medical and pension funds	125	1

CJMM	
2006 R000	2005 R000
390	669
	91
63	108
	1
453	869
689	602
155	141
144	144
19	31
1 007	918
698	602
156	53
102	102
138	120
1 094	877
739	
116	140
108	
963	140
658	600
658	600
430	519
	128
220	120
	1
650	768
649	697
124	113
132	131
128	1
1 033	942
569	508
110	57
110	116
125	1
914	682



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25. REMUNERATION OF COUNCILLORS

Executive Mayor
Speaker
Mayoral Committee members
Councillors
Councillors' pension contribution

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Executive Mayor	645	621	645	621
Speaker	561	533	561	533
Mayoral Committee members	5 319	4 801	5 319	4 801
Councillors	39 103	34 856	39 103	34 856
Councillors' pension contribution	4 428	4 369	4 428	4 369
	50 056	45 180	50 056	45 180

The Executive Mayor, Speaker and Mayoral Committee members are employed full time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to reside at the mayoral residence of the Council, at no cost.

The Executive Mayor has use of a Council-owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

26. BAD DEBTS

Contributions to bad-debt provision
Bad debts written off

Contributions to bad-debt provision	(2 382)	403 270	7 352	347 690
Bad debts written off	847 027	577 150	309 272	116 022
	844 645	980 420	316 624	463 712

27. INTEREST ON EXTERNAL BORROWINGS

Loans
Finance leases
Bank overdraft
Other

Loans	726 281	629 275	695 054	594 487
Finance leases	7 084	6 211		
Bank overdraft	22	108		
Other	41 957	35 674	12 301	11 347
	775 344	671 268	707 355	605 834

28. BULK PURCHASES

Electricity
Water

Electricity	2 168 233	1 986 783		
Water	1 322 070	1 255 747		
	3 490 303	3 242 530		

29. CONTRACTED SERVICES

Information technology services
Fleet services
Operating leases
Specialist services
Other contractors

Information technology services	196 159	198 604	169 101	175 413
Fleet services	336 239	340 241	38 676	46 769
Operating leases	153 968	180 183	147 667	168 920
Specialist services	272 635	242 511	272 564	242 094
Other contractors	409 251	491 832	108 866	157 308
	1 368 252	1 453 371	736 874	790 504



Notes to the financial statements

for the year ended 30 June 2006

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
30. GRANTS AND SUBSIDIES PAID				
The Johannesburg Civic Theatre (Pty) Ltd			13 923	13 300
The Johannesburg Zoo			27 752	22 150
City of Joburg Property Company (Pty) Ltd			5 567	9 465
Johannesburg Development Agency (Pty) Ltd			11 433	7 100
Metropolitan Trading Company (Pty) Ltd			21 133	16 243
Johannesburg Water (Pty) Ltd			240 000	240 000
Pikitup Johannesburg (Pty) Ltd			461 581	459 800
Johannesburg Roads Agency (Pty) Ltd			327 904	309 200
Johannesburg City Parks			308 785	293 055
Johannesburg Social Housing Company			9 050	8 800
Johannesburg Tourism Company			11 277	7 000
Johannesburg Metropolitan Bus Services (Pty) Ltd			222 778	202 300
Roodepoort City Theatre			3 700	3 300
Grants paid to MEs			1 664 883	1 591 713
Grants paid to MEs are utilised to fund capital and operational expenditure.				
Free electricity	18 085	46 253	18 085	46 253
Marks Park Sports Club	859	818	859	818
Housing top structures	109 759	122 436	109 759	122 436
Other	13 577	13 597	13 577	13 597
Other subsidies	142 280	183 104	142 280	183 104
	142 280	183 104	1 807 163	1 774 817
31. GENERAL EXPENSES				
Settlement costs	417 508	11 141	417 508	11 141
Guarding of municipality property	158 444	137 764	84 320	76 871
Hiring and maintenance of equipment	32 581	29 564	26 013	24 585
Insurance	124 253	107 130	70 513	51 091
Post-retirement expenses	90 820	206 272	94 126	185 322
Bin rentals				
Telephone	68 211	64 184	39 949	38 900
Bus diesel	36 429	31 102		
ME – Charges			315 222	190 626
Amortisation of intangible assets	35 106	24 170		
Market-to-market loss on investments held-for-sale	81 403		81 403	
Sundry expenses	929 184	720 819	579 569	430 496
	1 973 939	1 332 146	1 708 623	1 009 032

32. IMPAIRMENT OF LOANS AND INVESTMENTS

Loans to MEs impaired

Johannesburg City Parks
 Roodepoort City Theatre
 Johannesburg Development Agency (Pty) Ltd
 Metropolitan Trading Company (Pty) Ltd
 Johannesburg Metropolitan Bus Services (Pty) Ltd
 Pikitup Johannesburg (Pty) Ltd
 Johannesburg Social Housing Company (Pty) Ltd
 Johannesburg Tourism Company
 Blue IQ Investments (Pty) Ltd

Investment in MEs impaired

Pikitup Johannesburg (Pty) Ltd
 Johannesburg Development Agency (Pty) Ltd
 Metropolitan Trading Company (Pty) Ltd
 Greater Newtown Development (Pty) Ltd
 Constitutional Hill Development (Pty) Ltd

On formation, each of the MEs entered into a Service Level Agreement between themselves and the City. In order to enable certain of the MEs to continue to operate and thus fulfil their obligations in terms of these agreements, the City has agreed to subordinate, in favour of other creditors, certain debts owed by the relevant MEs to the City.

The City has impaired such debts to the extent of their subordination, and will reverse each impairment only when the affairs of the relevant ME indicate the probable recoverability of its affected debt.

In addition, the carrying value of investment in the MEs listed above was impaired.

GROUP		CJMM	
2006 R000	2005 R000	2006 R000	2005 R000
			22 858
			500
			81 250
		(723)	95 857
			13 726
		91 600	
		(140)	1 140
		(114)	1 473
36 599			
36 599		90 623	216 804
			1
			9 700
			22 000
21 650			
35 600			
57 250			31 701



Notes to the financial statements

for the year ended 30 June 2006

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
33. TAXATION				
South African normal taxation				
Current taxation	84 013	21 143		
Deferred taxation	75 715	77 882		
	159 728	99 025		
Prior-year adjustment	(1 244)	(23 750)		
Current taxation	2 922			
Deferred taxation	(4 166)	(23 750)		
	158 484	75 275		
Reconciliation of statutory to effective rate:				
Surplus before taxation	1 034 797	1 411 922		
Taxation calculated at the rate of 29%	300 091	409 457		
Impact of CJMM not being a taxable entity	(91 970)	(191 856)		
Adjustment due to change in tax rate		(5 930)		
Impact of Section 21 companies not being taxable entities	(8 914)	(2 154)		
Prior-year adjustment	(1 244)	(23 750)		
Expenses not deductible and exempt income	(39 479)	(110 492)		
	(141 607)	(334 182)		
Taxation charge	158 484	75 275		
34. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS				
Surplus before taxation per statement of financial performance	1 034 797	1 411 922	317 138	661 572
Prior-year adjustment		(291 396)		(309 891)
Capitalisation adjustment	(16 639)	6 720	(17 324)	13 869
	1 018 158	1 127 246	299 814	365 550
Adjustments				
Provisions	844 645	980 420	316 624	463 712
Impairments of investments	57 250			31 701
Impairments of receivables	36 599		90 623	216 804
Depreciation	909 050	872 163	463 736	423 841
Gains on disposal of fixed assets	(39 008)	(53 731)	(37 757)	(53 025)
Non-cash derivative financial assets		46 430		
Correction made to reserves	(9 221)	14 085	17 358	216
Amortisation of intangible assets	35 106	24 170		
Loss on sale of fixed assets	34 703	3 435	34 552	
Investment income	(465 175)	(409 719)	(1 016 477)	(921 643)
Interest paid	775 344	671 268	707 355	605 834
Operating surplus before working capital changes:	2 179 293	2 148 521	576 014	767 440
(Decrease)/increase in conditional grants	76 178	212 329	47 354	(137 143)
Increase/(decrease) in provisions	379 815	14 912	395 278	(6 003)
(Decrease)/increase in creditors	(59 906)	132 921	(173 964)	94 132
(Decrease)/increase in VAT	19 163	(22 151)	33 868	(14 345)
Decrease/(increase) in inventory	1 477	(12 000)	505	4 572
Increase in consumer debtors	(1 186 684)	(991 943)	(470 521)	(290 670)
Decrease in other debtors	305 571	190 245	59 848	981 373
	1 714 907	1 672 834	468 382	1 399 356
Net cash flow from operating activities	2 733 065	2 800 080	768 196	1 764 906

35. TAXATION PAID

Opening balance – SA normal taxation
 Opening balance – deferred taxation
 Charge for the year – SA normal taxation
 Charge for the year – deferred taxation
 Closing balance – SA normal taxation
 Closing balance – deferred taxation

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	(14 574)	(7 821)		
	82 252	(138 821)		
	(84 013)	(21 143)		
	(74 471)	(54 132)		
	8 284	14 574		
	71 548	(82 252)		
	(10 974)	(289 595)		

36. UTILISATION OF NON-CURRENT LIABILITIES

Non-current liabilities
 Used to finance property, plant and equipment – at cost

Cash set aside for repayment of non-current liabilities

Cash invested for repayment of non-current liabilities

Non current liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the non-current liabilities can be repaid on redemption date.

	5 884 064	5 266 862	5 628 417	4 967 034
	5 562 063	5 086 614	5 306 416	4 786 786
	322 001	180 248	322 001	180 248
	1 359 395	1 026 180	1 359 395	1 026 180
	1 681 396	1 206 428	1 681 396	1 206 428

37. MOVEMENT IN NON-CURRENT LIABILITIES

Raised during the period
 Redeemed during the period

	1 314 791	848 582	1 311 964	795 491
	(697 589)	(561 187)	(650 581)	(451 155)
	617 202	287 395	661 383	344 336

Current portion
 Non-current portion

	1 176 356	(140 631)	1 201 629	(66 640)
	(559 154)	428 026	(540 246)	410 976
	617 202	287 395	661 383	344 336

38. MOVEMENT IN FUNDS AND RESERVES

Opening balance

Transfer to revaluation reserve

Correction of errors

Funds set aside during the year

Funds released during the year

Non-cash movements during the year

Closing balance

	1 885 567	2 329 426	1 231 734	1 854 762
	3 758	(972)		
	(94 273)	(23 398)	(102 419)	
	620 326	619 711	284 260	371 127
	(185 145)	(1 039 200)	(125 892)	(994 155)
	344 666	(443 859)	55 949	(623 028)
	2 230 233	1 885 567	1 287 683	1 231 734



Notes to the financial statements

for the year ended 30 June 2006

39. MOVEMENT IN UNAPPROPRIATED RESERVES

Opening balance

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Opening balance	5 700 441	(371 759)	5 664 038	(151 800)
Revaluation	1 838 253	6 354 647	1 838 253	6 354 647
Assets at fair value depreciation		(1 290 115)		(1 290 115)
Capitalisation adjustment		13 869		13 869
Funds set aside during the year	(602 968)	(618 523)	(266 902)	(370 911)
Funds released during the year	154 808	1 039 200	125 892	994 155
	7 090 534	5 127 319	7 361 281	5 549 845
Surplus before taxation per statement of financial performance	1 034 797	1 199 202	317 138	424 084
Taxation as per statement of financial performance	(158 484)	(75 275)		
Correction of errors (note 41)	589 800	(550 805)	263 623	(309 891)
	8 556 647	5 700 441	7 942 042	5 664 038

40. OPERATING LEASE COMMITMENTS

Accrued operating lease commitments

Due in the next 12 months

Computers	784			
Copiers	187 350	36 427	32 049	
Equipment rental	61 911	14 216		
Fleet	565 858	366 252	332 055	179 850
Buildings	56 395	33 786	54 002	31 797
Office rental	359	834		
PABX	131 645	82 152		
Other	214	628		
	1 004 516	534 295	418 106	211 647

Due in the following four years

Computers	3 313			
Copiers	817 869	184 938	122 565	
Equipment rental	40 236	52 284		
Fleet	2 480 909	1 539 200	1 391 606	813 935
Buildings	254 422	162 863	251 754	161 868
Office rental		3 059		
PABX	521 355	524 132		
Other	669	1 124		
	4 118 773	2 467 600	1 765 925	975 803
	5 123 289	3 001 895	2 184 031	1 187 450



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40. OPERATING LEASE COMMITMENTS (continued)

Smoothed operating lease commitments

Due in the next 12 months

Copiers

Buildings

Office rental

Due in the following four years

Copiers

Buildings

Office rental

Due after five years

Buildings

	GROUP	
	2006 R000	2005 R000
	239	
	3 737	2 950
	5 021	3 892
	8 997	6 842
	308	
	15 697	14 702
	11 568	15 672
	27 573	30 374
	1 353	5 288
	1 353	5 288
	37 923	42 504



Notes to the financial statements

for the year ended 30 June 2006

41. CORRECTION OF ERRORS

Adjustment of Housing Development Fund	(106 178)		(106 178)	
Correction of portfolio accounts	(2 186)		(2 186)	
Correction of debtors	45 087		45 087	
Regional Services Levies – VAT adjustment	(10 423)		(10 423)	
Adjustment of post-employment benefit funds	15 895		15 895	
Depreciation – works in progress	69 000		69 000	
Correction of creditors	(15 638)		(15 638)	
Correction of operating expenditure included in Work in Progress	15 849		15 849	
Correction of assets written off	19 868		19 868	
Market-to-market of held-for-sale investments	(294 471)		(294 471)	
Section 24 C Income tax allowance	3 487			
Deferred tax adjustment – City Power Johannesburg (Pty) Ltd	(308 870)			
Correction of Government Grant Reserve	7 438			
Straight lining of operating leases	4 777			
Correction of provision for rehabilitation of landfill sites	50 398			
Deferred tax adjustment – Johannesburg Roads Agency	(3 234)			
Disputed departmental settlement charges	(13 579)			
Re-allocation of grant funding from creditors to income	(24 511)			
Correction of share premium	(43 880)			
Correction of acquisition/impairment of goodwill in the MEs		287 678		
Depreciations on assets not accounted for previously		44 409		44 409
Regional services levies VAT adjustment		(18 673)		(18 673)
Billing error corrections		(58 094)		
Correction of share premium: Metrobus		(41 048)		(41 048)
Post-employment benefit funds liabilities		176 000		176 000
Disputed departmental settlement charges		51 619		51 619
Departmental assessment rates adjustment		14 670		14 670
Adjustment gratuity to payments		6 700		6 700
JDA investment incorrectly raised		(3 497)		(3 497)
Leave accruals for MEs		7 247		7 247
Correction of portfolio accounts		67 346		67 346
Correction of bin rental debtors		9 553		
Other	1 371	6 895	(426)	5 118
	(589 800)	550 805	(263 623)	309 891

Group 2006

a) Correction of share premium (R43,9 million)

Share premium was raised in Metropolitan Trading Company for the lease of their building. On consolidation the unrealised portion was reversed. Share issue cost in Johannesburg Development Agency (Pty) Ltd netted off against the share premium, corrected on consolidation.

CJMM 2006

a) Housing Development fund (R106,2 million)

The deficits incurred with effect from 1 July 1998 on the Housing Operating Account exceeded the balance available in the fund as at 30 June 2005 and the necessary adjustment has now been effected to write down the reserve.

b) Correction of portfolio account (R2,2 million)

The closing balances as at 30 June 2005 of the abovementioned account were adjusted to ensure that the portfolio reflected is in agreement with the Johannesburg Property Company records. The adjustments relate to Capital Creditors, Work in Progress, Vat raised and Debtors take on balances.



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41. CORRECTION OF ERRORS (continued)

c) Correction of debtors R45,1 million

Debtors in respect of Ekurhuleni (R11,5 million), the Department of Transport (Licensing – R30,3 million) and the Provincial Health Subsidy (R 3,3 million) have been incorrectly raised and are now written back.

d) Regional Service Levies (Vat) (R10,4 million)

Vat in relation to interest charged on arrear Regional Service levies in respect of 2004/05 has been incorrectly paid to the Receiver of Revenue. This matter has now been rectified and the relevant monies recovered.

e) Adjustment of post-employment benefit funds (R15,9 million)

Adjustments have been made to the Diepmeadow Pension Fund (R11,9 million) where the actuarial loss in terms of AC116 has now been recognised for the first time as well as the provision relating to Gratuities for Pikitup totalling (R2,4 million). Other minor adjustments were also effected to the Sala Pension Fund, Soweto Pension Fund and various other provisions for Gratuities amounting to R1,6 million.

f) Depreciation Works in Progress (R69 million)

Immovable assets from various Agencies have been reflected as works in progress during 2004/05. The relevant depreciation charges in respect of these assets have now been accounted for.

g) Correction of creditors (R15,6 million)

A creditor in respect of Alexandra Renewal Project has been adjusted – R15,6 million.

h) Correction of operating expenditure included in Work in Progress (R15,8 million)

Operating expenses included in works in progress for Agencies during prior years have been adjusted.

l) Capitalisation adjustments (R19,9 million)

Land to the value of R26,6 million relating to the MEs incorrectly written off, now corrected. Correction of assets found during 2004/05 amounting to R12,8 million and adjustment to the opening carrying value of assets disposed during the 2005/06 financial year of R33,7 million.

j) Marked-to-market of held-for-sale investments (R294,5 million)

Investments held-for-sale was previously incorrectly shown at amortised cost and now restated to fair value in order to enhance the disclosure in the financial statement.

The Johannesburg Civic Theatre (Pty) Ltd 2006

a) Section 24 Income Taxation Allowance (R3,5 million)

Restatement of accumulated surplus in respect of section 24 C Income taxation allowance for future expenditure.

City Power Johannesburg (Pty) Ltd 2006

a) Deferred tax adjustment (R308,9 million)

The correction relates to errors on the deferred taxation calculations performed in prior years.

b) Correction of Government Grant Reserve (R3,4 million)

Correction of depreciation incorrectly set off against the Government Grant Reserve during prior years.

Pikitup Johannesburg (Pty) Ltd

a) Straight lining of operating leases (R4,8 million)

Operating leases were previously not straight lined, thus resulting in the prior year adjustments

b) Correction of provision for rehabilitation of landfill sites (R50,4 million)

Recognition of depreciation on the initial cost of landfill sites over their estimated useful lives and the capitalisation and depreciation of the provision for rehabilitation costs of landfill sites relating to prior years now corrected.

Johannesburg Roads Agency (Pty) Ltd

a) Deferred tax adjustment (R3,2 million)

The correction relates to errors on the deferred taxation calculations performed in prior years.

Johannesburg City Parks 2006

a) Correction of accruals (R13,6 million)

During the previous financial years, estimate accruals were made for electricity and water. During the course of the current financial year, accurate billings were received which gave rise to the adjustments.

Johannesburg City Parks 2006

a) Re-allocation of grant funding from creditors to income (R24,1 million)

Grant funding relating to prior years were incorrectly recognised as creditors and thus transferred to the accumulated surplus account.



Notes to the financial statements

for the year ended 30 June 2006

41. CORRECTION OF ERRORS (continued)

Group 2005

a) Correction acquisition/impairment of goodwill in the accounts of the MEs

Goodwill relating to the formation of City Power Johannesburg (R252,4 million) and the Johannesburg Fresh Produce Market (R35,3 million) resulted in unrealised gains and are eliminated in full on consolidation.

CJMM 2005

a) Depreciations on assets not done previously

Immovable assets from various Agencies have been reflected incorrectly as works in progress during the prior financial year. The relevant depreciation charges in respect of these assets which relate to the prior financial year are now accounted for.

b) Regional services levies VAT adjustment

VAT in relation to interest charged on arrear Regional Service levies in respect of the prior financial year has been incorrectly paid to the Receiver of Revenue. This matter has now been rectified and the relevant monies recovered from the Receiver of Revenue.

c) Correction of share premium: Metrobus

The share premium was incorrectly treated as a subsidy payment and was corrected during the current financial year.

d) Post-employment benefit funds liabilities

Recognising the net liabilities as at 30 June 2004 for the City of Johannesburg Pension Fund (R102 million), Soweto Pension Fund (R65,1 million) and, South African Local Authorities Pension Fund (R9,5 million) in terms of IAS 19 (AC 116).

e) Disputed departmental settlement charges

Revenue departmental charges disputed by City Power for prior years adjusted.

f) Departmental assessment rates adjustment

Inter departmental assessment rates for prior years brought into account.

g) Adjustment gratuity to payments

The adjustment relates to gratuity payments raised in respect of Johannesburg Roads Agency employees who left the service during the period 1 January 2001 to 30 June 2003.

h) JDA investment incorrectly raised

The share premium was incorrectly treated as a subsidy payment and was corrected during the current financial year.

i) Leave accruals for MEs

Leave accruals for MEs not raised in prior years brought into account.

j) Correction of portfolio accounts

Johannesburg Property Company portfolio accounts closing balances as at 30 June 2004 were adjusted in respect of Land Sales (R46 854 million), Retained income (R10 368 million) and Rental Debtors (R10 124 million) to ensure proper accounting treatment.

Johannesburg Water 2005

a) Billing error corrections

During the prior financial year debtors administrated by CJMM on behalf of Johannesburg Water was not processed. During the financial year under review CJMM paid Johannesburg Water R58 million (excluding VAT) in this regard.

Pikitup Johannesburg 2005

a) Correction of bin rental debtors

During the prior financial year an error occurred in accounting for the bin rental revenue, amounting to R9,553 million.

42. OUTSIDE SHAREHOLDER'S INTEREST

Gauteng Province share of 36% shares in Metropolitan Trading Company (Pty) Ltd was acquired during the previous financial year for a nominal amount by CJMM in the current year. No outside shareholder was recognised in the past as the company was reflecting negative equity.

43. POST-EMPLOYMENT BENEFIT FUNDS

CJMM and its MEs provide post-employment benefits to all their permanent employees through eight defined contribution funds and seven defined benefit funds. The following funds provide pension benefits for the group employees.

Defined contribution funds

- e-Joburg Retirement Fund
- City Power – Retirement Fund
- Municipal Employees Gratuity Fund
- Municipal Gratuity Fund
- National Fund for Municipal Workers
- Meshawu National Local Authorities Retirement Fund
- Municipal Councillors Pension Fund
- South African Municipal Workers Union National Provident Fund

In the case of these defined contribution funds the contributions paid by the Group have been expensed as required in terms of AC 116.

Defined benefit funds

- City of Johannesburg Pension Fund
- Johannesburg Municipal Pension Fund
- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund
- Soweto City Council Pension Fund
- Diepmeadow Pension Fund

During the past year the City entered into an agreement with the Johannesburg Municipal Pension Fund and the City of Johannesburg Pension Fund to the effect that, in return for payment of an amount of R400 million plus interest from 1 January 2006:

- * Except as set out below, the assets and liabilities of the City of Johannesburg Pension Fund will be merged into the Johannesburg Pension Fund and the City will sever all financial ties with the latter Fund.
- * The City of Johannesburg Pension Fund will be converted into a defined contribution fund. Members will be given the option of remaining as members of the Fund and accruing future benefits on a defined basis or of joining the eJoburg Retirement Fund in respect of the accrual of future service benefits. Pensioners will be given the opportunity to transfer to an insurer instead of remaining pensioners of the Johannesburg Municipal Pension Fund.

An amount of R400 million plus interest to 30 June 2006 has been provided for in these financial statements.

Contributions to the Diepmeadow pension fund were ceased by the Group with effect from 31 July 2003. Benefits have been made paid-up and will accumulate for members on a defined contribution basis.

Details of the City of Johannesburg Pension Fund, Johannesburg Municipal Pension Fund, Joint Municipal Pension Fund, Municipal Employee Pension Fund, South African Local Authorities Pension Fund and Soweto City Council Pension Fund are provided below. It is not practicable at present to determine the present value of each individual MEs obligation, related share of scheme assets and current service costs for any of the defined benefit funds. Accordingly, all funds have been accounted for using a defined-contribution basis at the ME level.

However, full defined benefit accounting has been applied at the group level in the accounts of the Group for the City of Johannesburg Pension Fund, the Johannesburg Municipal Pension Fund, Joint Municipal Pension Fund, Municipal Employee Pension Fund, South African Local Authorities Pension Fund, and Soweto City Council Pension Fund.



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43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

City of Johannesburg Pension Fund

The City of Johannesburg Pension Fund is a hybrid defined benefit fund registered in 1968 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below:

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation		2 200		2 200
Fair value of plan assets		(2 232)		(2 232)
Net obligation recognised in the statement of financial position		(32)		(32)
Amounts recognised in the statement of financial performance				
Current service cost		87		87
Interest cost		183		183
Expected return on plan assets		(170)		(170)
Actuarial gain		(116)		(116)
Change in unrecognised asset in terms of s59 of AC116		31		31
Members' contributions		(32)		(32)
Total included in employee remuneration costs		(17)		(17)
Actual return on plan assets		585		585
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year		102		102
Net expense recognised in the statement of financial performance		(17)		(17)
Employee contributions		(85)		(85)
Net liability at the end of the year				
	GROUP		CJMM	
	2006	2005	2006	2005
Principal actuarial assumptions				
Discount rate		8,5%		8,5%
Expected return on plan assets		8,5%		8,5%
Future salary inflation		5,5%		5,5%
Future pension contribution increases		4,0%		4,0%

43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

Johannesburg Municipal Pension Fund

The Johannesburg Municipal Pension Fund is a hybrid defined benefit fund registered in 1962 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2004, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation		3 449		3 449
Fair value of plan assets		(4 286)		(4 286)
Net asset		(837)		(837)
AC116 limit		837		837
Amount recognised in statement of financial position				
Amounts recognised in the statement of financial performance				
Current service cost		55		55
Interest cost		299		299
Expected return on plan assets		(350)		(350)
Actuarial gain		(235)		(235)
AC116 limit		308		308
Members' contributions		(21)		(21)
Total included in employee remuneration costs		56		56
Actual return on plan assets		926		926
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year				
Net expense recognised in the statement of financial performance		56		56
Members' contributions		(56)		(56)
Net liability at the end of the year				
	GROUP		CJMM	
	2006	2005	2006	2005
Principal actuarial assumptions				
Discount rate		8,5%		8,5%
Expected return on plan assets		8,5%		8,5%
Future salary inflation		5,5%		5,5%
Future pension contribution increases		4,0%		4,0%



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43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

Joint Municipal Pension Fund

The Joint Municipal Pension Fund is a hybrid defined benefit fund registered in 1986 to provide pension benefits for employees of the Group. It has been closed to new entrants with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116). The actuarial valuations were not available for the current financial year.

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation		290		290
Fair value of plan assets		(297)		(297)
Net asset		(7)		(7)
AC116 limit		7		7
Amount recognised in statement of financial position				
Amounts recognised in the statement of financial performance				
Current service cost		5		5
Interest cost		26		26
Expected return on plan assets		(23)		(23)
Actuarial gain		(32)		(32)
AC116 limit		7		7
Members' contributions		(2)		(2)
Total included in employee remuneration costs		(19)		(19)
Actual return on plan assets		77		77
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year		23		23
Net expense recognised in the statement of financial performance		(19)		(19)
Members' contributions		(4)		(4)
Net liability at the end of the year		(23)		(23)
	GROUP		CJMM	
	2006	2005	2006	2005
Principal actuarial assumptions				
Discount rate		8,5%		8,5%
Expected return on plan assets		8,5%		8,5%
Future salary inflation		5,5%		5,5%
Future pension contribution increases		4,0%		4,0%

43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

Municipal Employee Pension Fund

The Municipal Employee Pension Fund is a hybrid defined benefit fund registered in 1988 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2005, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116). The actuarial valuations were not available for the current financial year.

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation		250		250
Fair value of plan assets		(289)		(289)
Net asset		(39)		(39)
IAS 19/AC 116 limit		39		39
Amount recognised in statement of financial position				
Amounts recognised in the statement of financial performance				
Current service cost		20		20
Interest cost		22		22
Expected return on plan assets		(22)		(22)
Actuarial gain		(35)		(35)
IAS 19/AC 116 limit		32		32
Members' contributions		(4)		(4)
Total included in employee remuneration costs		13		13
Actual return on plan assets		71		71
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year				
Net expense recognised in the statement of financial performance		13		13
Members' contributions		(13)		(13)
Net liability at the end of the year				
	GROUP		CJMM	
	2006	2005	2006	2005
Principal actuarial assumptions				
Discount rate		8,5%		8,5%
Expected return on plan assets		8,5%		8,5%
Future salary inflation		5,5%		5,5%
Future pension contribution increases		4,0%		4,0%



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43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

South African Local Authorities Pension Fund

The South African Local Authorities Pension Fund is a hybrid defined benefit fund registered in 1985 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of IAS 19 (AC116) (Employee Benefits) has been performed as at 30 June 2006, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation	69	51	69	51
Fair value of plan assets	(54)	(42)	(54)	(42)
Net asset	15	9	15	9
IAS 19/AC 116 limit				
Amount recognised in statement of financial position	15	9	15	9
Amounts recognised in the statement of financial performance				
Current service cost		1		1
Interest cost	5	4	5	4
Expected return on plan assets	(3)	(3)	(3)	(3)
Actuarial loss	4	1	4	1
IAS 19/AC116 limit				
Members' contributions		(1)		(1)
Total included in employee remuneration costs	6	2	6	2
Actual return on plan assets	15	9	15	9
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year	9	11	9	11
Net expense recognised in the statement of financial performance	6		6	
Members' contributions		(2)		(2)
Net liability at the end of the year	15	9	15	9
Principal actuarial assumptions				
Discount rate	9,0%	8,5%	9,0%	8,5%
Expected return on plan assets	9,0%	8,5%	9,0%	8,5%
Future salary inflation	6,0%	5,5%	6,0%	5,5%
Future pension contribution increases	1,9%	4,0%	1,9%	4,0%

43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

Soweto City Council Pension Fund

The Soweto City Council Pension Fund is a hybrid defined benefit fund registered in 1987 to provide pension benefits for employees of the Group. It has been closed to new members with effect from 1 January 2002. A valuation in terms of AC116 has been performed as at 30 June 2006, the results of which are shown below. Owing to the uncertainty surrounding the Pension Fund Second Amendment Act 2001, which requires any surplus in a retirement fund to be apportioned to all stakeholders, and initial indications from the actuaries to the fund regarding the above, it has been deemed prudent to not recognise any surplus in the balance sheet in terms of paragraph 58(b)(ii) of IAS 19 (AC116).

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation	795	612	795	612
Fair value of plan assets	(772)	(595)	(772)	(595)
Net asset	23	17	23	17
AS 19/AC 116 limit				
Amount recognised in statement of financial position	23	17	23	17
Amounts recognised in the statement of financial performance				
Current service cost		24		24
Interest cost	52	52	52	52
Expected return on plan assets	(51)	(45)	(51)	(45)
Actuarial gain	5	(46)	5	(46)
IAS 19/AC 116 limit				
Members' contributions		(8)		(8)
Total included in employee-remuneration costs	6	(23)	6	(23)
Actual return on plan assets	126	126	126	126
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year	17	57	17	57
Net expense recognised in the statement of financial performance	6	(23)	6	(23)
Members' contributions		(17)		(17)
Net liability at the end of the year	23	17	23	17
Principal actuarial assumptions				
Discount rate	9,0%	8,5%	9,0%	8,5%
Expected return on plan assets	9,0%	8,5%	9,0%	8,5%
Future salary inflation	6,0%	5,5%	6,0%	5,5%
Future pension contribution increases	1,9%	4,0%	1,9%	4,0%



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43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

PAID-UP DEFINED BENEFIT FUND

Diepmeadow Pension Fund

Contributions to the Diepmeadow Pension Fund were ceased for City employees with effect from 31 July 2003. Benefits have been made paid up and will accumulate for members on a defined contribution basis. The rule amendment giving effect to the revised benefit structure was registered on 3 November 2004. A valuation in terms of AC 116 has been performed as at 30 June 2006, the results of which are shown below.

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of funded obligation	239		239	
Fair value of plan assets	(223)		(223)	
Net asset	16		16	
AC 116 limit				
Amount recognised in statement of financial position	16		16	
Amounts recognised in the statement of financial performance				
Current service cost				
Interest cost	16		16	
Expected return on plan assets	(15)		(15)	
Actuarial (gain)/loss	3		3	
Total included in employee-remuneration costs	4		4	
Actual return on plan assets	37		37	
Movement in net liability recognised in the statement of financial position				
Net liability at the beginning of the year	12		12	
Net expense recognised in the statement of financial performance	4		4	
Members' contributions				
Net liability at the end of the year	16		16	
	GROUP		CJMM	
	2006	2005	2006	2005
Principal actuarial assumptions				
Discount rate	9,0%		9,0%	
Expected return on plan assets	9,0%		9,0%	
Future salary increase	6,0%		6,0%	
Future pension increases	3,3%		3,3%	

43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

Post-employment medical aid liabilities

The Group has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or over and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 July 2003 are eligible for benefits. The amount of the subsidy is 60% for pensioners and members older than 55 on 1 July 2003 and 50% for other qualifying employees and is subject to a maximum of R1 953 per month. The maximum increases annually on 1 July in accordance with the general 'cost of living' salary increase in the Group.

In addition to the benefits provided to current staff of CJMM, CJMM has undertaken to cover such portion of the liability for staff of the MEs who are entitled to benefits on the same basis as above that relates to their service with CJMM before the MEs were established. This amount was determined as at 1 July 2003 and has been crystallised in the form of notional accounts which earn interest and against which the MEs may claim benefit payments made.

These liabilities are unfunded and the relevant details are disclosed below.

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	1 173 933	1 155 477	1 048 813	1 032 927
In respect of notional accounts for employees of MEs			90 146	83 901
	1 173 933	1 155 477	1 138 959	1 116 828
Amounts recognised in the statement of financial performance				
In respect of employees of CJMM				
Interest cost	95 849	101 098	85 133	89 899
Current service cost	8 494	8 910	4 284	4 584
Actuarial loss	(13 236)	78 814	(2 231)	79 296
Total included in employee remuneration costs	91 107	188 822	87 186	173 779
In respect of employees of MEs				
Interest cost			6 245	7 627
New notional accounts created				
Total included in employee remuneration costs			6 245	7 627
Movements in amount recognised in the statement of financial position				
In respect of CJMM employees				
Liability at start of the year	1 155 477	1 037 964	1 032 927	929 666
Correction for additional liability not previously raised				
Net expense recognised in the statement of financial performance	91 107	188 822	87 186	173 779
Benefit payments	(72 651)	(71 309)	(71 300)	(70 518)
	1 173 933	1 155 477	1 048 813	1 032 927
In respect of employees of MEs				
Liability at start of the year			83 901	76 274
Interest charge included in the statement of financial performance			6 245	7 627
Additional liability created				
Benefit payments				
Liability at end of the year			90 146	83 901
Key assumptions				
Discount rate	9,0%	8,5%	9,0%	8,5%
Medical inflation	6,8%	6,0%	6,8%	6,0%
Salary inflation	9,0%	8,5%	9,0%	8,5%



43. POST-EMPLOYMENT BENEFIT FUNDS (continued)

Post-retirement gratuities

The Group provides gratuities on retirement or prior death (i.e. for those members that die prior to retirement date) in respect of staff who were employed by CJMM while they were not members of one of the retirement funds and who meet certain service requirements in terms of CJMM's conditions of employment. The gratuity amount is based on one month's salary per year of non-retirement-funding service.

In addition to the gratuity benefits provided to current staff of CJMM, CJMM has also undertaken to cover such portion of the gratuity liability for staff of the MEs who are entitled to benefits on the same basis as above that relates to their service with CJMM before the MEs were established. This amount was determined as at 1 July 2003 and has been crystallised in the form of notional accounts which earn interest and against which the MEs may claim benefit payments made.

These liabilities are unfunded and the relevant details are shown below.

	GROUP		CJMM	
	2006 Rm	2005 Rm	2006 Rm	2005 Rm
Amounts recognised in the statement of financial position				
Present value of unfunded obligation in respect of CJMM employees	431 531	419 483	126 459	123 981
In respect of notional accounts for employees of MEs			289 881	281 432
	431 531	419 483	416 340	405 413
Amounts recognised in the statement of financial performance				
In respect of employees of CJMM				
Interest cost	33 254	45 745	9 934	21 924
Current service cost	2 872	(1 987)		
Actuarial (loss)/gain	13 019	(67 058)	4 924	(113 266)
Correction of error	578		578	
Total included in employee-remuneration costs	49 723	(23 300)	15 436	(91 342)
In respect of employees of MEs				
Interest cost				
New notional accounts created				
Total included in employee-remuneration costs				
Movements in amount recognised in the statement of financial position				
In respect of CJMM employees				
Liability at start of the year	419 483	473 902	123 981	225 000
Additional liability created				
Net expense recognised in the statement of financial performance	49 723	(23 300)	15 436	(91 342)
Benefit payments	(37 675)	(31 119)	(12 958)	(9 677)
	431 531	419 483	126 459	123 981
In respect of employees of MEs				
Liability at start of the year			281 432	237 591
Interest charge included in the statement of financial performance			34 094	63 432
Additional liability created				
Benefits payments			(25 645)	(19 591)
Liability at end of the year			289 881	281 432
	GROUP		CJMM	
	2006	2005	2006	2005
Key assumptions				
Discount rate	9,0%	8,5%	9,0%	8,5%
Expected return on notional account	6,5%	5,5%	6,5%	8,5%
Benefit increase rate	9,0%	8,5%	9,0%	5,5%



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44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to South African Local Government Association

Opening balance

Council contributions

Amount paid-current year

Audit fees

Opening balance

Current year audit fee

Amount paid – current year

Amount paid – previous year

Balance unpaid (included in sundry creditors)

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2006 and is payable by 31 July 2006.

Value Added Tax (VAT)

VAT receivables and VAT payable is shown in note 10.

All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

Opening balance

Current-year payroll deductions

Amount paid – current year

Amount paid – previous year

Balance unpaid (included in sundry creditors)

The balance represents PAYE and UIF deducted from the June 2006 payroll. These amounts were paid during July 2006.

Pension and medical aid deductions

Opening balance

Current-year payroll deductions and Council contributions

Amount paid – current year

Amount paid – previous year

Balance unpaid (included in sundry creditors)

The balance represents pension and medical aid contributions deducted from employees in the June 2006 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2006.

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
Opening balance				
Council contributions	34 319	5 944	34 319	5 944
Amount paid-current year	(34 319)	(5 944)	(34 319)	(5 944)
Opening balance	3 673	2 799	2 161	320
Current year audit fee	18 247	13 604	11 246	7 628
Amount paid – current year	(13 687)	(9 630)	(9 455)	(5 467)
Amount paid – previous year	(4 829)	(3 100)	(2 044)	(320)
Balance unpaid (included in sundry creditors)	3 404	3 673	1 908	2 161
Opening balance	18 882	22 516	18 558	18 900
Current-year payroll deductions	512 307	464 504	288 459	282 759
Amount paid – current year	(492 862)	(445 667)	(269 029)	(264 201)
Amount paid – previous year	(18 754)	(22 471)	(18 558)	(18 900)
Balance unpaid (included in sundry creditors)	19 573	18 882	19 430	18 558
Opening balance	27 390	58 407	27 237	52 760
Current-year payroll deductions and Council contributions	773 857	727 225	469 827	459 611
Amount paid – current year	(735 353)	(699 826)	(431 994)	(432 374)
Amount paid – previous year	(27 390)	(58 416)	(27 237)	(52 760)
Balance unpaid (included in sundry creditors)	38 504	27 390	37 833	27 237

44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2006

		Total Outstanding	Outstanding < 90 days	Amount in arrears >90 days	Comments
		R	R	R	
Botes	C	12 658	159	12 499	Arrears >90 days
Clarke	SNM	45 897	3 575	41 322	Arrears >90 days
Dladla	MJ	1 046	691	355	Arrears >90 days
Gomati	M	745	510	235	Arrears >90 days
Griffin	S	8 835	(1 466)	10 301	Arrears >90 days
Hlomendlini	IN	955	309	646	Arrears >90 days
Lekgetho	JK	1 586	539	1 047	Arrears >90 days
Lekgetho	MJ	8 013	541	7 472	Arrears >90 days
Machaba	TEL	1 821	110	1 711	Arrears >90 days
Maela	SI	7 320	567	6 753	Arrears >90 days
Makhubo	MM	157	104	53	Arrears >90 days
Mambo	NM	1 496	472	1 024	Arrears >90 days
Maseko	OM	195 195	3 506	191 689	Arrears >90 days
Masina	P	1 771	541	1 230	Arrears >90 days
Matladi	JM	498	20	478	Arrears >90 days
Mfabo	WB	585	253	332	Arrears >90 days
Mfenyana	NJ	16 516	520	15 996	Arrears >90 days
Moche	MM	6 597	153	6 444	Arrears >90 days
Moepi	NR	836	505	331	Arrears >90 days
Molutsi	MP	4 308	3 227	1 081	Arrears >90 days
Mpolobosho	MM	2 746	90	2 656	Arrears >90 days
Mtembu	NG	7 451	555	6 896	Arrears >90 days
Ngwedzeni	N	10 594	520	10 074	Arrears >90 days
Nkoane	KL	15 185	742	14 443	Arrears >90 days
Nthite	NT	3 470	151	3 319	Arrears >90 days
Ntombela	P	627	149	478	Arrears >90 days
Ntuli	MP	6 832		6 832	Arrears >90 days
Putsoa	A	223	71	152	Arrears >90 days
Ramafola	SM	950	312	638	Arrears >90 days
Riba	Q	1 067	294	773	Arrears >90 days
Turk	BD	3 338	2 154	1 184	Arrears >90 days
Zitha	P	930	640	290	Arrears >90 days
		370 248	20 514	349 734	



Notes to the financial statements

for the year ended 30 June 2006

44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

		Highest amount outstanding > 90 days R	Total R	Comments
Barnes	AE	1 816	19 217	Arrears >90 days – Arrange on salary
De Vos	MD	127	132	Arrears >90 days – Arrange on salary
Dela	SE	45	65	Arrears >90 days
Dhlamini	MT	11 436	12 294	Arrears >90 days – Arrange on salary
Essop	AK	2	2 154	Arrears >90 days
Fortuin	CM	1 810	2 209	Arrears >90 days – Arrange on salary
Greeff	RJ	4 556	11 346	Arrears >90 days
Ishmail	GJ	1 105	1 967	Arrears >90 days
Kgomo	MC	242	2 171	Arrears >90 days
Khonoti	DJ	735	837	Arrears >90 days
Kraqa	AT	6	1 249	Arrears >90 days – Arrange on salary
Kunene	NP	462	564	Arrears >90 days – Arrange on salary
Lichaba	DL	1	1 809	Arrears >90 days – Arrange on salary
Lugli	KSA	70 207	72 107	Arrears >90 days
Mahlobo	SE	1 976	2 753	Arrears >90 days
Manack	AA	1 422	4 672	Arrears >90 days
Maphatsoe	ER	1 204	1 734	Arrears >90 days – Arrange on salary
Mbasela	JV	14 129	15 239	Arrears >90 days – Arrange on salary
Miller	B	58	217	Arrears >90 days
Mkhize	DS	2 882	2 901	Arrears >90 days
Mkhohza	NJ	12 038	12 557	Arrears >90 days
Mlambo	E	9 058	9 555	Arrears >90 days – Arrange on salary
Mofokeng	L	22 291	23 805	Arrears >90 days – Arrange on salary
Mohlala	NP	1 232	4 704	Arrears >90 days
Motaung	DT	22 551	23 079	Arrears >90 days
Mthembu	D	102	590	Arrears >90 days
Mtshali	E	42	110	Arrears >90 days
Nanise	MS	869	1 406	Arrears >90 days
Ndlovu	C	13 738	14 254	Arrears >90 days – Arrange on salary
Nkosi	BG	25 118	25 638	Arrears >90 days
Padi	SD	262	785	Arrears >90 days
Sefolo	ME	10 275	10 803	Arrears >90 days - Arrange on salary
Sithole	B	2 992	8 109	Arrears >90 days
Sithole	V	1 051	2 335	Arrears >90 days - Arrange on salary
Stuurman	L	6 688	9 314	Arrears >90 days - Arrange on salary
Volker	VT	3 991	6 899	Arrears >90 days - Arrange on salary
Zondi	BD	334	858	Arrears >90 days
		246 853	310 438	

Thirty two Councillors were in arrears as at 30 June 2006, none of them have made signed arrangements to pay the amounts outstanding on their accounts.

Fifty-five Councillors failed to submit the necessary documentation to indicate whether or not they are liable for any municipal accounts.

One hundred and thirty Councillors are not liable for their accounts.



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44. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)

30 June 2005

Nine Councillors were in arrears as at 30 June 2005 and have made signed arrangements to pay amounts outstanding.

		Total outstanding R	Outstanding < 90 days R	Amount in arrears >90 days R
Maphatsoe	E R	22 944	669	22 275
Ndlovu	C	14 774	505	14 269
Dhlamini	MT	12 000	845	11 155
Lichaba	DL	8 397	558	7 839
Radebe	TS	6 188	485	5 703
Volker	VT	5 412	2 749	2 663
Sibiya	KG	1 215	177	1 038
Fortuin	CM	1 879	910	969
Kunene	NP	529	101	428
		73 338	6 999	66 339

In addition:

Two accounts in the name of Councillors have acknowledged queries, and the queries have yet to be resolved.

Fifty-two Councillors failed to submit the necessary documentation to indicate whether or not they are liable for any municipal accounts, or submitted incomplete documentation.

The remaining 155 Councillors were either fully up to date with their municipal accounts as at 30 June 2005, or were not liable for any municipal accounts.



Notes to the financial statements

for the year ended 30 June 2006

45. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Authorised and contracted for:

Infrastructure
Community
Heritage
Housing Development Fund
Other

Authorised and not yet contracted for:

Infrastructure
Community
Heritage
Housing Development Fund
Other

Total

This expenditure will be financed from

External loans
Capital Replacement Reserve
Government grants
Internal cash
District Council grants

	GROUP		CJMM	
	2006 R000	2005 R000	2006 R000	2005 R000
	620 378	535 987	430 691	388 261
	13 000	49 018	13 000	49 018
	18 000		18 000	
	270 870	273 593	237 091	223 478
	922 248	858 598	698 782	660 757
	1 480 038	1 399 325	95 614	108 802
	191 977	102 681	191 977	102 681
		3 433		3 433
	598 955	430 570	59 548	42 391
	2 270 970	1 936 009	347 139	257 307
	3 193 218	2 794 607	1 045 921	918 064
	2 173 037	1 922 776	660 066	631 400
	36 664	25 490	30 664	19 490
	781 017	646 341	355 191	267 174
	202 500	200 000		
	3 193 218	2 794 607	1 045 921	918 064

46. CONTINGENT LIABILITIES

LITIGATION

CJMM

- a) Five Plaintiffs brought action against the Council in the 1990s, arising from major road and other construction works at the Empire Interchange, around the suburbs of Braamfontein, Milpark, Cottesloe, Melville, Parktown West, Emmarentia and Richmond. They allegedly suffered damages as a result of the Council having closed the road temporarily in terms of Section 76 of the Local Government Ordinance 1939 (TVL) instead of permanent closure in terms of Section 67. The claims total R8,6 million plus interest at 15,5%. The Plaintiffs have not yet provided security for costs for the matter to proceed but have through its new attorney indicated that it will be proceeding with the case. It has not yet done so, but it remains a possibility.
- b) The Court actions against the City with total value of R4 million in respect of services alleged to have been rendered to the City.
- c) The Court action emanating from the termination of an insurance agreement against the City for an amount of R23 million.
- d) The Court action emanating from the alleged breach of contract of lease by the City for an amount of R15 million.
- e) The Court action emanating from the road widening by the City. The amount claimed for compensation is R11 million.
- f) The Court action for compensation in respect of expropriation in terms of the Better Building Programme. The claim amounts to R1 million.
- g) The Court action for damage against the City with total value of R7 million for allegedly failing to execute its duties. The matter is ongoing.
- h) A claim for R28 million by ESKOM in respect of RSC levies. A part of the claim has prescribed, and the claim should be settled for far less. The matter is ongoing.
- i) A claim for damages was instituted by Engen Petroleum as a result of the Grayston fly-over for loss of income. The total claim is in excess of R10 million and is not insured. This matter proceeded slowly since 1995, but it now appears that the Plaintiff may set the matter down for trial.
- j) Claim for damages and compensation resulting from a road constructed. Total claim R11,9 million. Although settlement negotiations are ongoing, chances to settle the matter amicably appear slim.
- j) The claim for an amount of R57,5 million from an external service provider for the 'alleged' services that could otherwise have been rendered if the contract was 'properly' executed. The City is defending the matter and has filed a counter claim.
- k) A claim by certain employees in respect of bonus gratuity in terms of their conditions of services, amounting to R67,3 million.

City Power Johannesburg (Pty) Ltd

- a) Litigation is in process against City Power Johannesburg (Pty) Ltd relating to a contract with Sidas Security. The contract was withdrawn by City Power due to falsification of information by the security company during the tender process. Sidas Security subsequently sued City Power Johannesburg (Pty) Ltd and the matter is currently in the High Court. The attorneys of Sidas Security have made an offer to City Power Johannesburg (Pty) Ltd to withdraw all legal action which is under consideration. An estimate of the financial impact amounts to R12 million. The company's lawyers and management consider the likelihood of the action against the company being successful as unlikely.
- b) Litigation is in the process against City Power Johannesburg (Pty) Ltd relating to a claim for the fulltime employment of contracted employees originally sourced from Thlalefang Placements. An estimate of the financial impact amounts to R724 223.32. The company's lawyers and management consider the likelihood of the action against the company being successful as high.

The Johannesburg Zoo

- a) The Johannesburg Zoo has a contingent liability of an estimated R500 000, resulting from SARS payment and RSC Levies not being paid during the period 2000 to 2003.



Notes to the financial statements

for the year ended 30 June 2006

46. CONTINGENT LIABILITIES (continued)

INSURED CLAIMS

CJMM

- a) There are a number of possible public liability claims totalling approximately R9,1 million which are ongoing and which are covered by insurance.
- b) Guardrisk Contingency Fund. Provision of this liability includes all known liabilities against CJMM and MEs, legally required provision for claims incurred but not yet reported as well as business required provision to support the operational support and operational activities.

GUARANTEES

CJMM

Guarantees were issued to the following companies:

- a) CDC Globelec – R150 million in terms of a power purchasing agreement.
- b) Kelvin Power (Pty) Ltd – R155,6 million to ensure that City Power Johannesburg (Pty) Ltd meets all its commitments.
- c) The Johannesburg Zoo – R6 million in respect of the purchasing of property.
- d) COID Commissioner – R15 million in terms of the Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993).
- e) South African Post Office – R2,2 million in respect of bulk mailings.

Johannesburg Water (Pty) Ltd

- a) Bank guarantee to the South African Post Office for an amount of R200 000. The guarantee is in the ordinary course of business and it is anticipated that no material liability will arise.

RE-INSTATEMENT OF CONTRACTS

CJMM

- a) Claim by Johnnic Property Developments – R473 000 in respect of external engineering services at the Dainfern development.
- b) Claim by Gerda van Tonder and others on behalf of Primaworks – R442 000 in respect of services allegedly rendered.

47. IN-KIND DONATIONS AND ASSISTANCE

The following in-kind donations and assistance were received.

Description

Computer equipment was donated to Riverlea recreation centre.

The Libraries received books from various sources.

Sponsorships towards the cost of the following events was received:

- World Urban Forum – Vancouver
- Annual European local and regional government financing conference
- Educational tour to Germany
- Imfo/Jhb municipal bond conference
- Study tour to France
- Attending the International debt management conference
- Bond study tour to Canada, Columbia via USA
- The Emergency management service's gala function
- FBI Training for Metro police department

Two Nissan bakkies were donated to Metro police department.

As part of the Municipal Management Technical Assistance Programme, National Treasury has provided the City with one full-time international financial advisor.

Medical supplies were donated to various clinics by the Gauteng Provincial Government.

Various gifts were donated to the Executive Mayor. Full details are contained in a register at the Executive Mayor's Office.



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Notes to the financial statements

for the year ended 30 June 2006

49. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

The Johannesburg Fresh Produce Market (Pty) Ltd

Incident	Disciplinary steps/criminal proceedings	R000
Interest on late payment of PAYE and provisional taxation		790
Insurance claim due to fraud	Two employees were dismissed and criminal charges have been laid against them.	7 931
Write-off of amounts without supporting documentation	None	1 779
		<u>10 500</u>

Metropolitan Trading Company (Pty) Ltd

Incident	Disciplinary steps/criminal proceedings	R000
Late payment of VAT	None	17

Pikitup Johannesburg (Pty) Ltd

Incident	Disciplinary steps/criminal proceedings	R000
Interest paid – ESKOM – Invoices received late	None	1
Interest paid – FNB – Credit cards paid late	None	1
Interest paid – TELKOM – July 05 paid late (during August 2005)	None	1
Traffic fines – As a result of overloading	None	2
Interest and penalties paid to SARS	None	329
		<u>334</u>

Johannesburg Metropolitan Bus Services (Pty) Ltd

Incident	Disciplinary steps/criminal proceedings	R000
Incorrect report format for revenue claim	Amount awaiting condonement	49
Traffic fines	Amount awaiting condonement	10
Traffic fines Prior year	Amount awaiting condonement	65
Interest on VAT payments	Amount awaiting condonement	22
		<u>146</u>

Roodepoort City Theatre

Incident	Disciplinary steps/criminal proceedings	R000
Electronic bank fraud	Amount recoverable from ABSA	19
	Amount awaiting condonement	15
		<u>34</u>

50. FAIR VALUE AND CARRYING VALUE OF FINANCIAL INSTRUMENTS

Group

Held-for-sale investments

Consumer debtors:

	TOTAL FAIR VALUE		TOTAL CARRYING VALUE	
	2006 R000	2005 R000	2006 R000	2005 R000
Held-for-sale investments	579 275	614 326	366 207	319 855
Consumer debtors:				
Rates	2 568 203	2 577 285	2 569 549	2 578 538
Electricity	1 719 553	1 561 648	1 721 624	1 563 375
Water	3 796 592	3 605 759	3 797 840	3 606 927
Refuse	593 460	677 877	593 599	678 060
Regional Service Levies	385 033	211 653	386 010	212 451
Housing rentals	383 175	388 136	383 191	388 152
Other debtors	212 502	356 933	212 786	357 356

Total of financial instruments (assets)

Trade creditors	1 685 825	1 619 331	1 688 626	1 621 910
Other creditors – SWAPS	328 665	697 440	322 267	697 440

Total of financial instruments (assets)

CJMM

Held-for-sale investments

Consumer debtors:

Held-for-sale investments	579 275	614 326	366 207	319 855
Consumer debtors:				
Rates	2 568 203	2 577 285	2 569 549	2 578 538
Refuse	554 583	571 767	554 678	571 877
Regional Service Levies	385 033	211 653	386 010	212 451
Housing rentals	369 980	388 136	369 996	388 152
Other debtors	169 563	291 765	169 847	292 188

Total of financial instruments (assets)

Trade creditors	697 541	694 051	698 565	695 083
Other creditors – SWAPS	8 587	37 883		37 883

Total of financial instruments (assets)

51 RELATED PARTY DISCLOSURE

The Supply Chain Management Regulation, GNR868 of 30 May 2005, paragraph 45 requires that all particulars of any award of more than R2 000 to a person who is a spouse, child or parent in the service of the state in the previous twelve months must be disclosed on the financial statements. Due to system constraints the required disclosure was not possible. Management is currently investigating mechanisms to address this issue.



Appendix A – External loans

at 30 June 2006

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/05 R000
LONG-TERM LOANS			
Loan stock @ 9,70%	743	31-Dec-05	400
Loan stock @ 14,70%	121	31-Aug-13	30 000
Loan stock @ 15,55%	007	1-Nov-05	50 000
Loan stock @ 15,55%	008	1-Nov-05	50 000
Loan stock @ 16,07%	009	30-Jun-06	200 000
Total loan stock			330 400
STRUCTURED LOANS			
ABSA @ 15,00%	MLS6	15-Dec-05	219 503
ABSA @ 15,00%	MLS7	15-Dec-05	2 606
ABSA @ 15,00%	MLS8	15-Dec-05	20 900
ABSA @ 16,22%	ABSA Midrand	30-Nov-11	53 665
ABSA @ 12,27%	ABSA R150m	20-Dec-12	150 000
Investec @ 11,77%	Investec R100m	24-Dec-13	91 335
RMB @ 14,53%	RMB R95m	30-Nov-14	106 794
RMB @ 15,56%	RMB R210m	31-Dec-12	464 492
RMB @ 16,50%	RMB R100m	30-Nov-14	112 422
SCMB @ 12,16%	SCMB R200m	30-Sep-18	176 666
Ekurhuleni @ 16,21%	Ekurhuleni	30-Jun-11	41 125
Total structured loans			1 439 508
FUNDING FACILITY			
RMB @ 11,65%	RMB L123	30-Apr-09	60 155
TOTAL CARRIED FORWARD			1 830 063

Received during the period R000	Redeemed and written off R000	Balance at 30/06/06 R000	Carrying value of property, plant and equipment R000	Other costs in accordance with MFMA R000
	(400)	30 000	29 985	2 537
	(50 000)			
	(50 000)			
	(200 000)			
	(300 400)	30 000	29 985	2 537
15 374	(234 877)			
	(2 606)			
	(20 900)			
	(278)	53 387	54 573	4 712
		150 000	149 989	52 789
	(6 716)	84 619	99 998	36
1 881		108 675	94 999	8 232
69 092		533 584	247 986	38 409
2 014		114 436	99 458	46 052
	(13 333)	163 333	199 999	
		41 125	189	18 823
88 361	(278 710)	1 249 159	947 191	169 053
3 273	(15 995)	47 433	88 108	
91 634	(595 105)	1 326 592	1 065 284	171 590



Appendix A – External loans

at 30 June 2006

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/05 R000
TOTAL BROUGHT FORWARD			1 830 063
DEVELOPMENT BANK OF SOUTH AFRICA			
DBSA @ 13,22%	11984 - 11993	30-Jun-14	66 671
DBSA @ 10,00%	2513/103	31-Mar-09	24 078
DBSA @ 10,00%	8056/103	30-Sep-11	41 528
DBSA @ 10,00%	8250/102	31-Mar-14	6 414
DBSA @ 10,00%	9005/103	31-Mar-13	240 224
DBSA @ 10,00%	9337/101	30-Sep-14	25 535
DBSA @ 10,00%	9637/102	31-Mar-14	3 135
DBSA @ 10,00%	10 295	30-Jun-16	1 533
DBSA @ 9,39%	13541/1	30-Sep-20	154 186
DBSA @ 9,39%	13541/2	30-Sep-05	483
DBSA @ 16,55%	12 716	31-Dec-12	252
DBSA @ 16,55%	12 717	31-Dec-12	467
DBSA @ 16,15%	12 032	31-Dec-10	492
DBSA @ 16,67%	12 033	31-Dec-11	836
DBSA @ 16,67%	12 034	31-Dec-11	448
DBSA @ 15,26%	12 035	31-Dec-11	136
DBSA @ 15,26%	12 036	31-Dec-11	635
DBSA @ 15,26%	12 037	31-Dec-12	1 495
DBSA @ 15,26%	12 038	31-Dec-12	350
DBSA @ 15,26%	12 388	31-Dec-12	1 779
DBSA @ 15,74%	12 208	31-Dec-09	4 129
DBSA @ 12,00%	9726/104	30-Sep-14	2 507
DBSA @ 16,50%	11064/102	31-Mar-20	2 234
DBSA @ 10,63%	11073/101	30-Sep-13	11 578
DBSA @ 10,63%	11073/2	30-Sep-13	34 416
Total Development Bank of South Africa			625 541
TOTAL CARRIED FORWARD			2 455 604

Received during the period R000	Redeemed R000	Balance at 30/06/06 R000	Carrying value of property, plant and equipment R000	Other costs in accordance with MFMA R000
91 634	(595 105)	1 326 592	1 065 284	171 590
	(4 206)	62 465	77 829	
	(5 171)	18 907	24 078	
	(4 808)	36 720	53 419	
	(468)	5 946	19	
	(20 832)	219 392	291 731	
	(1 731)	23 804	48	
	(229)	2 906	1 990	
	(85)	1 448		
	(10 111)	144 075	166 810	
	(483)		31	
	(19)	233	298	
	(35)	432	553	
	(61)	431		
	(79)	757		
	(43)	405	554	
	(13)	123	170	
330	(393)	572	794	
	(118)	1 377		
	(28)	322	419	
	(140)	1 639	791	
	(691)	3 438		
	(153)	2 354	134	
	(39)	2 195		
	(1 362)	10 216	17 234	
	(4 048)	30 368	46 562	8 825
330	(55 346)	570 525	683 464	8 825
91 964	(650 451)	1 897 117	1 748 748	180 415



Appendix A – External loans

at 30 June 2006

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/05 R000
TOTAL BROUGHT FORWARD			2 455 604
BONDS			
Bond @ 11,95%	COJ01	13-Apr-10	830 000
Bond @ 11,90%	COJ02	30-Jun-16	980 000
Bond @ 9,70%	COJ03	26-Apr-13	700 000
Bond @ 9,%	COJ04	5-Jun-18	
Total bonds			2 510 000
OTHER LOANS			
ABSA @ 8,90%	ABSA Springfield	29-Aug-15	1 430
TOTAL CARRIED FORWARD			4 967 034



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Received during the period R000	Redeemed R000	Balance at 30/06/06 R000	Carrying value of property, plant and equipment R000	Other costs in accordance with MFMA R000
91 964	(650 451)	1 897 117	1 748 748	180 415
20 000		850 000	992 282	7 268
		980 000	978 998	9 007
		700 000	699 594	3 586
1 200 000		1 200 000	1 199 945	1 956
1 220 000		3 730 000	3 870 819	21 817
	(130)	1 300	2 031	
1 311 964	(650 581)	5 628 417	5 621 598	202 232



Appendix A – External loans

at 30 June 2006

EXTERNAL LOANS	Loan number	Redeemable	Balance at 30/06/05 R000
TOTAL BROUGHT FORWARD			4 967 034
LOANS HELD BY SUBSIDIARIES			
Canon lease @ 15%		31-May-07	171
Spartan Rental Technologies		31-Oct-08	
Union Finance	35431-01	30-Apr-09	216
Union Finance	35431-02	28-May-09	64
National Panasonic	DO 28431 -01	31-Mar-09	22
National Panasonic	DO 23402 -01	30-Oct-07	21
National Panasonic	DO 31607 -01	8-Dec-09	564
National Panasonic	DO 37967 -01	31-May-11	
National Panasonic	DO 34683 -01	31-Aug-10	
National Panasonic	DO 36033 -01	31-Dec-10	
Mzansi Telecoms	JPC33/05	31-Aug-07	
Mzansi Telecoms	JPC33/05	31-Aug-07	
National Panasonic	DO 34927 -01	30-Sep-10	
Safika Financial Services		31-May-09	
Stannic Computers		31-Aug-05	251
Stannic PABX		31-Aug-07	1 990
ABSA Copiers and Faxes		31-Jan-06	45
ABSA Copiers		31-Aug-06	26
RMB 240 litre refuse bins		30-Jun-09	44 069
RMB 240 litre refuse bins		31-Dec-09	8 400
Sharp			16
Panasonic lease			198
Nashua			1 437
Minolta			89
Minolco			47
Gestetner lease			326
Nashua North	Nashua	30-Sep-09	216
Technologies Acceptance	Xerox	30-Jun-09	143
INCA	JMBS-00-001	31-Dec-11	217 369
Commute Link		30-Jun-06	24 148
			299 828
TOTAL EXTERNAL LOANS			5 266 862

Received during the period R000	Redeemed R000	Balance at 30/06/06 R000	Carrying value of property, plant and equipment R000	Other costs in accordance with MFMA R000
1 311 964	(650 581)	5 628 417	5 621 598	202 232
365	(171)	365	365	
841	(186)	655	655	
	(35)	181	121	
	(14)	50	39	
	(5)	17	13	
	(7)	14	8	
	(71)	493	360	
225		225	197	
204		204	200	
237		237	174	
33		33	28	
17		17	14	
129		129	105	
381	(33)	348	371	
	(251)			
	(915)	1 075	892	
	(45)			
	(22)	4	4	
	(4 330)	39 739	30 380	
	(660)	7 740	6 406	
3		19	19	
37		235	235	
268		1 705	1 705	
17		106	106	
9		56	56	
61		387	387	
	(40)	176	176	
	(29)	114	114	
	(16 046)	201 323	176 884	
	(24 148)			
2 827	(47 008)	255 647	220 014	
1 314 791	(697 589)	5 884 064	5 841 612	202 232



Appendix B – Analysis of property, plant and equipment

	COST					
	Opening balance R000	Additions R000	Founds R000	Capitalisation adjustments R000	Revaluation R000	Disposals R000
Land and buildings						
Land	5 291 733	49 961	80 007	19 868		(16 769)
Buildings	2 481 796	293 037	1 495 447	93	3 758	(24 453)
	7 773 529	342 998	1 575 454	19 961	3 758	(41 222)
Infrastructure						
Roads, pavements, bridges and storm water	1 273 290	487 981	14 539	1 483		9 254
Improvements						
Reservoirs – water	106 741					
Water meters	55 873	42 425				
Water mains	456 333	42 104				
Car parks, bus terminals and taxi ranks						
Electricity mains	884 114	65 889	14 230	3 481		(10 009)
Electricity peak-load equipment	675 319	95 413				(40)
Sewerage purification and reticulation	1 524 498	52 638	12 464	13 063		(14 972)
Housing						
Street lighting						
Refuse sites						
Gas						
Other						
	4 976 168	786 450	41 233	18 027		(15 767)
Community assets						
Parks, gardens, sport fields and recreation	205 804	86 821	63 585	679		1 933
Halls, libraries, museums and art galleries						
Clinics						
Other	88 240	56 139	152 787	256		(2 153)
	294 044	142 960	216 372	935		(220)
Heritage assets						
Historic buildings	10 867	35 589				
Artwork	103 978	103				(13 155)
Other						
	114 845	35 692				(13 155)

		ACCUMULATED DEPRECIATION						
Transfers R000	Closing balance R000	Opening balance R000	Depreciation charge R000	Capitalisation adjustments R000	Disposals R000	Transfers R000	Closing balance R000	Carrying value R000
20 007	5 444 807	4 193	4 673		(972)		7 894	5 436 913
32 039	4 281 717	926 189	142 857	5 044	(1 962)	(86)	1 072 042	3 209 675
52 046	9 726 524	930 382	147 530	5 044	(2 934)	(86)	1 079 936	8 646 588
25 302	1 811 849	362 982	72 773	12 182	(2 823)		445 114	1 366 735
	106 741	17 269					17 269	89 472
1 960	100 258	7 493					7 493	92 765
87 395	585 832	77 188	29 349				106 537	479 295
413 563	1 371 268	253 934	80 530	3 482	(4 826)		333 120	1 038 148
47 223	817 915	105 228	24 657		(41)		129 844	688 071
53 547	1 641 238	498 759	120 408		1 957		621 124	1 020 114
628 990	6 435 101	1 322 853	327 717	15 664	(5 733)		1 660 501	4 774 600
13 714	372 536	37 749	13 390	4	(59)		51 084	321 452
6 540	301 809	34 844	25 922	108	(2 448)		58 426	243 383
20 254	674 345	72 593	39 312	112	(2 507)		109 510	564 835
	46 456	64	77				141	46 315
	90 926	32 899	2 851		(6 409)		29 341	61 585
	137 382	32 963	2 928		(6 409)		29 482	107 900



Appendix B – Analysis of property, plant and equipment

	COST					
	Opening balance R000	Additions R000	Founds R000	Capitalisation adjustments R000	Revaluation R000	Disposals R000
Leased assets						
Sewerage mains and purification						
Motor vehicles						
Other						
Investment properties						
Investment properties	1 000 603		4 899			4 621
	1 000 603		4 899			4 621
Specialised vehicles						
Refuse Fire Conservancy Ambulances						
Buses	413 804	498				(13 765)
	413 804	498				(13 765)
Other assets						
Other motor vehicles	27 925	10 009				(133)
Furniture and fittings	310 760	32 322	35	599		(29 157)
Bins and containers	138 978	15 831	10			(329)
Emergency equipment	13 125	2 683	10			(2 382)
Other plant and equipment	247 002	14 419	214	424		(5 635)
Computer equipment	209 125	21 934				(600)
Other office equipment	265 660	197 483	26	16		(19 269)
Abattoirs Markets Airports Other land and buildings						
Landfill sites	173 296	2 292				
Security measures						
Councillors' regalia						
Watercraft						
Work in progress	495 045	1 128 031				
Other	252 546	5 299				326
	2 133 462	1 430 303	295	1 039		(57 179)
Total	16 706 455	2 738 901	1 838 253	39 962	3 758	(136 687)



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		ACCUMULATED DEPRECIATION						
Transfers R000	Closing balance R000	Opening balance R000	Depreciation charge R000	Capitalisation adjustments R000	Disposals R000	Transfers R000	Closing balance R000	Carrying value R000
	1 010 123							1 010 123
	1 010 123							1 010 123
	400 537	194 657	30 978		(13 481)		212 154	188 383
	400 537	194 657	30 978		(13 481)		212 154	188 383
917	37 801	18 320	6 265		(258)		24 327	13 474
48	315 476	127 880	127 525	607	(10 732)	6	245 286	70 190
	154 538	65 356	26 380		(499)		91 237	63 301
	13 436	4 210	5 407		(1 522)		8 095	5 341
73 126	329 550	117 027	24 553	210	(6 050)	7	135 747	193 803
10 807	241 266	139 041	41 828		(552)	490	180 807	60 459
344	444 260	154 476	99 002	1 001	(36 399)	(79)	218 001	226 259
	175 588	86 184	16 082				102 266	73 322
(788 293)	834 783	10 000	6				10 006	824 777
1 438	259 609	156 012	13 537		254	26	169 829	89 780
(701 613)	2 806 307	878 506	360 585	1 818	(55 758)	450	1 185 601	1 620 706
(323)	21 190 319	3 431 954	909 050	22 638	(86 822)	364	4 277 184	16 913 135



Appendix C – Segmental analysis property, plant and equipment

	COST					
	Opening balance R000	Additions R000	Assets found R000	Capitalisation adjustments R000	Revaluation R000	Transfers R000
CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY	10 705 208	1 361 285	1 838 253	39 752		
Executive Mayor and City Manager	371 519	18 934	6	11		
Finance & Economic Development	94 589	174 424	1	1 446		
Development, Planning, Transportation and Environment	425 489	273 888		3 481		
Health	37 008	12 630				
Community development, Arts, Culture and Heritage	503 417	131 890	1 687	1 795		
Housing	1 197 037	43 575	12 464	13 063		
Corporate Services	102 642	22 944		14		
Johannesburg Metropolitan Police Department	167 344	11 992	8			
Emergency Management Services	100 974	13 675				
All Regions	494 430	39 780	71	2		
Contract Management Unit & Shareholder Unit	6 861	440				
Portfolio Accounts	7 203 898	617 113	1 824 016	19 940		
MUNICIPAL ENTITIES	6 001 247	1 377 616		210	3 758	(323)
The Johannesburg Fresh Produce Market (Pty) Ltd	153 579	62 414				
The Johannesburg Civic Theatre (Pty) Ltd	21 402	600				
The Johannesburg Zoo	4 381	1 031				
City of Johannesburg Property Company (Pty) Ltd	3 274	1 484				
Johannesburg Development Agency (Pty) Ltd	2 852	226				2
Metropolitan Trading Company (Pty) Ltd	152 351	2 979				
City Power Johannesburg (Pty) Ltd	2 227 304	829 771				
Johannesburg Water (Pty) Ltd	2 474 284	421 909				(300)
Pikitup Johannesburg (Pty) Ltd	395 635	35 490				
Johannesburg Roads Agency (Pty) Ltd	41 366	6 180				
Johannesburg City Parks	25 175	8 053		210		
Johannesburg Housing Company (Pty) Ltd	1 676	113				
Johannesburg Tourism Company	2 087	709				
Johannesburg Metropolitan Bus Services (Pty) Ltd	483 869	5 933				(25)
Roodepoort City Theatre (Pty) Ltd	1 624	716				
Johannesburg City Housing Company	10 388	8			3 758	
	16 706 455	2 738 901	1 838 253	39 962	3 758	(323)

		ACCUMULATED DEPRECIATION						
Disposals R000	Closing balance R000	Opening balance R000	Depreciation charge R000	Capitalisation adjustments R000	Transfers R000	Disposals R000	Closing balance R000	Carrying value R000
(113 107)	13 831 391	1 591 159	463 736	22 428		(69 159)	2 008 164	11 823 227
(2 193)	388 277	121 782	31 036	11		(1 761)	151 068	237 209
(30 955)	239 505	51 813	46 879	2 447		(28 995)	72 144	167 361
(10 395)	692 463	108 983	42 528			(8 336)	143 175	549 288
479	50 117	18 475	3 302	1		481	22 259	27 858
(20 226)	618 563	198 607	24 372	108		(536)	222 551	396 012
(31 489)	1 234 650	503 770	34 177	11 324		(17 235)	532 036	702 614
711	126 311	65 883	17 528			290	83 701	42 610
(712)	178 632	87 289	17 346	1		(1 492)	103 144	75 488
555	115 204	63 286	10 198	6		(140)	73 350	41 854
3 222	537 505	138 308	109 715			663	248 686	288 819
695	7 996	5 990	559			(4 794)	1 755	6 241
(22 799)	9 642 168	226 973	126 096	8 530		(7 304)	354 295	9 287 873
(23 580)	7 358 928	1 840 795	445 314	210	364	(17 663)	2 269 020	5 089 908
	215 993	20 784	4 817				25 601	190 392
126	22 128	14 583	1 269			225	16 077	6 051
	5 412	2 354	892				3 246	2 166
	4 758	933	619				1 552	3 206
	3 080	1 259	528				1 787	1 293
(94)	155 236	88 490	1 056			(30)	89 516	65 720
(6 663)	3 050 412	549 650	165 903			(1 343)	714 210	2 336 202
(36)	2 895 857	715 918	170 917		389	(36)	887 188	2 008 669
(333)	430 792	182 478	53 871			(333)	236 016	194 776
(144)	47 402	12 605	3 880			(144)	16 341	31 061
(2 662)	30 776	18 013	3 577	210		(2 513)	19 287	11 489
	1 789	217	320				537	1 252
	2 796	590	609				1 199	1 597
(13 765)	476 012	231 600	36 894		(25)	(13 481)	254 988	221 024
(9)	2 331	1 119	131			(8)	1 242	1 089
	14 154	202	31				233	13 921
(136 687)	21 190 319	3 431 954	909 050	22 638	364	(86 822)	4 277 184	16 913 135



Appendix D – Segmental financial performance

2005 Actual income R000	2005 Actual expenditure R000	2005 Surplus/ (deficit) R000	
7 752 802	6 844 147	908 655	CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
5 020	437 601	(432 581)	Executive Mayor and City Manager
6 524 167	1 761 434	4 762 733	Finance & Economic Development
93 246	148 317	(55 071)	Development, Planning, Transportation and Environment
42 209	31 961	10 248	Health
24 549	145 086	(120 537)	Community development, Arts, Culture and Heritage
266 491	284 109	(17 618)	Housing
118 122	271 846	(153 724)	Corporate Services
319 581	700 498	(380 917)	Johannesburg Metropolitan Police Department
71 124	326 809	(255 685)	Emergency Management Services
95 296	711 104	(615 808)	All Regions
192 997	2 025 382	(1 832 385)	Contract Management Unit & Shareholder Unit
8 596 656	8 046 959	549 697	MUNICIPAL ENTITIES
106 177	88 961	17 216	The Johannesburg Fresh Produce Market (Pty) Ltd
31 791	29 409	2 382	The Johannesburg Civic Theatre (Pty) Ltd
35 311	34 625	686	The Johannesburg Zoo
25 340	20 074	5 266	City of Johannesburg Property Company (Pty) Ltd
23 797	50 017	(26 220)	Johannesburg Development Agency (Pty) Ltd
24 628	25 935	(1 307)	Metropolitan Trading Company (Pty) Ltd
3 577 663	3 225 243	352 420	City Power Johannesburg (Pty) Ltd
3 112 879	2 877 116	235 763	Johannesburg Water (Pty) Ltd
617 621	660 077	(42 456)	Pikitup Johannesburg (Pty) Ltd
384 876	378 891	5 985	Johannesburg Roads Agency (Pty) Ltd
336 435	332 673	3 762	Johannesburg City Parks
10 249	10 057	192	Johannesburg Housing Company (Pty) Ltd
8 066	7 385	681	Johannesburg Tourism Company
293 543	291 193	2 350	Johannesburg Metropolitan Bus Services (Pty) Ltd
5 729	5 122	607	Roodepoort City Theatre (Pty) Ltd
2 551	10 181	(7 630)	Johannesburg City Housing Company
16 349 458	14 891 106	1 458 352	
(2 622 859)	(2 622 859)		Inter-company charges
(220 655)	(220 655)		CJMM inter-departmental charges
13 505 944	12 047 592	1 458 352	Surplus before fair value adjustment

2006 Actual income R000	2006 Actual expenditure R000	2006 Surplus/ (deficit) R000
8 280 858	7 871 073	409 785
6 905	434 138	(427 233)
6 917 493	2 363 941	4 553 552
161 223	258 331	(97 108)
46 621	35 825	10 796
13 881	161 001	(147 120)
147 742	267 443	(119 701)
132 220	334 120	(201 900)
368 486	765 879	(397 393)
88 011	339 859	(251 848)
101 602	868 839	(767 237)
296 674	2 041 697	(1 745 023)
9 208 920	8 490 059	718 861
133 079	129 323	3 756
32 513	30 994	1 519
42 837	41 628	1 209
24 033	23 710	323
26 383	26 068	315
30 499	32 059	(1 560)
3 825 943	3 505 153	320 790
3 372 855	2 949 954	422 901
597 759	655 752	(57 993)
416 207	408 277	7 930
357 053	328 313	28 740
15 411	15 479	(68)
12 440	11 721	719
310 527	310 254	273
6 940	6 871	69
4 441	14 503	(10 062)
17 489 778	16 361 132	1 128 646
(2 878 260)	(2 878 260)	
(264 673)	(264 673)	
14 346 845	13 218 199	1 128 646



Appendix E – Statement of financial performance – actual versus budget (Group) for the year ended 30 June 2006

	2006 Actual R000	2006 Original budget R000	2006 Revised estimate R000	2006 Variance R000	2006 Variance %
Revenue	14 427 248	13 628 118	14 076 588	350 660	2,5%
Property rates	2 918 647	2 936 376	2 986 376	(67 729)	(2,3%)
Service charges	6 666 438	6 822 805	6 909 013	(242 575)	(3,5%)
Regional service council levies	1 905 493	1 574 508	1 714 508	190 985	11,1%
Rental facilities and equipment	63 627	111 749	71 498	(7 871)	(11,0%)
Interest earned – external investments	338 405	162 376	316 332	22 073	7,0%
Interest earned – outstanding debtors	126 770	40 200	53 632	73 138	136,4%
Fines	193 030	200 608	200 678	(7 648)	(3,8%)
Licences and permits	928	256	256	672	262,5%
Income from agency services	146 119	131 758	133 812	12 307	9,2%
Government grants and subsidies	1 370 865	694 935	1 187 959	182 906	15,4%
Other income	524 437	564 405	458 807	65 630	14,3%
Public contributions, donated and contributed property, plant and equipment	133 481	351 142	6 557	126 924	1 935,7%
Gains on disposal of property, plant and equipment	39 008	37 000	37 160	1 848	5,0%
Expenditure	13 298 602	13 228 796	13 820 369	521 767	3,8%
Employee-related costs	3 467 390	3 541 051	3 566 781	99 391	2,8%
Remuneration of Councillors	50 056	48 219	52 719	2 663	5,1%
Bad debts	844 645	904 686	903 397	58 752	6,5%
Collection costs	1 631			(1 631)	0,0%
Depreciation	909 050	1 062 506	940 753	31 703	3,4%
Repairs and maintenance	241 009	210 690	214 986	(26 023)	(12,1%)
Interest on external borrowings	775 344	794 786	753 881	(21 463)	(2,8%)
Bulk purchases	3 490 303	3 686 503	3 519 487	29 184	0,8%
Contracted services	1 368 252	1 437 496	1 536 715	168 463	11,0%
Grants and subsidies paid	142 280	25 399	133 906	(8 374)	(6,3%)
General expenses	1 973 939	1 517 460	2 197 744	223 805	10,2%
Loss on disposal of property, plant and equipment	34 703			(34 703)	0,0%
Net surplus/(deficit) for the year	1 128 646	399 322	256 219	872 427	340,5%

Explanation of significant variances

Additional RSC Levies debtors raised of R121 million. The full amount has been provided for as bad debts.
Dormant housing debtors were identified and closed. Housing stock is being transferred on an ongoing basis through the Retro programme to beneficiaries.

There was a reallocation of deemed interest from individual revenue accounts to interest received, amounting to R76 million.

The MEs budgeted for Government Grants and Subsidies in terms of SA GAAP. The variance was caused due to the conversion of the deferred income to GRAP and GAMAP for consolidation purposes.
Leave accrual has been written back.
The accounting treatments of grants changed in City Power, which was not reflected in the budget and the deferred income.

Improvement in payment levels.

Additional repairs and maintenance were performed by Johannesburg Metropolitan Bus Services (Pty) Ltd.

There was a change in the description of certain expenditure as well as an effort from the Group to reduce the use of external consultants.

Marked-to-market loss on held-for-sale investment of R81,4 million as well as cancelling of inter-company transactions.
The loss on assets mainly relates to the demolition of Orlando Stadium, properties sold by the Johannesburg Property Company and other assets that were scrapped.



Appendix F – CJMM: Related entity transactions

Material transactions with subsidiary companies in 2006

	Subsidies and grants paid R000
The Johannesburg Fresh Produce Market (Pty) Ltd	
The Johannesburg Civic Theatre (Pty) Ltd	13 923
The Johannesburg Zoo	27 752
City of Johannesburg Property Company (Pty) Ltd	5 567
Johannesburg Development Agency (Pty) Ltd	11 433
Metropolitan Trading Company (Pty) Ltd	21 133
City Power Johannesburg (Pty) Ltd	
Johannesburg Water (Pty) Ltd	240 000
Pikitup Johannesburg (Pty) Ltd	461 581
Johannesburg Roads Agency (Pty) Ltd	327 904
Johannesburg City Parks	308 785
Johannesburg Housing Company	9 050
Johannesburg Tourism Company	11 277
Johannesburg Metropolitan Bus Services (Pty) Ltd	222 778
Roodepoort City Theatre	3 700
Johannesburg City Housing Company	
	1 664 883

Material transactions with subsidiary companies in 2005

	Subsidies and grants paid R000
The Johannesburg Fresh Produce Market (Pty) Ltd	
The Johannesburg Civic Theatre (Pty) Ltd	13 300
The Johannesburg Zoo	22 150
City of Johannesburg Property Company (Pty) Ltd	9 465
Johannesburg Development Agency (Pty) Ltd	7 100
Metropolitan Trading Company (Pty) Ltd	16 243
City Power Johannesburg (Pty) Ltd	
Johannesburg Water (Pty) Ltd	240 000
Pikitup Johannesburg (Pty) Ltd	459 800
Johannesburg Roads Agency (Pty) Ltd	309 200
Johannesburg City Parks	293 055
Johannesburg Housing Company (Pty) Ltd	8 800
Johannesburg Tourism Company	7 000
Johannesburg Metropolitan Bus Services (Pty) Ltd	202 300
	1 588 413



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Interest received R000	Interest expense R000	Rates received R000	Electricity expenses R000	RSC levies received R000	Income from billing services R000	Water and sanitation expenses R000
15 934		1 871		554		
603	77			61		
113	101			71		
610	3 895			120		
	811	690		25		
293 756	56 700	4 143	25 833	5 387	22 542	
273 013	35 287			5 721	40 000	38 314
11 963	949	1 209		5 973		
1 709	10 695	90		668		
	11 742	436		686		
				62		
	1 760	121		483		
				75		
597 701	122 017	8 560	25 833	19 886	62 542	38 314

Interest received R000	Interest expense R000	Rates received R000	Electricity expenses R000	RSC levies received R000	Income from billing services R000	Water and sanitation expenses R000
12 608	138	233		277		
		15		67		
79				75		
	6 371			86		
	980			33		
267 892	44 650	13 374	27 209	7 900	21 231	
272 064	21 621	6 326		6 058	47 947	100 770
11 137	3 478	2 315		401		
	7 949	17		402		
	22 206	7		392		
				88		
	4 006			33		
				538		
563 780	111 399	22 287	27 209	16 350	69 178	100 770



Appendix G – Fixed asset additions – actual versus budget

	2006 Original budget R000	2006 Revised budget R000	2006 Variance R000	2006 Variance %	
CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY	1 361 285	1 421 220	1 496 599	135 314	9%
Executive Mayor and City Manager	18 934	10 056	19 326	392	2%
Finance & Economic Development	174 424	234 295	192 049	17 625	9%
Development, Planning, Transportation and Environment	273 888	253 585	307 152	33 264	11%
Health	12 630	12 589	12 861	231	2%
Community development, Arts, Culture and Heritage	131 890	126 450	139 371	7 481	5%
Housing	43 575	234 250	78 278	34 703	44%
Corporate Services	22 944	16 881	24 438	1 494	6%
Johannesburg Metropolitan Police Department	11 992	9 248	12 111	119	1%
Emergency Management Services	13 675	15 998	16 327	2 652	16%
All Regions	39 780	3 101	40 917	1 137	3%
Contract Management Unit & Shareholder Unit Agencies	440	400	456	16	4%
	617 113	504 367	653 313	36 200	6%
MUNICIPAL ENTITIES	1 377 616	1 385 676	1 283 643	(93 973)	(7%)
The Johannesburg Fresh Produce Market (Pty) Ltd	62 414	32 500	58 500	(3 914)	(7%)
The Johannesburg Civic Theatre (Pty) Ltd	600	2 348	348	(252)	infinite %
The Johannesburg Zoo	1 031	200	1 000	(31)	infinite %
City of Johannesburg Property Company (Pty) Ltd	1 484	700	700	(784)	infinite %
Johannesburg Development Agency (Pty) Ltd	226	500		(226)	infinite %
Metropolitan Trading Company (Pty) Ltd	2 979	1 160	8 205	5 226	64%
City Power Johannesburg (Pty) Ltd	829 771	675 178	688 583	(141 188)	(21%)
Johannesburg Water (Pty) Ltd	421 909	556 197	452 436	30 527	7%
Pikitup Johannesburg (Pty) Ltd	35 490	47 961	43 945	8 455	19%
Johannesburg Roads Agency (Pty) Ltd	6 180	10 250	10 250	4 070	40%
Johannesburg City Parks	8 053	49 379	10 375	2 322	22%
Johannesburg Housing Company	113	103	103	(10)	infinite %
Johannesburg Tourism Company	709	400	400	(309)	infinite %
Johannesburg Metropolitan Bus Services (Pty) Ltd	5 933	8 000	8 000	2 067	26%
Roodepoort City Theatre	716	800	798	82	infinite %
Johannesburg City Housing Company	8			(8)	infinite %
	2 738 901	2 806 896	2 780 242	41 341	1%

Explanation of significant variances

The implementation of SAP R3 is slower than originally anticipated.

Some capital projects funded by provincial government will only start in the 2006/07 financial year.

The Geological Museum Display and the Museum Africa projects were delayed and will now be completed in the 2006/07 financial year.

Housing Department did not spend the entire budget allocated because most of the Projects were at a planning stage. This can be quantified with reference to the MIG projects.

Some of the computer equipment and furniture will only be purchased during the 2006/07 financial year.

The Be Safe Centres progressed slower than originally anticipated.

Prior years MIG funding projects now accounted for.

Improvements to buildings from the previous year only completed in the current year.

There were some time delays in contracts. Certain capital expenditure in budget was incorrectly defined as capital expenditure instead of operating expenditure.

Projects from the previous year only completed in the current year.

The strength of SA currency enabled the purchase of computer equipment at a much better rate than anticipated.

Upgrade of the Happiness House Project postponed due to legal constraints.

Current year projects amounting to R1,6 million were transferred to the next financial year.



Appendix H – Disclosures of grants and subsidies in Grants and subsidies received

Name of grant	Name of organ of state or municipal entity	Quarterly receipts					March 2005 R000	June 2005 R000
		March 2005 R000	June 2005 R000	Sept 2005 R000	Dec 2005 R000	March 2006 R000		
Restructuring	Central Government					25 000	14 913	14 913
Financial Management	Central Government			3 000			560	560
Municipal infra-structure	Central Government	35		2 000	574	1 542	33	
HIV/AIDS – Health Department	Province	1 110				3 700	455	
HIV/AIDS – Community Development	Province					1 500		
Health subsidy	Province	20 045	10 825		10 825	21 650	20 045	10 825
HIV/AIDS – Corporate Services	Province			318		358		
Community Development projects	Province	7 389			800	1 700	2 135	3 341
Housing Projects	Province	7 825	47 740	1 526	269		14 872	111 282
Planning projects	Province	1				396 186		98
Cosmo City	Province							
Ambulance subsidy	Province		14 117	14 117	14 117	14 117		21 640
Arts and Culture projects	Province					2 200		
Alexandra renewal project	Province	14 389			6 140	27 385		14 389
Mayoral Aids Fund	Private				27	25		
Carnegie Corporation	Private					4 692	683	272
Vodacom: White City								
Jabavi	Private					1 500		
JMPD Academy Facilities	Private					776		
		50 794	72 682	20 961	32 752	502 331	53 696	177 320



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terms of section 123 of MFMA, 56 of 2003

Quarterly expenditure			Grants and subsidies delayed/withheld					Reason for delay or withholding of funds	Compliance with division of revenue Act
Sept 2005 R000	Dec 2005 R000	March 2006 R000	March 2005 R000	June 2005 R000	Sept 2005 R000	Dec 2005 R000	March 2006 R000		Yes/No
14 913	14 913	14 915							Yes
560	560	560							Yes
	74	390	2						Yes
294	691	569							Yes
	10 825	176							Yes
		21 650					671		Yes
14 823	3 007	241	1 048			545		Not completed	Yes
	24 047	13 673							Yes
		11 556							Yes
24 343	26 802	24 432							Yes
		2 200							Yes
6 140	27 385	95							Yes
	480	95				480	95		Yes
98	55	22							Yes
		745							Yes
		2 861							Yes
61 171	108 839	94 085	1 050			1 025	766		



Appendix I – Bank balances and cash

as at 30 June 2006

Description	Account Number	Bank statement balance			Cash book balance		
		30 June 2004 R000	30 June 2005 R000	30 June 2006 R000	30 June 2004 R000	30 June 2005 R000	30 June 2006 R000
Bank accounts:							
ABSA Primary Bank Account	405-439-4859	102 225	67 093	68 797	102 225	67 093	68 797
ABSA Ordinary Bank Account	405-439-8227						
ABSA Stores Bank Accounts	405-439-8308						
ABSA Licensing Bank Account	405-439-8405						
ABSA Traffic Bank Account	405-439-8332				1 422	2 546	
ABSA Civil Contracts Bank Account	405-439-8455						
ABSA RSC Billing Bank Account	405-439-8439						
ABSA Internal Collection Bank Account	405-439-8421						
ABSA R/D Ordinary Bank Account	405-439-8578						
ABSA Elec. Payments Costs Bank Account	405-439-8497						
ABSA 3rd Party Banking Bank Account	405-439-8489				27	620	994
ABSA Elec. Payments Bank Account	405-439-8463			11 485	(2 372)	6 632	11 480
ABSA Elec. Payment R/D Bank Account	405-442-3511						
ABSA Collections Bank Account	405-442-3561				4 942	6 571	4 438
ABSA R/D Bank Account	405-439-8502						
ABSA RSC Contractors 1 Bank Account	405-448-6339						
ABSA RSC Contractors 2 Bank Account	405-448-6355						
ABSA RSC Contractors 4 Bank Account	405-546-3920						
ABSA RSC Contractors 3 Bank Account	405-546-3881						
ABSA RSC R/D Bank Account	405-546-4023						
ABSA RSC Bank Charges Bank Account	405-546-4049						
ABSA Traffic R/D Bank Account	405-715-4521						
ABSA Licensing R/D Bank Account	405-715-4652						
ABSA Bank Charges Ordinary Bank Account	405-715-4791						
ABSA Licensing Bank Charges Bank Account	405877-9813						
ABSA Traffic Bank Charges Bank Account	405-877-9994						
ABSA Addis Ababa Bank Account	406-052-5145		679	196		679	196
ABSA Arts Alive Bank Account	405-785-5929		433			433	
FNB Treasury Bank Account	620-12152-386	968	95	191	968	95	191
FNB Ordinary Bank Account	506-11838-621						
FNB Licensing Bank Account	620-16397-178						
FNB Traffic Bank Account	620-16397-326						
ABSA Danida Bank Account	405-987-7065			714			366
ABSA Cashier Deposit account	4054394655	5 278	6 369	7 652	538	9 054	7 652
ABSA Trust account	4054423252		(1)	1	(2)	(63)	(6)
ABSA Business account	4054394663				(55)	389	(160)
ABSA RD cheque account	4054394689	1 258	1 042	472	1 258	1 042	472
ABSA Salary account	4054394671	1 099	29	1	1 099	29	1
FNB Business account	62012471257	2 109	1 441	276	2 109	654	276
FNB Cashier deposit account	51390961353				502	786	
ABSA Bank charges account	4055150630				(269)		
ABSA Current Account	4054394859						
Nedbank Limited	1 284 025 993	182	368	159	155	368	159



Description	Account Number	Bank statement balance			Cash book balance		
		30 June	30 June	30 June	30 June	30 June	30 June
		2004	2005	2006	2004	2005	2006
		R000	R000	R000	R000	R000	R000
Bank accounts:							
Nedbank Limited	1 284 111 555			27			27
ABSA Deposit Account	4054400460						
ABSA Gauteng West	40 5439 4778						
ABSA Gauteng West	40 5442 3414						
ABSA Gauteng West	40 5990 8162	742	4		742	4	
FNB Current Account	62 023 810 858	483	506	528	483	516	528
ABSA Current Account	4054 394 825				(26 148)	(41 005)	(17 848)
ABSA Soweto Tourism Centre	4060 801 177		(229)	(2 702)		(229)	(2 702)
ABSA Call Account	9 073 207 905	54	56	59	54	56	59
ABSA Current Account	4 050 839 158						
ABSA Third party payments	405-515-1157						
ABSA Electronic deposits	405-515-1238						
ABSA On site collections	405-479-9051						
ABSA Unpaid collections	405-479-9564						
ABSA Direct deposits	405-439-4728						
ABSA Unpaid cheques	405-439-4760						
ABSA Prepaid account	405-541-8357						
ABSA Sundry revenue accounts	405-463-6689						
ABSA Salaries account	405-439-4752						
ABSA Bank charges	405-439-4744						
ABSA Main cheque account	405-439-4736						
ABSA Expenditure	4 054 394 786						
ABSA Revenue	4 054 394 809						
ABSA Salaries	4 054 394 817						
ABSA Revenue 2 (Debtor deposits)	4 055 177 264						
ABSA Income (Sundry deposits)	4 054 394 702						
ABSA Expenditure	4 054 394 710				(6 152)	(2 424)	(10 572)
ABSA Trust Account	40-5439-8803						
ABSA Operating Account	40-5439-8772						
ABSA Salary Account	40-5439-8811						
ABSA Main	4 054 428 422						
ABSA Cemeteries	4 054 428 391						
ABSA Salary Account	4 055 233 040						
ABSA General account	4 058 050 233	5 137	948	4 905	5 138	355	1 662
ABSA Grant accounts	4 059 925 738		122	128	278	122	128
ABSA	4 057 945 928	658	835	1 004	658	835	1 004
ABSA Main Account	4 054 394 833						(8 448)
ABSA Salary Account	4 054 394 841						
ABSA Current	0570142348	3	4	206		(10)	135
ABSA Computicket	0570147854	15	6	46	15	6	46
ABSA Special Savings	9097335459	172	2	2	172	2	2
ABSA Special Savings	9099384175	1	990	627	1	990	627
Nedbank Limited	1905092075	54	32	48	54	32	48
ABSA	40 5853 6762	7	6	6	7	6	6
ABSA	40 5853 6005	20	4	4	20	4	4
ABSA	91 1288 7111	2 408	16	17	2 408	16	17
Nedbank Limited	15 1106 3270	804	90	99	5 609	89	99
Nedbank Limited	14 6909 5971	105	252	363	105	273	363
Petty cash and float accounts					1 257	1 221	740
TOTAL		123 782	81 192	95 311	97 248	57 787	60 781



Appendix J – Directors' remuneration

as at 30 June 2006

	Johannesburg Fresh Produce Market (Pty) Ltd R000s	Johannesburg Civic Theatre (Pty) Ltd R000s	Johannesburg Zoo R000s	Johannesburg Property Company (Pty) Ltd R000s	Johannesburg Development Agency (Pty) Ltd R000s	Metropolitan Trading Company (Pty) Ltd R000s
Non-executive Directors	478	159	226	227	389	350
Directors' fees	478	159	226	227	389	350
Travel						
Chief Executive Officer	1 130	1 073	1 290	772	1 027	704
Annual remuneration	587	791	1 026	724	804	704
Performance bonus	8	164	264		158	
Car allowance	300	86		48	62	
Contributions to UIF, medical and pension funds	235	32			3	
Chief Finance Officer	812	477	343		709	622
Annual remuneration	549	362	319		579	622
Performance bonus		56	24			
Car allowance	194	36			112	
Contributions to UIF, medical and pension funds	69	24			18	
Other Executive Directors						
Annual remuneration						
Performance bonus						
Car allowance						
Contributions to UIF, medical and pension funds						
Senior Management	3 610	1 567	3 140	2 449	870	508
Annual remuneration	2 274	1 151	2 691	1 884	532	508
Performance bonus	191	156	449	250	117	
Car allowance	569	129		315	216	
Contributions to UIF, medical and pension funds	576	131			5	



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City Power Johannesburg (Pty) Ltd R000s	Johannesburg Water (Pty) Ltd R000s	Pikitup Johannesburg (Pty) Ltd R000s	Johannesburg Roads Agency (Pty) Ltd R000s	Johannesburg City Parks R000s	Johannesburg Social Housing Company (Pty) Ltd R000s	Johannesburg Tourism Company R000s	Johannesburg Metropolitan Bus Services (Pty) Ltd R000s	Roodepoort City Theatre R000s
1 900	968	562	686	518	379	85	283	103
1 855 45	968	562	686	518	379	85	283	102 1
2 052		1 475	972	1 220	571	949	1 500	794
1 318 513 98 123		1 018 286 140 31	972	984 203 32 1	529	696 68 108 77	1 258	794
1 282	401	956	631	1 025	741	749	540	335
857 167 140 118	257 23 74 47	734 153 68 1	631	733 171 120 1	564 23 154	510 51 70 118	412 108 20	335
	5 855	1 791						
3 691 752 701 711	982 246 402 161							
11 177	2 628	2 631	2 569	4 494	1 690	522	1 388	221
7 213 886 1 500 1 578	1 617 156 529 326	1 649 249 322 411	2 569	3 373 728 393	1 346 67 203 74	377 21 55 69	907 312 169	221



